Annual Report **2015**

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HUBER+SUHNER
Excellence in Connectivity Solutions

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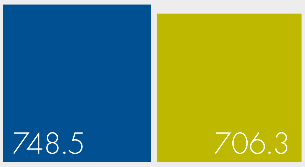
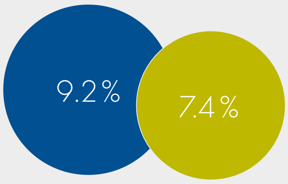
KEY FACTS AT A GLANCE

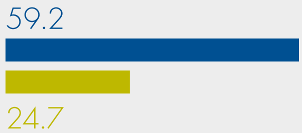
5.6 % net sales decrease in Swiss francs



EBIT margin at the upper end of the announced target range of 6 – 7.5 %

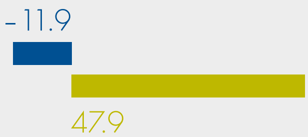


Net income significantly reduced due to currency impacts



Measures for cushioning the negative currency impacts are showing effect – higher profit in the second half year

High free operating cash flow



Fiber Optics with a new net sales record – top performance by Cube Optics

■ 2014 ■ 2015 in CHF million

Solid result despite a difficult environment

2015 was heavily influenced by the appreciation of the Swiss franc. Net sales (CHF 706.3 million) decreased by a total of 5.6 % compared with the previous year. It was possible to limit the fall in net sales to 2.4 % at constant currency exchange rates. Order intake (CHF 702.8 million) declined significantly compared with the previous year (–8.5 %), but stabilised at the same level as net sales. The Fiber Optics division continued to grow and once again exceeded the previous year's net sales record, with a plus of 12.3 %. Cube Optics, which was acquired in October 2014, displayed extremely dynamic growth during the reporting year.

Thanks to the rapidly introduced measures following the "Swiss franc shock", the EBIT margin once again improved considerably in the second half year (8.3 % as opposed to 6.5 % in the first half year). The EBIT margin of 7.4 % was at the upper end of the announced target range of 6 – 7.5 % for 2015. The EBIT reached CHF 52.3 million (previous year CHF 69 million). The influence of currency and copper prices on EBIT-level came to CHF –9.4 million (–14 %). Price concessions that became necessary have not been taken into account. Net income fell in 2015 to CHF 24.7 million (previous year CHF 59.2 million), as a result of non-cash-relevant, balance-sheet-related exchange rate losses of CHF 15.1 million and an above-average tax rate. The high free operating cash flow of CHF 47.9 million further strengthened the balance sheet and increased net liquidity to CHF 160.0 million.

Worldwide, the company employed 3 649 people at the end of 2015 (previous year 3 891). The number of staff in Switzerland dropped by 96 to 1 271 permanent employees last year.

The communication market continued to grow – transportation and industrial declined
The communication market gained slightly, thanks in particular to high growth rates in India and South-East Asia. In addition, Cube Optics, acquired in October 2014, grew very successfully. The demand for solutions for data centers and access networks also rose significantly. Net sales amounted to CHF 340.5 million, corresponding to an increase of 3.1 % compared with the previous year.

In the transportation market, which is heavily influenced by project business, net sales (CHF 202.2 million) declined by 14.2 % compared with 2015. Large-scale projects commissioned by Chinese railway manufacturers were delayed, and various projects in Europe came to an end. New orders secured in various countries and a book-to-bill ratio of over 1 signal an improvement of the situation in this important market. The automotive market saw a marked increase in order intake, while net sales fell, primarily for currency reasons.

Net sales in the industrial market (CHF 163.6 million) declined by 10.3 % during the past year. While demand in the Aerospace+Defense market segment improved, Test+Measurement weakened last year. As in all areas, this was added to by the currency effect and repeated base effect from the now insignificant solar market segment.

Double-digit margin despite reduced net sales for the Radio Frequency division
Radio Frequency had to cope with a fall in net sales of 12.1 % to CHF 206.6 million in 2015. Order intake reached CHF 201.2 million. Thanks to consistent cost management, pleasingly the EBIT margin could be kept in the double-digit area at 10.5 %. In 2015, significant design-in successes were recorded for innovative radio frequency products: with V+E band antennas for mobile telephony, board-to-board connectors within the communication and industrial markets, the SENCITY antenna family in the transportation market, as well as high-performance coaxial cables in the Aerospace+Defense market segment. The integration of HUBER+SUHNER Astrolab into the global sales network is also showing increasingly positive results.

Fiber Optics surpasses the previous year's net sales record and further improves profitability
With striking growth of 12.3 %, the Fiber Optics division once again generated record net sales (CHF 280.7 million). At CHF 270.8 million, order entry was in line with the previous year's level. The EBIT margin increased to 12.3 % (previous year 10.6 %). The HUBER+SUHNER Cube Optics subsidiary acquired in 2014 was successfully integrated and exceeded the high expectations regarding net sales and profits. The strong position in the development of mobile communication infrastructure towards the Long Term Evolution (LTE) standard was expanded to more countries. Following its disappointing development in previous years, the Fiber to the Home business also showed pleasing growth. The strategic development of the data center market segment took a major step forward.

