Annual Report
2014

Part 2
Corporate Governance
Compensation Report 2014
Financial Report 2014

HUBER+SUHNER
Excellence in Connectivity Solutions

The HUBER+SUHNER Annual Report 2014
consists of two parts:
Part 1 Annual Report
Part 2 Corporate Governance
Compensation Report 2014
Financial Report 2014

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

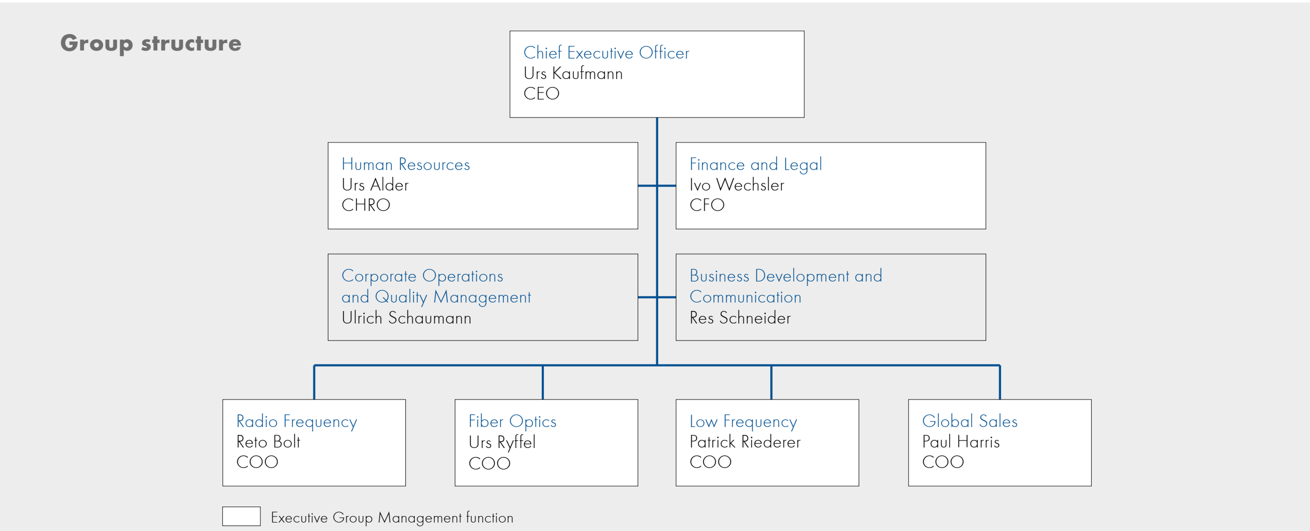
Contents

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 following Corporate Governance report is structured according to the Directive on Corporate Governance (DCG) published by the SIX Swiss Exchange. All details refer to the closing date on 31 December 2014 – unless otherwise indicated.

1 Group structure and shareholders



1.1 Group structure

The HUBER+SUHNER Group operational management is structured as a matrix organisation. It is made up of the three divisions, Radio Frequency, Fiber Optics and Low Frequency on the one side, and of Global Sales with seven regions on the other side. At Group level, the four service units Human Resources, Finance and Legal Services, Global Operations and Quality Management, Corporate Development and Communication support the Chief Executive Officer (CEO).

Listed Group company

HUBER+SUHNER AG, headquartered in Herisau AR, Switzerland, is the holding company for the HUBER+SUHNER Group. Its shares are listed in the main segment of the SIX Swiss Exchange with the security number 3'038'073. More formation about market capitalisation, shares and capital stock is disclosed in the section Share Data on page 74.

Non-listed Group companies

Information about the HUBER+SUHNER AG Group companies, of which none are listed, is presented in the Note to the Group Financial Statements under Group companies on page 63.

1.2 Significant shareholders

Significant shareholders who hold a share worth three or more percent according to the share register at the end of the year, are:

Voting rights share	31/12/2014
H. C. M. Bodmer / Abegg Holding [1]	11.88 %
Metrohm AG [1]	10.62 %
S. Hoffmann-Suhner [1]	6.18 %
EGS Beteiligungen AG [1]	3.33 %
Huwa Finanz- und Beteiligungs AG [1]	3.17 %

[1] No disclosures were received from these significant shareholders in the reporting year.

The company holds 756 640 treasury shares (726 640 treasury stock and 30 000 other treasury shares).

HUBER+SUHNER AG has not published any disclosures in connection with shareholder participation as per article 20 BEHG in the reporting year. Disclosures can be viewed in the database for the SIX Swiss Exchange significant shareholders: www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html.

The HUBER+SUHNER Board of Directors is not aware of any shareholders' agreements or other agreements with significant shareholders with respect to the company's registered shares held by them or to the exertion of shareholder rights.

1.3 Cross-shareholdings

The HUBER+SUHNER Group has not agreed to any capital or voting cross-shareholdings with other companies.

2 Capital structure

2.1/2.2 Capital/Authorised and conditional capital in particular

The HUBER+SUHNER share capital is fully deposited and, on the balance sheet date, amounts to CHF 5 050 000. Authorised and conditional capital does not exist. More information about the share capital is disclosed in the Notes to the Group Financial Statements under Share capital on page 61.

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 capital stock is divided into 20 200 000 registered shares, each with voting rights and a nominal value of CHF 0.25. HUBER+SUHNER has issued neither participation nor dividend right certificates.

2.6 Limitations on transferability and nominee registrations

In line with the articles of association, only those people who are registered in the shareholders register are recognised in relation to the company as a shareholder with voting rights or as a beneficiary with voting rights. The Board of Directors can deny registration as a shareholder with voting rights for the following reasons:

a) if the purchaser, due to recognition as a shareholder, were to directly or indirectly acquire more than 5 % of the total number of registered shares entered in the Company Register,
b) to the extent that the purchaser's recognition as a shareholder could, according to the information available to them, hinder the company from providing the records required by federal law about the composition of its circle of shareholders,
c) if the purchaser, at the request of the company, does not expressly state that it has acquired the shares in its own name and for its own account and will hold them.

Private individuals, legal entities and business partnerships with mutual associations through capital, voting rights, management or in any other way, as well as individuals or legal entities and legal communities that are coordinated for the purpose of circumventing registration restrictions, shall be regarded as a single purchaser. The registration restrictions also apply when purchasing registered shares resulting from exertion of subscription, option and conversion rights.
The Annual General Meeting is required to make a decision about cancelling or modifying registration restrictions to registered shares. At least two-thirds of the represented share votes and the absolute majority of nominal value of the shares issued must agree to this.
Nominees are fundamentally not recognised for the position as a shareholder with voting rights.

In line with the regulations for registering HUBER+SUHNER AG registered shareholders in the share register, the Board of Directors is empowered to disregard the stated limit of 5 % in special cases, particularly to ease the tradability of registered shares and in connection with company mergers and to increase the stability of the shareholder base by way of new core shareholders.

In the reporting year, the Board of Directors did not allow any exceptions regarding the registration restrictions.

2.7 Convertible bonds and options

HUBER+SUHNER AG does not have any outstanding convertible bonds or any shareholder or employee options.

3 Board of Directors

3.1/3.2 Members of the Board of Directors/ Other activities and vested interests

The HUBER+SUHNER AG Board of Directors must consist of at least five members. Ms Monika Bütler and Mr Urs Kaufmann were newly elected to the Board of Directors at the Annual General Meeting on 9 April 2014. Mr David Syz, who retired after reaching retirement age, was appointed Honorary Chairman.

With the exception of Urs Kaufmann (delegate of the Board of Directors and Chief Executive Officer), all members of the Board of Directors are non-executive; they do not participate in the management of the Group. They also do not have any significant business relationships with HUBER+SUHNER AG or other Group companies. All of the non-executive members did not belong to either the HUBER+SUHNER Executive Group Management or one of its Group companies in the three years before the reporting period.

The incumbent Chairman of the Board of Directors, Mr Erich Walser, passed away unexpectedly on 30 December 2014.
The present Deputy Chairman, Mr Beat Kälin, has been appointed Chairman by the Board of Directors for the remaining term of office until the next ordinary Annual General Meeting. He will be proposed for election as Chairman of the Board of Directors at the Annual General Meeting of 31 March 2015.

On 31 December 2014 the Board of Directors comprised of the following seven persons:

Dr Beat Kälin
Deputy Chairman of the Board of Directors
1957, Swiss citizen, Deputy Chairman of the Board of Directors since 2014, Board of Directors since 2009

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

Other activities and vested interests
None

Dr Peter Altorfer
1953, Swiss citizen, Board of Directors since 1995

Education and professional background
Dr. iur. University of Zurich. Admitted to the Bar of Zurich, PED at the IMD, Lausanne. 1982 to 1987, worked at Bank Leu AG, Zurich. Since 1988, lawyer in Zurich, since 2000 at Wenger & Vieli AG, Zurich.

Other activities and vested interests
Member of the Board of Directors at Forbo Holding AG, Baar, agta record ag, Fehraltorf, Abegg Holding AG*, Zurich, Werner Abegg funds, Zurich, Altin AG, Baar, and other non-listed companies, including private and foreign banks in Switzerland.

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

Education and professional background
Degree in Mathematics/Physics at the University of Zurich and doctorate in Economics at the University of St. Gallen.
Assistant Professor at the University of Tilburg in the Netherlands (1997 – 2001) and Professor at the University of Lausanne (2001–2004). Since 2004, Professor of Economics and since 2008, Director of the Swiss Institute for Empirical Economic Research (SEW) at the University of St. Gallen.

Other activities and vested interests
Member of the Board of Directors at Schindler Holding AG, Hergiswil and member of the Board of Directors at Suva, Lucerne. Member of the Bank Council at the Swiss National Bank, Zurich.

Dr Christoph Fässler
1952, Swiss citizen, Board of Directors since 2013

Education and professional background
Chemical engineer ETH Zurich. 1980 to 1986, Holcim in the United States, Egypt, Brazil and, most recently, as a plant manager in Mexico. 1986 to 1998, Manager at Forma Vitrum AG, St.Gallen. 1998 to 2004, Division Manager at Schott, Germany. Since 2005, CEO and delegate of the Board of Directors, Metrohm AG*, Herisau.

Other activities and vested interests
Member of the Board of Directors at the Alba Group, Appenzell, Elvy Weaving, Egypt and Cabana AG, Herisau.

Urs Kaufmann
1962, Swiss citizen, Board of Directors since 2014
Delegate of the Board of Directors and Chief Executive Officer (CEO)

For education and professional background and other activities and vested interests, see 4.1.

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

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

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

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

Education and professional background
Dipl. Ing. ETH Zurich. 1988 to 1998, various positions in product development and product management at Bombardier Transportation. 1999 to 2004, Head of Development Train Control and 2005 to 2010, Head of International Business Rail Automation at Siemens Schweiz AG, Wallisellen. From 2011 to June 2014, Vice President of Sales and member of the management at Duagon AG, Dietikon. Since July 2013, Head of Sales and member of the management at Ruf Telematik AG, Schlieren.

Other activities and vested interests
None

Honorary chairmen:
Henry C. M. Bodmer, 1930*
Marc C. Cappis, 1935
David W. Syz, 1944

* Significant shareholders at HUBER+SUHNER AG

3.3 Rules in the articles of association on the number of permitted activities pursuant to Art. 12(1) No. 1 OaEC (Ordinance against Excessive Compensation at Listed Joint-Stock Companies)

As per article 30 of the articles of association, a Member of the Board of Directors may hold up to 5 posts as a member of the management board or administrative body of other listed legal entities. In addition, a Member of the Board of Directors may hold up to 20 posts as a member of the management board or administrative body of non-listed legal entities and 10 posts as a member of the management board of foundations and associations.

3.4 Elections and terms of office

According to legal provisions, all Members of the Board of Directors, the Chairman and the members of the Nomination and Compensation Committee are elected annually and individually. The articles of association do not allow for any different election rules. The term of office of a Member of the Board lasts until the end of the next Annual General Meeting. Re-election is possible. Please refer to 3.1/3.2 for the first election per member. The Members of the Board resign at the Annual General Meeting in the year in which they turn 70 years of age.
The Annual General Meeting also chooses the independent voting representative each year. The term lasts until the end of the next Annual General Meeting. Re-election is possible.

3.5 Internal organisational structure

The Board of Directors exercises overall management, supervision and control over the management of the Group. Except for the election of the Chairman and the Members of the Nomination and Compensation Committee by the Annual General Meeting, the Board of Directors constitutes itself. The Board of Directors may appoint the Deputy Chairman from among its members, as well as a Secretary who does not need to be a Board Member.

Working practices of the Board of Directors

The Board of Directors meets as often as business requires, albeit at least five times a year. The Chairman – or if he is unable to attend, the Deputy Chairman or another Member of the Board – chairs the Board of Directors. He sets the dates of meetings and the agenda. He also ensures that Members receive the agenda and decision documents at least ten days before the meetings. In addition to the delegate of the Board of Directors/CEO, the CFO also attends meetings of the Board of Directors as a representative of Executive Group Management. Depending on the business being discussed, other members of Executive Group Management may take part.
Decisions are taken by the entire Board of Directors. The Board of Directors has a quorum if the majority of its members is present. It takes decisions by a majority of the votes cast. In a tie, the Chairman has the casting vote. Delegation is not permissible. All decisions and negotiations are recorded in the minutes and approved by the Board of Directors.

Five regular half-day Board of Directors meetings and a one-day "strategy workshop" together with the entire Executive Group Management took place in the reporting year.

The Chairman of the Board of Directors maintains on-going and close contact with the CEO and makes decisions regarding the disclosure of facts relevant to shares or the adoption of posts outside the company by members of Executive Group Management. In addition, he is responsible for monitoring implementation of and compliance with decisions made by the Annual General Meeting and the Board of Directors, as well as for informing all other members of the Board of Directors in a regular and timely manner.

The composition and working practices of the committees

The Board of Directors has established two permanent committees for support, the Nomination and Compensation Committee and the Audit Committee.
The tasks and competencies, as well as the working practices of the committees are defined in detail in the Annex to the HUBER+SUHNER AG Bylaws. The committees support the Board of Directors in its supervisory and control tasks and are primarily responsible for advice, assessment and preparation; they are made up as follows:

	Nomination and Compensation Committee	Audit Committee
Erich Walser, Chairman of BoD	Chairman [1]	
Beat Kälin, Deputy Chairman of BoD	Member [2]	
Peter Altorfer, Member of BoD	Member [3]	Chairman
Monika Bütler, Member of BoD		Member

[1] until 30 December 2014
[2] from 26 January 2015 Chairman (appointment by Board of Directors)
[3] from 26 January 2015 (appointment by Board of Directors)

The committees meet as often as business requires, albeit at least twice a year. Minutes are taken at each meeting and sent to all meeting participants and to all Members of the Board of Directors. The committee chairmen report at the next Board of Directors meeting about the business discussed and make any proposals to the full Board of Directors.

