2020
Annual Report

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Financial Report

HUBER+SUHNER

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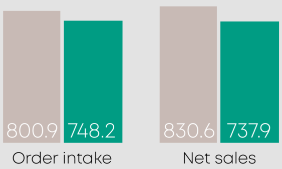
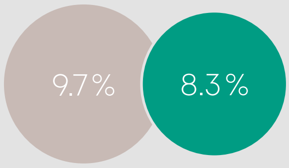
Order intake and net sales below previous year due to pandemic



Further progress in growth initiatives and investments in the future at a record high

EBIT margin of 8.3 % within medium-term target range despite lower net sales



Stringent cost management, structural measures and agility in supply chain were major factors for solid result

New alignment by market segments strengthens market orientation and reduces complexity – matrix structure abolished

Significantly improved profitability in the second half-year due to increased share of higher-margin business

2019 2020 in CHF million

HUBER+SUHNER achieves solid result despite significant decline in net sales

Urs Ryffel (CEO) and Urs Kaufmann (Chairman)

In a difficult environment, HUBER+SUHNER succeeded in significantly reducing the shortfall in the second half of 2020 compared to the prior-year period and thereby achieved a solid result in the financial year as a whole. At CHF 748.2 million, order intake was down 6.6 % on the previous year (CHF 800.9 million). The decline was mainly attributable to the noticeable slowdown in the mobile network expansion in the first half of the year, precipitated by the coronavirus pandemic, which impacted business with communication equipment manufacturers and thus in the Radio Frequency (–12.2 %) and Fiber Optics divisions. In the railway market, the delayed entering into service of rolling stock was reflected in more caution in the awarding of contracts along the entire supply chain. Accordingly, Low Frequency was behind the previous year (–9.1 %). Fiber Optics increased slightly by 1.4 % thanks to an upturn in the data center business and the acquisition of BKtel at the end of 2019 in the WAN / access networks market.
Net sales amounted to CHF 737.9 million in 2020, down 11.2 % on the previous year (CHF 830.6 million). Adjusted for portfolio, currency and copper effects, organic growth declined by 10.0 %. The technology segments reported a change in net sales of –14.1 % for Radio Frequency, of –5.7 % for Fiber Optics and of –14.0 % for Low Frequency. These developments also resulted in a shift in the net sales share by region to 54 % (PY 50 %) in EMEA, at the expense of APAC with 28 % (PY 30 %) and the Americas with 18 % (PY 20 %).
The three strategic growth initiatives (Aerospace & Defense, Data Center, EV Automotive) developed at a varied pace. Overall, growth was achieved again compared to the previous year.
A significant 12.9 % increase in research and development expenses year on year to CHF 47.5 million was in contrast to a decrease in administrative and sales costs as a result of stringent cost management. Combined with the significantly improved business mix over the course of the year, this resulted in an EBIT margin of 8.3 % for the year as a whole (PY 9.7 %), which is within the medium-term target range.
Net profit amounted to CHF 52.3 million (PY CHF 62.8 million), which means that return on sales was down marginally on the previous year at 7.1 % (PY 7.6 %). Free operating cash flow even increased slightly to CHF 50.2 million (PY CHF 45.1 million). The number of permanent employees worldwide was reduced by 8.6 % to 4410 during the year. In Switzerland, this figure fell by 2.5 % to 1225 in the same period.

Standing up to the challenges of the pandemic

The outbreak of the coronavirus pandemic subjected the global economy to completely new challenges. In retrospect, the company managed to cope well with the demanding situation. Despite state-imposed temporary site closures and massive restrictions on transport capacities, procurement supplies were ensured and delivery obligations to customers were honoured thanks to the continued functioning of the global production and supplier network.
Temporary measures, such as cost reductions and temporary wage sacrifice, also cushioned the economic effects of the pandemic. At the same time, the organisation was reviewed worldwide. It was decided to close the production site in Brazil and to reduce the global workforce by about 5 %.

Main markets communication, transportation and industrial with recovery in the second half of the year despite decline

It became apparent early on in the reporting year that the new general conditions would impact all three of the main markets. In the second half-year, the communication and transportation markets showed a significant improvement compared to the prior-year period, but without being able to make up for the shortfall from the first half of the year.
Order intake in the communication market amounted to CHF 285.0 million (–7.3 %), while the decline in net sales to CHF 289.8 million (–8.8 %) was a result of the weak first half of the year.
The transportation market suffered from the delayed entering into service of rolling stock in the railway submarket, whereas the automotive submarket stood out thanks to the strong development with solutions for electric vehicles. Order intake amounted to CHF 223.4 million (–6.8 %), while net sales fell to CHF 223.0 million (–10.3 %).
The industrial market, which had grown strongly in recent years, had to contend with a decline in order intake to CHF 239.8 million (–5.6 %) and in net sales to CHF 225.1 million (–14.8 %). This development was attributable to slower momentum in all key submarkets.

Clear double-digit margin for Radio Frequency technology segment despite shortfall in net sales

In the reporting year, after four years of continuous growth, the Radio Frequency technology segment reported a 12.2 % decline in order intake to CHF 239.5 million

(PY CHF 272.8 million) and a 14.1 % decline in net sales to CHF 236.3 million (PY CHF 275.2 million). With an EBIT margin of 12.5 % (PY 17.1 %), however, a clear double-digit result was still achieved. The diversified portfolio with highly differentiated products continues to offer interesting potential, especially in industrial, but also in communication and transportation applications.

Increased profitability in Fiber Optics technology segment
The Fiber Optics technology segment reported a positive development. With a marked increase in the submarket WAN / access networks – due to the acquisition of BKtel – as well as in the data center growth initiative, order intake was 1.4 % higher than the previous year at CHF 278.4 million. Net sales were 5.7 % lower, at CHF 269.4 million, after significant improvement over the course of the year. Once again, activities in the higher-margin business were developed in a targeted manner, increasing the EBIT margin to 8.3 % (PY 6.6 %).

High bidding activity in Low Frequency technology segment
In the Low Frequency technology segment, order intake stood at CHF 230.3 million, or 9.1 % below the previous year's figure, while net sales amounted to CHF 232.2 million, a decline of 14.0 %. The EBIT margin decreased to 6.7 % (PY 8.0 %).
Despite high bidding activity in both the railway and automotive submarkets, they developed differently. While the aforementioned delay in entering into service of rolling stock affected the entire supply chains of the railway market, the growth initiative electric vehicles, especially with solutions for commercial vehicles, developed favourably.

Risk management
At its meeting on 3 December 2020, the Board of Directors assessed the business risks as part of its ongoing risk management and approved the 2020 report including the defined measures.

Dividend
The Board of Directors proposes to the Annual General Meeting a distribution of CHF 1.30 (PY CHF 1.60) per share, corresponding to a payout ratio of 49 %.

Downsizing of Executive Group Management
The new alignment of the organisation by market segments, as announced towards the end of the year, resulted in a downsizing of the Executive Group Management.
On 31 December 2020, Fritz Landolt, Patrick Riederer and Dr Martin Strasser stepped down from the Executive Group Management. They remain in key management positions within the company. HUBER+SUHNER would like to thank the three members of Executive Group Management for their dedicated contribution to the body, which has extended over many years, and their willingness to contribute their proven expertise to their new areas of responsibility within the company. Executive Group Management will comprise six people instead of eight once the Communication segment management position has been filled.

Outlook
Since the beginning of the current financial year, HUBER+SUHNER has been organised into the three market segments Industry, Communication, and Transportation, and is oriented towards the main markets of the same name. The sales organisations have been directly integrated into the three segments, thus abolishing the matrix organisation at Group level. The aim behind the new alignment is to place a greater focus on the markets and simplify structures. The half-year reporting will reflect the new segments Industry, Communication, and Transportation for the first time.
Markets around the world remain uncertain due to the impact of the coronavirus pandemic. While HUBER+SUHNER expects a rapid recovery in individual submarkets, a return to prepandemic levels in others is likely to be a gradual process, taking several years. The company is very well positioned, with the right technologies, products and innovative solutions, to play a leading role in important applications of the future. This future will be greatly influenced by sustainable mobility, an increased need for security, and communication solutions for continually growing data volumes.
From today's perspective, the company expects growth in net sales for the current financial year to be within the mid-single-digit percentage range. The operating margin in 2021, assuming a comparable exchange rate situation, is expected to be in the medium-term EBIT target range of 8–10 %.

Many thanks
On behalf of the Board of Directors and the Executive Group Management, we would like to express our sincere thanks to our employees worldwide for their tremendous efforts and commitment in a year marked by so many uncertainties and challenges. Thanks to their unparalleled dedication, together we have managed to steer the company through these volatile times largely unscathed.
We would like to extend our thanks to all shareholders, customers and suppliers for their valued cooperation, loyalty and continued trust.

Urs Kaufmann	Urs Ryffel
Chairman of the Board of Directors	CEO

HUBER+SUHNER milestones

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

Fast and climate-friendly

To combat climate change, nations are setting strict environmental targets aimed at reducing carbon emissions worldwide. Consequently, this has increased the trend towards battery-powered electric vehicles (BEV), causing industries, municipalities and developers to rethink infrastructure. HUBER+SUHNER leads the way in the high power charging (HPC) market through the development of its cooled cable technology and has the largest number of installed HPC systems in the world, while the company has expanded its portfolio to include non-cooled units to suit varying application requirements.

Industry

"We are pleased to present the impressive outcome of our collaboration with HUBER+SUHNER. The innovative RADOX® HPC500 and HPC200 charging cables are key to building the bridge between our charging infrastructure and our customers' electric vehicles. We will proudly showcase this innovative solution at the Sortimo Innovationspark Zusmarshausen, opening mid-year 2021."

Frank Steinbacher, CEO at eLoaded GmbH

Efficient and compact

Data centers and cloud services are demanding increased Ethernet speeds driven by the continued growth of giant communication networks. To make data rates of 400 Gbps or even 1.4 Tbps economically and environmentally viable, the cost per bit and electrical power dissipation must be greatly reduced. As a result, the necessary transceivers – COB (Chip On Board) or CPO (Co-Packaged Optics) modules – require new optical coupling, assembly and packaging approaches. The HUBER+SUHNER CUBO WCM (Wavelength division multiplexing Coupling Module) provides excellent optical performance with a minimum footprint to address market challenges and deliver future-ready speed at the lowest cost.

Communication

"HUBER+SUHNER is partnering with a range of communication network equipment suppliers – from massive international entities to budding start-ups – all focused on meeting the needs of emerging trends for faster data speeds. With the CUBO WCM we have an excellent, compact and economical solution for major network operators striving to be ready for the future already today."

Thomas Paatzsch, Managing Director, Business Unit CUBO, HUBER+SUHNER

Transportation

"By using tailored rail solutions from HUBER+SUHNER, we were able to upgrade the first trains in the UK to be suitable for Wi-Fi 6 and 5G. Their expertise enabled us to continue our leading innovation for transport."

Steve Hill, Business Manager Intelligent Transport at McLaren Applied

Mobile and connected

Rail industry strives to meet the passenger demand for reliable and seamless connectivity. HUBER+SUHNER was approached by McLaren Applied Technology to provide a passive onboard communications platform that supports their new railway software. By integrating tailored solutions based on radio frequency, low frequency and fiber optics technologies to meet the required specifications, the project delivered a complete communication technology upgrade of the train including the installation of a DUAL RAILCAT7 backbone and inter-vehicle jumpers, offering up to 20 Gbps bandwidth between each carriage. This onboard infrastructure allows theoretically unlimited data rates and is thus prepared for the future of broadband communication when more powerful active components become available to the industry at a later date.

Corporate responsibility

"On the one hand, the good ratings reflect that we assume our social responsibility and they are a reward for our Group's systematic efforts to make a contribution in the ongoing fight against climate change. On the other hand, as a future-oriented company with a global presence, we feel spurred to continue along the path we have taken and to live our social responsibility out of conviction and to further strengthen our commitment."

Urs Ryffel, CEO of HUBER+SUHNER

Responsible and concrete

In the most recent evaluation by EcoVadis in the categories of environment, labour and human rights, ethics and sustainable procurement, HUBER+SUHNER is among the top 10 % of 700 companies worldwide in the "Production of electronic components and printed circuit boards" sector. The rating report particularly emphasises the goals and measures for reducing greenhouse gas emissions. Compared to 2015, the company intends to reduce its global CO_2 emissions in relation to the added value generated by 50 % by 2025.

With a rating of A– (A minus), the non-profit organisation CDP has placed HUBER+SUHNER in the highest of four evaluation categories "Leadership", which refers to companies that, in the opinion of CDP, are implementing current best practices to reduce their CO_2 emissions.

Transportation

"It will be possible to buy vehicles with our new products already in 2021, showcasing our strength of rapid innovation within the automotive market. Our solutions will enable autonomous driving on new levels."

Alexander Post, SVP Automotive Strategy & Business Development, HUBER+SUHNER

Autonomous and safe

As autonomous and assisted vehicles rise in popularity, it is essential that high-quality solutions ensure performance without compromising safety. HUBER+SUHNER has successfully developed solutions for autonomous driving, including board-to-board connectors and radar antennas that provide excellent performance and enable high resolution over long distances of up to 300 metres. Such solutions can further enhance safety by processing large amounts of critical information even under difficult conditions.

Timing is everything

As 5G capacity increases, ensuring tighter coordination between cell sites calls for very low latency and precision timing and synchronization is key. Limited power supplies and the logistical challenges of installing multiple antennas across urban rooftops make network expansion difficult and expensive. Working with a leading telecommunications company in North America, HUBER+SUHNER developed a game-changing Direct GPS-over-Fiber solution that not only enables greater distances between the remote GNSS antenna and receiver, but also reduces the amount of hardware required, thus providing the lowest total cost of ownership.

Industry

"Working with the team at HUBER+SUHNER enabled us to overcome the critical challenges of optimizing timing capacity for central offices and data centers. This truly copper-less link integrates power-over-fiber with direct fiber optic signal transmission from the antenna, giving us unlimited flexibility, scalability with minimum hardware."

A leading telecommunications provider in North America

Communication

"The expertise and strong portfolio of physical layer solutions of HUBER+SUHNER will play a large role in NTT Ltd.'s Edge Technology Experience Lab, which provides clients with a state-of-the-art test environment to drive proof-of-concepts and innovation projects from edge to core to cloud."