Downturn in the Low Frequency division – countermeasures initiated

With its high share of net sales in the euro region and a large proportion of its costs in Swiss francs, the Low Frequency division was hit particularly hard by the currency upheavals. Additionally, there was a notable decline in railway business. Net sales fell to CHF 219.0 million (–16.9 % compared to the previous year). The order intake of CHF 230.8 million was more than 5 % above net sales. Profitability was also affected by the challenging business situation; however it remained in the profit zone with an EBIT of CHF 2.4 million. Various measures to strengthen profitability long-term were implemented in 2015, with the reorganisation in Switzerland and the sale of the fiber composite business in Fehraltorf. An important success on the market was the large order from Bombardier for cabling the SBB Twindexx double-deck trains. The project pipeline for automotive business was clearly improved, and initial success was achieved with the new RADOX marine cable family.

Changes to the Board of Directors and Executive Group Management

At the Annual General Meeting 2015, Dr. Beat Kälin was elected as the new Chairman of the Board. Following his long-standing and highly commendable activities on the Board of Directors, Dr. Peter Altorfer will not stand for re-election in April 2016. The election of Jörg Walther as a new Board Member will be proposed to the shareholders. The following appointments were made within the Executive Group Management in 2015: Ulrich Schaumann was appointed Chief Operations + IT Officer as per 1 April, Drew Nixon assumed responsibility for global sales on 1 May as COO Global Sales, and Patricia Stolz was appointed Chief Human Resources Officer as per 1 July.

Dividend

The Board of Directors will propose to the Annual General Meeting a disbursement of CHF 1.00 per share as per the new dividend policy. This represents a payout ratio of 79 %.

Outlook for 2016

Following the challenging financial year 2015, HUBER+SUHNER started from a robust position into 2016. The 3×3 strategy and trends in the target markets communication, transportation and industrial still offer considerable opportunities for the future. The most important growth drivers remain the unrestrained appetite for bandwidth, dynamically increasing data quantities, the growing need for environmentally friendly mobility, and the constant requirement for innovation in industry's high-tech niches. Although the current situation on the global markets shows a varied picture, HUBER+SUHNER is confident to return to the path of growth in 2016 and to increase operating profitability to the upper half of the mid-term EBIT margin target range of 6–9 %.

Many thanks!

We wish to thank our employees for their dedicated commitment during the past year as well as for their active contribution to mastering the challenges we faced in 2015. Equally, we thank all our shareholders, customers and suppliers for their excellent cooperation and greatly appreciated trust.

Dr. Beat Kälin
Chairman of the
Board of Directors

Urs Kaufmann
Delegate of the Board of Directors
and CEO

Milestones in 2015

Transportation:
Railway

Large-scale order from Bombardier for 59 SBB Twindexx double-deck trains

Communication:
Mobile communication

Samsung India awards additional large-scale order for cell site business

Industrial:
Rohde&Schwarz

Comprehensive global procurement agreement with Rohde&Schwarz – "Preferred Supplier" status