The Nomination and Compensation Committee (NCC)

The committee consists of at least two non-executive Members of the Board of Directors elected by the Annual General Meeting. If the office of one of the members elected by the Annual General Meeting becomes available, the Board of Directors appoints the missing member of the committee from among its members for the remaining term.

The committee prepares all the relevant decisions relating to nominating and compensating members of the Board of Directors and the Executive Group Management and relating to the Group's compensation policy.
The CEO attends the meetings, except if his own performance is being assessed or his own remuneration is being proposed, and if necessary the CHRO (Head of Human Resources). The committee held two half-day meetings in the reporting year.

The Nomination and Compensation Committee has the following main tasks:

- Managing the selection process and applications relating to new Board Members and the CEO
- Checking the selection process of other members of the Executive Group Management and the essential employment conditions
- Preparing the compensation report
- Preparing proposals to the Annual General Meeting for the compensation votes for the attention of the full Board of Directors
- Reviewing and requesting the individual remuneration of the CEO and the other members of the Executive Group Management in the context of the maximum compensation amounts approved by the Annual General Meeting

- Deciding upon the annual salary adjustments within the Group proposed by the CEO
- Informing the Board of Directors about all NCC-related events which are not directly the responsibility of the full Board of Directors

Audit Committee (AC)

The committee consists of at least two members. The Board of Directors appoints the members and designates the chairman annually. The committee supports the Board of Directors with financial management, supervision of accounting, financial reporting, internal auditing and cooperation with the external auditors. It decides on urgent technical matters. The duties and responsibilities assigned to the Board of Directors as per the Bylaws and the law remain with the Board of Directors as a whole body.

The CFO, CEO, the Head of Corporate Controlling and the external auditors take part in the committee meetings. If necessary, the committee will address certain agenda items alone with the external auditors. The committee held two half-day meetings in the reporting year.

The Audit Committee has the following main tasks:

- Reviewing the design of the accounting system and compliance with regulations and standards and, if necessary, proposing amendments for the attention of the Board of Directors
- Reviewing the yearly and half-yearly financial statements and other financial information to be published
- Monitoring the handling of risk management and the effectiveness of the internal control system (ICS)
- Reviewing controlling
- Monitoring business activity with regard to compliance with internal regulations and policies, relevant legislation and compliance, in particular with regard to the requirements of the SIX Swiss Exchange
- Verification of performance, independence and payment of external auditors, and addressing audit reports and election recommendations for the attention of the full Board of Directors
- Determining the audit plan for internal auditors and addressing their audit reports
- Informing the Board of Directors about all Audit Committee-related events which are not directly the responsibility of the full Board of Directors

3.6 Definition of areas of responsibility

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

The Board of Directors exercises overall management, supervision and control over the management of the Group. It issues guidelines for business policy and makes decisions about all matters that are not reserved for, or assigned to, the Annual General Meeting or another company body by law, by the articles of association or the Bylaws. The Board of Directors in particular approves the strategy and organisation requested by the Executive Group Management, the budgets, medium-term plans and other business that is of strategic importance due to its nature or financial magnitude. Written requests are also made if the Board of Directors has to make a decision about projects.

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

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

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

Regular reporting by Executive Group Management to the Board of Directors also consists of a monthly written commentary from the CEO about the progress of business and the Group's result which is sent to all Board Members along with the monthly statement, and also of minutes from the monthly Executive Group Management meetings which are submitted to the Chairman.

The attendance of Executive Group Management members (especially by the CEO and CFO) at the Board of Directors' meetings and its committees is described in section 3.5 Internal organisational structure.

During the Board of Directors' meetings, the CEO provides information about the current progress of business and about major business transactions; the CFO explains the yearly and half-yearly statements. Each Member of the Board can also ask for information about any HUBER+SUHNER Group matters.

The Board of Directors is also closely involved in the company's planning cycle. It receives the strategic objectives for approval in the third quarter and the results of the medium-term plan, which covers a period of 5 years. A detailed budget for the coming year is approved in the fourth quarter. In addition, the Board of Directors receives a forecast for the expected annual results twice a year.

Internal auditing at HUBER+SUHNER is the responsibility of Corporate Controlling. The Head is subordinate to the CFO, but reports directly to the Audit Committee regarding this activity. This solution tailored to the specific situation and size of HUBER+SUHNER is very cost effective and ensures that the expertise gained in the internal audits can be used by the appropriate employees in Controlling without any loss of information. A plan is prepared annually with the Group companies to be audited based on a financial risk assessment and in consultation with the external auditors. This is then submitted to the Audit Committee for approval. The audit priorities are, in particular, compliance with internal policies, processes and reviews and implementing the internal control system. The results of each audit are discussed in detail by the internal auditors with the relevant companies, and concrete improvement measures are agreed. The internal audit reports for the audits carried out are submitted, together with the suggestions for improvements, to the Audit Committee, the CEO, the CFO, the COO Global Sales, the management of the audited company and the external auditors. Audit reports with key findings are presented to the Audit Committee and discussed. The Audit Committee checks annually that the main complaints and suggestions are processed.

The internal control system (ICS) is assessed annually by the external auditors in a comprehensive report to the Audit Committee and the Board of Directors and its existence confirmed.

Risk management of the HUBER+SUHNER Group and all Group companies is laid down in the Board of Directors risk policy and in the Executive Group Management regulations relating to risk management. In the reporting year, the Executive Group Management checked the progress and effectiveness of the measures implemented and made a selection and reassessment of the significant financial, operational and strategic risks. This was based on its own top-down estimates and on bottom-up data from divisions and Group companies. The risks were categorised according to probability of occurrence and financial impact. In addition, mitigating measures were defined for every listed risk, and operational responsibility was regulated. The evaluated risks and the on-going and planned measures were presented in the 2014 Risk Report to the entire Board of Directors for review and approval. After extensive discussions, the Board of Directors approved the risk assessment on 8 December 2014, and adopted the 2014 Risk Report (the same information about risk management is also listed as per article 663b OR (Swiss Code of Obligations) in the "Notes to the Group Financial Statements").

4 Executive Group Management

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

Executive Group Management is the highest-level management body; it assists the CEO with his operational management tasks. It deals with all business and decisions that are important for the company. On 31 December 2014, Executive Group Management consisted of the following seven persons:

Urs Kaufmann
1962, Swiss citizen, Delegate of the Board of Directors
and Chief Executive Officer (CEO)

Education and professional background
Dipl. Ing. ETH Zurich. Senior executive program IMD. 1987 to 1993, project, production, and sales manager at Zellweger Uster AG, Uster and USA. With HUBER+SUHNER since 1994: 1994 to 1997, general manager of Henry Berchtold AG, a HUBER+SUHNER AG Group company; 1997 to 2000, divisional head and member of business management; Member since 2001, Chief Executive Officer since 2002 and additionally since 2014 Delegate of the Board of Directors.

Other activities and vested interests
Member of the Board SFS Holding AG, Heerbrugg, Gurit Holding AG, Wattwil and Müller Martini Holding AG, Hergiswil. Executive committee member, SWISSMEM.

Urs Alder
1958, Swiss citizen, Human Resources
(Chief Human Resources Officer)

Education and professional background
HR management, Harvard Business School. 1976 to 1990, at Swissair AG, Kloten, most recently as Head of the Training Section. Since 1991 at HUBER+SUHNER as Divisional Head of Human Resources and Head of Human Resources Switzerland, from 2003 Head of Human Resources for the Group. Since 2006, member of Executive Group Management.

Other activities and vested interests
Board member of the Appenzell Ausserrhoden Industry Association.

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

Education and professional background
Dipl. Ing. ETH Zurich. With HUBER+SUHNER since 1993; from 1993 to 1996, as an operations and production engineer, from 1997 to 1998, as Head Of Procurement Logistics, from 1999 to 2003, Head of Production, Radio Frequency Division with responsibility for the global production network, from 2004 to 2006, Head of Global Management System and, from 2007 to 2012, Head of the Cable Systems Technology unit. Since July 2012, Head of the Radio Frequency Division and member of Executive Group Management.

Other activities and vested interests
None

Paul Harris
1957 English citizen, Global Sales
(Chief Operating Officer Global Sales)

Education and professional background
Degree in Mechanical and Production Engineering, IOD, Institute of Directors, London. 1978 to 1992, at Amphenol UK, most recently as General Manager. With HUBER+SUHNER since 1992: 1992 to 2001, Managing Director HUBER+SUHNER (UK) Ltd., Bicester, England; since 2001, Head of Global Sales and member of the Executive Group Management.

Other activities and vested interests
None

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

Education and professional background
Chemist HTL Zurich University Winterthur. With HUBER+SUHNER since 1991, from 1991 to 1994 material development engineer, from 1994 to 1998 product manager, from 1998 to 2002 Head of Cable Technology Product Management, from 2002 to 2007 Head of Cable Technology. Since 2008, Head of the Low Frequency Division and member of Executive Group Management.

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

Urs Ryffel
1967 Swiss citizen, Fiber Optics
(Chief Operating Officer Fiber Optics)

Education and professional background
Dipl. Ing. ETH Zurich. INSEAD executive education, France. 1992 to 1999, at ABB Schweiz in Baden and Zurich as a project manager, manager of the Business Development department of ABB Kraftwerke AG and manager of the global business unit Hydro Power Plant Service. 1999 to 2002, at ALSTOM as a general manager in Lisbon for the Hydro Power segment, then in Paris for Hydro Power Plants and Systems. With HUBER+SUHNER since 2002 as Head of Rollers business unit; 2004 to 2007, Head of the Cable System Technology unit. Since 2007, Head of Fiber Optics Division; since 2008 member of Executive Group Management.

Other activities and vested interests
None

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

Education and professional background
Lic. oec. HSG (St. Gallen). 1995 to 1997, Schweizerische Bankgesellschaft (UBS) in Corporate Finance in Zurich/London. 1997 to 2000, Sunrise Communications, Rümlang, controller and from 1999, Head of Controlling & Treasury. 2001 to 2007, Ascom Group, Bern, Head of Corporate Controlling and from 2005 also Head of Corporate Treasury. With HUBER+SUHNER since 2008 as Head of Corporate Controlling; since 2010, HUBER+SUHNER Group CFO and member of Executive Group Management.

Other activities and vested interests
None

The following changes in Executive Group Management take place in 2015: starting 1 April 2015, Ulrich Schaumann, Head of Corporate Operations and Quality Management, will be member of Executive Group Management. Starting 1 May 2015, Drew Nixon will replace Paul Harris as COO Global Sales. Starting 1 July 2015, Patricia Stolz will replace Urs Alder as Chief Human Resources Officer.

4.3 Rules in the articles of association on the number of permitted activities pursuant to Art. 12(1) No. 1 OaEC

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

4.4 Management contracts

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

5 Compensation, shareholdings and loans

Information about the compensation, shareholdings and loans of the Board of Directors and Executive Group Management are summarised in the Compensation Report on pages 14 to 18 and in the Financial Report on pages 47 to 50 in part 2 of this Annual Report.

6 Shareholders' participation rights

The voting rights and representation restrictions were adapted and the shareholder agenda rights improved for the purpose of adapting the articles of association for implementing the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC).

6.1 Voting rights restrictions and representations

Each share equates to one vote. There are no voting power restrictions in the articles of association for the shareholder who acquires proxy voting for other shareholders as long as his own and proxy shares do not make up more than 10 % of the total share capital. Representatives who are not shareholders also cannot represent more than 10 % of the total share capital. Private individuals, legal entities and business partnerships with mutual associations through capital, voting rights, management or in any other way, as well as private individuals, legal entities and business partnerships which form groupings for purposes of circumventing registration limitations, shall be considered as single persons. The restriction does not apply to the independent proxy.

As per the articles of association, it is possible for a delegate, in the form of an independent proxy with written or electronic authorisation or another private individual or legal entity (who does not need to be a shareholder) with written authorisation to represent another shareholder at the Annual General Meeting.
The Board of Directors may decide on exceptions to restrictions on voting rights and representation. The Board of Directors did not grant any exceptions in the reporting year.

Powers of representation and voting instructions to the independent delegate are granted in accordance with legal provisions.

6.2 Quorums required by the articles of association

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

1. Relaxation or cancellation of the limitations on the transferability of registered shares
2. Conversion of registered shares into bearer shares
3. Dissolution of the company.

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

Convening the Annual General Meeting and placing items on the agenda are done in compliance with articles 699 and 700 OR. Deviating from this, Article 9 of the articles of association stipulates that the represented minimum nominal value for eligible shareholders placing an item on the agenda must be CHF 50 000. The Board of Directors must be informed of the wish to place an item on the agenda and be given the proposals in writing no later than 60 days prior to an Annual General Meeting.

6.5 Entries in the share register

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

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 Exchange and Securities Trading).

7.2 Clauses on changes of control

There are no provisions in the employment contracts with Executive Group Management or other board members that refer to a change of control.
The share blocking periods are not repealed when members of the Board of Directors or Executive Group Management resign. According to the HUBER+SUHNER AG Compensation Policy, the Board of Directors can prematurely repeal existing blocking periods in special circumstances such as a change in control on request by the Nomination and Compensation Committee.

8 Auditors

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

PricewaterhouseCoopers AG, Zurich, or its legal predecessor Schweizerische Treuhandgesellschaft, has acted as auditor for HUBER+SUHNER AG and various Group companies since 1969. The current lead auditor, Mr. Christian Kessler, has been in office since 22 April 2009. His tenure as lead auditor is restricted to a maximum of seven years as per article 730a(2) Swiss Code of Obligations. The auditors are elected by the Annual General Meeting for a term of one year.

8.2/8.3 Auditing fees/Additional fees

PricewaterhouseCoopers charged CHF 431 000 for auditing the Group Financial Statements and the individual financial statements of different Group companies during the reporting year and CHF 246 000 for various additional services (of which CHF 197 000 for tax and reorganisation advice and CHF 49 000 for other consultations).