Christopher Stumm, Business Development Manager of NTT Ltd.'s Global Data Centers division in EMEA

Bringing solutions to the edge

Video streaming, and other applications such as gaming, virtual reality, augmented reality, Industry 4.0 and Internet of Things are driving demands for low latency in data transmission. As a result, it is becoming necessary to bring computing power or network resources closer to the periphery where they are needed. Edge data centers are emerging as a prime opportunity to enable efficient data transmissions for real-time connectivity between devices and infrastructure. HUBER+SUHNER is partnering with NTT's Global Data Center division to join their ecosystem for their Edge Technology Experience Lab. This lab will contain smart, simple, and scalable fiber optic solutions including all-optical switches, transport systems and fiber management systems.

Radio Frequency technology segment

Double-digit EBIT margin – no further year of growth – broad portfolio for a wide range of high-performance connections

After several years of growth, the Radio Frequency technology segment also suffered a decline in business. Radar systems for distance measurement in autonomous vehicles, high-precision components for test and measurement technology, or antenna solutions for mission-critical communication networks in the fields of industry, energy, security and defense; these are just some of the applications that are set to see increased demand for versatile, safe and robust high-performance radio frequency connectivity.

Key figures		2020	2019	%
Order intake	CHF million	239.5	272.8	–12.2
Net sales	CHF million	236.3	275.2	–14.1
Operating profit (EBIT)	CHF million	29.5	47.1	–37.4
EBIT margin	%	12.5	17.1	

Fiber Optics technology segment

Business with data centers and WAN / access networks increases – EBIT margin rises significantly – ideally positioned for future trends 5G and increasing data rates

A temporary slowdown in the expansion of mobile networks due to the corona pandemic was offset by acquisition-driven growth in solutions for WAN / access networks. The data center growth initiative also increased. The company is ideally positioned to take advantage of the two big future trends in communication networks: the 5G mobile access and higher data rates in the fixed network. Optical switches from HUBER+SUHNER enable more efficient use of server infrastructures and fiber optic networks. The increasing importance of cloud-based services and the high data volume associated with this are driving the demand for such solutions. HUBER+SUHNER WDM system solutions are helping to combat the shortage of fiber in access networks in an effective and cost-efficient manner.

Key figures		2020	2019	%
Order intake	CHF million	278.4	274.7	1.4
Net sales	CHF million	269.4	285.6	–5.7
Operating profit (EBIT)	CHF million	22.4	18.8	18.8
EBIT margin	%	8.3	6.6	

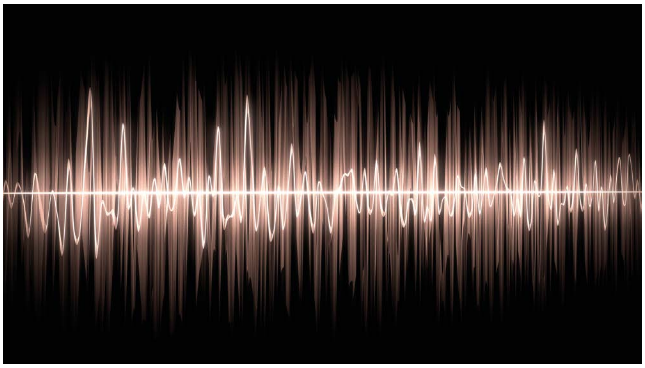
The significant market momentum in the mobile networks sector towards 5G is reflected in the upgrading of macro cells and the densification of the networks with small cells.

Low Frequency technology segment

Sales of solutions for electric vehicles doubled – high bidding activity in the railway market – EBIT margin squeezed by lower volumes

Business in the Low Frequency technology segment was varied. The railway submarket was characterised by a high level of bidding activity and a simultaneous delay in the entering into service of new rolling stock due to the pandemic, with corresponding effects on the entire supply chain. In the automotive submarket, business with solutions for electric vehicles, especially in the commercial vehicle sector, was more dynamic than in the market for vehicles with conventional drives. Based on our experience as the market leader for cooled high-power charging systems in Europe and North America with RADOX® HPC, the portfolio has been expanded to include uncooled charging systems, which are increasingly used especially in urban areas with a higher density of charging stations.

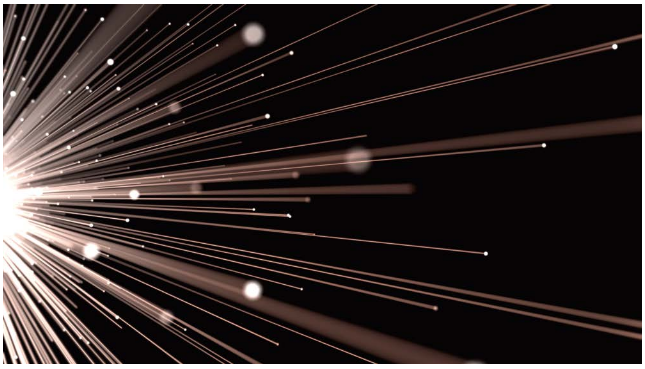
Key figures		2020	2019	%
Order intake	CHF million	230.3	253.4	–9.1
Net sales	CHF million	232.2	269.8	–14.0
Operating profit (EBIT)	CHF million	15.5	21.6	–28.2
EBIT margin	%	6.7	8.0	



Reto Bolt

COO Radio Frequency

“During the pandemic, we made the global supply chains more flexible in order to be able to offer customers the service they are used to. At the same time, we pushed ahead with digitalisation. After the aerospace and defense growth initiative made strong gains in the previous year, we were able to maintain market share but did not record further growth. In the automotive market, we succeeded in securing important nominations for distance radar antennas with reference customers. In the communication market, success was recorded with radio-frequency-over-fiber (RF-over-fiber) solutions.”



Fritz Landolt

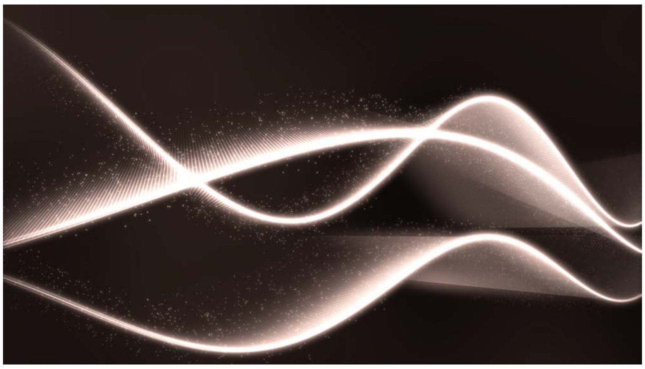
COO Fiber Optics Mobile Communication & Industry

“Ensuring capacities within the communication networks was the focus of our global mobile customers during the pandemic. With our scalable solutions and global production network, we proved a reliable partner. Thanks to our broad-based technologies and products, we are in a good position to continue participating in the upcoming investment rounds.”

Martin Strasser

COO Fiber Optics Fixed Network & Data Center

“With our global production network, we were able to react flexibly to the ever-changing general conditions and thus keep our delivery performance high. We succeeded in gaining a further share of the data center market. At the same time, the optical switch business developed positively, resulting in a record-high order intake for these products.”



Patrick Riederer

COO Low Frequency

“The trend towards electric drives also in commercial vehicles continued to intensify last year. We want to take advantage of this growth momentum and further expand our market position. To this end, we have expanded our HPC range with uncooled fast-charging cable solutions. After the railway market being hit hard by the pandemic, we assume a certain recovery – the numerous project tenders point to this.”

Key Figures and Financial Calendar

Group in CHF million	2020	2019	Change
Order intake	748.2	800.9	(6.6%)
Order backlog as of 31.12.	195.5	213.6	(8.5%)
Net sales	737.9	830.6	(11.2%)
Gross margin	35.4%	36.2%	
EBITDA	89.3	111.8	(20.1%)
as % of net sales	12.1%	13.5%	
EBIT	61.2	80.5	(24.0%)
as % of net sales	8.3%	9.7%	
Financial result	(0.6)	(1.7)	n/m
Net income	52.3	62.8	(16.7%)
as % of net sales	7.1%	7.6%	
Purchases of PP&E and intangible assets	37.7	37.5	0.4%
Cash flow from operating activities	86.5	129.1	(33.0%)
Free operating cash flow	50.2	45.1	11.3%
Net liquidity as of 31.12.	202.9	190.2	6.7%
Equity as of 31.12.	591.6	587.7	0.7%
as % of balance sheet total	79.9%	78.4%	
Employees as of 31.12.	4 410	4 823	(8.6%)
Market capitalisation as of 31.12.	1 361.1	1 494.9	(8.9%)

Data per share in CHF	2020	2019	Change
Stock market price as of 31.12.	69.90	76.80	(8.9%)
Net income	2.66	3.22	(17.2%)
Dividend	1.30[1]	1.60	(18.8%)

[1] Proposed dividend

n/m = not meaningful

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

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Financial calendar

Annual General Meeting (Pfäffikon ZH)	31.03.2021
Half-year report	17.08.2021
Media and analysts' conference	17.08.2021
Sales and order intake (9 months)	21.10.2021

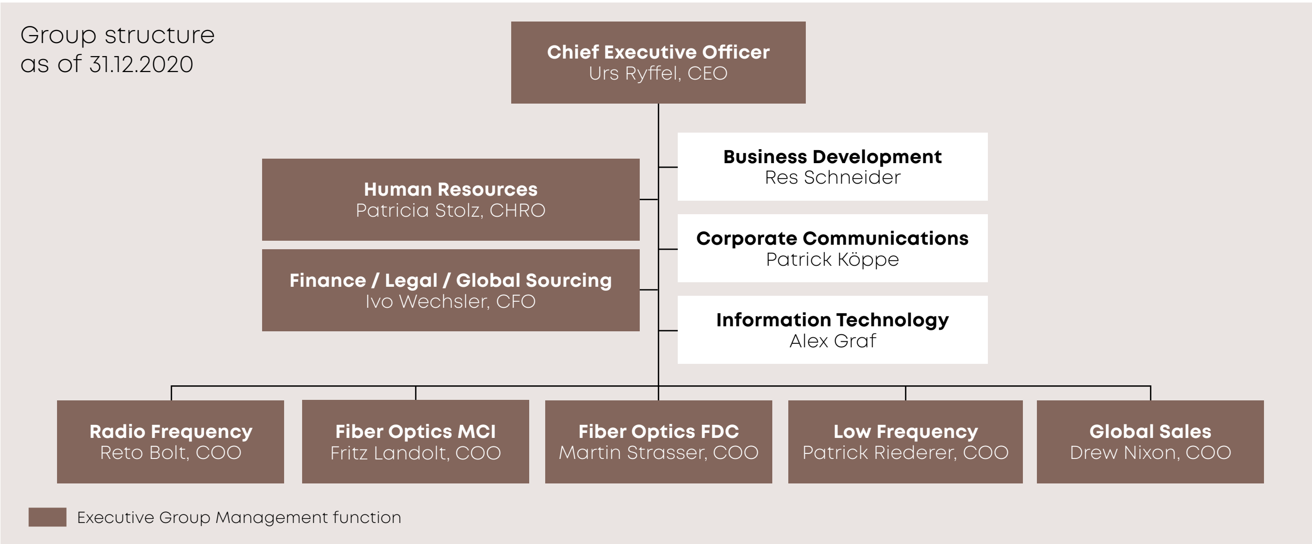
Detailed figures are available online at www.hubersuhner.com/en/company/investors/publications
This management report is also available in German. The German version is binding.

Corporate Governance 2020

Corporate Governance

The term "Corporate Governance" refers to all of the principles and rules aimed at safeguarding shareholder interests. These principles are intended to guarantee transparency and a healthy balance of management and control while maintaining decision-making capability and efficiency at the highest level of a company.
The following Corporate Governance report is structured in accordance with the Directive on Information relating to Corporate Governance (DCG) issued by SIX Swiss Exchange. All information presented reflects the situation on 31 December 2020, unless otherwise stated.

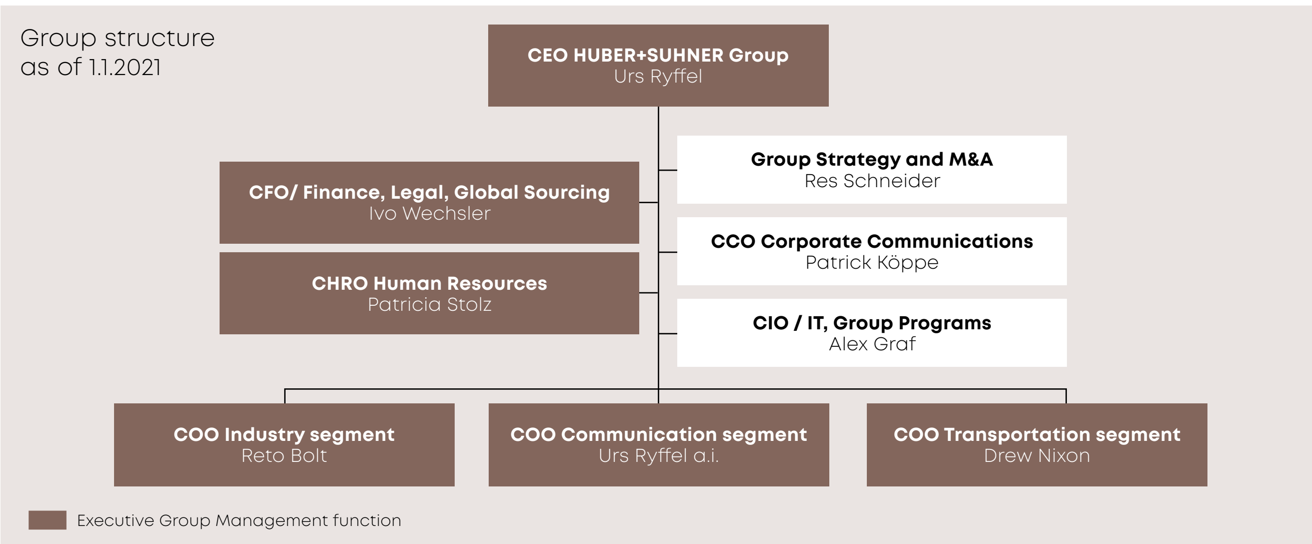
1 Group structure and shareholders



1.1 Group structure

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

With effect from 1 January 2021, HUBER+SUHNER has simplified its organisational structure and will orient itself towards the three market segments Industry, Communication and Transportation. The three market segments replace the three technology segments Radio Frequency, Fiber Optics and Low Frequency and have full operational responsibility. The previous regional organisation was abolished and divided into sales teams by market. The five service units remain unchanged. The reorganisation has led to changes to the Executive Group Management (EGM). Fritz Landolt, Patrick Riederer and Martin Strasser have stepped down from the EGM and remain in key management positions within the company. Therefore, the EGM currently consists of five members. The new organisational chart is as follows:



Listed Group company

HUBER+SUHNER AG, domiciled in Herisau AR, Switzerland, is the parent company of the HUBER+SUHNER Group. It is incorporated under Swiss law and its shares are listed on the SIX Swiss Exchange in Zurich (Swiss Reporting Standard, VALOR number: 3 038 073; ISIN: CH0030380734). The market capitalisation as per 31 December 2020 amounted to CHF 1 361 million. Further key share data is provided on page 68.