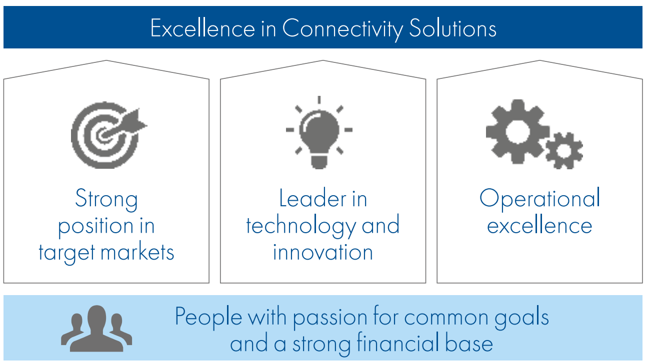
Communication:
HUBER+SUHNER Cube Optics

100Gig DWDM application for 57 km Metro Optical Network London Internet Exchange

Linking our skills globally for maximum customer benefit

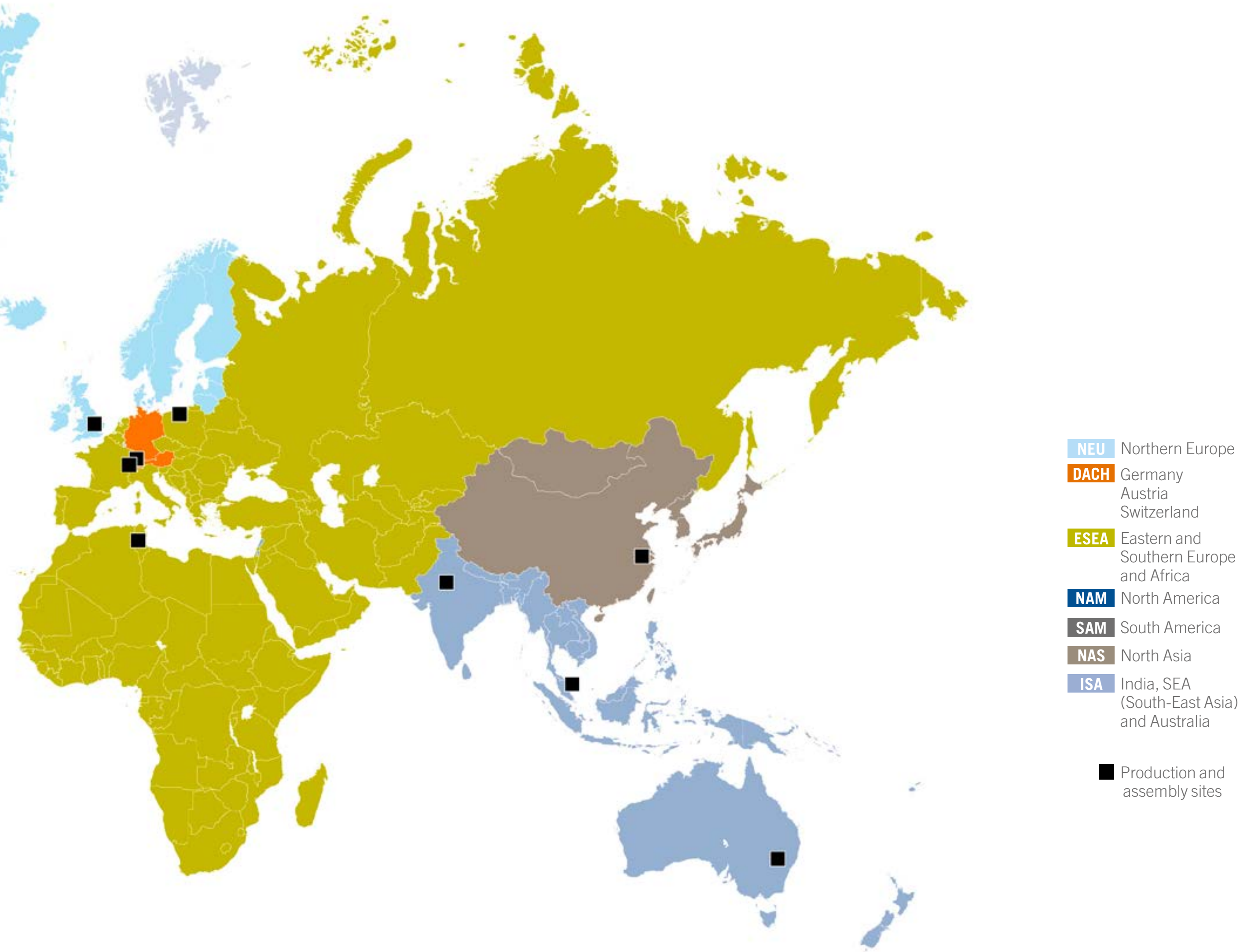
Around the globe, 24 hours a day, people rely on fast and reliable connectivity for the transmission of data and energy: We want to communicate at all times and everywhere – whether at home, in the office, in a train, or on the road.

Robust, high-precision and strong connections are also needed for transportation and industry. To cover these basic requirements and ensure optimum service worldwide for our customers, HUBER+SUHNER maintains a global network with 13 production sites, seven sales regions and five competence centers. We are globally close to our customers: establishing the right skills and activities in the right locations is crucially important. HUBER+SUHNER combines global know-how with local flexibility to offer our customers specific solutions for excellent connectivity.



A strong position in the target markets thanks to seven global sales regions
HUBER+SUHNER's worldwide sales activities are organised into seven regions. The objective is to be as close as possible to our customers with the skills they need, and to keep our fingers on the pulse of the markets. More than just product and market knowledge is required here: the know-how of our highly qualified application engineers who can respond to customers' specific local needs is also called for. This makes us faster, more flexible, and able to recognise new trends early on. Globally active customers, such as large telecommunications equipment manufacturers, are also serviced by our Global Key Account Management, in order to develop globally coordinated solutions for their product ranges.

Innovation power and market leadership in cutting-edge key technologies
Our competence centers are located where they can provide the greatest customer benefits and where we have the best employees. This proximity enables early and close cooperation with our customers on development projects. In addition to the central competence centers in Switzerland, important functions are also being increasingly decentralised. Thus, the main focus of our subsidiary Astrolab in Warren, USA, is on radio frequency solutions for the Aerospace+Defense market segment. In order to be even closer to the market, our research and development capacity was expanded further in 2015. In Shanghai, China, the research and development team is developing applications for the Radio Frequency, Fiber Optics and Low Frequency divisions



specifically for the Chinese market. Both, regionally and globally active Chinese customers, are served flexibly and with fast reaction times. In Mainz, Germany, everything revolves around high-tech solutions for fiber optics in the communication market: Our subsidiary Cube Optics specialises in developing miniaturised multiplexer products and systems. These enable cost-efficient increases in data transfer rates for fiber optic connections and networks, which offer huge future potential, particularly for data centers and access networks for private and business customers.