8.4 Information instruments pertaining to the external audit

The Audit Committee informs the Board of Directors of the external auditors' work and collaboration. Each year, the external auditors create an audit plan, a confirmation of "analytical inspection" of the half-yearly financial statements and a comprehensive report on the annual financial statements with findings about accounting, the internal control system, the Compensation report (chapter 5) and the audit implementation and results for the attention of the Board of Directors and the Audit Committee. The Audit Committee assesses the annual scope of the audit and the audit plans and discusses the audit findings with the external auditors. The external auditors took part in both Audit Committee meetings in the reporting year.
The Audit Committee annually assesses the external auditors' performance, impartiality and fees and submits a proposal to the Board of Directors suggesting which external audit company the Annual General Meeting should elect.
The reports and presentations composed by the auditors, the discussions in the meetings, the factual and objective perspectives and the technical and operational expertise form the basis for assessment.
The Audit Committee reviews the appropriateness and the scope of the various additional services provided by the external auditors. If the planned additional services exceed the maximum amount set by the Audit Committee, the Audit Committee must be informed of this in advance.

9 Information policy

As a listed company, HUBER+SUHNER informs its internal and external stakeholders actively, completely and in good time with a view to remaining a credible and sustainable business partner. The SIX Swiss Exchange regulations, legal provisions and internal guidelines are important bases.
The results of operations in accordance with IFRS are published in the yearly report and the half-yearly report and presented at the media and analyst conference and at the Annual General Meeting. Further regular press releases show the development of net sales and orders: At the end of January regarding the past financial year and at the end of October regarding the first three quarters of the current year. The current dates and contact information can be found in the Financial calendar on page 75 of this Annual Report.

Additional 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).

The CEO is responsible for corporate communications. He is supported by the CFO in investor relations.

Website: www.hubersuhner.com
Important dates and all the latest news are listed on the website under Company/Investors, as are the Bylaws and the articles of association. Press releases are available on subscription under Company/Information Service.

Corporate news and ad-hoc announcements
www.hubersuhner.com/en/Company/Media/News

Investor information
www.hubersuhner.com/en/Company/Investors

Articles of Association
www.hubersuhner.com/en/Company/Investors/
Corporate-Governance

Bylaws
www.hubersuhner.com/en/Company/Investors/
Corporate-Governance

Compensation Report 2014

COMPENSATION REPORT

The Compensation Report contains information about the compensation principles, establishment procedures and compensation components for the Members of the Board of Directors and Executive Group Management which, up to now, were included in the Corporate Governance Report and in the HUBER+SUHNER Group Financial Statements.

1 Guidelines and responsibilities

Guidelines

The HUBER+SUHNER Group's success depends heavily on the quality and commitment of its employees. The compensation policy aims to attract skilled managers and employees and to gear their activities towards the company's goals and a long-term career with HUBER+SUHNER.
Payments are made according to the following principles:

– Performance-based and market-driven compensation
– Contribution towards the success of the company
– Transparency and clarity

The principles for the compensation of Members of the Board of Directors and Executive Group Management are laid down in Articles 23 (Compensation approval), 24 (Compensation of the Board of Directors), 25 (Compensation of the Executive Group Management), 26 (Principles of success and performance-related compensation), 27 (Principles for allocating shares), 28 (Additional amount) and 29 (Activities for Group companies) of the articles of association.

The granting of credit and loans, as well as benefits outside of the occupational pension scheme is only allowed after adopting a relevant provision of the articles of association, in accordance with Article 12(2) No. 1 OaEC. No such articles of association-based provision was established in the last review of the articles of association, in compliance with the company's previous practice.

Responsibilities

The Board of Directors is responsible for regulating general questions regarding compensation. The compensation models relevant for the Board of Directors and Executive Group Management are outlined in a compensation policy approved by the Board of Directors. The Board of Directors is supported in its work by the Nomination and Compensation Committee. The committee reviews the principles and prepares all relevant decisions concerning compensation of the members of the Board of Directors and Executive Group Management. The composition, main tasks and working practices of the Nomination and Compensation Committee are laid down in the Corporate Governance Report on pages 7 and 8.

2 Compensation of the Board of Directors

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

a) Remuneration
b) Long-term incentive (in the form of shares)
c) Social security benefits

a) Remuneration

Each member of the Board of Directors receives equal fixed basic remuneration in cash. Additionally, members also receive an extra allowance for taking on a post as Chairman or Deputy Chairman of the Board of Directors and for sitting on the permanent committees (Nomination and Compensation Committee and Audit Committee). The responsibility and the increased workload of the various functions are therefore accounted for individually.

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

In addition, the members of the Board of Directors receive a long-term incentive annually in the form of a fixed number of company shares Chairman 4000 shares, Deputy chairman 2000 shares, other members 1200 shares) with a blocking period of at least three years. The share blocking periods are not revoked on retirement from the Board of Directors.

c) Social security benefits

The obligatory contributions towards social security out of the remuneration paid to members of the Board of Directors are also covered by the company. No contributions are made to the pension fund for the non-executive members of the Board of Directors.

Members of the Board of Directors receive lump-sum expenses to cover their actual expenses, which are, therefore, not part of compensation. Attendance allowances were abolished as of closing of the 2014 Annual General Meeting.

Payment of remuneration or the transfer of shares requires the approval of the Annual General Meeting. The basic remuneration including a post-related allowance (cash compensation) and the shares are paid out or transferred accordingly at the end of the year in office. In case of early termination of the annual post the member concerned receives pro rata compensation. The amount of the fee and market value of the shares are fully accrued in accordance with the accrual principle in the financial statements of the corresponding financial year.

If company management is delegated to a Board member, this member is only compensated for his work as CEO.

3 Compensation for Executive Group Management

The total compensation for a member of Executive Group Management essentially reflects the responsibility assigned, qualifications, complexity of the task, achievement of goals and local market conditions in the machinery, electrical and metal industries.
International compensation analyses for selected management positions are conducted, as required, by a consulting company specialising in international salary benchmarks. These comparisons help to determine Executive Group Management salaries. The elements assessed are short-term incentives (basic salary and bonus), long-term incentives (shares) and complementary benefits (pension fund, other compensation). Switzerland-based, internationally operating industrial companies are used as the basis for determining the comparator groups. The criteria are annual net sales, size of workforce, industry (manufacturing related companies) and structures with similar complexity (divisional structure, diversified product portfolio, international activity, etc.). This consulting firm does not have any other roles at HUBER+SUHNER.

Remuneration for the members of the Executive Group Management consists of the following components:
- a) Fixed basic salary
- b) Variable performance components
  - b1) Cash bonus
  - b2) Long-term incentive (in the form of shares)
- c) Pension and other social security benefits

a) Fixed basic salary

Executive Group Management members receive a fixed base salary which is paid monthly in cash. This is determined individually and takes into account the individual member of the Executive Group Management's role and responsibility. It also includes allowances such as child or education allowances, anniversary compensation and other compensation for relocation to carry out business activities outside the country of residence.

b) Variable performance components

b1) Cash bonus

The Executive Group Management variable compensation system is based on the MbO (management by objective) process that applies to the entire Group. Success and performance-related compensation is defined based on a set target bonus (this corresponds to a 100 % target achievement). The target bonus for the Executive Group Management members, which is defined on an individual basis based on the ratio to the fixed basic salary, is between 40 % and 60 % for the CEO, and between 20 % and 50 % respectively for the remaining Executive Group Management members.
40 % (50 % for the CEO) of the bonus is contingent upon reaching the weighted Group financial targets 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 60 % (50 % for the CEO) of the bonus is contingent upon reaching measurable individual divisional and management targets.
These individual targets are set and weighted annually in a structured target-setting process by the Chairman of the Board of Directors and the CEO and the CEO and the members of Executive Group Management. Failure to reach targets means that no bonus is paid. Surpassing all targets may increase the bonus to a maximum of 1.5 times the target bonus.
Payment is made following approval by the Annual General Meeting. The amount of the bonus is fully accrued in accordance with the accrual principle in the financial statements of the corresponding financial year.

b2) Long-term incentive (in the form of shares)

The members of Executive Group Management receive a variable number of HUBER+SUHNER shares each year as long-term compensation. The annual number of target shares for the CEO is 4000 shares, and between 800 and 2000 shares for the other members of Executive Group Management. The number of shares effectively allotted annually (number of target shares multiplied by a factor between 0.5 and 1.5) is determined by the Board of Directors and is driven by the long-term business success, which is assessed based on the factors “market environment”, “strategy implementation” and “financial situation”. A lock-in period of at least 3 years applies for the allotted shares. The share blocking periods are not repealed on resignation.

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

c) Pension and other social security benefits

Regulatory contributions to social security and accident insurance schemes, and contributions to pensions from the compensations paid to the members of Executive Group Management are borne by the company.

Additional information

The Executive Group Management members' employment agreements envisage a notice period of 6 months, which can be extended to a maximum of 12 months by the employer under special circumstances. If the employment relationship is terminated by notice, the person entitled to compensation loses his eligibility for allotment of shares for the current financial year. All other entitlements remain in force on a pro rata basis.

Executive Group Management members receive an expense allowance for actual minor expenses – these are therefore not part of the compensation – as per the expenses policy approved by the appropriate tax authorities.

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

4 Determining method

The compensation for the Board of Directors and its committees and the compensation of the CEO and other Executive Group Management members are determined annually by the full Board of Directors at the end of the financial year in February, subject to approval by the Annual General Meeting at the request of the Nomination and Compensation Committee.

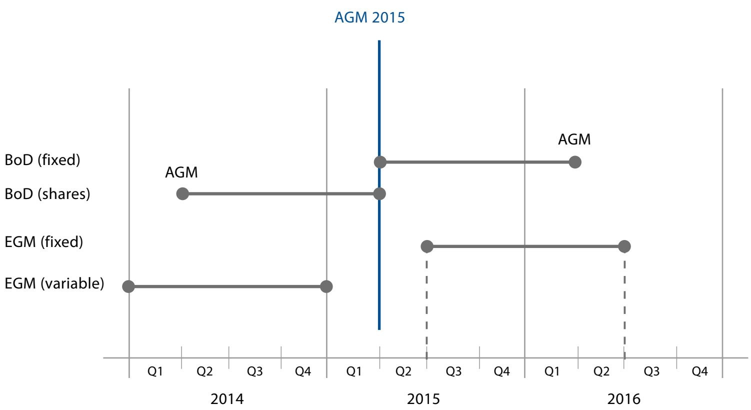
This relates to the amount of the basic fee and extra allowances for the members of the Board of Directors for the coming term of office, and the fixed number of shares for the current year. For the Executive Group Management members, this is the amount of the basic salary for the period from 1 July to 30 June of the following year, the target bonus amount and the number of target shares for the current financial year. In addition, the previous financial year's target attainment (financial Group targets, individual division and management target, share allocation factor) for the Executive Group Management members is assessed and set by the entire Board of Directors at the request of the Nomination and Compensation Committee.

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

The Annual General Meeting (for the first time at the 2015 AGM) gives final approval of the maximum compensation for the Board of Directors (BoD) and Executive Group Management (EGM), as shown in the table below, as follows:

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

Compensation vote at the 2015 AGM



5 Sums paid in remuneration to members of Board of Directors and to members of Executive Group Management for 2014

Board of Directors' compensation 2014

The members of the Board of Directors received TCHF 460 fixed compensation for the reporting year (previous year TCHF 498). Subject to approval by the Annual General Meeting, share-based compensation amounting to TCHF 597 (previous year TCHF 589) was also awarded. This amount is based on the market value of a total of 12 000 shares, divided into 3 000 shares at the share price of CHF 47.90 from 9 April 2014 (for the period from 1 January to 9 April 2014) and 9 000 shares at the share price of CHF 47.40 from 30 December 2014 (for the period from 10 April 2014 to 31 December 2014). No compensation was paid to former members of the Board of Directors.

The total compensation for the Board of Directors for the reporting year was therefore TCHF 1 058. This is down 3 % on the previous year which is mainly due to the abolition of attendance fees since the Annual General Meeting 2014.

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

An overview of the shareholdings of the members of the Board of Directors at HUBER+SUHNER AG can be found on page 48 of the 2014 Financial Report.

Compensation for the Board of Directors (BoD)

		Fixed compensation [1]		Share-based compensation [2]		Total compensation		Number of allotted shares	
in CHF 1000		2014	2013	2014	2013	2014	2013	2014	2013
D. Syz [a]	Chairman of BoD	35	136	48	188	82	324	1 000	4 000
E. Walser [b]	Chairman/Deputy Chairman of BoD	120	86	166	94	286	180	3 500	2 000
B. Kälin [c]	Deputy Chairman/Member of BoD	73	52	95	63	168	114	1 800	1 200
P. Altorfer [d]	Member of BoD	59	62	63	63	122	125	1 200	1 200
M. Bütler [e]	Member of BoD	43	–	47	–	90	–	900	–
A. Déteindre [f]	Member of BoD	–	24	–	16	–	40	–	300
C. Fässler [g]	Member of BoD	42	34	57	42	99	76	1 200	900
U. Kaufmann [h]	Delegate of BoD/CEO	–	–	–	–	–	–	–	–
G. Müller	Member of BoD	48	52	63	63	111	114	1 200	1 200
R. Seiffert	Member of BoD	42	52	57	63	99	114	1 200	1 200
Total		460	498	597	589	1 058	1 087	12 000	12 000

1) Basic salary and extra allowances including social security contributions, attendance fees up to and including the 2014 AGM
2) Share-based compensation is calculated at the share price of CHF 47.90 (for the part of the actual allocation from 9 April 2014) (previous year CHF 46.85) and of CHF 47.40 (as of year-end 2014) (previous year CHF 46.90) for the outstanding amount including social security. Outstanding shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

a) Chairman and Chairman of the NCC until 9 April 2014
b) Deputy Chairman and Chairman of the AC and Member of the NCC until 9 April 2014; Chairman and Chairman of the NCC from 10 April 2014
c) Deputy Chairman and Member of the NCC from 10 April 2014
d) Member of the AC until 9 April 2014; AC Chairman from 10 April 2014
e) Member of the Board of Directors and Member of the AC from 10 April 2014
f) Member of the Board of Directors until 10 April 2013
g) Member of the Board of Directors from 11 April 2013
h) Member of the Board of Directors from 10 April 2014; if business management is delegated to a Board member, he is only compensated for his work as CEO.