Non-listed Group companies

Information regarding companies in the HUBER+SUHNER AG Group, none of which is listed, is presented in the Notes to the Financial Statements of the Group, under Group Companies on page 52.

1.2 Significant shareholders

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

Shareholder	Country	% of shares
Metrohm AG	CH	10.62 %
EGS Beteiligungen AG	CH	9.23 %
S. Hoffmann-Suhner	CH	6.18 %
Norges Bank (the Central Bank of Norway)	NO	3.40 %
Huwa Finanz- und Beteiligungs AG	CH	3.25 %

The company holds 727 640 treasury shares (726 640 treasury stock and 1 000 other treasury shares).

HUBER+SUHNER AG has not published any disclosures in connection with shareholder participation in the year under review. Significant shareholder disclosures can be viewed at:
https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

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

1.3 Cross-shareholdings

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

2 Capital structure

2.1/2.2 Capital/Authorised and conditional capital in particular

The HUBER+SUHNER AG share capital, as on the balance sheet date, is fully paid in and stands at CHF 5 050 000. HUBER+SUHNER AG has no authorised or conditional capital. More information regarding the share capital is presented in the Notes to the Financial Statements of the Group, under Share Capital on page 51.

2.3 Changes in capital

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

2.4/2.5 Shares and participation certificates/ Dividend-right certificates

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

2.6 Limitations on transferability and nominee registrations

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

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

Natural persons, legal entities and business partnerships which are associated with each other through capital, voting rights, management, or in some other manner, as well as all natural persons, legal entities and groupings coordinated for the purposes of circumventing the registration limitations in any way are to be considered as one single acquirer. These limitations shall also apply in cases where shares are acquired following the exercise of pre-emptive rights, options or conversion rights.
The rescindment of or alterations to the rules regarding registration limitations to registered shares requires a resolution of the Annual General Meeting passed by at least two-thirds of the voting shares present and an absolute majority of the nominal value of the shares represented.

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

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

2.7 Convertible bonds and options

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

3 Board of Directors

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

The Board of Directors of HUBER+SUHNER AG must consist of at least five members.
All members of the Board of Directors are non-executive. They do not participate in the executive management of the Group. They also do not have any significant business relationships with HUBER+SUHNER AG or other Group companies. The Chairman has served as CEO until April 2017. No other member of the Board of Directors has served as a member of HUBER+SUHNER Executive Group Management or one of its Group companies in the three financial years preceding the period under review.

At the Annual General Meeting on 1 April 2020 six acting members of the Board of Directors were re-elected. George H. Müller, who had been a member of the Board of Directors since 2001, did not stand for re-election. For information regarding the resigning member see: https://www.hubersuhner.com/en/company/investors/publications.

On 31 December 2020 the Board of Directors comprised the following six members:

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

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

Other activities and vested interests
Chairman of the Board of Directors at Schaffner Holding AG, Luterbach. Member of the Board of Directors at SFS Group AG, Heerbrugg; Gurit Holding AG, Wattwil (until April 2021); Vetropack Holding AG, Bülach as well as Müller Martini Holding AG, Hergiswil. Executive committee member of Swissmem and the Swiss Employers' Association.

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

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

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

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

Education and professional background
Diploma in Mathematics/Physics from the University of Zurich. PhD in Economics from the University of St. Gallen. Assistant Professor at the University of Tilburg, Netherlands, 1997 to 2001. Professor at the University of Lausanne, 1999 to 2004. Full Professor of Economics and Public Policy and Director of the Swiss Institute for Empirical Economic Research (SEW) at the University of St. Gallen from 2004 until January 2021. Honorary Professor at the University of St. Gallen from February 2021.

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

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

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

Other activities and vested interests None

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

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

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

*Significant shareholder at HUBER+SUHNER AG

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

Education and professional background
Lic. iur. University of Zurich. Admitted to the Aargau bar. MBA from the University of Chicago. Post-graduate degree from University of St. Gallen in European Economic Law. Advanced Management Program at University of Oxford. Management education in Business Strategy and Finance at Harvard Business School. Acquired many years of industry experience as a legal counsel and M&A expert to various multinational corporations: Danzas Management, Basel, 1991 to 1995. ABB Asea Brown Boveri AG, Baden and Oerlikon, 1995 to 2001. Novartis International AG, Basel, 2001 to 2009. Partner at Schärer Attorneys at Law in Aarau since 2010.

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

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

3.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para.1 point 1 OaEC (Ordinance against Excessive Compensation at Listed Joint-Stock Companies)

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

3.4 Elections and terms of office

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

3.5 Internal organisational structure

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

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

Five regular Board meetings with an average duration of 5 hours, five additional telephone conferences with an average duration of half an hour, as well as one “strategy work-shop“ lasting one and a half days, which was also attended by the entire Executive Group Management, were held during the year under review. The meetings took place at regular intervals during the financial year with a 100% participation rate.

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

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

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

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

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

The committee prepares all the relevant decisions relating to nominating and compensating members of the Board of Directors and Executive Group Management and the Group's compensation policy. The CEO attends the meetings, except if his own performance is under review or his own compensation is under discussion. Where necessary, the CHRO (Chief Human Resources Officer) is also present. The committee held two meetings with an average duration of 3 hours and a 100 % participation rate during the year under review.

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

Audit Committee (AC)
The committee consists of at least two members. The Board of Directors appoints the members and designates the Chair annually. It supports the Board with financial management, supervision of accounting, financial reporting, internal auditing and cooperation with the external auditor. It decides on urgent technical matters. Areas of authority and responsibility assigned to the Board of Directors by law and by the Bylaws remain wholly within the Board.
The Chairman of the Board, the CEO, the CFO, the Head of Corporate Controlling and the external auditor usually attend committee meetings. Where necessary, the committee addresses certain agenda items with the external auditor alone. The committee held two meetings with an average duration of 3 hours and a 100 % participation rate during the year under review.

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

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

The Board of Directors issues guidelines for business policy and makes decisions about all matters that are not reserved for, or assigned to, the Annual General Meeting or another company body by law, by the Articles of Association or the Bylaws. In particular, the Board of Directors approves the business strategy and organisation proposed by Executive Group Management, as well as budgets, medium-term plans, acquisitions and other business which, by its nature or financial impact, is considered strategically significant. Written requests are prepared for all projects that require a decision by the Board. The Board of Directors delegates the Group's operational management to the Chief Executive Officer (CEO), unless statutory regulations or the Bylaws state otherwise. The Bylaws are periodically reviewed and adapted by the Board, most recently on 25 June 2020.

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

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

Regular reporting to the Board by Executive Group Management consists of a monthly written commentary from the CEO on business activities and the Group's result. It is sent to all Board Members along with the monthly financial statements, as well as the minutes of monthly Executive Group Management meetings, which are also submitted to the Board Chairman.

The attendance of Executive Group Management members (especially the CEO and CFO) at the Board of Directors' meetings and its committees is reported in Section 3.5 (Internal organisational structure). During Board meetings, the CEO provides information about the current state of business and major business transactions; the CFO explains the annual and half-year statements as well as the forecasts. Each Member of the Board may also ask for information about all matters pertaining to the HUBER+SUHNER Group.

The Board of Directors is also closely involved in the company's planning cycle. In the third quarter of each year, it receives, for its approval, the results of the strategic mid-term plan, which covers a period of 5 years. In the fourth quarter, the Board approves a detailed budget for the coming year. It also receives a forecast of the annual results twice a year.

Internal auditing at HUBER+SUHNER is within the responsibility of Corporate Controlling. The Head is subordinate to the CFO, but reports directly to the Audit Committee regarding these activities. This solution, tailored to the specific situation and size of HUBER+SUHNER, is cost-effective and ensures that internal audit findings are available in their entirety to the Controlling team. Based on financial risk considerations, an annual plan of the companies to be audited is drawn up in cooperation with the external auditor and submitted to the Audit Committee for approval. The main priorities of the audit are compliance with internal policies, processes, reviews and the implementation of the internal control system. The internal auditors discuss the results of each audit in detail with the companies concerned, and concrete measures are agreed upon. Internal audit reports are submitted, together with suggested improvements, to the Audit Committee, the Chairman of the Board, the CEO, the CFO, the COO Global Sales, the management of the audited company as well as the external auditor. Audit reports with significant findings are presented to and discussed in the Audit Committee. The Audit Committee ensures, on an annual basis, that issues and recommendations are dealt with.

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

Risk management of the HUBER+SUHNER Group and all Group companies is laid down in the Board of Directors' risk policy and in the Executive Group Management's guidelines on the risk management process. In the reporting year, the Executive Group Management reviewed the progress and effectiveness of the measures taken and has selected and reassessed the most significant financial, operational and strategic risks at Group level. This was based on its own top-down estimates and on bottom-up data from divisions and corporate functions. The risks were categorised according to their probability of occurrence and potential financial impact. In addition, mitigating measures as well as operational responsibilities were defined for each listed risk. The evaluated risks as well as the ongoing and planned compliance measures were presented in the 2020 Risk Report to the Board of Directors for review and approval. After its review, the Board approved the report on 3 December 2020.

4 Executive Group Management

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

Executive Group Management is the highest management level; it assists the CEO with his operational management tasks. It deals with all business and decisions that are important for the company. On 31 December 2020, Executive Group Management consisted of the following eight members:

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

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

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

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

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

Other activities and vested interests
None

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

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

Other activities and vested interests
None

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

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

Other activities and vested interests
None

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

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

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

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

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

Other activities and vested interests
None

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

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

Other activities and vested interests
None

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

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

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

For information with respect to changes to the Executive Group Management effective 1 January 2021 due to the reorganisation to market segments please see page 11.

4.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC
As per article 30 of the Articles of Association, a member of Executive Group Management may hold up to 3 posts as a member of the management board or administrative body of other listed legal entities. In addition, a member of Executive Group Management may hold up to 5 posts as a member of the management board or administrative body of non-listed legal entities and up to 5 posts as a member of the management board of foundations and associations.

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

5 Compensation, shareholdings and loans

The principles and elements of compensation and shareholding program for the members of the Board of Directors and the Executive Group Management are laid down in Articles 24 to 29 of the Articles of Association and specified in the compensation regulations issued by the Board of Directors.
More detailed information about the compensation, shareholding programs as well as loans and the approval procedure by the Shareholder Meeting is set forth in the Compensation report (see pages 22–27). Information about the shareholdings of the Board of Directors and Executive Group Management are shown in the Financial Statements HUBER+SUHNER AG (see page 62).

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation
One share represents one vote. Each shareholder may be represented either by the independent proxy, a representative authorised by written or electronic power of attorney, or by another individual or legal entity by a power of attorney in writing. Proxy holders do not need to be shareholders.
When exercising voting rights, no shareholder representing another shareholder may, with his own shares and the shares he represents, together account for more than 10 % of the entire share capital. Proxy holders who are not shareholders may not control more than 10 % of the total share capital. Individuals, legal entities and groups with joint legal status which are bound by capital or voting rights, by consolidated management or in another manner, or individuals, legal entities and legal communities which coordinate their action to circumvent the above restrictions are to be considered as one single shareholder. The limitation does not apply to the independent proxy.
The Board of Directors may decide on exceptions to re-

strictions on voting rights and representation. In the year under review, the Board of Directors did not grant any exceptions.
According to Article 13 of the Article of Association a resolution for abolishing voting rights restrictions requires the relative majority of the casted votes.
Powers of representation and voting instructions are granted to the independent proxy representative in accordance with legal provisions. The Articles of Association do not foresee the possibility of electronic participation in the Annual General Meeting.

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 2/3 of the represented share votes and the absolute majority of the nominal value of the shares issued, is required for:

1. the alleviating or withdrawal of limitations upon the transfer of registered shares;
2. the conversion of registered shares into bearer shares;
3. the dissolution of the company, followed by liquidation.

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

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

6.5 Entries in the share register

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

7 Changes of control and defence measures

7.1 Duty to make an offer

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

7.2 Clauses on changes of control

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

8 Auditors

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

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

8.2/8.3 Auditing fees/Additional fees

Ernst & Young (EY) charged CHF 504 000 for auditing the Group Financial Statements and the individual financial statements of different Group companies during the reporting year, and CHF 4 000 for additional EY consulting services.

8.4 Information instruments pertaining to the external audit

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

9 Information policy

As a listed company and as a credible and sustainable business partner, HUBER+SUHNER (H+S) informs its internal and external stakeholders actively, transparently and in good time. Its communication policy is guided by the SIX Swiss Exchange regulations, legal provisions and internal guidelines.
H+S communicates regularly with its shareholders, the capital market and the public. In accordance with Swiss GAAP FER, H+S discloses its business and financial performance on a half-yearly basis in form of an interim report and an annual report which are published electronically in English (https://www.hubersuhner.com/en/company/investors/publications). Additionally, shareholders receive half-yearly a short printed version of the management letter in German or English. Also, at the end of January of any given year, H+S announces sales and order intake figures for the past year. Sales and order intake figures for the first nine months from January to September are published at the end of October of any given year. The exact dates and more contact information can be found under the section "Management Report 2020" on page 9 of the current report.