Operational excellence across the entire production chain

Our 13 sites worldwide ensure that the right activity takes place at the right location. HUBER+SUHNER maintains a global production and assembly network with a clear focus: Whilst the employees in Switzerland, Poland, China, Germany and America manufacture products and solutions for the global markets, the plants in England, Tunisia, Australia, India, Malaysia, Mexico, Costa Rica and Brazil produce for regional markets. Moreover, as a service centre the location in Poland is increasingly assuming selected functions in the areas of IT, finance and European distribution logistics. Order processing and project supervision also takes place locally, wherever possible. Regional service centers allow fast reactions to local changes and customer requirements. This makes HUBER+SUHNER a reliable and flexible partner worldwide.

Our employees – passion and commitment to common goals

Decentralised skills and regional structures require close, well-networked global cooperation. Our virtual teams work closely together on projects and markets. They combine local strengths with centrally bundled skills to provide the best possible customer benefits. Global processes and guidelines ensure globally identical quality standards as well as smooth collaboration in interdisciplinary projects.

In the end, our employees are the decisive success factor. With their passion, strong commitment and sound qualifications, they are responsible for the excellent connectivity solutions that our customers can rely on everywhere and at all times.

Radio Frequency division Lower net sales – double-digit EBIT margin – strengthened project pipeline

Key figures		**2015**	**2014**	**%**
Order intake	CHF million	201.2	238.7	–15.7
Net sales	CHF million	206.6	235.0	–12.1
Operating profit (EBIT)	CHF million	21.7	33.0	–34.3
EBIT margin	%	10.5	14.0	

The Radio Frequency division generated net sales of CHF 206.6 million in 2015 (–12.1 % compared with the previous year). The lower business volume with the communications equipment manufacturers in mobile communication was the most important influential factor. The project pipeline developed positively in the Aerospace+Defense market segment. At CHF 201.2 million, order intake was still a little lower than net sales. Operating profit was CHF 21.7 million with a pleasing double-digit EBIT margin of 10.5 %.

Fiber Optics division Continued record net sales – highly dynamic development of Cube Optics – good earning power

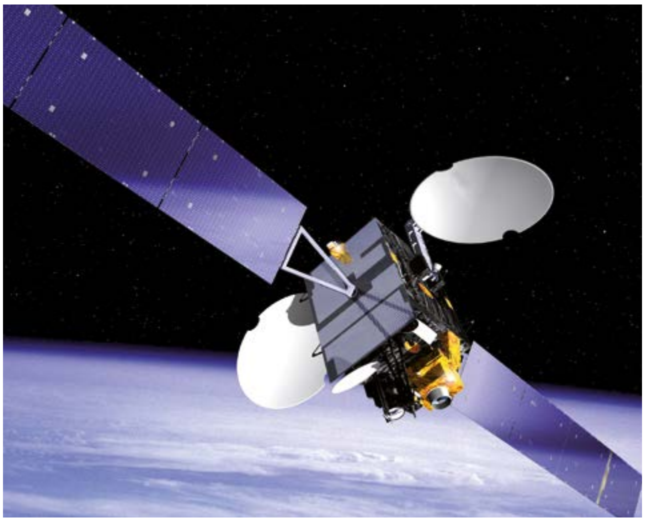
Key figures		**2015**	**2014**	**%**
Order intake	CHF million	270.8	271.0	–0.1
Net sales	CHF million	280.7	249.9	+12.3
Operating profit (EBIT)	CHF million	34.4	26.6	+29.5
EBIT margin	%	12.3	10.6	

Fiber Optics achieved another new net sales record of CHF 280.7 million (+12.3 % compared with the previous year), where both mobile communication and fixed network business have expanded significantly. The large order from Samsung in India caused a significant expansion of local production capacities. Order intake (CHF 270.8 million, –0.1%) was slightly lower than net sales but remained stable at the previous year's level. Operating profit was CHF 34.4 million with an increased EBIT margin of 12.3 %.

Low Frequency division Considerably lower business volume – still positive result achieved – measures implemented

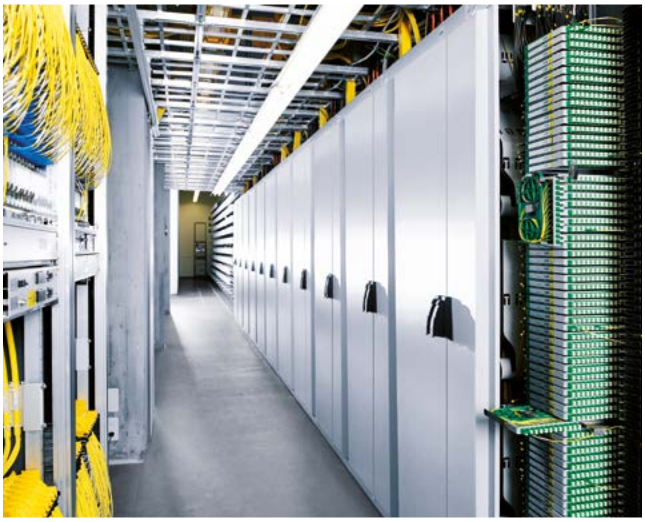
Key figures		**2015**	**2014**	**%**
Order intake	CHF million	230.8	258.4	–10.7
Net sales	CHF million	219.0	263.6	–16.9
Operating profit (EBIT)	CHF million	2.4	12.2	–80.1
EBIT margin	%	1.1	4.6	

The Low Frequency division generated net sales of CHF 219.0 million during the past year, equivalent to a 16.9 % decline compared with the previous year. The considerable currency impact as well as delayed rail projects in China influenced the business situation decisively. The consistently implemented cost reduction measures will make an impact in 2016. Additionally, it was possible to improve the project pipeline in the automotive business considerably. Order intake of CHF 230.8 million exceeded net sales by more than 5 %. Operating profits were additionally burdened by the divestment of the fiber composite business; however it remained profitable with CHF 2.4 million.