Executive Group Management compensation 2014

The Executive Group Management members received fixed compensation of TCHF 2 920 (previous year TCHF 2 853) for the reporting year. Executive Group Management was – subject to approval by the Annual General Meeting – also awarded variable compensation of TCHF 2 338 (previous year TCHF 1 654). This includes stock-based compensation based on the market value totalling 20 400 shares (previous year 13 600 shares) at a share price of CHF 47.40 (previous year CHF 46.90) on 30 December 2014. No compensation was paid to former Executive Group Management members.

The total compensation for the Executive Group Management for the reporting year was, therefore, TCHF 5 258 (previous year TCHF 4 507). Compared to the previous year this is equivalent to an increase of 17 %, which is mainly due to higher variable compensation.

Compensation for Executive Group Management	Highest individual compensation [1]		Total Executive Group Management	
in CHF 1000	2014	2013	2014	2013
Basic salary [2]	593	584	2 337	2 269
Contributions to social security and pension funds on fixed compensation	175	179	583	584
Total fixed compensation	768	763	2 920	2 853
Variable compensation	448	310	1 215	916
Share-based compensation [3]	284	188	967	638
Contributions to social security on variable compensation	45	27	156	100
Total variable compensation	777	525	2 338	1 654
Total compensation	1 545	1 288	5 258	4 507
Number of allotted shares	6 000	4 000	20 400	13 600

1) U. Kaufmann (CEO and delegate of the Board of Directors (since 10 April 2014))
2) Including extra allowances
3) Based on year-end share price of CHF 47.40 (previous year CHF 46.90). Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

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

An overview of the shareholdings of Executive Group Management members at HUBER+SUHNER AG can be found on page 49 in the 2014 Financial Report.

Report of the Statutory Auditors

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the General Meeting on the compensation report 2014

We have audited pages 17 to 18 of the compensation report of HUBER+SUHNER AG for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of HUBER+SUHNER AG for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

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

Winterthur, 23 February 2015

Financial Report 2014

HUBER+SUHNER Group Financial Statements

Key Figures

in CHF million	2014	2013	Change
Order intake	768.1	683.4	12.4 %
Order backlog as of 31.12.	186.2	149.2	24.8 %
Net sales	748.5	719.7	4.0 %
Gross margin	35.8 %	34.3 %	
EBITDA	101.1	83.9	20.5 %
as % of net sales	13.5 %	11.7 %	
EBIT	69.0	51.6	33.7 %
as % of net sales	9.2 %	7.2 %	
Net financial result	4.8	(3.6)	n/a
Net income	59.2	32.5	82.2 %
as % of net sales	7.9 %	4.5 %	
as % of average shareholders' equity	9.1 %	5.5 %	

Purchases of PP&E and intangible assets	42.5	25.8	65.0 %
Net cash from operating activities	78.0	115.9	(32.7 %)
Free cash flow	(28.9)	85.7	n/a
Net liquidity	143.3	169.8	(15.6 %)
Shareholders' equity	673.6	622.8	8.2 %
as % of balance sheet total	80.5 %	83.0 %	
Balance sheet total	837.0	750.7	11.5 %

Employees as of 31.12.	3 891	3 503	11.1 %
Employees, yearly average	3 789	3 739	1.3 %

Market capitalisation as of 31.12.	921.6	912.7	1.0 %

Data per share (in CHF)			
Stock market price as of 31.12.	47.40	46.90	1.1 %
Net income	3.05	1.67	82.3 %
Shareholders' equity	34.65	32.00	8.3 %
Dividend	1.40[1)]	0.80	75.0 %

[1)] proposed dividend

Commentary on the Financial Report

Order intake and net sales

HUBER+SUHNER achieved a significant increase in order intake by 12 % to CHF 768 million (previous year CHF 683 million) in the reporting year 2014. Net sales rose by 4 % to CHF 749 million (previous year CHF 720 million). Net sales increased organically by 5 %, and due to the acquisition of Cube Optics by 31 October 2014, the HUBER+SUHNER Group's growth through acquisitions is 1 %. The foreign currency and copper effect was –2 %.

The Fiber Optics Division achieved growth in net sales of 11 % to CHF 250 million (previous year CHF 226 million), again due to the geographical diversification of successful Fiber-to-the-Antenna applications (FTTA). Another reason for the increase in sales of Fiber Optics is the acquisition of Cube Optics AG in Mainz. It ideally complements the existing Fiber Optics product portfolio, and contributed almost 3 % to growth in net sales. Net sales in the Radio Frequency Division showed excellent growth by 8 % to CHF 235 million (previous year CHF 218 million). This was due to the successes in wireless networks and the increase in the railways section. In the Low Frequency Division, sales decreased by 4 % to CHF 264 million (previous year CHF 276 million). In the main market, transport, net sales were maintained at the previous year's high level, whereas the industrial market showed a decline in sales, once again due to the negative base effect in the solar segment.

The APAC (Asia-Pacific) region returned to growth in terms of regional net sales development and recorded rapid growth of 48 %. The Swiss domestic market grew by 1 %. Net sales decreased by 2 % in the EMEA region (Europe, Middle East and Africa, excluding Switzerland). Following the boom in the previous year, the AMERICAS region (North and South America) recorded an expected drop in net sales of 24 %.

In the reporting year, the largest HUBER+SUHNER end user market was China with CHF 119 million (previous year CHF 82 million), followed by Germany with CHF 113 million (previous year CHF 131 million) and the USA with CHF 96 million (previous year CHF 138 million).

Operating profit (EBIT) and EBITDA

In 2014, the profitability could again be significantly improved. In the reporting year, EBIT reached CHF 69 million (previous year CHF 51.6 million), representing an EBIT margin of 9.2 % (previous year 7.2 %). The EBIT margin thus exceeded the target range of 6–9 %.

As well as very satisfying growth in net sales, one significant factor influencing the improved profitability is the further improved gross margin which increased to 35.8 % (previous year 34.3 %). Negative special factors amounting to CHF 2.6 million burdened the EBIT in the reporting year. These are mainly due to restructuring as well as due to a positive special factor from the sale of industrial premises in Pfäffikon. In the previous year, negative special factors totalled CHF 12.0 million. These were mainly due to restructuring, IAS 19 expenses as well as allowances attributable to the solar crisis.

The positive development is also reflected in the profitability of the three divisions. The Radio Frequency Division was again able to increase its double-digit EBIT margin with a positive EBIT of CHF 33 million to 14.0 % (EBIT in the previous year CHF 28 million, EBIT margin 12.7 %). Due to good net sales, the Fiber Optics Division again achieved a strong EBIT of CHF 27 million with a double-digit EBIT margin of 10.6 % (EBIT in the previous year CHF 28.0 million, EBIT margin 12.4 %). The Low Frequency Division had a positive EBIT of CHF 12 million (previous year CHF 0.5 million) despite falling net sales. In doing so, it achieved the main objective of creating a successful financial turnaround by improving profitability. The EBIT margin is 4.6 % (previous year 0.2 %).

The EBIT recognised under Corporate of CHF –2.8 million (previous year CHF –4.4 million) consists of the costs for central Group functions and individual items of Group income and expenses which cannot be allocated to the three operational divisions. In 2014, a profit from the industrial premises sold in 2011 in Pfäffikon and building land sold in 2014 in Pfäffikon was recognised in the amount of CHF 2.1 million (previous year CHF 0.6 million). In 2014, one-time income from a former divestment was recognised in the amount of CHF 1.7 million.

Depreciations and amortisations for property, plant and equipment and intangible assets amounted to CHF 32.1 million (previous year CHF 32.2 million). During the reporting year, investments were made totalling CHF 42.5 million (previous year CHF 25.8 million). Investments in 2014 include, among others, the finalisation of the cable plant and the associated production facilities in China and the purchase of a building for the European logistics centre in Switzerland in the division Low Frequency. The EBITDA, i.e., the operating profit before depreciations, was CHF 101.1 million or 13.5 % of net sales (previous year CHF 83.9 million, 11.7 %).

Net financial result

Due to the strengthening of the USD in the reporting year, HUBER+SUHNER recognised a net currency gain of CHF 5.1 million (previous year CHF –3.5 million) which essentially arose from USD currency gains at balance sheet closing date. The total net financial result amounts to CHF 4.8 million (previous year CHF –3.6 million).

Income tax

The recognised income tax amounts to CHF 14.6 million (previous year CHF 15.5 million), representing an effective income tax rate of 19.8 % (previous year 32.3 %). The reduction in the effective income tax rate is primarily due to the fact that, compared to the previous year, the Swiss and Chinese shares in profits increased in the total net income and, at the same time, the American share in profit is far lower (due to a lower volume of business in America). In addition, a reassessment of deferred tax items had an effect last year.

Net income

Thanks to the stronger operating results, positive net financial result and lower income tax expenses, net income increased significantly by 82.2 % to CHF 59.2 million (previous year CHF 32.5 million). The profit per share (undiluted and diluted) is CHF 3.05 (previous year CHF 1.67).

Acquisition of Cube Optics

On 31 October 2014, HUBER+SUHNER took over the German company Cube Optics. Cube Optics develops, manufactures and sells multiplexer products and systems, i.e., wavelength-division multiplexing products (WDM products and systems) which are based on high-precision injection moulding technology and the latest fiber optic technology and are part of Fiber Optics Division. The purchase price was CHF 53 million and was financed from own capital resources. Net assets and intangible assets were acquired for trademarks and technology in the value of CHF 26 million. Goodwill amounting to CHF 27.3 million was recognised as the result of the acquisition. The acquisition of Cube Optics had an impact on the HUBER+SUHNER Group consolidated financial statement in the financial year on net sales of CHF 6.0 million and on EBIT of CHF 1.0 million (acquisition date 31 October 2014). The acquired intangible assets will, in the future, lead to annual additional amortisation of CHF 2.0 million.

Consolidated balance sheet

The consolidated balance sheet continues to show a very solid financial structure in the reporting year. The balance sheet total increased by 11 % to CHF 837 million (previous year CHF 751 million). On the assets side, cash (cash, cash equivalents and marketable securities) decreased by CHF 26 million to a total of CHF 143 million (previous year CHF 170 million); this was mainly attributable to the acquisition of Cube Optics. Furthermore, investments in property, plant and equipment and intangible assets increased by CHF 62 million to CHF 306 million (previous year CHF 244 million).

On the liabilities side, shareholders' equity increased by CHF 51 million to CHF 674 million (previous year CHF 623 million). By applying IAS 19 (revised) for valuation of pension obligations, CHF –4 million were recognised through other comprehensive income. The equity ratio continues to remain high at 81 % (previous year 83 %).

Operative net working capital (excluding cash and cash equivalents) increased by 9 % to CHF 240 million (previous year CHF 221 million) and represented 32 % (previous year 31 %) of consolidated net sales at the end of the year. On the one hand, the increase resulted from the increase in trade receivables caused by the growth in net sales to CHF 131 million (previous year CHF 103 million) and the increase in inventories to CHF 167 million (previous year CHF 147 million). On the other hand, trade payables increased to CHF 47 million (previous year CHF 24 million).

Cash flow

In the reporting year, HUBER+SUHNER achieved a negative, free operating cash flow of CHF –12 million (previous year CHF 96 million). This is essentially the result of a, compared to previous year, smaller but positive cash flow from operating activities of CHF 78 million (previous year CHF 116 million), associated with higher expenditures for investments in property, plant and equipment and intangible assets totalling CHF 43 million (previous year CHF 26 million) and the cash outflow for the acquisition of Cube Optics for CHF 49 million.

HUBER+SUHNER paid out an increased dividend of CHF 15.6 million (previous year CHF 9.7 million) compared to last year.

All these factors together led to a negative free cash flow of CHF –29 million (previous year CHF 86 million).

Dividend proposal

With the statutory annual profit 2014 of HUBER+SUHNER AG, Herisau AR, of CHF 51.4 million and retained earnings brought forward from the previous year of CHF 196.2 million, retained profit of CHF 247.6 million is available to the Annual General Meeting for distribution of profits. At the Annual General Meeting on 31 March 2015, the Board of Directors will propose the disbursement of a gross dividend of CHF 1.40 per registered share for the 2014 financial year (previous year CHF 0.80). This corresponds to a total dividend of CHF 27.2 million (previous year CHF 15.6 million), which represents a dividend ratio of 46 % (previous year 48 %).

Share price and market capitalisation

The price of HUBER+SUHNER registered shares increased by 1 % from CHF 46.90 to CHF 47.40 at the end of the reporting year. The SPI main index increased in the same period by 13 %. At year-end market capitalisation amounted to CHF 922 million (previous year CHF 913 million). The average daily volume of HUBER+SUHNER shares traded on the stock exchange and outside the stock exchange decreased from approximately 12 300 titles in 2013 to around 10 100 in the reporting year.