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

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

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

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

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

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

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

Compensation Report 2020

Compensation Report

The Compensation Report provides an overview of the remuneration principles and compensation systems of the HUBER+SUHNER Group. It describes how compensation is determined and contains detailed information on the compensation of the Members of the Board of Directors and the Executive Group Management in the fiscal years 2019 and 2020.
The Compensation Report fulfils the requirements of the Ordinance against Excessive Compensation in Listed Companies (OaEC), which has been in effect since January 2014. Furthermore, the Compensation Report fulfils the requirements of the Swiss Code of Obligations and the provisions set forth in the Directive on Information relating to Corporate Governance issued by SIX Swiss Exchange.

1 Guidelines and responsibilities

Guidelines

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

- performance-based remuneration with market-competitive fixed and variable components;
- the variable component is based on predefined targets and maximum thresholds;
- contribution towards the sustainable success of the company;
- transparency and clarity

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

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

Responsibilities

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

2 Compensation system for the Board of Directors

2.1 Chairman of the Board of Directors

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

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

a) Remuneration

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

b) Long-term oriented compensation in the form of shares

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

c) Pension and other social security benefits

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

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

2.2 All other Board Members

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

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

a) Remuneration

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

b) Long-term oriented compensation in the form of shares

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

c) Social security benefits

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

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

3 Compensation system for the Executive Group Management

The total compensation for a member of the Executive Group Management (EGM) reflects the responsibility assigned, qualifications, complexity of the task, achievement of goals and local market conditions in the machinery and electrical industry.
These comparisons are executed every year, the last time 2020 (based on 2019 compensation reports), to benchmark Executive Group Management's salaries. The fixed and variable elements assessed are short-term incentives (basic salary and bonus), long-term incentives (shares) and complementary benefits (pension fund and other compensation).

In 2020, the comparison of Executive Group Management's salaries included manufacturing industrial companies with registered seat in Switzerland and of similar size (based on net sales, EBIT margin, number of employees and market capitalisation) like AFG Arbonia Forster, Belimo, Bobst, Bosshard, Burckhardt Compression, Comet, dorma+kaba, Kardex, Komax, Landis+Gyr, LEM and SFS.

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

a) Fixed basic salary

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

b) Variable performance components

b1) Cash bonus

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

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

Every year, the Board sets in advance three weighted Group financial targets which are applicable for a one-year period. For the years 2020 and 2019 the Group financial targets were: net sales, EBIT-margin and inventory turn.
The individual targets are three to five function-specific measurable management targets. These are set and weighted annually in a structured target-setting process by the Chairman of the Board for the CEO, and by the CEO for members of the Executive Group Management.
A leadership factor (leadership, cooperation and conduct) is also included in the calculation of the cash bonus. The leadership performance review is conducted by the Chairman of the Board for the CEO and by the CEO for members of the Executive Group Management.

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

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

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

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

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

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

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

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

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

4 Determining method

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

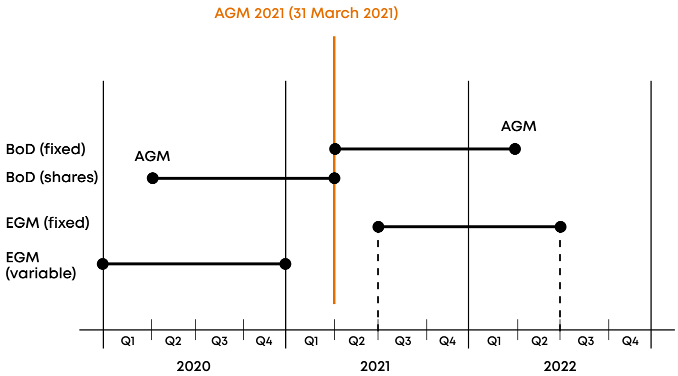
This relates to the amount of the fixed fee, post-related allowances and lump sum expense allowances for the members of the Board for the coming term of office and the fixed number of shares for the current term of office. For Executive Group Management members, this is the amount of the basic salary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

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

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

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

Compensation vote at the 2021 AGM



5 Compensation for the members of the Board of Directors and Executive Group Management for fiscal year 2020

Board of Directors' compensation 2020

Members of the Board of Directors received KCHF 600 in fixed compensation for the year under review (previous year: KCHF 675). Share-based compensation amounting to KCHF 729 (previous year KCHF 920) was also awarded. This amount is based on the market value of a total of 10 100 shares (previous year: 11 000 shares) divided into 2 750 shares (previous year: 2 750 shares) at a share price of CHF 56.90 from 1 April 2020 (previous year: CHF 76.50) for the period from 1 January to 31 March 2020 and 7 350 shares (previous year: 8 250 shares) at a share price of CHF 69.90 from 31 December 2020 (previous year: CHF 76.80) for the period from 1 April 2020 to 31 December 2020. No compensation was paid to former Board members.

Total compensation for members of the Board of Directors for the reporting year amounted to KCHF 1 329 (previous year: KCHF 1 596). This decrease of 17 % on the previous year is due to a reduction of 10 % on fixed compensation (for 6 months), the reduction of one Board of Director seat (Georg Müller) and the decreased share price.

Compensation for the Board of Directors (BoD)		Fixed compensation [1]		Share-based compensation [2]		Total compensation		Number of allotted shares	
		2020	2019	2020	2019	2020	2019	2020	2019
U. Kaufmann	Chairman	277	298	223	256	499	554	3 000	3 000
B. Kälin [a]	Deputy Chairman	86	89	149	171	234	260	2 000	2 000
M. Bütler [b]	Member	64	67	89	102	153	169	1 200	1 200
C. Fässler	Member (until AGM 2019)	0	14	0	26	0	40	0	300
G. Müller	Member (until AGM 2020)	14	53	19	102	33	155	300	1 200
R. Seiffert	Member	48	50	80	92	128	142	1 200	1 200
F. Studer [c]	Member (from AGM 2019)	48	38	80	69	128	107	1 200	900
J. Walther [d]	Member	64	67	89	102	153	169	1 200	1 200
Total		**600**	**675**	**729**	**920**	**1 329**	**1 596**	**10 100**	**11 000**

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

[2] Share-based compensation is calculated at a share price of CHF 56.90 (for the part of the allocation approved by the Annual General Meeting 2020) (previous year: CHF 76.50) and at CHF 69.90 (as of year-end 2020) (previous year: CHF 76.80) for the outstanding amount including social security. Outstanding shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

[a] Deputy Chairman and NCC member

[b] AC Committee Chair

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

[d] AC member

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

An overview of the shareholdings of members of the Board of Directors at HUBER+SUHNER AG can be found on page 62 of the 2020 Financial Report.

Executive Group Management compensation 2020

The Executive Group Management members received fixed compensation of TCHF 2 988 for the year under review (previous year: TCHF 3 390). Subject to approval by the Annual General Meeting, Executive Group Management was awarded variable compensation of TCHF 2 081 (previous year: TCHF 2 259). This comprises a cash bonus and a share based compensation. The factors for the variable cash component which is determined individually and depends on the achievement of the Group's financial targets and the individual objectives, range from 59 to 85 %. The share-based compensation at the market value of the shares amounts to 18 250 shares (previous year: 16 200 shares) at a share price of CHF 69.90 on 30 December 2020 (previous year: CHF 76.80). The Board of Directors determined the share factor for 2020 in its February 2021 meeting. The assessment was based on the criteria as defined under chapter 3, section b of this document. The Board of Directors assesses the market environment in 2020 as difficult and rates the performance of the Executive Group Management under these circumstances as very good. The implementation of the strategy is considered to be on track. In individual initiatives, the Management succeeded in exceeding its targets; in others, however, it was not quite possible to achieve the desired progress. The Board of Directors considers the company's financial basis at the end of the reporting period to be very solid and the future perspective as very promising. A positive aspect is that the company succeeded in generating an attractive cash flow even in a difficult environment. Based on the above assessment, the share factor was set at 1.25. No compensation was paid to former Executive Group Management members.

Total compensation for the Executive Group Management for the year under review was TCHF 5 069 (previous year: TCHF 5 649). The decrease of 10 % compared with previous year is due to lower variable compensation (lower bonus achievement), a reduction of 10 % on fixed compensation (for 6 months), the reduction of one Executive Group Management position and the decreased share price.

Compensation for Executive Group Management	Highest individual compensation [1]		Total Executive Group Management [2]	
	2020	2019	2020	2019
Basic salary [3]	513	524	2 347	2 706
Contributions to social security and pension funds on fixed compensation	156	156	641	684
Total fixed compensation	**669**	**680**	**2 988**	**3 390**
Variable compensation	159	216	654	855
Share-based compensation [4]	350	307	1 276	1 244
Contributions to social security on variable compensation	45	44	151	160
Total variable compensation	**554**	**567**	**2 081**	**2 259**
Total compensation	**1 223**	**1 247**	**5 069**	**5 649**
Number of allotted shares	**5 000**	**4 000**	**18 250**	**16 200**

[1] U. Ryffel, CEO
[2] The Executive Group Management consists of 8 members in 2020 and 9 members in 2019.
[3] Including allowances
[4] Based on the year-end share price of CHF 69.90 (previous year: CHF 76.80). Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

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

An overview of the shareholdings of members of Executive Group Management at HUBER+SUHNER AG can be found on page 62 of the 2020 Financial Report.

Building a better
working world

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Zurich, 4 March 2021

Report of the statutory auditor on the compensation report

We have audited the compensation report of HUBER+SUHNER AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 26 to 27 of the compensation report.

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

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

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

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

Opinion
In our opinion, the compensation report for the year ended 31 December 2020 of HUBER+SUHNER AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Willy Hofstetter (Qualified Signature)	Erik Zeller (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Financial Report 2020

HUBER+SUHNER Group Financial Statements

Key Figures

Group in CHF million	2020	2019	Change
Order intake	748.2	800.9	(6.6 %)
Order backlog as of 31.12.	195.5	213.6	(8.5 %)
Net sales	737.9	830.6	(11.2 %)
Gross margin	35.4 %	36.2 %	
EBITDA	89.3	111.8	(20.1 %)
as % of net sales	12.1 %	13.5%	
EBIT	61.2	80.5	(24.0 %)
as % of net sales	8.3 %	9.7 %	
Financial result	(0.6)	(1.7)	n/m
Net income	52.3	62.8	(16.7 %)
as % of net sales	7.1 %	7.6 %	
Purchases of PP&E and intangible assets	37.7	37.5	0.4 %
Cash flow from operating activities	86.5	129.1	(33.0 %)
Free operating cash flow	50.2	45.1	11.3 %
Net liquidity as of 31.12.	202.9	190.2	6.7 %
Equity as of 31.12.	591.6	587.7	0.7 %
as % of balance sheet total	79.9 %	78.4 %	
Employees as of 31.12.	4 410	4 823	(8.6 %)
Market capitalisation as of 31.12.	1 361.1	1 494.9	(8.9 %)

Data per share in CHF	2020	2019	Change
Stock market price as of 31.12.	69.90	76.80	(8.9 %)
Net income	2.66	3.22	(17.2 %)
Dividend	1.30[1]	1.60	(18.8 %)

[1] Proposed dividend

Segment information in CHF million		2020	2019	Change
Radio Frequency	Order intake	239.5	272.8	(12.2 %)
	Net sales	236.3	275.2	(14.1 %)
	EBIT	29.5	47.1	(37.4 %)
	as % of net sales	12.5 %	17.1 %	
Fiber Optics	Order intake	278.4	274.7	1.4 %
	Net sales	269.4	285.6	(5.7 %)
	EBIT	22.4	18.8	18.8 %
	as % of net sales	8.3 %	6.6 %	
Low Frequency	Order intake	230.3	253.4	(9.1 %)
	Net sales	232.2	269.8	(14.0 %)
	EBIT	15.5	21.6	(28.2 %)
	as % of net sales	6.7 %	8.0 %	

n/m = not meaningful

Consolidated Income Statement

in CHF 1 000	Notes	2020	%	2019	%
Net sales	6	737 897	100.0	830 610	100.0
Cost of goods sold		(477 045)		(530 247)	
Gross profit		**260 852**	**35.4**	**300 363**	**36.2**
Selling expense		(111 051)		(127 306)	
Administrative expense		(47 504)		(53 400)	
Research and development expense		(47 516)		(42 081)	
Other operating expense		(1 755)		(681)	
Other operating income	6	8 174		3 610	
Operating profit (EBIT)	6	**61 200**	**8.3**	**80 505**	**9.7**
Financial result	7	(582)		(1 686)	
Income before taxes		**60 618**	**8.2**	**78 819**	**9.5**
Income taxes	8	(8 312)		(16 060)	
Net income		**52 306**	**7.1**	**62 759**	**7.6**
Attributable to shareholders of HUBER+SUHNER AG		51 863		62 622	
Attributable to minority interests		443		137	

Data per share in CHF	Notes	2020		2019
Undiluted / diluted earnings per share	29	2.66		3.22
Dividend		1.30[1]		1.60

[1] Proposed dividend

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

Consolidated Balance Sheet

in CHF 1 000	Notes	31.12.2020	%	31.12.2019	%
Assets					
Cash and cash equivalents	15	203 556		191 636	
Trade receivables	16	121 103		137 055	
Other short-term receivables	17	25 541		21 788	
Inventories	18	138 812		152 507	
Accrued income		2 297		2 567	
Current assets		**491 309**	**66.4**	**505 553**	**67.4**
Property, plant and equipment	20	195 110		191 929	
Intangible assets	21	21 322		20 463	
Financial assets	22	21 457		20 626	
Deferred tax assets	27	11 119		11 438	
Non-current assets		**249 008**	**33.6**	**244 456**	**32.6**
Assets		**740 317**	**100.0**	**750 009**	**100.0**
Liabilities and equity					
Short-term financial liabilities	3, 23	632		761	
Trade payables		39 397		37 742	
Other short-term liabilities	25	50 681		56 866	
Short-term provisions	26	14 102		12 278	
Accrued liabilities		13 765		16 673	
Current liabilities		**118 577**	**16.0**	**124 320**	**16.6**
Long-term financial liabilities	3, 23	–		634	
Other long-term liabilities		2 280		3 021	
Long-term provisions	26	8 738		8 982	
Deferred tax liabilities	27	19 094		25 339	
Non-current liabilities		**30 112**	**4.1**	**37 976**	**5.0**
Liabilities		**148 689**	**20.1**	**162 296**	**21.6**
Share capital	28	5 050		5 050	
Capital reserves		33 044		32 994	
Treasury shares		(247)		(719)	
Retained earnings		550 678		547 195	
Equity attributable to shareholders of HUBER+SUHNER AG		**588 525**	**79.5**	**584 520**	**78.0**
Minority interests		3 103	0.4	3 193	0.4
Total equity		**591 628**	**79.9**	**587 713**	**78.4**
Liabilities and equity		**740 317**	**100.0**	**750 009**	**100.0**