Reto Bolt, COO Radio Frequency

"2015 was a difficult year. Despite declining net sales, the Radio Frequency division was nonetheless able to maintain earning power at attractive levels. We are well-positioned for the future and were able to implement major development projects."



Urs Ryffel, COO Fiber Optics

"We were able to grow considerably again in 2015 and to continue the promising growth course from the previous year. Cube Optics also made an important contribution to our success story from the outset and was integrated into HUBER+SUHNER smoothly."

Patrick Riederer, COO Low Frequency

"Due to the high cost base in Switzerland, the Low Frequency division was particularly hard hit by the currency upheavals. In addition to the measures for reducing our costs, we have initiated a reorganisation which will enable us to have a clearer focus on the target markets and on our customers."

Key figures 2015 and Financial calendar

Group in CHF million	2015	2014	Change
Order intake	702.8	768.1	(8.5 %)
Order backlog as of 31.12.	169.7	186.2	(8.8 %)
Net sales	706.3	748.5	(5.6 %)
Gross margin	34.6 %	35.8 %	
EBITDA	86.5	101.1	(14.4 %)
as % of net sales	12.2 %	13.5 %	
EBIT	52.3	69.0	(24.2 %)
as % of net sales	7.4 %	9.2 %	
Net financial result	(15.4)	4.8	n/a
Net income	24.7	59.2	(58.3 %)
as % of net sales	3.5 %	7.9 %	
as % of average shareholders' equity	3.7 %	9.1 %	
Purchases of PP&E and intangible assets	23.5	42.5	(44.6 %)
Net cash from operating activities	69.7	78.0	(10.7 %)
Free operating cash flow	47.9	(11.9)	n/a
Net liquidity	160.0	143.3	11.7 %
Shareholders' equity	649.6	673.6	(3.6 %)
as % of balance sheet total	83.5 %	80.5 %	
Employees as of 31.12.	3 649	3 891	(6.2 %)
Market capitalisation as of 31.12.	901.6	921.6	(2.2 %)
Data per Share (in CHF)			
Stock market price as of 31.12.	46.35	47.40	(2.2 %)
Net income	1.27	3.05	(58.3 %)
Dividend	1.00[1)]	1.40	(28.6 %)

[1)] proposed dividend

Photos: HUBER+SUHNER, ESA, AnsaldoBreda

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Detailed figures are available online at
www.hubersuhner.com

Financial calendar

Annual General Meeting (Herisau)	6 April 2016
Half-year report	30 August 2016
Media and analysts' conference	30 August 2016
Sales and order intake (Q1–Q3)	25 October 2016

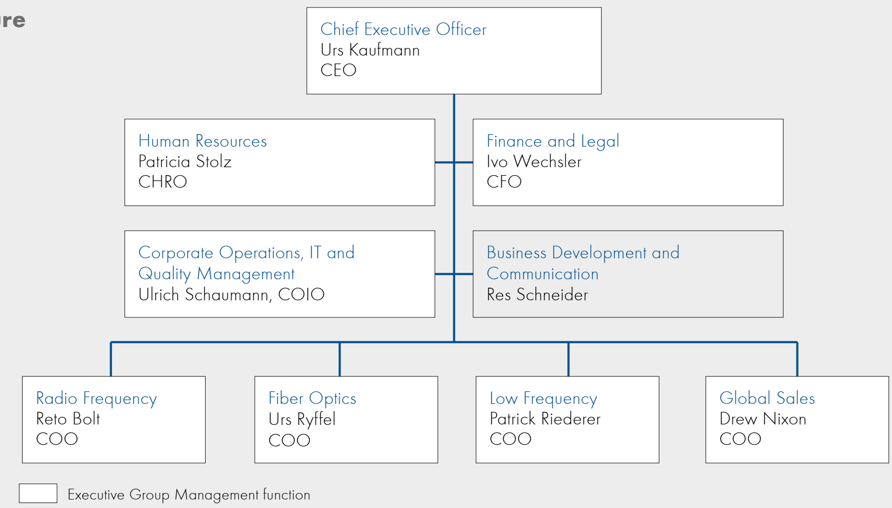
Corporate Governance

CORPORATE GOVERNANCE

The term "Corporate Governance" refers to all of the principles and rules aimed at safeguarding shareholder interests. While maintaining decision-making capability and efficiency at the highest level of a company, these principles are intended to guarantee transparency and a healthy balance of management and control.
The following Corporate Governance report is structured according to the Directive on Corporate Governance (DCG) published by the SIX Swiss Exchange. All details refer to the closing date on 31 December 2015 – unless otherwise indicated.