Consolidated Income Statement

in CHF 1000	Notes	2014	%	2013	%
Net sales	7	748 503	100.0	719 713	100.0
Cost of goods sold		(480 778)		(473 128)	
Gross profit		267 725	35.8	246 585	34.3
Marketing and selling expenses		(112 928)		(108 933)	
General and administrative expenses		(58 982)		(56 304)	
Research and development expenses		(28 137)		(27 144)	
Other operating expenses	8	(4 591)		(4 940)	
Other operating income	8	5 915		2 358	
Operating profit (EBIT)	7	69 002	9.2	51 622	7.2
Financial income	9	11 922		2 079	
Financial expense	10	(7 105)		(5 707)	
Income before taxes		73 819	9.9	47 994	6.7
Income taxes	11	(14 590)		(15 480)	
NET INCOME		59 229	7.9	32 514	4.5

Data per share (in CHF)	Notes	2014	2013
Earnings per share	34	3.05	1.67
Diluted earnings per share	34	3.05	1.67
Dividend		1.40 [1]	0.80

[1] proposed dividend

Statement of Comprehensive Income

in CHF 1000	Notes	2014	2013
Net income		59 229	32 514
Items that may be transferred subsequently to the income statement:			
Currency translation differences		11 503	(1 613)
Items that will not be transferred subsequently to the income statement:			
Remeasurement of post-employment benefit obligations	14	(4 127)	47 892
Income taxes		624	(7 184)
Total other comprehensive income		8 000	39 095
TOTAL COMPREHENSIVE INCOME		67 229	71 609

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

Consolidated Balance Sheet

in CHF 1000	Notes	31.12.2014	%	31.12.2013	%
Assets					
Cash and cash equivalents	19	133 286		144 789	
Marketable securities	20	10 000		25 000	
Trade receivables	21	131 299		103 323	
Other current assets	22	21 936		14 981	
Inventories	23	166 824		147 427	
Tax assets		1 737		5 023	
Prepaid expenses		1 306		1 014	
Total current assets		466 388	55.7	441 557	58.8
Property, plant and equipment	26	199 003		180 620	
Investment property	26	2 080		2 084	
Intangible assets	27, 28	107 519		63 392	
Financial assets	29	48 373		51 933	
Deferred tax assets	11	13 632		11 104	
Total non-current assets		370 607	44.3	309 133	41.2
TOTAL ASSETS	7	836 995	100.0	750 690	100.0
Liabilities and shareholders' equity					
Short-term debt		–		–	
Current other liabilities	31	82 811		50 750	
Current tax liabilities		11 953		14 241	
Current provisions	32	9 665		10 473	
Accrued liabilities		12 947		10 724	
Total current liabilities		117 376	14.0	86 188	11.4
Long-term debt		–		–	
Non-current other liabilities		163		12	
Non-current provisions	32	10 507		9 942	
Deferred tax liabilities	11	35 326		31 738	
Total non-current liabilities		45 996	5.5	41 692	5.6
Total liabilities	7	163 372	19.5	127 880	17.0
Share capital	33	4 861		4 865	
Share premium		31 300		32 194	
Retained earnings		637 462		585 751	
Total shareholders' equity		673 623	80.5	622 810	83.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		836 995	100.0	750 690	100.0

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

Consolidated Cash Flow Statement

in CHF 1000	Notes	2014	2013
Net income		59 229	32 514
Income taxes		14 590	15 480
Net income before taxes		73 819	47 994
Depreciation and impairment of property, plant and equipment and investment property	26	25 294	26 227
Amortisation and impairment of intangible and financial assets	27, 28, 29	6 770	6 022
Other non-cash items		(3 487)	8 288
Gain/loss on disposal of property, plant and equipment	8	(584)	(411)
Change in trade receivables		(16 639)	50 439
Change in inventories		(9 960)	11 924
Change in other current assets		(7 118)	5 360
Change in trade payables		18 888	(25 783)
Change in provisions and other liabilities		4 300	(3 769)
Income tax paid		(13 159)	(10 320)
Interest paid		(130)	(60)
Net cash from operating activities		77 994	115 911
Purchases of property, plant and equipment	26	(39 649)	(23 393)
Proceeds/disbursements from disposal of property, plant and equipment	26	1 687	5 712
Purchases of intangible assets	27	(3 667)	(2 544)
Purchases/sales of financial assets		77	(238)
Purchases/sales of marketable securities and derivative financial instruments	20	14 972	(24 550)
Received income from marketable securities		–	–
Interest received		396	481
Purchase of subsidiaries less purchased net cash	5, 27	(48 743)	–
Net cash from investing activities		(74 927)	(44 532)
Payment of dividend		(15 578)	(9 737)
Payment/repayment of long-term debt		–	–
Purchase/sale of treasury shares		(1 407)	(509)
Net cash from financing activities		(16 985)	(10 246)
Effect of exchange rate changes on cash		2 415	(745)
Net change in cash and cash equivalents		(11 503)	60 388
Cash and cash equivalents at beginning of year		144 789	84 401
Cash and cash equivalents at end of year	19	133 286	144 789
Net change in cash and cash equivalents		(11 503)	60 388

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 31.12.2012	4 868	32 700	545 215	(21 336)	523 879	561 447
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
Net income	–	–	59 229	–	59 229	59 229
Other comprehensive income	–	–	(3 503)	11 503	8 000	8 000
Dividend paid	–	–	(15 578)	–	(15 578)	(15 578)
Changes in treasury shares [1]	(4)	(894)	60	–	60	(838)
Balance at 31.12.2014	4 861	31 300	648 908	(11 446)	637 462	673 623

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

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 23 February 2015 and released for publication on 10 March 2015. They are subject to the approval of the Annual General Meeting on 31 March 2015.

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

New standards and interpretations and amendments to published standards whose application is obligatory for financial years beginning 1 January 2014:

- 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) – Impairment of assets: recoverable amount disclosures (1 January 2014)
- IAS 39 (revised) – Novation of derivatives and continuation of hedge accounting (1 January 2014)
- IFRIC 21 – Levies (1 January 2014)

Group management has evaluated these standards and interpretations together with the annual improvements and has concluded that, with the exception of IAS 36 (revised), these 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 2014:

- IFRS 5 – Non-current assets held for sale and discontinued operations (1 January 2016)
- IFRS 9 – Financial instruments (1 January 2015)
- IFRS 15 – Revenue from contracts with customers (1 January 2017)
- IAS 28 – Investments in associates and joint ventures (1 January 2016)
- Annual improvements 2012–2014

HUBER+SUHNER Group has decided not to adopt these changes early. These standards and interpretations will be applied when they become effective, if relevant for the HUBER+SUHNER Group. The impact of IFRS 15 is currently under review.

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. Property, plant and equipment 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 transferred for the financial year after approval by the Annual General Meeting in 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 2014 for discussion and approval to the Board of Directors. After an intensive review the Board of Directors has agreed on 8 December 2014 on the risk assessment and approved the Risk Report 2014.

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, 20 % to 80 % of anticipated net cash flows per currency are hedged. Neither net investments in foreign subsidiaries nor Group loans in foreign currency are 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 2014	Less than 1 year	1–5 years	After 5 years	Total cash flows
Economical cash flow hedge outflow	44 034	–	–	44 034
Economical cash flow hedge inflow	42 169	–	–	42 169

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

Due to the high value creation in Switzerland and balance sheet positions in foreign currency HUBER+SUHNER Group is primarily exposed to foreign exchange risks of the Swiss franc against EUR, USD, CNY and BRL.
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 ± 10 % (previous year, ± 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		2014		2013
	Financial result ± 10%	Other comprehensive income ± 10%	Financial result ± 5%	Other comprehensive income ± 5%
USD / CHF	± 2.7	± 1.3	± 1.7	± 0.6
EUR / CHF	± 5.9	–	± 0.6	–
CNY / CHF	± 1.3	–	± 0.6	–
BRL / CHF	± 1.5	–	± 0.5	–

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. In the reporting year the effective losses on trade receivables are below 0.1 % of net sales per annum (see also note 21). Attributable to recovery and insolvency proceedings of customers in the solar industry, in the previous year the effective loss on trade receivables amounted to 1.7 % of net sales 2013.

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	31.12.2014	31.12.2013
Cash and cash equivalents	133.3	144.8
+ Marketable securities	10.0	25.0
= Liquidity reserves	143.3	169.8

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 2014	Total balance sheet position	Cash flows			
		Less than 1 year	1–5 years	After 5 years	Total cash flows
Trade payables and other liabilities	78 484	78 484	–	–	78 484
Derivative financial instruments	2 259	2 259	–	–	2 259

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

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 fulfil those objectives, HUBER+SUHNER can adjust the amount of the dividend and return capital to shareholders, issue new shares or sell assets.

The Group monitors and manages 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	31.12.2014	31.12.2013
Return on equity	9.1 %	5.5 %
Equity ratio	80.5 %	83.0 %
Net liquidity	143.3	169.8

All amounts are in CHF 1000

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

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 2014	Level 1	Level 2	Level 3	Total
Marketable securities	–	–	–	–
Derivative financial instruments	–	130	–	130

Financial liabilities as of 31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial instruments	–	2 259	–	2 259

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

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:

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.

All amounts are in CHF 1000

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 31 October 2014 HUBER+SUHNER acquired the Mainz-based German company Cube Optics AG. The purchase price was CHF 53.4 million (EUR 44.3 million).
Cube Optics AG develops, produces and sells wavelength-division multiplexing (WDM) products and systems based on high-precision injection moulding technology and state-of-the-art fiber optic technology.
Compared with competitor products, these patented solutions offer low space requirements, high quality and excellent performance. WDM products and systems provide a cost-efficient solution for boosting the data transmission rate of fiber optic connectivity and networks. The portfolio thus ideally complements the existing product range of HUBER+SUHNER, especially in the strategic market segments of data centres and Fiber to the Home. The company's core competence consists of significantly increasing the performance of existing fiber optic cables. Cube Optics is part of the Fiber Optics Division.

Established in 2000, Cube Optics currently employs around 140 people in Mainz. In addition to its headquarters and research centre in Mainz, Cube Optics has at its disposal local sales partners in various markets. In 2014 the company contributed net sales of CHF 6.0 million to HUBER+SUHNER Group's net sales and CHF 1.0 million of EBIT (acquisition date was 31 October 2014).

For the reported year-end closing the preliminary values of net assets, intangible assets and resulting goodwill are as follows:

Effect of acquisition	Book value	Fair value adjustment	Fair Value
Cash and cash equivalents	2 511	–	2 511
Trade receivables	7 214	–	7 214
Other current assets	667	–	667
Inventories	3 936	(30)	3 906
Prepaid expenses	62	–	62
Property, plant and equipment	2 687	–	2 687
Intangible assets	43	–	43
Financial assets	300	–	300
Deferred tax assets	–	4 292	4 292
Current other liabilities	(3 479)	–	(3 479)
Current tax liabilities	(836)	–	(836)
Current provisions	(189)	–	(189)
Accrued liabilities	(1 294)	–	(1 294)
Non-current other liabilities	(157)	–	(157)
Non-current provisions	(247)	(180)	(427)
Deferred tax liabilities	–	(4 907)	(4 907)
Intangible assets from acquisition	–	15 713	15 713
Acquired net assets	11 218	14 888	26 106
Goodwill			27 262
Total purchase price			53 368
Cash flow view			
Consideration in cash			53 368
Retained payment			(2 114)
Reduction for purchased net cash			(2 511)
Net cash outflow			48 743

From the acquisition a goodwill results of CHF 27.3 million, which represents the strategic benefits out of the business combination. These include future growth potential of the complementary product portfolios and synergies for example in the area of research and development. The acquired intangible assets of CHF 15.7 million include trademark and technology of Cube Optics. They are amortised over a period of seven (trademark) and eight years (technology) and will lead to an additional amortisation of CHF 2.0 million per annum. The total acquisition costs of CHF 0.2 million have been recognised in the reporting year 2014 under administrative expenses in the Corporate segment.

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.

All amounts are in CHF 1000

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.

A complete list of all Group companies can be found on page 63.

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	31.12.2014	31.12.2013
1 EUR	1.20	1.22
1 USD	0.99	0.89
100 CNY	15.84	14.59
1 GBP	1.53	1.46
1 AUD	0.80	0.79
1 BRL	0.37	0.38
100 INR	1.55	1.43

Average rates for the consolidated income and cash flow statement	2014	2013
1 EUR	1.21	1.23
1 USD	0.92	0.93
100 CNY	14.87	15.05
1 GBP	1.51	1.45
1 AUD	0.82	0.89
1 BRL	0.39	0.43
100 INR	1.50	1.57

7 Segment information

The segment reporting of HUBER+SUHNER consists of three operational Divisions and Corporate.

Radio Frequency: Based on well-founded knowledge and many years of experience, HUBER+SUHNER develops and produces radio frequency and microwave products for the global market. The product portfolio is extremely 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: Due to the broadband needs of today's communication fiber optic solutions are implemented more and more into mobile and fixed line networks. 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 Fiber Optics 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. Customer-specific systems for in-house, fiber optic and hybrid cabling as well as comprehensive fiber management systems are increasingly gaining in significance.

Low Frequency: The Low Frequency Division at HUBER+SUHNER is responsible for high-quality RADOX cables, which reliably fulfil the requirements of demanding applications under adverse conditions. At its own global production locations, the company designs and manufactures individual cores and cables based on plastic compounds specially developed for insulation and jackets. State-of-the-art manufacturing is made possible through ongoing investments in the machine fleet and extensive quality testing certified according to ISO-TS 16949, IRIS, ISO 9001 and ISO 14001. HUBER+SUHNER manufactures pre-assembled cables and ready-to-connect cable systems based on RADOX cables. HUBER+SUHNER fulfils individual customer requirements with customised solutions and extensive market-specific know-how. 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	2014	2013
Radio Frequency	234 985	217 903
Fiber Optics	249 916	226 251
Low Frequency	263 602	275 559
Total net sales	748 503	719 713

Operating profit (EBIT)	2014	2013
Radio Frequency	32 986	27 622
in % of net sales	14.0 %	12.7 %
Fiber Optics	26 603	27 970
in % of net sales	10.6 %	12.4 %
Low Frequency	12 220	463
in % of net sales	4.6 %	0.2 %
Corporate	(2 807)	(4 433)
Total operating profit (EBIT)	69 002	51 622
Financial income	11 922	2 079
Financial expense	(7 105)	(5 707)
Net income before taxes	73 819	47 994

Depreciation and amortisation	2014	2013
Radio Frequency	(10 973)	(11 721)
Fiber Optics	(5 980)	(5 564)
Low Frequency	(15 111)	(14 964)
Total depreciation and amortisation	(32 064)	(32 249)

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.

Assets	31.12.2014	31.12.2013
Radio Frequency	180 437	164 410
Fiber Optics	196 543	105 559
Low Frequency	250 194	238 285
Corporate	209 821	242 436
Total assets	836 995	750 690

Liabilities	31.12.2014	31.12.2013
Radio Frequency	30 799	22 564
Fiber Optics	39 901	22 743
Low Frequency	34 705	27 622
Corporate	57 967	54 951
Total liabilities	163 372	127 880

All amounts are in CHF 1000

Investments in property, plant and equipment and intangible assets	2014	2013
Radio Frequency	7 349	6 111
Fiber Optics	5 157	3 590
Low Frequency	29 991	16 058
Total investments in property, plant and equipment and intangible assets	42 497	25 759

Net sales by region (sales area)	2014	2013
Switzerland	61 072	60 642
EMEA (Europe, Middle East and Africa [excl. CH])	310 466	315 200
of which Germany	112 649	130 562
APAC (Asia-Pacific)	238 100	161 452
of which China	118 647	81 508
Americas (North and South America)	138 865	182 419
of which USA	96 348	138 377
Total net sales	748 503	719 713

In the reporting year with no customer more than 10% of total net sales were achieved in all three divisions (previous year, with one customer, in the amount of CHF 119.8 million).