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

Consolidated Cash Flow Statement

in CHF 1 000	Notes	2020	2019
Net income		**52 306**	**62 759**
Income taxes		8 312	16 060
Depreciation of property, plant and equipment and intangible assets	20, 21	28 148	31 301
Other non-cash items		1 511	1 048
Loss/profit from the disposal of property, plant and equipment		(432)	(23)
Change in trade receivables		9 628	14 881
Change in inventories		8 519	10 560
Change in other receivables and accrued income		(3 180)	2 658
Change in trade payables		2 844	3 124
Change in other liabilities and accrued liabilities		(6 407)	(684)
Change in provisions		1 953	(2 034)
Income tax paid		(16 485)	(10 447)
Interest paid		(215)	(123)
Cash flow from operating activities		**86 502**	**129 080**
Purchases of property, plant and equipment	20	(32 861)	(31 604)
Proceeds from sale of property, plant and equipment	20	1 814	224
Purchases of intangible assets	21	(6 390)	(4 412)
Purchases of financial assets		(80)	(682)
Interest received		1 614	1 398
Cash outflow from acquisitions	3	(400)	(48 882)
Cash flow from investing activities		**(36 303)**	**(83 958)**
Payment of dividend		(31 157)	(48 683)
Payment of dividend to minority interests		(451)	–
Purchase of treasury shares		(1 154)	(1 517)
Repayment of short-term financial liabilities		(749)	(191)
Cash flow from financing activities		**(33 511)**	**(50 391)**
Effect of exchange rate changes on cash		(4 768)	(1 921)
Net change in cash and cash equivalents		**11 920**	**(7 190)**
Cash and cash equivalents at beginning of year		191 636	198 826
Cash and cash equivalents at end of year	15	203 556	191 636
Net change in cash and cash equivalents		**11 920**	**(7 190)**

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

Consolidated Statement of Equity

in CHF 1 000	Share capital[1]	Capital reserves	Treasury shares	Other retained earnings	Goodwill offset	Translation differences	Retained earnings	Equity attributable to shareholders of H+S AG	Minority interests	Total equity
Balance at 1.1.2019	**5 050**	**32 713**	**(1 402)**	**691 599**	**(97 512)**	**(9 696)**	**584 391**	**620 752**	**–**	**620 752**
Change in scope of consolidation	–	–	–	–	–	–	–	–	3 160	3 160
Net income	–	–	–	62 622	–	–	62 622	62 622	137	62 759
Dividend paid	–	–	–	(48 683)	–	–	(48 683)	(48 683)	–	(48 683)
Purchase of treasury shares	–	–	(1 517)	–	–	–	–	(1 517)	–	(1 517)
Share-based payment	–	281	2 200	80	–	–	80	2 561	–	2 561
Goodwill offset	–	–	–	–	(44 246)	–	(44 246)	(44 246)	–	(44 246)
Currency translation differences	–	–	–	–	–	(6 969)	(6 969)	(6 969)	(104)	(7 073)
Balance at 31.12.2019	**5 050**	**32 994**	**(719)**	**705 618**	**(141 758)**	**(16 665)**	**547 195**	**584 520**	**3 193**	**587 713**
Change in scope of consolidation	–	–	–	–	–	–	–	–	–	–
Net income	–	–	–	51 863	–	–	51 863	51 863	443	52 306
Dividend paid	–	–	–	(31 157)	–	–	(31 157)	(31 157)	(451)	(31 608)
Purchase of treasury shares	–	–	(1 154)	–	–	–	–	(1 154)	–	(1 154)
Share-based payment	–	50	1 626	(400)	–	–	(400)	1 276	–	1 276
Goodwill offset[2]	–	–	–	–	1 076	–	1 076	1 076	–	1 076
Currency translation differences	–	–	–	–	–	(17 899)	(17 899)	(17 899)	(82)	(17 981)
Balance at 31.12.2020	**5 050**	**33 044**	**(247)**	**725 924**	**(140 682)**	**(34 564)**	**550 678**	**588 525**	**3 103**	**591 628**

[1] See Note 28, page 51, Notes to Group Financial Statements

[2] See Note 21, page 48

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

Notes to Group Financial Statements

1 General

These consolidated financial statements were approved by the Board of Directors on 4 March 2021 and released for publication on 9 March 2021. They are subject to the approval of the shareholders at the Annual General Meeting on 31 March 2021.

2 Accounting policies

2.1 Basis of preparation

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

2.2 Scope and principles of consolidation

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

- All subsidiaries which HUBER+SUHNER controls are fully consolidated. Control is usually presumed where the Group directly or indirectly owns 50 % or more of the voting rights of the subsidiaries. All of the assets and liabilities as well as the income and expenses of these companies are fully included. Minority interests in the consolidated equity and net income are shown separately. All intercompany transactions and balances as well as intercompany profits in inventory and other assets are eliminated on consolidation.

- Those companies purchased during the reporting year are included in the consolidation as at the date on which control was effectively transferred. All previously recognised assets and liabilities as well as contingent liabilities of the company are valued from the date of transfer of control and at fair value. Companies which have been divested during the reporting year are included in the consolidated financial statements until the date on which control ceased.

- Joint ventures and investments with voting rights of between 20 % and 50 % are recognised using the equity method and with the proportionate equity share as at the balance sheet date. They are reported under financial assets in the balance sheet and as equity investments in the notes. Using the equity method, the proportional share of net income is shown as income (expense) in the consolidated income statement.

- Capital consolidation is based on the purchase method (acquisition method). The net assets acquired are revalued at the acquisition date and compared with the purchase price; only previously recognised assets are revalued. Any resulting goodwill is directly offset against equity. This approach is used for both positive and negative goodwill. If parts of the purchase price are dependent on future results, they are estimated as accurately as possible at the date of acquisition and recognised in the balance sheet. In the event of disparities the goodwill offset in equity is adjusted accordingly.

2.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

2.4 Cash and cash equivalents

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

2.5 Trade receivables and other short-term receivables

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

2.6 Inventories

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

2.7 Property, plant and equipment

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

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

2.8 Intangible assets

Software

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

Other intangible assets

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

2.9 Impairment of assets

Property, plant and equipment and other long-term assets including intangible assets are reviewed for impairment if events or changes in circumstances have occurred that indicate that the book value cannot be recovered. Assets with a book value above the recoverable amount are deemed impaired and are carried at no more than the recoverable amount. The recoverable amount is the higher of an asset's fair value less the cost to sell and value in use. To determine the reduction in value, assets are allocated to specific cash-generating units; cash flows for the latter are determined separately.
If there is an indication that the impairment in the prior period no longer exists or has decreased, the carrying amount is, with the exception of goodwill, increased to its recoverable amount and is recognised immediately in the income statement.

2.10 Financial assets

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

2.11 Financial liabilities

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

2.12 Trade payables and other short-term liabilities

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

2.13 Provisions

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

2.14 Off-balance-sheet transactions

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

2.15 Employee benefits

Companies in the HUBER+SUHNER Group operate employee pension plans in accordance with the regulations of the country where the given company is domiciled.
The economic impact of these pension plans on the HUBER+SUHNER Group is determined annually. For Swiss pension plans, economic benefits and/or economic obligations are determined on the basis of the annual financial statement, which is prepared in accordance with Swiss GAAP FER 26. The economic impact of foreign pension plans is determined according to the methods applied in the given country.

An economic benefit is capitalised if it is permissible and the intention is to use the pension plan funds to cover the company's future pension expense. An economic obligation is recognised when the conditions for the recognition of a provision are met. Existing employer contribution reserves are recognised as a financial asset. Changes in the economic benefit or the economic obligation are recognised in the income statement as personnel expenses incurred during the reporting period.

2.16 Share-based payment

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

2.17 Revenue recognition

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

2.18 Gross profit

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

2.19 Income taxes

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

2.20 Alternative Performance Measures

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

3 Changes in the scope of consolidation and other changes

There were no changes in consolidation scope in 2020.

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

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

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

The goodwill from the acquisition of the BKtel Group, which was offset with equity, was CHF 39.3 million. The total purchase price (including acquisition costs) was CHF 52.7 million. After the deduction for purchased net cash (CHF 9.7 million) the net cash outflow was CHF 43.1 million.
In 2020 the goodwill has been increased by CHF 0.1 million due to the property acquisition tax in Germany (see note 21, page 48). BKtel is reported in the FO technology segment.

On 19 July 2019 HUBER+SUHNER took over the antenna portfolio for security-relevant applications from Kathrein SE (Germany). At the time of acquisition the fair values of net assets according to Swiss GAAP FER were as follows:

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

The goodwill from the acquisition of Kathrein SE (Germany) which was offset with equity was CHF 4.1 million. The total purchase price (including acquisition costs) was CHF 5.2 million. After the deduction for the outstanding payments of CHF 1.9 million, the net cash outflow was CHF 3.3 million in 2019.
In 2020 the outstanding payment was adjusted from CHF 1.9 million to CHF 0.6 million due to a purchase price adjustment and the goodwill (net of taxes) was reduced accordingly, no impact on cash outflow (see note 21, page 48).
The antenna portfolio for security-relevant applications is reported in the RF technology segment.

On 30 June 2019 HUBER+SUHNER took over the railway and bus antenna portfolio from Kathrein SE (Germany). At the time of acquisition the fair values of net assets according to Swiss GAAP FER were as follows:

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

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

From the acquisition Inwave Elektronik AG, Reute in Switzerland in 2017, CHF 0.3 million of the remaining payment was paid out in 2020 (previous year there was no pay out of the remaining payment).

Discontinued operation

The low-profit production site in Brazil has been closed by the end of November 2020. In 2020, the sales generated by the discontinued business amounted to CHF 10.5 million (Radio Frequency CHF 0.4 million, Fiber Optics CHF 7.7 million, Low Frequency CHF 2.4 million), while the operating profit amounted to CHF –1.8 million (Radio Frequency CHF +0.0 million, Fiber Optics CHF –1.4 million, Low Frequency CHF –0.4 million). H+S Brazil was reported in the region Americas (North and South America).

A complete list of all Group companies can be found on page 52.

4 Exchange rates for currency translation

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

	Spot rates for the consolidated balance sheet		Average rates for the consolidated income and cash flow statement	
	31.12.2020	31.12.2019	2020	2019
1 EUR	1.09	1.09	1.07	1.11
1 USD	0.89	0.98	0.94	0.99
100 CNY	13.57	13.96	13.60	14.39
1 GBP	1.20	1.28	1.21	1.27
100 INR	1.21	1.37	1.27	1.41

5 Impacts of Covid-19

Since the outbreak of the Covid-19 pandemic, HUBER+SUHNER has taken all the necessary measures to protect the health of its employees, customers, business partners and suppliers. HUBER+SUHNER countered the noticeable weakening of business by implementing cost-saving measures at an early stage. These measures (e.g. for short-time work, governmental support and salary forgiveness for higher management), are recognised in the corresponding expense category as cost reduction.

6 Segment information

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

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

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

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

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

Net sales by segment	2020	2019
Radio Frequency	236 296	275 222
Fiber Optics	269 445	285 584
Low Frequency	232 156	269 804
Total net sales	**737 897**	**830 610**

Net sales by region (sales area)	2020	2019
Switzerland	41 423	52 128
EMEA (Europe, Middle East and Africa [excl. CH])	358 307	361 113
APAC (Asia-Pacific)	203 637	248 449
Americas (North and South America)	134 530	168 920
Total net sales	**737 897**	**830 610**

Operating profit (EBIT)	2020	2019
Radio Frequency	29 489	47 099
Fiber Optics	22 374	18 840
Low Frequency	15 470	21 551
Corporate	(6 133)	(6 985)
Total operating profit (EBIT)	**61 200**	**80 505**

In 2020, the EBIT is impacted by a settlement payment from a customer in the Fiber Optics technology segment, which is included in other operating income in the amount of CHF 4.6 million.

With effect from 1 January 2021, HUBER+SUHNER has simplified its organisational structure and will orient itself towards the three market segments Industry, Communication and Transportation. The three market segments replace the three technology segments Radio Frequency, Fiber Optics and Low Frequency. The reporting used on top management level to steer the Group will be adjusted accordingly. First time reported in Half-year Report 2021.

7 Financial result

	2020	2019
Interest income	2 518	1 600
Foreign exchange gains incl. derivative financial instruments	1 306	1 277
Other financial income	1	17
Total financial income	**3 825**	**2 894**
Interest expense	(213)	(129)
Foreign exchange losses incl. derivative financial instruments	(2 556)	(2 664)
Other financial expense	(1 638)	(1 787)
Total financial expense	**(4 407)**	**(4 580)**
Total financial result	**(582)**	**(1 686)**

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

8 Income taxes

	2020	2019
Current income taxes	(14 965)	(13 898)
Deferred income taxes	6 653	(2 162)
Total income taxes	**(8 312)**	**(16 060)**

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

	2020	2019
Net income before taxes	60 618	78 819
Expected income tax rate	**21.1 %**	**21.7%**
Expected income taxes	(12 792)	(17 066)
Effect of utilisation of non-recognised tax losses carry-forward	733	1 396
Effect of non-tax-deductible expenses and non-taxable income	1 408	390
Effect of non-recognition of current tax losses	(988)	(503)
Effect of increased/reduced allowance on deferred tax balances	3 862	61
Effect of changes in tax rates on deferred tax balances	(667)	(330)
Effect of tax credits/debits from prior years and other effects	132	(8)
Effective income taxes	**(8 312)**	**(16 060)**
Effective income tax rate	**13.7 %**	**20.4%**

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

The significant decrease of the effective income tax rate from 20.4 % to 13.7 % in the reporting year is mainly attributable to the following three factors. Firstly, with the implementation of the Swiss corporate tax reform enacted through the Federal Act on Tax reform and AHV Financing effective on 1 January 2020, additional R&D deduction have been introduced in the cantonal tax laws that can be used by HUBER+SUHNER. Secondly, in China the high tech status (High New Technology Enterprises (HNTE)) was granted to the H+S production company which allows to benefit from a preferential income tax rate. Moreover, due to the closure of the production site in Brazil, so far recognised deferred tax liabilities of CHF 3.2 million were no longer necessary.