1 Group structure and shareholders

Group structure



1.1 Group structure

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

Listed Group company

HUBER+SUHNER AG, headquartered in Herisau AR, Switzerland, is the holding company for the HUBER+SUHNER Group. Its shares are listed in the main segment of the SIX Swiss Exchange with the security number 3'038'073. More formation about market capitalisation, shares and capital stock is disclosed in the section Share Data on page 80.

Non-listed Group companies

Information about the HUBER+SUHNER AG Group companies, of which none are listed, is presented in the Notes to the Group Financial Statements under Group companies on page 69.

1.2 Significant shareholders

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

Voting rights share	31.12.2015
Metrohm AG [1]	10.62 %
Abegg Holding AG	10.04 %
S. Hoffmann-Suhner [1]	6.18 %
EGS Beteiligungen AG [1]	4.95 %
Huwa Finanz- und Beteiligungs AG [1]	3.17 %

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

The company holds 748 154 treasury shares (726 640 treasury stock and 21 514 other treasury shares).

HUBER+SUHNER AG has published one disclosure in connection with shareholder participation as per article 20 BEHG in the reporting year. Disclosures can be viewed in the database of the SIX Swiss Exchange for significant shareholders:
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 agreements with significant shareholders with respect to the company's registered shares held by them or to the exertion of shareholder rights.

1.3 Cross-shareholdings

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

2 Capital structure

2.1/2.2 Capital/Authorised and conditional capital in particular

The HUBER+SUHNER share capital is fully deposited and, on the balance sheet date, amounts to CHF 5 050 000. Authorised and conditional capital does not exist. More information about the share capital is disclosed in the Notes to the Group Financial Statements under Share capital on page 67.

2.3 Changes in capital

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

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

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

2.6 Limitations on transferability and nominee registrations

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

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

Private individuals, legal entities and business partnerships with mutual associations through capital, voting rights, management or in any other way, as well as individuals or legal entities and legal communities that are coordinated for the purpose of circumventing registration restrictions, shall be regarded as a single purchaser.

The registration restrictions also apply when purchasing registered shares resulting from exertion of subscription, option and conversion rights.
The Annual General Meeting is required to make a decision about cancelling or modifying registration restrictions to registered shares. At least two-thirds of the represented share votes and the absolute majority of nominal value of the shares issued must agree to this. Nominees are fundamentally not recognised for the position as a shareholder with voting rights.

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

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

2.7 Convertible bonds and options

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

3 Board of Directors

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

The HUBER+SUHNER AG Board of Directors must consist of at least five members. All seven incumbent Members of the Board of Directors were re-elected at the Annual General Meeting on 31 March 2015.

With the exception of Urs Kaufmann (delegate of the Board of Directors and Chief Executive Officer), all members of the Board of Directors are non-executive; they do not participate in the management of the Group. They also do not have any significant business relationships with HUBER+SUHNER AG or other Group companies. None of the non-executive members did belong to either the HUBER+SUHNER Executive Group Management or one of its Group companies in the three years before the reporting period.

On 31 December 2015 the Board of Directors comprised of the following seven persons:

Dr Beat Kälin
Chairman of the Board of Directors
1957, Swiss citizen, Chairman of the Board of Directors since 2015, Board of Directors since 2009

Education and professional background
Dr. sc. techn., dipl. Ing. ETH Zurich. MBA INSEAD, Fontainebleau. 1987 to 1997, various management positions in the Elektrowatt Group, Stäfa and Zug. 1998 to 2004, SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen a.Rhf.; from 1999, member of Executive Group Management. 2004 to 2006, Member of the divisional management board for packaging technology at Robert Bosch GmbH, Neuhausen a.Rhf. From 2006, COO, from 2007 to April 2015, CEO, and from May 2015 Chairman of the Board of Directors of the Komax group, Dierikon.

Other activities and vested interests
None

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Education and professional background
Dipl. Ing. ETH Zurich. 1988 to 1998, various positions in product development and product management at Bombardier Transportation. 1999 to 2004, Head of Development Train Control and 2005 to 2010, Head of International Business Rail Automation at Siemens Schweiz AG, Wallisellen. From 2011 to June 2013, Vice President of Sales and member of the management at Duagon AG, Dietikon and from July 2013 till August 2015, Head of Sales and member of the management at Ruf Telematik AG, Schlieren. Since September 2015 General Manager of Kummler+Matter AG, Zürich.

Other activities and vested interests
None

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

* Significant shareholders at HUBER+SUHNER AG

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

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

3.4 Elections and terms of office

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

The Annual General Meeting also chooses the independent voting representative each year. The term lasts until the end of the next Annual General Meeting. Re-election is possible.

3.5 Internal organisational structure

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

Working practices of the Board of Directors

The Board of Directors meets as often as business requires, albeit at least five times a year. The Chairman – or if he is unable to attend – another Member of the Board – chairs the Board of Directors. He sets the dates of meetings and the agenda. He also ensures that Members receive the agenda at least ten days and decision documents as a general rule one week before the meetings. In addition to the delegate of the Board of Directors/CEO, the CFO also attends meetings of the Board of Directors as a representative of Executive Group Management. Depending on the business being discussed, other members of Executive Group Management may take part.