Property, plant and equipment, investment property and intangible assets	31.12.2014	31.12.2013
Switzerland	147 975	143 479
EMEA (Europe, Middle East and Africa [excl. CH])	56 010	11 122
APAC (Asia-Pacific)	54 690	44 326
Americas (North and South America)	49 927	47 169
Total property, plant and equipment, investment property and intangible assets	308 602	246 096

Investments in property, plant and equipment and intangible assets	2014	2013
Switzerland	27 295	10 412
EMEA (Europe, Middle East and Africa [excl. CH])	1 771	1 331
APAC (Asia-Pacific)	10 857	12 058
Americas (North and South America)	2 574	1 958
Total investments in property, plant and equipment and intangible assets	42 497	25 759

All amounts are in CHF 1000

8 Other operating expenses and income

	2014	2013
Other operating expenses	(4 591)	(4 940)
Other operating income	5 915	2 358
Total other operating expenses and income	1 324	(2 582)
Of which gain from sales of PP&E and investment property	2 374	741

Other operating expenses include amongst others the amortisation of acquired intangible assets for trademarks, technology and customer relations as well as the charges to income relating to IAS 19 (revised).
Other operating income includes amongst others gains from the sale of property, plant and equipment, one-time income from a former divestment as well as licence fee income from third parties and refunds of withholding tax.

9 Financial income

	2014	2013
Interest income	456	380
Foreign exchange gains	11 297	364
Income from derivative financial instruments (incl. change in fair value)	–	740
Income from marketable securities (incl. change in fair value)	–	16
Other financial income	169	579
Total financial income	11 922	2 079

10 Financial expense

	2014	2013
Interest expense	(118)	(36)
Foreign exchange losses	(2 507)	(4 597)
Losses from derivative financial instruments (incl. change in fair value)	(3 653)	–
Other financial expense	(827)	(1 074)
Total financial expense	(7 105)	(5 707)

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

All amounts are in CHF 1000

11 Income taxes

	2014	2013
Current income taxes	(12 885)	(16 063)
Deferred income taxes	(1 705)	583
Total income taxes	(14 590)	(15 480)

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

	2014	2013
Net income before taxes	73 819	47 994
Expected income tax rate	18.8 %	25.9 %
Expected income tax expense	(13 907)	(12 438)
Effect of utilisation of non-recognised tax loss carry-forward	–	219
Effect of non-tax-deductible expenses and non-taxable income	730	63
Effect of non-recognition of current tax losses	(1 139)	(1 580)
Effect of increased/reduced allowance on deferred tax balances	(458)	(2 267)
Effect of changes in tax rates on deferred tax balances	(785)	889
Effect of tax credits/debits from prior years and other effects	969	(366)
Effective income taxes	(14 590)	(15 480)
Effective income tax rate	19.8 %	32.3 %

The expected Group tax rate corresponds to the weighted average tax rate based on the income/(loss) before taxes and the tax rate of each individual Group company. The reduction in the reporting year compared to the previous year is attributable to the considerably smaller American profit share (due to lower business volume) coupled with the bigger Chinese and Swiss profit share in overall net income. Additionally the effective income tax rate is affected by non-capitalized tax losses in two Group companies.

Unrecognised tax loss carry-forward	31.12.2014	31.12.2013
Expiring within 1 year	343	–
Expiring within 2 years	–	336
Expiring within 3 years	–	–
Expiring within 4 years	1 107	–
Expiring within 5 years	–	995
Expiring thereafter	21 233	13 941
Total unrecognised tax loss carry-forward	22 683	15 272

The unrecognised tax loss carry-forward was CHF 22.7 million (previous year, CHF 15.3 million). This corresponds to a potential tax asset of CHF 7.8 million (previous year, CHF 5.1 million). In 2014 a deferred tax asset was recognised in three Group companies, whereas in five Group companies a deferred tax asset was either used or impaired.

In 2014 tax losses carry-forward of CHF 1.1 million expired (previous year, CHF 1.0 million).

All amounts are in CHF 1000

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

	31.12.2014 Assets	31.12.2014 Liabilities	31.12.2013 Assets	31.12.2013 Liabilities
Marketable securities	–	–	–	–
Trade receivables	579	1 689	521	2 068
Other current assets	–	–	1	–
Inventories	5 194	2 138	3 615	3 251
Property, plant and equipment	554	6 200	833	6 614
Financial assets	–	12 482	–	12 288
Intangible assets	–	7 429	344	1 922
Current liabilities	980	17	715	29
Current provisions	289	–	335	–
Non-current provisions	899	6 775	512	6 764
Total deferred taxes	8 495	36 730	6 876	32 936
Netting	(1 404)	(1 404)	(1 198)	(1 198)
Deferred taxes after netting	7 091	35 326	5 678	31 738
Capitalised loss carry-forward	6 541	–	5 426	–
Amounts recognised in the balance sheet	13 632	35 326	11 104	31 738

Temporary differences relating to investments in subsidiaries, on which no deferred tax liabilities were provided, amounted to CHF 122.3 million on 31 December 2014 (previous year, CHF 92.0 million).

12 Material expenses

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

	2014	2013
Total material expenses	284 873	280 966
as % of net sales	38.1 %	39.0 %

13 Employee benefit expenses

Employee benefit expenses included in the income statement amount to:

	2014	2013
Wages and salaries	189 005	176 863
Social security costs	21 271	20 749
Pension costs – defined benefit plans	7 720	9 696
Pension costs – defined contribution plans	2 220	1 905
Other employee benefit expenses	17 838	17 429
Total employee benefit expenses	238 054	226 642
as % of net sales	31.8 %	31.5 %

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.

All amounts are in CHF 1000

Employees by operating segment at 31.12.	2014	2013
Radio Frequency	1 276	1 234
Fiber Optics	1 447	1 139
Low Frequency	1 168	1 130
Total employees by operating segment	3 891	3 503

Employees by geographical split at 31.12.	2014	2013
Switzerland	1 367	1 378
EMEA (Europe, Middle East and Africa [excl. CH])	1 052	793
APAC (Asia-Pacific)	1 164	1 026
Americas (North and South America)	308	306
Total employees by geographical split	3 891	3 503

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:

	2014	2013
Discount rate per 31.12	1.33 %	2.40 %
Expected future salary increases	1.00 %	1.00 %
Mortality tables	BVG2010 GT	BVG2010 GT
Weighted average duration of the obligations in years	14.0	13.4
Date of the last actuarial calculation		
– prepared per	01.01.2013	01.01.2013
– carried forward to	31.12.2014	31.12.2013

Reconciliation of defined benefit positions recognised in the balance sheet	31.12.2014	31.12.2013
Present value of defined benefit obligation	(527 897)	(474 225)
Fair value of plan assets	653 954	607 057
Surplus	126 057	132 832
Adjustment to asset ceiling	(80 250)	(82 705)
In the balance sheet recognised surplus as financial assets	45 807	50 127

All amounts are in CHF 1000

Changes in the present value of the defined benefit obligations	2014	2013
Present value of defined benefit obligation at 1.1.	(474 225)	(498 888)
Interest cost on defined benefit obligation	(11 332)	(9 819)
Current service cost (employer)	(8 568)	(9 604)
Employee contributions	(5 846)	(5 949)
Benefits paid	18 505	31 367
Administration cost (excl. cost for managing plan assets)	(237)	(249)
Net actuarial gains/(losses) recognised on obligation	(46 194)	18 917
Present value of defined benefit obligation at 31.12.	(527 897)	(474 225)
Thereof defined benefit obligation at 31.12. for active members	(221 616)	(213 800)
Thereof defined benefit obligation at 31.12. for pensioners	(306 281)	(260 425)

Components of actuarial gains/losses on the defined benefit obligations	2014	2013
Actuarial gain/(loss) arising from changes in financial assumptions	(52 740)	20 605
Actuarial gain/(loss) arising from changes in demographic assumptions	6 546	–
Actuarial gain/(loss) arising from experience adjustments	–	(1 688)
Actuarial gain/(loss) on defined benefit obligation	(46 194)	18 917

Changes in the fair value of plan assets	2014	2013
Fair value of plan assets at 1.1.	607 057	581 751
Interest income on plan assets	14 506	11 457
Employer contributions	7 423	7 641
Employee contributions	5 846	5 949
Benefits paid	(18 505)	(31 367)
Return on plan assets excl. interest income	37 627	31 626
Fair value of plan assets at 31.12.	653 954	607 057
Effective return on plan assets	52 133	43 083

Allocation of plan assets	31.12.2014	31.12.2013
Quoted plan assets		
Cash and cash equivalents	7.3 %	4.6 %
Shares	28.6 %	29.3 %
Bonds	27.7 %	28.9 %
Real estate	33.9 %	34.2 %
Other investments	2.1 %	0.8 %
Total quoted plan assets	99.6 %	97.8 %
Plan assets not quoted		
Cash and cash equivalents	–	1.7 %
Bonds	0.1 %	0.2 %
Real estate	0.3 %	0.3 %
Total plan assets not quoted	0.4 %	2.2 %
Total plan assets	100 %	100 %

Reconciliation of effect of asset ceiling	31.12.2014	31.12.2013
Adjustment to asset ceiling at 1.1.	82 705	78 484
Interest (expense)/income on effect of asset ceiling	1 985	1 570
Change in effect of asset ceiling excluding interest expense/income	(4 440)	2 651
Adjustment to asset ceiling at 31.12.	80 250	82 705

All amounts are in CHF 1000

Defined benefit cost in income statement	2014	2013
Current service cost (employer)	(8 568)	(9 604)
Interest cost on defined benefit obligation	(11 332)	(9 819)
Interest income on plan assets	14 506	11 457
Interest cost on effect of asset ceiling	(1 985)	(1 570)
Administration cost (excl. cost for managing plan assets)	(237)	(249)
Total expense in the income statement	(7 616)	(9 785)
thereof service cost and administration cost	(8 805)	(9 853)
thereof net interest (expense)/income on net defined benefit (liability)/asset	1 189	68

Of the total employer's contribution CHF 3.8 million (previous year, CHF 5.0 million) was included in cost of goods sold and CHF 3.8 million (previous year, CHF 4.8 million) in operating expenses.

For 2015, employer's contributions of CHF 7.4 million are expected.

Defined benefit cost in other comprehensive income (OCI)	2014	2013
Actuarial (gain)/loss on defined benefit obligation	46 194	(18 917)
Return on plan assets excl. interest income	(37 627)	(31 626)
Change in effect of asset ceiling excl. interest cost/income	(4 440)	2 651
Defined benefit cost recognised in other comprehensive income	4 127	(47 892)

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

	2014	2013
Balance at 1.1. (asset)	50 127	4 379
Defined benefit cost recognised in the income statement	(7 616)	(9 785)
Defined benefit income recognised in other comprehensive income	(4 127)	47 892
Employer contributions	7 423	7 641
Balance at 31.12. (asset)	45 807	50 127

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 3.4 %	Increase by 3.6 %
Salary increase	± 0.25 %	Increase by 0.2 %	Reduction of 0.2 %
Life expectancy	± 1 year	Increase by 3.3 %	Reduction of 3.3 %

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

15 Compensation Board of Directors and Executive Group Management and related-party transactions

On 1 January 2014 the Ordinance against Excessive Compensation in Listed Companies (OaEC) entered into force, whereby all details of the compensation paid to members of the Board of Directors and the Executive Group Management are additionally presented in a separate Compensation Report (see Compensation Report pages 14 to 18).

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

All amounts are in CHF 1000

Compensation of Board of Directors (BoD)

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

Compensation for the Board of Directors (BoD)

in CHF 1000		Fixed compensation [1]		Share-based compensation [2]		Total compensation		Number of allotted shares	
		2014	2013	2014	2013	2014	2013	2014	2013
D. Syz [a]	Chairman of BoD	35	136	48	188	82	324	1 000	4 000
E. Walser [b]	Chairman/Deputy Chairman of BoD	120	86	166	94	286	180	3 500	2 000
B. Kälin [c]	Deputy Chairman/Member of BoD	73	52	95	63	168	114	1 800	1 200
P. Altorfer [d]	Member of BoD	59	62	63	63	122	125	1 200	1 200
M. Bütler [e]	Member of BoD	43	–	47	–	90	–	900	–
A. Déteindre [f]	Member of BoD	–	24	–	16	–	40	–	300
C. Fässler [g]	Member of BoD	42	34	57	42	99	76	1 200	900
U. Kaufmann [h]	Delegate of BoD/CEO	–	–	–	–	–	–	–	–
G. Müller	Member of BoD	48	52	63	63	111	114	1 200	1 200
R. Seiffert	Member of BoD	42	52	57	63	99	114	1 200	1 200
Total		460	498	597	589	1 058	1 087	12 000	12 000

[1] Basic salary and extra allowances including social security contributions, attendance fees up to and including the 2014 AGM
[2] Share-based compensation is calculated at the share price of CHF 47.90 (for the part of the actual allocation from 9 April 2014) (previous year CHF 46.85) and of CHF 47.40 (as of year-end 2014) (previous year CHF 46.90) for the outstanding amount including social security. Outstanding shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

[a] Chairman and Chairman of the NCC until 9 April 2014
[b] Deputy Chairman and Chairman of the AC and Member of the NCC until 9 April 2014; Chairman and Chairman of the NCC from 10 April 2014
[c] Deputy Chairman and Member of the NCC from 10 April 2014
[d] Member of the AC until 9 April 2014; AC Chairman from 10 April 2014
[e] Member of the Board of Directors and Member of the AC from 10 April 2014
[f] Member of the Board of Directors until 10 April 2013
[g] Member of the Board of Directors from 11 April 2013
[h] Member of the Board of Directors from 10 April 2014; if business management is delegated to a Board member, he is only compensated for his work as CEO.

Shareholdings of BoD
(Number of shares at 31 December 2014)

		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
B. Kälin	Deputy Chairman of BoD	6 000	–	6 000	2 400	3 600	< 0.10%
P. Altorfer	Member of BoD	21 440	–	21 440	14 640	6 800	0.11 %
M. Bütler	Member of BoD	–	–	–	–	–	–
C. Fässler	Member of BoD	1 700	–	1 700	500	1 200	< 0.10%
U. Kaufmann	Delegate of BoD / CEO	60 400	400	60 800	12 600	48 200	0.31 %
G. Müller	Member of BoD	14 000	60 640	74 640	71 040	3 600	0.38%
R. Seiffert	Member of BoD	5 033	–	5 033	1 433	3 600	< 0.10%
Total shareholdings BoD 2014		108 573	61 040	169 613	102 613	67 000	0.87%

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%

[1] shares with remaining lock-in periods of up to 10 years ending mid-April each (prior year up to 5 years)
[2] shares in % of shares entitled to a dividend

All amounts are in CHF 1000

Compensation 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/unemployment insurance. The allotted shares 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 4 in the Corporate Governance Report.