The capitalised deferred tax assets on losses carried forward amounts to CHF 0.9 million (previous year: CHF 0.8 million). The unrecognised tax loss carried forward was CHF 17.1 million (previous year, CHF 20.3 million). This corresponds to a potential tax asset of CHF 4.7 million (previous year: CHF 5.6 million). In 2020 no tax losses carried forward expired (previous year: CHF 3.8 million).

The valuation of related tax assets on losses carried forward is based on business plans. The capitalisation of usable tax losses carried forward is assessed on a yearly basis. Tax losses carried forward are recognised only to the extent that it is probable that future taxable profits will be available and therefore allow the assets to be utilised. In countries and for subsidiaries where the use of tax losses carried forward is not foreseeable, tax loss is not capitalised.
For the calculation of deferred income taxes in the consolidated balance sheet, the expected tax rate per tax subject is applied.

9 Personnel expenses

Personnel expenses included in the income statement amount to:

	2020	2019
Total personnel expenses	**262 766**	**275 348**

10 Post-employment benefits

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

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

Employer contribution reserves (ECR)

	Nominal value	Waiver of use	Accu-mulation	Balance sheet		Income statement impact from ECR	
	31.12.2020	2020	2020	31.12.2020	31.12.2019	2020	2019
Paternal fund [1]	16 928	–	828	16 928	16 100	828	–
Total	**16 928**	**–**	**828**	**16 928**	**16 100**	**828**	**–**

[1] The employer contribution reserves are based on the annual reports of the corresponding institutions from the previous year. The economic benefits/economic obligations are assessed at each balance sheet date. In 2020, interest on the paternal fund of the employer contribution reserve is recognised as financial income. In 2019, there was no interest due to the negative financial performance of the paternal fund in 2018.

Economic benefit / economic obligation and pension benefit expenses

	Funding surplus	Economic part of the organisation		Change from prior year with income statement impact	Change from prior year with no income statement impact	Contributions for the period	Pension costs within personnel expenses	
	31.12.2020	31.12.2020	31.12.2019	2020	2020	2020	2020	2019
Paternal fund [1]	67 417	–	–	–	–	–	–	–
Pension plans with surplus [1]	33 251	–	–	–	–	(9 213)	(9 213)	(7 626)
Pension plans without own assets	–	2 281	2 292	(208)	219	–	(208)	(247)
Total	**100 668**	**2 281**	**2 292**	**(208)**	**219**	**(9 213)**	**(9 421)**	**(7 873)**

[1] The paternal fund and the funding surplus of the pension plan of HUBER+SUHNER AG are based on annual reports issued by the corresponding institutions for the previous year. The economic benefits / economic obligations are assessed at each balance sheet date. In 2020, the pension costs increased compared to prior year due to an increase in age and risk benefits.

11 Share-based payment

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

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

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

Share-based compensation is calculated based on the year-end share price of CHF 69.90 (previous year: CHF 76.80). In the year under review, 31 225 shares (prior year: 29 633 shares) were allocated. Expenses, which included social security, in the amount of CHF 2.5 million (prior year: CHF 2.5 million) are recognised accordingly in the income statement. Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

12 Related party transactions

In 2020 services (for air travel) totalling CHF 0.1 million (previous year: CHF 1.4 million) were purchased from companies controlled by a resigned member of the Board of Directors; the corresponding trade payables per end of December 2020 are CHF 0.0 million (previous year: CHF 0.1 million).

Pension contributions to the HUBER+SUHNER AG pension plan are disclosed in Note 10, page 44, line item 'Pension plan with surplus'.

13 Depreciation and amortisation

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

	2020	2019
Depreciation of property, plant and equipment	22 873	25 877
Amortisation of intangible assets	5 275	5 424
Total depreciation and amortisation	**28 148**	**31 301**

14 Liabilities from operating lease

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

Liabilities from operating lease	31.12.2020	31.12.2019
Less than 1 year	4 324	4 124
Between 1 and 5 years	12 779	7 264
More than 5 years	13 520	2 788
Total liabilities from operating lease	**30 623**	**14 176**

The increase of the liabilities from operating lease compared to previous year is mainly due to a long-term lease agreement for a production site in the US.

15 Cash and cash equivalents

	31.12.2020	31.12.2019
Cash at bank and on hand	166 338	127 916
Term deposits < 3 month term, in CHF	19 999	29 999
Term deposits < 3 month term, in other currency	17 219	33 721
Total cash and cash equivalents	**203 556**	**191 636**

16 Trade receivables

	31.12.2020	31.12.2019
Trade receivables from third parties	123 542	139 256
Provision for doubtful trade receivables	(2 439)	(2 201)
Total trade receivables, net	**121 103**	**137 055**

17 Other short-term receivables

	31.12.2020	31.12.2019
Other short-term receivables	25 446	21 349
Derivative financial instruments	95	439
Total other short-term receivables	**25 541**	**21 788**

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

18 Inventories

	31.12.2020	31.12.2019
Raw materials and supplies	68 655	71 305
Work in progress	12 855	11 236
Finished goods	100 567	115 184
Total inventories, gross	**182 077**	**197 725**
Inventory provision	(43 265)	(45 218)
Total inventories, net	**138 812**	**152 507**

19 Derivative financial instruments

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

Derivative financial instruments	Positive market value	Negative market value	Purpose	Positive market value	Negative market value	Purpose
	31.12.2020			31.12.2019		
Foreign exchange	95	316	Hedging	439	59	Hedging
Total	**95**	**316**		**439**	**59**	

20 Property, plant and equipment

	Un-developed property	Land and buildings	Technical equip-ment and machinery	Other equipment [1]	Assets under construction	Total
Cost at 1.1.2019	**2 080**	**203 498**	**333 076**	**73 837**	**10 592**	**623 083**
Additions	–	1 069	5 015	2 666	24 319	33 069
Disposals	–	(522)	(7 015)	(1 770)	(501)	(9 808)
Reclassifications	–	2 970	7 477	4 158	(14 605)	–
Change in consolidation scope	–	1 136	819	453	–	2 408
Currency translation differences	–	(1 299)	(2 097)	(320)	(36)	(3 752)
Cost at 31.12.2019	**2 080**	**206 852**	**337 275**	**79 024**	**19 769**	**645 000**
Additions	–	732	2 688	3 160	24 755	31 335
Disposals	–	(3 168)	(7 869)	(1 136)	(152)	(12 325)
Reclassifications	–	986	14 126	2 080	(17 192)	–
Change in consolidation scope	–	–	–	–	–	–
Currency translation differences	–	(1 469)	(4 386)	(1 487)	(105)	(7 447)
Cost at 31.12.2020	**2 080**	**203 933**	**341 834**	**81 641**	**27 075**	**656 563**
Accumulated depreciation and impairment at 1.1.2019	**–**	**(113 947)**	**(259 782)**	**(62 551)**	**–**	**(436 280)**
Additions	–	(4 704)	(15 985)	(5 188)	–	(25 877)
Impairments	–	–	–	–	–	–
Disposals	–	26	6 265	1 054	–	7 345
Reclassifications	–	2	(6)	4	–	–
Currency translation differences	–	376	1 111	254	–	1 741
Accumulated depreciation and impairment at 31.12.2019	**–**	**(118 247)**	**(268 397)**	**(66 427)**	**–**	**(453 071)**
Additions	–	(4 582)	(13 471)	(4 820)	–	(22 873)
Impairments	–	–	–	–	–	–
Disposals	–	2 336	7 180	973	–	10 489
Reclassifications	–	(8)	(1)	9	–	–
Currency translation differences	–	398	2 594	1 010	–	4 002
Accumulated depreciation and impairment at 31.12.2020	**–**	**(120 103)**	**(272 095)**	**(69 255)**	**–**	**(461 453)**
Net book value at 1.1.2019	**2 080**	**89 551**	**73 294**	**11 286**	**10 592**	**186 803**
Net book value at 31.12.2019	**2 080**	**88 605**	**68 878**	**12 597**	**19 769**	**191 929**
Net book value at 31.12.2020	**2 080**	**83 830**	**69 739**	**12 386**	**27 075**	**195 110**

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

21 Intangible assets

	Software	Other	Total
Cost at 1.1.2019	**70 128**	**1 450**	**71 578**
Additions	4 459	17	4 476
Disposals	(277)	–	(277)
Change in consolidation scope	31	–	31
Currency translation differences	(72)	(49)	(121)
Cost at 31.12.2019	**74 269**	**1 418**	**75 687**
Additions	6 354	–	6 354
Disposals	(66)	–	(66)
Change in consolidation scope	–	–	–
Currency translation differences	(394)	(41)	(435)
Cost at 31.12.2020	**80 163**	**1 377**	**81 540**

Accumulated amortisation and impairment at 1.1.2019	**(49 999)**	**(204)**	**(50 203)**
Additions	(5 395)	(29)	(5 424)
Disposals	355	–	355
Impairments	–	–	–
Currency translation differences	42	6	48
Accumulated amortisation and impairment at 31.12.2019	**(54 997)**	**(227)**	**(55 224)**
Additions	(5 245)	(30)	(5 275)
Disposals	61	–	61
Impairments	–	–	–
Currency translation differences	214	6	220
Accumulated amortisation and impairment at 31.12.2020	**(59 967)**	**(251)**	**(60 218)**

Net book value at 1.1.2019	**20 129**	**1 246**	**21 375**
Net book value at 31.12.2019	**19 272**	**1 191**	**20 463**
Net book value at 31.12.2020	**20 196**	**1 126**	**21 322**

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

Theoretical movement schedule for goodwill

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

Cost	2020	2019
Balance at 1.1.	141 758	97 512
Additions from acquisitions	–	45 325
Increase of goodwill	123	–
Reduction of goodwill	(1 199)	(1 079)
Balance at 31.12.	**140 682**	**141 758**

In November 2020 the goodwill of CHF 39.3 million for BKtel, which was acquired on 2 December 2019 has been increased by CHF 0.1 million due to property acquisition tax in Germany. Additionally, the goodwill of CHF 5.2 million for Kathrein which was acquired on 19 July 2019 has been decreased by CHF 1.2 million due to purchase price adjustment.
In November 2019 the goodwill of CHF 3.2 million for Inwave, which was acquired on 10 November 2017 has been reduced by CHF 1.1 million due to the true-up of the deferred purchase price.

Accumulated amortisation		
Balance at 1.1.	(90 091)	(78 085)
Amortisation expense	(14 372)	(12 006)
Balance at 31.12.	**(104 463)**	**(90 091)**
Theoretical net book value at 31.12.	**36 219**	**51 667**

Impact on balance sheet

	31.12.2020	31.12.2019
Equity according to the balance sheet	591 628	587 713
Theoretical capitalisation of goodwill	36 219	51 667
Theoretical equity incl. net book value of goodwill	**627 847**	**639 380**

Impact on income statement

	2020	2019
Net income	52 306	62 759
Amortisation of goodwill	(14 372)	(12 006)
Theoretical net income	**37 934**	**50 753**

22 Financial assets

	31.12.2020	31.12.2019
Assets from employer contribution reserves	16 928	16 100
Others	4 529	4 526
Total financial assets	**21 457**	**20 626**

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

23 Financial liabilities

Financial liabilities	31.12.2020	31.12.2019
Short-term financial liabilities	632	761
Long-term financial liabilities	–	634
Total financial liabilities	**632**	**1 395**

Maturities of financial liabilities	31.12.2020	31.12.2019
Due within 1 year	632	761
Due within 2 to 5 years	–	634
Total financial liabilities	**632**	**1 395**

The financial liability is a bank loan taken over as part of the acquisition of BKtel (see Note 3, page 39). The interest rate for the secured bank loan in Euro is 2.8 %.

24 Restrictions on the title to assets

Assets with a carrying amount of CHF 1.2 million (previous year: CHF 1.1 million) were pledged to secure a bank loan. The pledged asset consists of a building.

25 Other short-term liabilities

	31.12.2020	31.12.2019
Accrual for personnel expenses	25 893	29 397
Advance payments from customers	2 612	2 486
Derivative financial instruments	316	59
Current income tax liabilities	13 382	13 851
Other liabilities	8 478	11 073
Total other short-term liabilities	**50 681**	**56 866**

26 Provisions

	Retirement plan obligations	Restructuring provisions	Employee-related provisions	Order-related provisions	Other provisions	Total
Balance at 1.1.2019	**2 322**	**–**	**5 466**	**10 627**	**4 473**	**22 888**
Additions	247	–	595	807	147	1 796
Releases	–	–	(76)	(427)	(106)	(609)
Utilisation	(213)	–	(996)	(1 834)	(150)	(3 193)
Change in consolidation scope	–	–	–	510	4	514
Currency translation differences	(64)	–	(31)	(23)	(18)	(136)
Balance at 31.12.2019	**2 292**	**–**	**4 958**	**9 660**	**4 350**	**21 260**
Additions	208	–	1 054	3 018	550	4 830
Releases	–	–	(345)	(547)	(126)	(1 018)
Utilisation	(143)	–	(965)	(625)	(60)	(1 793)
Change in consolidation scope	–	–	–	–	–	–
Currency translation differences	(76)	–	(59)	(221)	(83)	(439)
Balance at 31.12.2020	**2 281**	**–**	**4 643**	**11 285**	**4 631**	**22 840**
Short-term provisions	**–**	**–**	**1 610**	**8 576**	**2 092**	**12 278**
Long-term provisions	**2 292**	**–**	**3 348**	**1 084**	**2 258**	**8 982**
Total provisions at 31.12.2019	**2 292**	**–**	**4 958**	**9 660**	**4 350**	**21 260**
Short-term provisions	**–**	**–**	**1 659**	**10 047**	**2 396**	**14 102**
Long-term provisions	**2 281**	**–**	**2 984**	**1 238**	**2 235**	**8 738**
Total provisions at 31.12.2020	**2 281**	**–**	**4 643**	**11 285**	**4 631**	**22 840**

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

27 Deferred tax assets and liabilities

	Deferred tax assets	Deferred tax liabilities
Balance at 1.1.2019	**10 859**	**24 642**
Additions	708	746
Releases / utilisation	(2 148)	(24)
Reclassifications	91	(33)
Change in consolidation scope	2 140	7
Currency translation differences	(212)	1
Balance at 31.12.2019	**11 438**	**25 339**
Additions	2 092	562
Releases / utilisation	(1 637)	(6 760)
Releases through equity	(181)	(23)
Reclassifications	–	(8)
Change in consolidation scope	–	–
Currency translation differences	(593)	(16)
Balance at 31.12.2020	**11 119**	**19 094**

28 Share capital

As at 31.12.2020 20 200 000 (previous year: 20 200 000) registered shares, with a nominal value of CHF 0.25, were outstanding. The Company has no authorised or conditional capital. Reserves which are not disposable or distributable amount to CHF 2.5 million as at 31 December 2020 (previous year: CHF 2.5 million).