Decisions are taken by the entire Board of Directors. The Board of Directors has a quorum if the majority of its members is present.

It takes decisions by a majority of the votes cast. In a tie, the Chairman has the casting vote. Delegation is not permissible. All decisions and negotiations are recorded in the minutes and approved by the Board of Directors.

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

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

The composition and working practices of the committees

The Board of Directors has established two permanent committees for support, the Nomination and Compensation Committee and the Audit Committee.

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

	Nomination and Compensation Committee	Audit Committee
Beat Kälin, Chairman of BoD	Chairman	
Peter Altorfer, Member of BoD	Member	Chairman
Monika Bütler, Member of BoD		Member

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

The Nomination and Compensation Committee (NCC)

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

The committee prepares all the relevant decisions relating to nominating and compensating members of the Board of Directors and the Executive Group Management and relating to the Group’s compensation policy.

The CEO attends the meetings, except if his own performance is being assessed or his own remuneration is being proposed, and if necessary the CHRO (Chief Human Resources Officer). The committee held two half-day meetings in the reporting year.

The Nomination and Compensation Committee has the following main tasks:

- Managing the selection process and applications relating to new Board Members and the CEO
- Checking the selection process of other members of the Executive Group Management and the essential employment conditions
- Preparing the compensation report
- Preparing proposals to the Annual General Meeting for the compensation votes for the attention of the full Board of Directors
- Reviewing and requesting the individual remuneration of the CEO and the other members of the Executive Group Management in the context of the maximum compensation amounts approved by the Annual General Meeting
- Deciding upon the annual salary adjustments within the Group proposed by the CEO
- Informing the Board of Directors about all NCC-related events which are not directly the responsibility of the full Board of Directors

Audit Committee (AC)

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

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

The Audit Committee has the following main tasks:

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

3.6 Definition of areas of responsibility

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

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

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

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

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

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

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

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

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

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

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

Risk management of the HUBER+SUHNER Group and all Group companies is laid down in the Board of Directors risk policy and in the Executive Group Management regulations relating to risk management. In the reporting year, the Executive Group Management checked the progress and effectiveness of the measures implemented and made a selection and reassessment of the significant financial, operational and strategic risks. This was based on its own top-down estimates and on bottom-up data from divisions and regions. The risks were categorised according to probability of occurrence and financial impact. In addition, mitigating measures were defined for every listed risk, and operational responsibility was regulated. The evaluated risks as well as the on-going and planned measures and activities to adhere to Compliance-principles were presented in the 2015 Risk Report to the entire Board of Directors for review and approval. After extensive discussions, the Board of Directors approved the risk assessment on 7 December 2015, and adopted the 2015 Risk Report (the same information about risk management is also listed in the "Notes to the Group Financial Statements").

4 Executive Group Management

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

Executive Group Management is the highest-level management body; it assists the CEO with his operational management tasks. It deals with all business and decisions that are important for the company. On 31 December 2015, Executive Group Management consisted of the following eight persons:

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

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

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

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

Education and professional background
Dipl. Ing. ETH Zurich. With HUBER+SUHNER since 1993; from 1993 to 1996, as an operations and production engineer, from 1997 to 1998, as Head Of Procurement Logistics, from 1999 to 2003, Head of Production, Radio Frequency Division with responsibility for the global production network, from 2004 to 2006, Head of Global Management System and, from 2007 to 2011, Head of the Cable Systems Technology unit. Since 2012, Head of the Radio Frequency Division and member of 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. 1988 to 2000 acting in various management functions of the american companies Charleswater Products, Inc., Boston Metal Products Corp., Cerplex Mass Inc., and Decibel Instruments Inc.. 2000 to 2004 Head of Finance and Accounting of Zettacom Inc., Santa Clara, USA. With HUBER+SUHNER since 2004 as Finance Director HUBER+SUHNER North America, from 2008 to 2012, Managing Director HUBER+SUHNER North America, from 2012 to 2015 Managing Director of the region North Asia. Since 1 May 2015, Head of Global Sales and member of the Executive Group Management.

Other activities and vested interests
None

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

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

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

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

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

Other activities and vested interests
None

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

Education and professional background
Dr. sc. techn. dipl. Ing. ETH Zurich. 1986 to 1992, various functions in production and logistics including Head of Logistics at Zellweger Uster AG, Uster. 1992 to 2005 various functions in supply chain management and responsible for the parent company in Switzerland at H.A. Schlatter AG, Schlieren, as well as member of management. With HUBER+SUHNER since 2005 as Manager Global Operations with focus on RF Production, from 2011 additionally responsible for strategic sourcing and since 2013 Manager Corporate Operations with responsibility for the global production network and strategic sourcing. Since 1 April 2015 Chief Operations + IT Officer and member of Executive Group Management.