Compensation for Executive Group Management	Highest individual compensation [1]		Total Executive Group Management	
in CHF 1000	2014	2013	2014	2013
Basic salary [2]	593	584	2 337	2 269
Contributions to social security and pension funds on fixed compensation	175	179	583	584
Total fixed compensation	768	763	2 920	2 853
Variable compensation	448	310	1 215	916
Share-based compensation [3]	284	188	967	638
Contributions to social security on variable compensation	45	27	156	100
Total variable compensation	777	525	2 338	1 654
Total compensation	1 545	1 288	5 258	4 507
Number of allotted shares	6 000	4 000	20 400	13 600

[1] U. Kaufmann (CEO and Delegate of the Board of Directors (since 10 April 2014))
[2] Including extra allowances
[3] Based on year-end share price of CHF 47.40 (previous year CHF 46.90). Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

EGM shareholdings (Number of shares at 31 December 2014)		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	Delegate BoD / CEO	60 400	400	60 800	12 600	48 200	0.31 %
U. Alder	Member EGM	17 800	200	18 000	12 400	5 600	< 0.10 %
R. Bolt	Member EGM	3 070	–	3 070	230	2 840	< 0.10 %
P. Harris	Member EGM	13 352	28	13 380	7 780	5 600	< 0.10 %
P. Riederer	Member EGM	11 100	–	11 100	5 100	6 000	< 0.10 %
U. Ryffel	Member EGM	14 200	–	14 200	8 200	6 000	< 0.10 %
I. Wechsler	Member EGM	8 200	–	8 200	1 000	7 200	< 0.10 %
Total EGM shareholdings 2014		128 122	628	128 750	47 310	81 440	0.66 %

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	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 %

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

All amounts are in CHF 1000

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 2014 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 2014. At the reporting date, HUBER+SUHNER AG has similar to previous year no receivables and liabilities with the pension fund. At the reporting date, there was a receivable in the amount of CHF 0.5 million (previous year, CHF 0.5 million) on one of the paternal foundations.

Purchased services
In 2014 the HUBER+SUHNER Group has purchased services (for flight travel) from a company in which a member of the Board of Directors performs an executive role (Cosa Travel Ltd.) for CHF 2.0 million (prior year, CHF 1.5 million).

16 Depreciation, amortisation and impairment

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

	2014	2013
Depreciation on PP&E and investment property	25 294	26 227
Impairment/(reversal impairment) on PP&E	–	–
Total depreciation and impairment on PP&E and investment property	25 294	26 227
Amortisation of intangible assets	6 770	6 022
Total depreciation, amortisation and impairment	32 064	32 249
as % of net sales	4.3 %	4.5 %

17 EBITDA

	2014	2013
EBIT	69 002	51 622
+ Depreciation on PP&E and investment property	25 294	26 227
+ Amortisation of intangible assets	6 770	6 022
EBITDA	101 066	83 871
as % of net sales	13.5 %	11.7 %

All amounts are in CHF 1000

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	31.12.2014	31.12.2013
Less than 1 year	5 677	6 261
Between 1 and 5 years	10 900	11 804
After 5 years	1 624	1 601
Total liabilities from operating lease	18 201	19 666

19 Cash and cash equivalents

	31.12.2014	31.12.2013
Cash at bank and on hand	93 718	107 651
Term deposits < 3 months term in CHF	35 001	35 002
Term deposits < 3 months term in other currency	4 567	2 136
Total cash and cash equivalents	133 286	144 789

20 Marketable securities

	31.12.2014	31.12.2013
Deposits > 3 months term in CHF	10 000	25 000
Total marketable securities	10 000	25 000

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:

	31.12.2014	31.12.2013
Current	95 612	78 682
Overdue for 1–30 days	23 569	16 978
Overdue for 31–60 days	6 403	5 322
Overdue for 61–90 days	2 930	1 648
Overdue for 91–120 days	1 809	992
Overdue over 120 days	4 090	2 946
Total trade receivables, gross	134 413	106 568
Provision for doubtful debts	(3 114)	(3 245)
Total trade receivables, net	131 299	103 323

At year-end 2014 the overdue trade receivables amount to CHF 38.8 million (previous year, CHF 27.9 million), of which CHF 3.1 million (8.0 %) have a provision for doubtful debts (previous year, CHF 3.2 million or 11.6 %).

All amounts are in CHF 1000

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

	2014	2013
Balance at 1.1.	(3 245)	(10 884)
Provisions for doubtful debts on trade receivables	(523)	(4 696)
Utilisation of provisions	307	11 183
Releases of provisions	501	987
Changes in consolidation scope	–	35
Currency translation differences	(154)	130
Balance at 31.12.	(3 114)	(3 245)

Effective losses on doubtful debts are as a general rule below 0.1% of net sales. However, attributable to recovery and insolvency proceedings of customers in the solar industry, in the previous 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:

	31.12.2014	31.12.2013
CHF	10 971	8 918
EUR	40 149	37 281
USD	30 705	17 133
CNY	24 135	22 276
INR	5 994	1 800
GBP	5 798	5 000
AUD	5 217	4 269
BRL	5 161	4 143
Other	3 169	2 503
Total trade receivables, net	131 299	103 323

At 31 December 2014, the three customers with the largest amounts of open invoices represented together 18.0% (previous year, 27.2%) of total trade receivables gross:

	31.12.2014	%	31.12.2013	%
Customer A	11 282	8.4	15 683	14.7
Customer B	9 110	6.8	7 451	7.0
Customer C	3 854	2.9	5 869	5.5
Total	24 246	18.0	29 003	27.2

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

22 Other current assets

	31.12.2014	31.12.2013
Other current assets	21 806	13 409
Derivative financial instruments	130	1 572
Total other current assets	21 936	14 981

Other current assets include a short-term receivable relating to an earlier divestment and other 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.

All amounts are in CHF 1000

23 Inventories

	31.12.2014	31.12.2013
Raw materials and supplies	73 307	57 485
Work in progress	9 118	11 248
Finished goods	121 913	113 444
Total inventories, gross	204 338	182 177
Inventory provision	(37 514)	(34 750)
Total inventories, net	166 824	147 427

Changes in inventory provision 2014	Raw materials and supplies	Work in progress	Finished goods	Total inventory provision
Balance at 1.1.	(12 086)	–	(22 664)	(34 750)
Additions	(4 621)	–	(9 505)	(14 126)
Disposals	1 688	–	695	2 383
Scrapped	4 427	–	6 080	10 507
Change in consolidation scope	(450)	–	(262)	(712)
Reclassifications	(1 351)	–	1 351	–
Currency translation differences	(523)	–	(293)	(816)
Balance at 31.12.	(12 916)	–	(24 598)	(37 514)

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
Reclassifications	–	–	11	11
Currency translation differences	322	–	483	805
Balance at 31.12.	(12 086)	–	(22 664)	(34 750)

24 Overview of financial assets and liabilities

Financial assets as of 31 December 2014	Notes	At fair value through profit and loss	Loans and receivables	Total
Cash and cash equivalents	19	–	133 286	133 286
Marketable securities	20	–	10 000	10 000
Derivative financial instruments	22	130	–	130
Trade receivables	21	–	131 299	131 299
Other current assets (excluding prepayments)	22	–	20 705	20 705
Financial assets (non-current)	29	–	48 373	48 373
Total financial assets		130	343 663	343 793

Financial liabilities as of 31 December 2014	Notes	At fair value through profit and loss	Loans and liabilities	Total
Trade payables	31	–	46 854	46 854
Other current liabilities	31	–	8 437	8 437
Short- and long-term debt		–	–	–
Derivative financial instruments	31	2 259	–	2 259
Total financial liabilities		2 259	55 291	57 550

All amounts are in CHF 1000

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

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:

	31.12.2014	31.12.2013
Contract value	59 731	49 666
Contracts with positive fair values	130	1 572
Contracts with negative fair values	(2 259)	(76)

All amounts are in CHF 1000

26 Property, plant and equipment

Property, plant and equipment 2014	Investment property	Land and buildings	Technical equipment and machinery	Other equipment [1]	Assets under construction	Total
Initial cost						
Balance at 1.1.	2 104	173 426	308 951	84 342	22 990	589 709
Additions	–	277	5 898	1 792	30 850	38 817
Disposals	(24)	(2 861)	(13 387)	(3 469)	(51)	(19 768)
Reclassifications	–	16 316	17 298	3 072	(36 686)	–
Change in consolidation scope	–	–	2 337	350	–	2 687
Currency translation differences	–	1 719	2 510	287	1 074	5 590
Balance at 31.12.	2 080	188 877	323 607	86 374	18 177	617 035
Accumulated depreciation						
Balance at 1.1.	(20)	(101 017)	(233 459)	(74 463)	–	(408 939)
Additions	–	(4 013)	(16 774)	(4 507)	–	(25 294)
Disposals	20	2 800	11 802	3 222	–	17 824
Reclassifications	–	(21)	1	20	–	–
Change in consolidation scope	–	–	–	–	–	–
Currency translation differences	–	(66)	(1 161)	(233)	–	(1 460)
Balance at 31.12.	–	(102 317)	(239 591)	(75 961)	–	(417 869)
Accumulated impairment						
Balance at 1.1.	–	–	(148)	(2)	–	(150)
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Reversal impairments	–	–	–	–	–	–
Currency translation differences	–	–	(13)	–	–	(13)
Balance at 31.12.	–	–	(161)	(2)	–	(163)
Carrying amount						
At 1.1.	2 084	72 409	75 344	9 877	22 990	180 620
At 31.12.	2 080	86 560	83 855	10 411	18 177	199 003

[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 as well as the purchase of a building for the European logistics centre for Low Frequency in Switzerland.
The fair value of investment property amounts to CHF 10.0 million (previous year, CHF 10.4 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 788.3 million (previous year, CHF 766.7 million).

All amounts are in CHF 1000

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.

All amounts are in CHF 1000

27 Intangible assets

Intangible assets 2014	Goodwill	Trademarks, technology and customer relations	Software	Other	Total
Initial cost					
Balance at 1.1.	22 882	17 455	58 160	1 465	99 962
Additions	–	–	3 680	–	3 680
Disposals	–	–	(306)	–	(306)
Reclassifications	–	–	–	–	–
Change in consolidation scope	27 262	15 713	43	–	43 018
Currency translation differences	2 527	1 941	25	125	4 618
Balance at 31.12.	52 671	35 109	61 602	1 590	150 972
Accumulated amortisation					
Balance at 1.1.	–	(2 020)	(34 489)	(61)	(36 570)
Additions	–	(2 429)	(4 311)	(30)	(6 770)
Disposals	–	–	291	–	291
Currency translation differences	–	(383)	(14)	(7)	(404)
Balance at 31.12.	–	(4 832)	(38 523)	(98)	(43 453)
Carrying amount					
At 1.1.	22 882	15 435	23 671	1 404	63 392
At 31.12.	52 671	30 277	23 079	1 492	107 519

From the acquisition of Cube Optics a goodwill resulted in 2014 of CHF 27.3 million at the acquisition date of 31 October 2014. The acquired intangible assets of CHF 15.7 million include trademarks and technology of Cube Optics.
Other intangible assets include the acquired rights of land use in Changzhou, China.

All amounts are in CHF 1000

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)
Change in consolidation scope	–	–	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

28 Impairment test

The goodwill acquired in 2012 on the acquisition of Astrolab and the goodwill acquired in 2014 on the acquisition of Cube Optics were tested for impairment in 2014 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 is used as well as the medium term plan for the following five years, which has been 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.

28.1 Acquisition Astrolab

The following assumptions have been used for the impairment test calculations on Astrolab:

	2014	2013
Average net sales growth rate medium term plan 2015–2019 (previous year 2014-2018)	9.9 %	7.1 %
Average EBIT growth rate medium term plan 2015–2019 (previous year 2014-2018)	15.5 %	6.5 %
Weighted cost of capital (before income taxes)	8.3 %	8.9 %
Goodwill Astrolab as of 31.12.	25 479	22 882

As in the previous year a terminal growth rate of 1% has been assumed in the impairment model. The discount rate is basically the weighted average cost of capital before taxes, including a risk premium estimated by management.
The average growth rates of both net sales and EBIT increased compared to the previous year. This is attributable to the net sales in the reported year, which were lower than planned. The decrease in net sales is caused by governmental budget cut backs in the space and defence market and the completion of a major contract. Based on this new situation the medium term plan 2015-2019 has been prepared.

The result from the impairment test was, that no impairment was needed in 2014.

As in the previous year 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 net 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 five percentage points or a reduction of net sales in the underlying business plan by over 35 % would lead to an impairment of the cash generating unit.

All amounts are in CHF 1000

28.2 Acquisition Cube Optics

The following assumptions have been used for the impairment test calculations on Cube Optics:

	2014
Average net sales growth rate medium term plan 2015–2019	6.6 %
Average EBIT growth rate medium term plan 2015–2019	5.1 %
Weighted cost of capital (before income taxes)	8.3 %
Goodwill Cube Optics as of 31.12.	27 192

A terminal growth rate of 1% has been assumed in the impairment model. 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 2014.

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 net 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 three percentage points or a reduction of net sales in the underlying business plan by over 25% would lead to an impairment of the cash generating unit.

29 Financial assets

Financial assets 2014	Loans to third parties	Other financial assets	Total
Initial cost			
Balance at 1.1.	2 040	51 933	53 973
Additions	–	407	407
Disposals	(2 114)	(4 418)	(6 532)
Change in consolidation scope	–	300	300
Currency translation differences	74	151	225
Balance at 31.12.	–	48 373	48 373
Accumulated impairment			
Balance at 1.1.	(2 040)	–	(2 040)
Additions	–	–	–
Disposals	2 114	–	2 114
Currency translation differences	(74)	–	(74)
Balance at 31.12.	–	–	–
Carrying amount			
At 1.1.	–	51 933	51 933
At 31.12.	–	48 373	48 373

Other financial assets include primarily the recognised surplus, according to IAS 19 (revised) of CHF 45.8 million (previous year, CHF 50.1 million) of which the employer's contribution reserve was CHF 14.4 million (previous year, CHF 13.9 million). For further details see note 14.