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

	Quantity	Transaction price (Ø) in CHF	Purchase cost	Quantity	Transaction price (Ø) in CHF	Purchase cost
	2020			2019		
Balance at 1.1.	**735 140**		**718**	**746 640**		**1 401**
Purchases of treasury shares	22 133	52.14	1 154	21 625	70.15	1 517
Disposals of treasury shares	(29 633)	54.87	(1 626)	(33 125)	66.42	(2 200)
Balance at 31.12.	**727 640**		**246**	**735 140**		**718**

As at the balance sheet date, foundations related to the HUBER+SUHNER Group hold 276 886 shares in HUBER+SUHNER AG (previous year: 184 171), as the foundation has received a donation of 100 000 shares. Pension funds connected with the HUBER+SUHNER Group hold no shares in HUBER+SUHNER AG.

29 Earnings per share

	2020	2019
Net income attributable to shareholders of HUBER+SUHNER AG	51 863	62 622
Average number of outstanding shares	19 469 307	19 464 729
Undiluted / diluted earnings per share (CHF)	2.66	3.22

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.

30 Future commitments

The Group companies have committed to various capital expenditures essential for the day-to-day running of their businesses. At the year-end there were commitments for the purchase of property, plant and equipment and intangible assets amounting to CHF 15.9 million (previous year: CHF 19.4 million).

31 Contingent Liabilities

As at 31 December 2020 a parent guarantee in the amount of CHF 6.2 million (previous year: CHF 0.0 million) exists in favour of a third party for a long-term lease agreement. This amount represents the maximum amount of the obligation assumed. HUBER+SUHNER Group has not given any other guarantees in respect of its business relationships with third parties.

32 Events after the balance sheet date

No events occurred between the balance sheet date and the date these consolidated financial statements were approved by the Board of Directors (4 March 2021) which affect the annual results or require any adjustments to the Group's assets and liabilities.

Group Companies

Companies at 31.12.2020 (all fully consolidated)		Domicile		Capital stock in 1 000	Ownership	Purpose
Switzerland	HUBER+SUHNER AG [1]	Herisau	CHF	5 050	parent company	▲■
Australia	HUBER+SUHNER (Australia) Pty Ltd.	Frenchs Forest, New South Wales	AUD	5 000	100%	▲■
Brazil	HUBER+SUHNER América Latina Ltda.	Caçapava	BRL	39 197	100%	■
Canada	HUBER+SUHNER (Canada) Ltd.	Ottawa	CAD	2 350	100%	—
China	HUBER+SUHNER (Hong Kong) Ltd.	Hong Kong	HKD	12 325	100%	◆■
	HUBER+SUHNER (Shanghai) Co. Ltd. [2]	Shanghai	CNY	19 970	100%	■
	HUBER+SUHNER CCT (Shanghai) Co. Ltd. [2]	Shanghai	CNY	27 854	100%	■
	HUBER+SUHNER CCM (Changzhou) Co. Ltd. [2]	Changzhou	CNY	126 246	100%	▲
Costa Rica	HUBER+SUHNER Astrolab Costa Rica S.r.l. [3]	San José	USD	0	100%	▲
France	BKtel photonics SAS [4]	Lannion	EUR	10	56.65%	▲■
	HUBER+SUHNER (France) SAS	Voisins-le-Bretonneux	EUR	200	100%	■
Germany	HUBER+SUHNER BKtel GmbH [5, 6]	Hückelhoven	EUR	600	100%	▲■
	HUBER+SUHNER GmbH	Taufkirchen	EUR	3 068	100%	◆■
	HUBER+SUHNER Cube Optics AG [7]	Mainz	EUR	590	100%	▲■
India	HUBER+SUHNER Electronics Pvt. Ltd. [8]	New Delhi	INR	170 000	100%	▲■
Japan	BKtel Pacific Rim (Japan) Inc. [4]	Yokohama	JPY	10 000	51%	■
Malaysia	HUBER+SUHNER (Malaysia) Sdn Bhd [9]	Kuala Lumpur	MYR	2 500	100%	▲■
Netherlands	HUBER+SUHNER B.V.	Rosmalen	EUR	200	100%	—
Poland	HUBER+SUHNER Sp. z o.o.	Tczew	PLN	5 600	100%	▲
Singapore	HUBER+SUHNER (Singapore) Pte Ltd.	Singapore	SGD	3 000	100%	◆■
Spain	HUBER&SUHNER (Spain) [10]	Madrid	EUR	3	100%	▲
Tunisia	HUBER+SUHNER (Tunisie) SARL	Sousse	TND	100	100%	▲
United Kingdom	HUBER+SUHNER (UK) Ltd.	Bicester	GBP	4 000	100%	▲■
	HUBER+SUHNER Polatis Ltd. [11]	Cambridge	GBP	700	100%	▲■
USA	HUBER+SUHNER (North America) Corp. [12]	Charlotte, North Carolina	USD	1	100%	◆
	HUBER+SUHNER, Inc. [13]	Charlotte, North Carolina	USD	50	100%	▲■
	HUBER+SUHNER Astrolab, Inc. [13]	Warren, New Jersey	USD	12 000	100%	▲■
	HUBER+SUHNER Polatis Photonics, Inc. [13]	Bedford, Massachusetts	USD	52 959	100%	■

[1] In June 2020, HUBER+SUHNER Finance AG (Switzerland) was merged retroactively as per 1 January 2020 with HUBER+SUHNER AG.
[2] Subsidiary of HUBER+SUHNER (Hong Kong) Ltd.
[3] Subsidiary of HUBER+SUHNER Astrolab, Inc.
[4] Subsidiary of HUBER+SUHNER BKtel GmbH
[5] HUBER+SUHNER BKtel networks GmbH and HUBER+SUHNER BKtel components GmbH were merged with HUBER+SUHNER BKtel GmbH in July 2020.
[6] BKtel invest GmbH was liquidated in December 2020.
[7] Subsidiary of HUBER+SUHNER GmbH
[8] Subsidiary of HUBER+SUHNER AG and of HUBER+SUHNER B.V.
[9] Subsidiary of HUBER+SUHNER (Singapore) Pte Ltd.
[10] Subsidiary of HUBER+SUHNER Cube Optics AG
[11] With effective date 1 January 2020 HUBER+SUHNER Polatis, Inc. sold the investment of HUBER+SUHNER Polatis Ltd. to HUBER+SUHNER AG.
[12] HUBER+SUHNER Polatis, Inc. was merged with HUBER+SUHNER (North America) Corp. in July 2020.
[13] Subsidiary of HUBER+SUHNER (North America) Corp.

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

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Zurich, 4 March 2021

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the financial statements of HUBER+SUHNER AG, which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of equity and notes to the group financial statements including a summary of significant accounting policies (pages 31 to 52), for the year ended 31 December 2020.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2020 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Building a better working world

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

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

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

Valuation of inventories

Area of focus	As of 31 December 2020, inventories amounted to CHF 138.8 million, representing 18.8% of the Group's total assets. As indicated in Note 2.6 to the consolidated financial statements, inventories are valued at the lower of cost and net realisable value. Cost is determined according to the standard costing method. For slow-moving and obsolete stock the Group recognizes an inventory allowance based on the inventory turnover. Due to the significance of the carrying values of inventories and the degree of management judgment involved in determining production costs, write-downs and fair value less cost to sell, this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst other: · We gained an understanding of the inventory valuation process, the valuation method, as well as the underlying assumptions applied. · On a sample basis we analysed the standard cost calculations and verified the differences between the standard and actual costs. · We challenged the estimates made by Management regarding write-downs by assessing whether they are in line with historical experience. · We reviewed inventory ratio's and audited underlying data of the inventory ageing list. · We verified compliance with the principle of net realisable value for finished goods by comparing production costs with the expected net sale proceeds. Our audit procedures did not lead to any reservations regarding to the valuation of inventories.

Building a better working world

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Willy Hofstetter (Qualified Signature)	Erik Zeller (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Five-Year Financial Summary

in CHF million	2016	2017	2018	2019	2020
Order intake	**746.6**	**826.3**	**915.2**	**800.9**	**748.2**
change in % over prior year	6.2	10.7	10.8	(12.5)	(6.6)
Order backlog as of 31.12.	**177.2**	**230.5**	**246.9**	**213.6**	**195.5**
change in % over prior year	4.4	30.1	7.1	(13.5)	(8.5)
Net sales	**737.2**	**774.0**	**885.0**	**830.6**	**737.9**
change in % over prior year	4.4	5.0	14.3	(6.1)	(11.2)
Gross margin	**36.7%**	**34.5%**	**34.6%**	**36.2%**	**35.4 %**
EBITDA	**100.8**	**90.5**	**116.4**	**111.8**	**89.3**
as % of net sales	13.7	11.7	13.2	13.5	12.1
EBIT	**69.7**	**58.1**	**82.5**	**80.5**	**61.2**
as % of net sales	9.5	7.5	9.3	9.7	8.3
change in % over prior year	n/a [1]	(16.6)	41.9	(2.4)	(24.0)
Financial result	**3.0**	**(0.7)**	**(2.8)**	**(1.7)**	**(0.6)**
Net income	**53.2**	**42.1**	**61.4**	**62.8**	**52.3**
as % of net sales	7.2	5.4	6.9	7.6	7.1
change in % over prior year	n/a [1]	(20.8)	45.6	2.3	(16.7)
Purchases of PP&E and intangible assets	**32.2**	**37.8**	**27.0**	**37.5**	**37.7**
change in % over prior year	37.0	17.3	(28.5)	38.9	0.4
Cash flow from operating activities	**79.6**	**52.9**	**99.6**	**129.1**	**86.5**
change in % over prior year	n/a [1]	(33.5)	88.0	29.7	(33.0)
Free operating cash flow	**22.1**	**20.0**	**71.7**	**45.1**	**50.2**
change in % over prior year	n/a [1]	(9.7)	259.2	(37.1)	11.3
Net liquidity as of 31.12.	**157.5**	**152.6**	**198.8**	**190.2**	**202.9**
change in % over prior year	(1.5)	(3.1)	30.3	(4.3)	6.7
Equity as of 31.12.	**573.3**	**593.5**	**620.8**	**587.7**	**591.6**
as % of balance sheet total	81.5	78.9	80.7	78.4	79.9
Employees at year-end (permanent employees)	**4 031**	**4 200**	**4 456**	**4 823**	**4 410**
change in % over prior year	10.5	4.2	6.1	8.2	(8.6)
Employees, yearly average (permanent employees)	**3 866**	**4 198**	**4 352**	**4 636**	**4 726**

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

Financial Report 2020

Financial Statements HUBER+SUHNER AG

Income Statement

in CHF 1 000	Notes	2020	2019
Net Sales		389 247	457 883
Other operating income	3.1	22 176	24 045
Change in semi-finished and finished goods		(30 043)	(7 516)
Total operating income		**381 380**	**474 412**
Material expenses		(145 573)	(211 830)
Personnel expenses		(140 342)	(151 631)
Other operating expenses		(55 672)	(63 585)
Depreciation and amortisation		(19 102)	(16 711)
Total operating expenses		**(360 689)**	**(443 757)**
Operating profit (EBIT)		**20 691**	**30 655**
Financial income		2 257	3 491
Financial expense		(4 641)	(7 469)
Income from investments	3.2	25 602	27 107
Non-operating income		1 051	1 099
Non-operating expenses		(509)	(513)
Extraordinary income	3.3	–	1 079
Income before taxes		**44 451**	**55 449**
Income taxes		(2 823)	(4 465)
Net Income		**41 628**	**50 984**

Balance Sheet

in CHF 1 000	Notes	31.12.2020	%	31.12.2019	%
Assets					
Cash and cash equivalents		120 182		117 871	
Trade receivables third party		15 492		15 160	
Trade receivables group companies		22 308		23 619	
Other short-term receivables third party		5 364		8 691	
Other short-term receivables group companies		1 766		2 259	
Inventories	3.4	27 780		42 100	
Accrued income		669		958	
Current assets		**193 561**	**37.4**	**210 658**	**41.8**
Property, plant, equipment and intangible assets	3.5	119 782		110 885	
Investments in subsidiaries	3.6	152 361		108 438	
Long-term loans group companies		52 523		74 380	
Non-current assets		**324 666**	**62.6**	**293 703**	**58.2**
Assets		**518 227**	**100.0**	**504 361**	**100.0**
Liabilities and equity					
Trade payables third party		11 455		15 374	
Trade payables group companies		6 451		10 190	
Other short-term liabilities third party		17 518		20 194	
Short-term provisions		1 285		1 951	
Accrued liabilities		5 124		6 796	
Current liabilities		**41 833**		**54 505**	
Long-term loans group companies		–		4 936	
Long-term provisions		52 536		54 886	
Other long-term liabilities		2 210		2 953	
Non-current liabilities		**54 746**		**62 775**	
Liabilities		**96 579**	**18.6**	**117 280**	**23.2**
Share capital	3.7	5 050		5 050	
Legal reserves		40 271		40 271	
General reserves		90 558		90 507	
Retained earnings		286 021		251 977	
Treasury shares	3.8	(252)		(724)	
Equity		**421 648**	**81.4**	**387 081**	**76.8**
Liabilities and equity		**518 227**	**100.0**	**504 361**	**100.0**

Notes to Financial Statements

1 General

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

2 Accounting policies

2.1 General

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

2.2 Foreign currency translation

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

2.3 Revenue recognition

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

2.4 Trade receivables

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

2.5 Inventories

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

2.6 Property, plant, equipment and intangible assets

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

2.7 Investments in subsidiaries

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

2.8 Provisions

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

2.9 Treasury shares

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

3 Details to individual positions

3.1 Other operating income

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

3.2 Income from investments

Income from investments includes dividend payments from subsidiaries in the amount of KCHF 25 602 (previous year, KCHF 27 107). No impairments of investments have been recognised or reversed (previous year: no recognition or reversal).

3.3 Extraordinary income

Previous year, extraordinary income resulted from the reduction of deferred purchase price liability on an acquisition at the amount of KCHF 1 079 (current year: no extraordinary income).

3.4 Inventories

in CHF 1 000	31.12.2020	31.12.2019
Raw materials and supplies	9 999	13 557
Work in progress	6 221	6 020
Semi-finished and finished goods	49 756	79 799
Inventory provision	(38 196)	(57 276)
Total	**27 780**	**42 100**

3.5 Property, plant, equipment and intangible assets

in CHF 1 000	31.12.2020	31.12.2019
Land	6 225	6 225
Buildings	36 931	39 656
Technical equipment and machinery	27 743	26 784
Other equipment	863	893
Assets under construction	26 266	17 198
Investment property	2 080	2 080
Intangible assets	19 674	18 049
Total	**119 782**	**110 885**

3.6 Investments in subsidiaries

Directly and indirectly held subsidiaries are listed on page 52 of the Group Financial Statements.

3.7 Share capital

Both at 31 December 2020 and at 31 December 2019 the share capital was composed of 20 200 000 registered shares, with a nominal value of CHF 0.25 each.
The composition of capital stock is disclosed in the Notes to the Group Financial Statements (see Note 28, page 51).

3.8 Treasury shares

The company holds 727 640 treasury shares, of which 726 640 treasury stock and 1 000 are other treasury shares (previous year: 735 140 treasury shares, of which 726 640 treasury stock and 8 500 other treasury shares).

	2020	2019
Number at 1.1.	735 140	746 640
Purchases	22 133	21 625
Sales	–	–
Allotment	(29 633)	(33 125)
Number at 31.12.	727 640	735 140

4 Contingent liabilities

in CHF 1 000	31.12.2020	31.12.2019
Parent guarantee for long-term lease	6 202	–

5 Liabilities to pension funds

in CHF 1 000	31.12.2020	31.12.2019
Total liabilities to pension funds	62	6

6 Net release of undisclosed reserves

in CHF 1 000	2020	2019
Total net release of undisclosed reserves	17 710	3 333

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

Shares of votes and capital	31.12.2020	31.12.2019
Metrohm AG	10.62 %	10.62 %
EGS Beteiligungen AG	9.23 %	8.00 %
S. Hoffmann-Suhner	6.18 %	6.18 %
Norges Bank (the Central Bank of Norway)	3.40 %	3.70 %
Huwa Finanz- und Beteiligungs AG	3.25 %	3.19 %

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

According to the Ordinance against Excessive Compensation in Listed Companies (OaEC), which has been in force since 1 January 2014, details of compensation for members of the Board of Directors and Executive Group Management are presented in a separate Compensation Report (see Compensation Report, pages 22 to 27).
In accordance with Article 663c of the Swiss Code of Obligations (OR), shareholdings in the company by members of Board of Directors and by members of Executive Group Management are as follows:

Shareholdings of Board of Directors (Number of shares at 31 December 2020)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [2]	Total share of votes [3]
U. Kaufmann	Chairman	86 200	600	86 800	39 800	47 000	0.45 %
B. Kälin	Deputy Chairman	22 500	–	22 500	12 500	10 000	0.12 %
M. Bütler	Member	4 800	–	4 800	1 200	3 600	< 0.10 %
R. Seiffert	Member	12 233	–	12 233	8 633	3 600	< 0.10 %
J. Walther	Member	4 800	–	4 800	–	4 800	< 0.10 %
F. Studer [1]	Member	–	–	–	–	–	–
Total shareholdings BoD 2020		**130 533**	**600**	**131 133**	**62 133**	**69 000**	**0.67 %**

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

[1] The figures stated do not include the participation of EGS Beteiligungen AG, where F. Studer is a member of the executive board and Investment Director. Further information on the shareholdings by EGS Beteiligungen AG is provided in this Note above.

Shareholdings of Executive Group Management (Number of shares at 31 December 2020)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [2]	Total share of votes [3]
U. Ryffel	CEO	29 100	–	29 100	15 100	14 000	0.15%
R. Bolt	Member	12 570	–	12 570	2 570	10 000	< 0.10 %
F. Landolt	Member	4 140	–	4 140	40	4 100	< 0.10 %
D. Nixon	Member	8 330	–	8 330	180	8 150	< 0.10 %
P. Riederer	Member	7 200	–	7 200	1 600	5 600	< 0.10 %
P. Stolz	Member	6 695	–	6 695	1 920	4 775	< 0.10 %
M. Strasser	Member	4 100	–	4 100	200	3 900	< 0.10 %
I. Wechsler	Member	15 600	–	15 600	3 600	12 000	< 0.10 %
Total shareholdings EGM 2020		**87 735**	**–**	**87 735**	**25 210**	**62 525**	**0.45%**

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

[2] Shares with remaining lock-in periods of up to 10 years [3] Shares in % of shares entitled to a dividend

Allotted number of shares to:	2020	2019
Board of Directors	10 100	11 000
Executive Group Management	18 250	16 200
Employees	2 875	2 433

Allotted shares in CHF 1 000	2020	2019
Expensed amount in Income Statement	2 183	2 276

Outstanding shares are effectively assigned in the following year; for members of Board of Directors and Executive Group Management, the issue is subject to approval by the Annual General Meeting. The expense amount in the Income Statement is based on the year-end 2020 share price of CHF 69.90 (previous year: CHF 76.80).

8 Full-time positions

As in the previous year, HUBER+SUHNER AG had over 250 full-time-equivalent employees in 2020.

9 Leasing obligations not recorded in the balance sheet

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

10 Events after the balance sheet date

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

11 Additional disclosures, cash flow statement and management report

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

On 26 June 2020 HUBER+SUHNER absorbed its subsidiary Huber+Suhner Finance AG with retroactive merger per 1 January 2020. The gain resulting from this merger which was directly recorded to equity is CHF 23.6 million.

Recommendation for Appropriation of Earnings

The Board of Directors of HUBER+SUHNER AG recommends to the Annual General Meeting the following appropriation of available earnings for the year 2020:

in CHF 1 000	2020	2019
Prior-year retained earnings	220 820	200 993
Gain on merger – directly recorded to equity	23 573	–
Net income for the year	41 628	50 984
Total retained earnings	**286 021**	**251 977**
Dividend	(25 314)	(31 157)
Total appropriation	**(25 314)**	**(31 157)**
Retained earnings carried forward	**260 707**	**220 820**

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

	CHF	CHF
Gross dividend	1.30	1.60
Less 35 % withholding tax	0.455	0.56
Net dividend	**0.845**	**1.04**

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Zurich, 4 March 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HUBER+SUHNER AG, which comprise the income statement, balance sheet and notes to the financial statements including a summary of significant accounting policies (pages 58 to 64), for the year ended 31 December 2020.

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 2020 comply with Swiss law and the company's articles of incorporation.

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

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

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

Valuation of inventories

Area of focus

As of 31 December 2020, inventories amounted to CHF 27.8 million, representing 5.4% of HUBER+SUHNER AG's total assets.
As indicated in Note 2.5 of the notes to the stand-alone financial statements of HUBER+SUHNER AG, inventories are valued at the lower of cost and net realisable value. Cost is determined according to the standard costing method. For slow-moving and obsolete stock the entity recognizes an inventory allowance based on the inventory turnover.
Due to the significance of the carrying values of inventories and the degree of Management judgment involved in determining production costs, write-downs and fair value less cost of sales, this matter was considered significant to our audit.

Our audit response

Our audit procedures included, amongst other:

- We gained an understanding of the inventory valuation process, the valuation method, as well as the underlying assumptions applied.
- On a sample basis we analysed the standard cost calculations and verified the differences between the standard and actual costs.
- We challenged the estimates made by Management regarding write-downs by assessing whether there are in line with historical experience.
- We reviewed inventory ratio's and audited underlying data of the inventory ageing list.
- We verified compliance with the principle of net realisable value for finished goods by comparing production costs with the expected net sale proceeds.

Our audit procedures did not lead to any reservations regarding to the valuation of inventories.

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Valuation of investments to subsidiaries and loans to group companies

Area of focus	As of 31 December 2020, the HUBER+SUHNER AG holds investments in subsidiaries of CHF 152.4 million and loans to group companies of CHF 52.5 million, which corresponds to 29.4% and 10.1% respectively of total assets. The investments in subsidiaries are disclosed in the note "Group Companies" of the consolidated financial statements of HUBER+SUHNER AG. Investments in subsidiaries and loans to group companies are material to the entity and may be subject to changes in value. Accordingly, Management performs regular impairment considerations and calculations to determine the value of each investment and loan. The investments in subsidiaries and the loans to group companies were considered significant to our audit as the amounts concerned are material and the assessments involve judgment in preparing the underlying key assumptions for the valuation.
Our audit response	Our audit work for the valuation of the investments in subsidiaries and loans to group companies consisted of auditing Management's valuation assessments and the underlying key assumptions. We also assessed the historical accuracy of the Company's estimates and long-term business plans. Our audit procedures did not lead to any reservations regarding to the valuation of investments in subsidiaries and loans to group companies.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Willy Hofstetter (Qualified Signature)	Erik Zeller (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Share Data

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

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

Registered shares at 31.12. (nominal value CHF 0.25)	2016	2017	2018	2019	2020
Number of issued shares	20 200 000	20 200 000	20 200 000	20 200 000	20 200 000
Number of shares entitled to a dividend	19 451 360	19 458 860	19 453 360	19 464 860	19 472 360
Number of shareholders at 31.12.	3 530	4 523	4 116	4 702	5 365
Stock market price (in CHF)					
high	65.60	73.80	74.90	85.90	77.80
low	40.60	50.55	50.90	60.80	47.80
year-end	56.50	50.85	65.50	76.80	69.90
Amounts per registered share[1] (in CHF)					
Net income	2.73	2.17	3.15	3.22	2.66
Ordinary dividend	1.25	1.10	1.50	1.60	1.30[3]
Anniversary dividend	–	–	1.00	–	–
Total dividend	**1.25**	**1.10**	**2.50**	**1.60**	**1.30**[3]
Pay-out ratio	46 %	51 %	79 %	50 %	49 %
Market capitalisation[2]					
in CHF million	1 099	989	1 274	1 495	1 361
as % of net sales	149	128	144	180	184
as % of shareholders' equity	192	167	205	254	230

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

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

Publishing information

Concept and Editorial
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Design and Type
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2020

Alternative Performance Measures

HUBER+SUHNER

Definition of Alternative Performance Measures

HUBER+SUHNER uses alternative performance measures as guidance parameters for both internal and external reporting to stakeholders. HUBER+SUHNER uses the following definitions, which may differ from the one other companies use.
This document has been prepared in conformity with the Directive on the Use of Alternative Performance Measures issued by SIX Exchange Regulation Ltd.

Organic sales development

The organic sales development is calculated by adjusting the reported net sales for the impact of currency effects, copper price effects as well as portfolio effects (acquisitions and disposals). When determining the currency effects, the functional currency that is valid in the respective country is used.

Order intake

A new order is recognised as an order intake only when the contract creates enforceable obligations between the Group and its customer. When this condition is met, the order is recognised at the contract value.

Book-to-bill

The book-to-bill is the ratio of total order intake third to total net sales third.

Order backlog

The order backlog represents the amount of booked orders not yet delivered/invoiced at a closing date. The order backlog is calculated as follows:
- order backlog at the beginning of the year;
- plus order intake during the reporting period;
- less cancellations of orders recorded;
- less sales recognised during the reporting period.

EBIT

EBIT is calculated by subtracting cost of goods sold and operating expenses from net sales.

Operating profit (EBIT)	2020	2019
Net sales	737.9	830.6
Cost of goods sold	(477.0)	(530.2)
Gross profit	**260.9**	**300.4**
Selling & administrative expense / Research & development expense	(206.1)	(222.8)
Other operating expense / income	6.4	2.9
EBIT (= operating profit)	**61.2**	**80.5**

EBITDA

The EBITDA corresponds to the operating profit (EBIT) before depreciation of property, plant and equipment and amortisation of intangible assets.

EBITDA	2020	2019
EBIT (= operating profit)	**61.2**	**80.5**
Depreciation of property, plant and equipment	22.8	25.9
Amortisation of intangible assets	5.3	5.4
EBITDA	**89.3**	**111.8**

Free operating cash flow

Free operating cash flow is defined as cash flow from operating activities less cash flow from investing activities.

Free operating cash flow	2020	2019
Cash flow from operating activities	86.5	129.1
Cash flow from investing activities	(36.3)	(84.0)
Free operating cash flow	**50.2**	**45.1**

Free cash flow

Free cash flow	2020	2019
Free operating cash flow	50.2	45.1
Payment of dividend	(31.2)	(48.7)
Payment of dividend to minority interests	(0.4)	–
Purchase of treasury shares	(1.2)	(1.5)
Free cash flow	**17.4**	**(5.1)**

Net liquidity

Net liquidity	2020	2019
Cash and cash equivalents	203.5	191.6
Short-term financial liabilities	(0.6)	(0.8)
Long-term financial liabilities	(0.0)	(0.6)
Net liquidity	**202.9**	**190.2**

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

All amounts are in CHF million