All amounts are in CHF 1000

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

30 Restrictions on the title to assets

To secure own obligations no assets were pledged or assigned as collateral in the years 2014 and 2013.

31 Current other liabilities

	31.12.2014	31.12.2013
Trade payables	46 854	23 926
Accrual for personnel expenses	23 193	20 969
Advance payments from customers	2 068	1 241
Derivative financial instruments	2 259	76
Other liabilities	8 437	4 538
Total current other liabilities	82 811	50 750

Other liabilities include a retained payment for the acquisition of Cube Optics AG, 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:

	31.12.2014	31.12.2013
CHF	8 987	4 457
CNY	11 133	8 855
USD	9 549	4 038
EUR	9 316	4 818
INR	5 173	322
Other	2 696	1 436
Total trade payables	46 854	23 926

All amounts are in CHF 1000

32 Provisions

	Retirement plan obligations	Restructuring provisions	Employee-related provisions	Order-related provisions	Other provisions	Total
Balance at 1.1.	2 819	1 041	4 378	6 907	5 270	20 415
Additions	484	477	1 424	1 398	–	3 783
Releases	–	(78)	(128)	(1 009)	(90)	(1 305)
Utilisation	(93)	(916)	(954)	(968)	(620)	(3 551)
Reclassifications	(188)	–	188	–	–	–
Change in consolidation scope	427	–	–	189	–	616
Currency translation differences	123	15	33	55	(12)	214
Balance at 31.12.	3 572	539	4 941	6 572	4 548	20 172
Of which short-term	–	539	1 862	5 125	2 139	9 665
Of which long-term	3 572	–	3 079	1 447	2 409	10 507

The retirement plan obligations include liabilities in connection with defined benefit plans mainly 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 obligations which do not fit into the aforementioned categories such as current or possible litigations arising from divestments, licence agreements or duties as well as other constructive or legal obligations.
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 on average.

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 31.12.2011	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
Purchase of treasury shares	–	–	–	–	18 000	4	(18 000)	(4)
Balance at 31.12.2014	20 200 000	5 050	726 640	182	30 000	7	19 443 360	4 861

The voting and dividend rights of the 756 640 treasury shares, thereof 726 640 treasury stock and 30 000 other treasury shares (previous year, 726 640 treasury stock and 12 000 other treasury share) cannot be exercised. The Company has no authorised or conditional capital. For information about changes of treasury shares see page 70. For information on significant shareholders see page 71.

All amounts are in CHF 1000

34 Earnings per share

	2014	2013
Net income	59 229	32 514
Average number of outstanding shares	19 450 589	19 464 788
Earnings per share (CHF)	3.05	1.67
Diluted earnings per share (CHF)	3.05	1.67

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	2014	2013
Net cash from operating activities	77 994	115 911
Net cash from investing activities (excluding changes of marketable securities and derivative financial instruments)	(89 899)	(19 982)
Free operating cash flow	(11 905)	95 929
Dividend paid	(15 578)	(9 737)
Sale/(purchase) of treasury shares	(1 407)	(509)
Free cash flow	(28 890)	85 683

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 4.5 million (previous year, CHF 2.9 million).

37 Events after the balance sheet date

The decision of the Swiss National Bank on 15 January 2015, to abandon the Euro-minimum foreign exchange rate, has changed the starting position for net sales and earning power of the current financial year. The share of net sales denominated in Swiss francs amounts to 10 – 15% of total net sales. In recent years the cost base denominated in Swiss francs has been reduced gradually from around 50% to around 35%. Admittedly, this improves the starting position compared to the first foreign exchange crisis in 2011, but the impact might again be significant. Based on the foreign exchange relationships in the first months of 2015, the EBIT margin might reduce by 2.5–3 percentage points compared to 2014 (before potential saving measures and restructuring costs). Furthermore losses on balance sheet positions in foreign currency might burden net income 2015. In the reporting year the balance sheet of HUBER+SUHNER shows a very solid financial structure. Owing to the good liquidity position and the equity ratio of 81% HUBER+SUHNER has very good preconditions to carry the possible impacts of the current foreign exchange fluctuations.

Group Companies

Companies at 31.12.2014 (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 %	◆■
	HUBER+SUHNER Cube Optics AG[3]	Mainz	EUR	590	100 %	▲■
India	HUBER+SUHNER Electronics Pvt. Ltd.[4]	New Delhi	INR	170 000	100 %	▲■
Malaysia	HUBER+SUHNER (Malaysia) Sdn Bhd[5]	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.	Charlotte, North Carolina	USD	1	100 %	◆
	HUBER+SUHNER, Inc.[6]	Charlotte, North Carolina	USD	50	100 %	▲■
	HUBER+SUHNER Astrolab, Inc.[6]	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 GmbH
4) subsidiary of HUBER+SUHNER Finance AG and of HUBER+SUHNER B.V.
5) subsidiary of HUBER+SUHNER (Singapore) Pte Ltd.
6) subsidiary 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 2014

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of HUBER+SUHNER AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of shareholders' equity and notes (pages 25 to 63), for the year ended 31 December 2014.

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 2014 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	Diego J. Alvarez
Audit expert	Audit expert
Auditor in charge	

Winterthur, 23 February 2015

Five-Year Financial Summary

in CHF million	2010	2011	2012	2013	2014
Order intake	846.5	734.5	747.9	683.4	768.1
change in % over prior year	30.2	(13.2)	1.8	(8.6)	12.4
Net sales	799.5	758.5	698.1	719.7	748.5
change in % over prior year	26.7	(5.1)	(8.0)	3.1	4.0
Gross profit	301.0	238.4	214.6	246.6	267.7
as % of net sales	37.6	31.4	30.7	34.3	35.8
EBIT	101.8	66.1	24.0	51.6	69.0
as % of net sales	12.7	8.7	3.4	7.2	9.2
change in % over prior year	91.3	(35.1)	(63.7)	115.5	33.7
EBITDA	141.8	92.7	51.1	83.9	101.1
as % of net sales	17.7	12.2	7.3	11.7	13.5
Net financial result	(2.7)	(5.6)	(3.3)	(3.6)	4.8
Income tax	(20.2)	(10.7)	0.7	(15.5)	(14.6)
as % of income before taxes	20.3	17.7	(3.4)	32.3	19.8
Net income	79.0	49.8	21.4	32.5	59.2
as % of net sales	9.9	6.6	3.1	4.5	7.9
change in % over prior year	63.4	(37.0)	(57.0)	51.9	82.2
as % of average shareholders' equity	15.3	9.0	3.8	5.5	9.1
Purchases of PP&E and intangible assets	39.5	48.6	64.6	25.8	42.5
change in % over prior year	10.3	23.0	33.0	(60.1)	65.0
Net cash from operating activities	58.4	29.2	39.2	115.9	78.0
change in % over prior year	(38.3)	(50.0)	34.2	195.6	(32.7)
Free cash flow	32.9	(26.0)	(93.6)	85.7	(28.9)
change in % over prior year	(7.4)	(179.2)	(259.5)	191.5	(133.7)
Current assets	529.3	519.2	430.1	441.6	466.4
as % of balance sheet total	74.1	73.4	61.0	58.8	55.7
Non-current assets	185.1	188.1	275.2	309.1	370.6
as % of balance sheet total	25.9	26.6	39.0	41.2	44.3
Liabilities	164.2	149.9	143.8	127.9	163.4
as % of balance sheet total	23.0	21.2	20.4	17.0	19.5
Shareholders' equity	550.2	557.4	561.4	622.8	673.6
as % of balance sheet total	77.0	78.8	79.6	83.0	80.5
Balance sheet total	714.4	707.3	705.3	750.7	837.0
change in % over prior year	15.4	(1.0)	(0.3)	6.4	11.5
Employees at year-end (permanent employees)	4 062	3 867	3 879	3 503	3 891
change in % over prior year	13.1	(4.8)	0.3	(9.7)	11.1
in Switzerland	1 506	1 588	1 419	1 378	1 367
in EMEA (Europe, Middle East and Africa [excl. CH])	694	715	791	793	1 052
in APAC (Asia-Pacific)	1 668	1 342	1 344	1 026	1 164
in Americas (North and South America)	194	222	325	306	308
Employees, yearly average	3 950	4 044	3 808	3 739	3 789

Financial Report 2014

Financial Statements HUBER+SUHNER AG

Income Statement

in CHF 1000	Notes	2014	%	2013	%
Revenues					
Sales	1.3	451 549	100.0	437 192	100.0
Other operating revenue	1.4	36 164		33 374	
Gain on sale of property, plant and equipment		2 168		991	
Financial revenue	1.5	21 615		29 419	
Non-operating revenue		64		68	
Total revenues		511 560		501 044	
Costs and expenses					
Material expenses		195 585		198 508	
Employee expenses		153 089		147 879	
Other operating expenses	1.6	75 428		75 036	
Financial expense	1.7	7 298		9 099	
Depreciation and amortisation		21 987		22 469	
Non-operating expenses		41		55	
Income taxes		6 754		4 972	
Total costs and expenses		460 182		458 018	
NET INCOME		51 378	11.4	43 026	9.8

Balance Sheet

in CHF 1000	Notes	31.12.2014	%	31.12.2013	%
Assets					
Cash and cash equivalents	1.8	93 892		101 264	
Marketable securities	1.9	11 719		27 262	
Trade receivables		10 905		5 303	
Other current assets		6 080		5 286	
Intercompany receivables	1.10	62 898		59 163	
Inventories		40 349		47 244	
Prepaid expenses		633		130	
Intercompany loans		–		–	
Total current assets		226 476	46.2	245 652	55.8
Land and buildings		51 539		41 055	
Machinery and equipment		38 782		39 494	
Intangible assets		7 754		12 948	
Investments in subsidiaries	1.11	40 523		40 523	
Intercompany loans		125 376		60 469	
Total non-current assets		263 974	53.8	194 489	44.2
TOTAL ASSETS		490 450	100.0	440 141	100.0
Liabilities and shareholders' equity					
Trade payables		17 984		8 064	
Other current liabilities		6 740		6 455	
Intercompany payables		8 913		4 063	
Accrued liabilities		19 753		18 332	
Intercompany loans		–		619	
Total current liabilities		53 390		37 533	
Provisions	1.12	54 412		55 760	
Total non-current liabilities		54 412		55 760	
Total liabilities		107 802	22.0	93 293	21.2
Share capital	1.13	5 050		5 050	
General reserve		40 271		40 271	
Reserve for treasury shares	1.14	1 589		690	
Free reserve		88 161		89 060	
Retained earnings		196 199		168 751	
Net income for the year		51 378		43 026	
Total shareholders' equity		382 648	78.0	346 848	78.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		490 450	100.0	440 141	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:

	2014	2013
Number at 1.1.	738 640	726 640
Purchases	18 000	12 000
Sales	–	–
Number at 31.12.	756 640	738 640
in CHF 1000		
Balance sheet amount at 1.1.	690	182
Purchases	899	508
Sales	–	–
Balance sheet amount at 31.12.	1 589	690

2 Contingent liabilities

in CHF million	31.12.2014	31.12.2013
Guarantees for loans with promissory notes and other loans to Group companies	0.0	0.9

3 Fire insurance value of property, plant and equipment

in CHF million	31.12.2014	31.12.2013
Buildings	265.0	246.8
Machinery and equipment	351.2	357.5
Total fire insurance value of PP&E	616.2	604.3

4 Liabilities to pension funds

in CHF million	31.12.2014	31.12.2013
Total liabilities to pension funds	–	–

5 Investments in subsidiaries

See page 63 for a list of the Group companies.

6 Net release of hidden reserves

in CHF million	2014	2013
Total net release of hidden reserves	3.6	7.5

7 Significant shareholders / participations

Shares of votes and capital	31.12.2014	31.12.2013
H.C.M. Bodmer / Abegg Holding	11.88 %	11.88 %
Metrohm AG	10.62 %	10.62 %
S. Hoffmann-Suhner	6.18 %	6.18 %*
EGS Beteiligungen AG	3.33 %	3.33 %*
Huwa Finanz- und Beteiligungs AG	3.17 %	3.17 %

*adjusted

Information about published disclosure notices following Art. 20 BEHG are included in Corporate Governance clause 1.2 Significant shareholders. Shareholdings by members of Board of Directors and by members of Executive Group Management are listed in the Notes to Group Financial Statements, according to OR 663c (see note 15).

8 Authorised and conditional capital

There is no authorised or conditional capital.

9 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.

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 2014:

in CHF 1000	2014	2013
Prior-year retained earnings	196 199	168 751
Net income for the year	51 378	43 026
Total retained earnings	247 577	211 777
Dividend	27 221	15 578
Total appropriation	27 221	15 578
Retained earnings carried forward	220 356	196 199

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	1.40	0.80
Less 35 % withholding tax	0.49	0.28
Net dividend	0.91	0.52

Report of the Statutory Auditors

pwc

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the General Meeting on the financial statements 2014

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of HUBER+SUHNER AG, which comprise the income statement, balance sheet and notes (pages 68 to 72), for the year ended 31 December 2014.

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 2014 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 complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

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

Winterthur, 23 February 2015

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)	2010	2011	2012	2013	2014
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	19 423 437	19 453 337	19 473 360	19 461 360	19 443 360
Number of shareholders at 31.12.	4 197	4 264	4 043	3 869	3 689
Stock market price (in CHF)					
– high	66.35	67.50	48.80	51.10	50.75
– low	40.50	37.75	35.85	41.80	41.50
– year-end	64.80	39.50	43.50	46.90	47.40
Amounts per registered share [1] (in CHF)					
– Net income	4.10	2.56	1.10	1.67	3.05
– Dividend	1.50	0.95	0.50	0.80	1.40 [3]
– Pay-out ratio	37 %	37 %	45 %	48 %	46 %
– P/E ratio (year-end stock price)	15.8	15.4	39.5	28.1	15.6
– Shareholders' equity	28.33	28.65	28.83	32.00	34.65
Market capitalisation [2]					
– in CHF million	1 259	768	847	913	922
– as % of net sales	157	101	121	127	123
– as % of shareholders' equity	229	138	151	147	137

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

Financial calendar

Financial year 2014

Annual General Meeting	31 March 2015, Pfäffikon ZH

Financial year 2015

Half-year report	25 August 2015
Sales and order intake after 9 months	27 October 2015
Sales and order intake after 12 months	26 January 2016
Annual report	8 March 2016
Media and analysts' conference	8 March 2016
Annual General Meeting	6 April 2016, Herisau

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

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