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

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

Education and professional background
Human Resources Specialist with Swiss Federal certificate. Since 2015 in education for Executive Master of Business Administration at the University of Applied Sciences of St. Gallen. 1990 to 2003 assistant Human Resources at NAW Nutzfahrzeuge AG, Arbon. 2003 to 2007 Head of HR Management at Flawa AG, Flawil. With HUBER+SUHNER since 2008, as Head Human Resources of the Fiber Optics division. Since 1 July 2015 Chief Human Resources Officer and member of Executive Group Management.

Other activities and vested interests
None

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

Education and professional background
Lic. oec. HSG (St. Gallen). 1995 to 1997, Schweizerische Bankgesellschaft (UBS) in Corporate Finance in Zurich/London. 1998 to 2000, Sunrise Communications, Rümlang, controller and from 1999, Head of Controlling & Treasury. 2001 to 2007, Ascom Group, Bern, Head of Corporate Controlling and from 2005 also Head of Corporate Treasury. With HUBER+SUHNER since 2008 as Head of Corporate Controlling; since 2010, HUBER+SUHNER Group CFO and member of Executive Group Management.

Other activities and vested interests
None

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

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

4.4 Management contracts

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

5 Compensation, shareholdings and loans

Information about the compensation, shareholdings and loans of the Board of Directors and Executive Group Management are summarised in the Compensation Report on pages 21 to 25 and in the Financial Report on pages 52 to 55 of this Annual Report.

6 Shareholders' participation rights

6.1 Voting rights restrictions and representations

Each share equates to one vote. There are no voting power restrictions in the articles of association for the shareholder who acquires proxy voting for other shareholders as long as his own and proxy shares do not make up more than 10 % of the total share capital. Representatives who are not shareholders also cannot represent more than 10 % of the total share capital. Private individuals, legal entities and business partnerships with mutual associations through capital, voting rights, management or in any other way, as well as private individuals, legal entities and business partnerships which form groupings for purposes of circumventing registration limitations, shall be considered as single persons. The restriction does not apply to the independent proxy.
As per the articles of association, it is possible for a delegate, in the form of an independent proxy with written or electronic authorisation or another private individual or legal entity (who does not need to be a shareholder) with written authorisation to represent another shareholder at the Annual General Meeting.
The Board of Directors may decide on exceptions to restrictions on voting rights and representation. The Board of Directors did not grant any exceptions in the reporting year.

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

6.2 Quorums required by the articles of association

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

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

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

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

6.5 Entries in the share register

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

7 Changes of control and defence measures

7.1 Duty to make an offer

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

7.2 Clauses on changes of control

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

8 Auditors

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

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

8.2/8.3 Auditing fees/Additional fees

PricewaterhouseCoopers charged CHF 451 000 for auditing the Group Financial Statements and the individual financial statements of different Group companies during the reporting year and CHF 492 000 for various additional services (of which CHF 410 000 for supply chain management advice, CHF 49 000 for tax advice and CHF 33 000 for other consultations).

8.4 Information instruments pertaining to the external audit

The Audit Committee informs the Board of Directors of the external auditors' work and collaboration. Each year, the external auditors create an audit plan, a confirmation of "analytical review" of the half-yearly financial statements and a comprehensive report on the annual financial statements with findings about accounting, the internal control system, the Compensation report (chapter 5) and the audit implementation and results for the attention of the Board of Directors and the Audit Committee. The Audit Committee assesses the annual scope of the audit and the audit plans and discusses the audit findings with the external auditors. The external auditors took part in both Audit Committee meetings in the reporting year.
The Audit Committee annually assesses the external auditors' performance, independence and fees and submits a proposal to the Board of Directors suggesting which external audit company the Annual General Meeting should elect.

The reports and presentations composed by the auditors, the discussions in the meetings, the factual and objective perspectives and the technical and operational expertise form the basis for assessment.
The Audit Committee reviews the appropriateness and the scope of the various additional services provided by the external auditors. If the planned additional services exceed the maximum amount set by the Audit Committee, the Audit Committee must be informed of this in advance.

9 Information policy

As a listed company, HUBER+SUHNER informs its internal and external stakeholders actively, completely and in good time with a view to remaining a credible and sustainable business partner. The SIX Swiss Exchange regulations, legal provisions and internal guidelines are important bases.
The results of operations in accordance with IFRS are published in the yearly report and the half-yearly report and presented at the media and analyst conference and at the Annual General Meeting. Further regular press releases show the development of net sales and orders: At the end of January regarding the past financial year and at the end of October regarding the first three quarters of the current year. The current dates and contact information can be found in the section “Key Facts at a Glance” on page 9 of this Annual Report.

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

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

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

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

Investor information
www.hubersuhner.com/en/Investors

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

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

Compensation Report 2015

COMPENSATION REPORT

The Compensation Report contains information about the compensation principles, establishment procedures and compensation components for the Members of the Board of Directors and Executive Group Management. Furthermore the Compensation Report discloses all the details of the compensations of the last two years. The Compensation Report fulfills the requirements of the Ordinance against Excessive Compensation in Listed Companies (OaEC), which is in force since 1 January 2014. As a consequence thereof the Compensation Report also fulfills the requirements of the Swiss Code of Obligations and the information guideline on Corporate Governance of the SIX Swiss Exchange.

1 Guidelines and responsibilities

Guidelines

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

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

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

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

Responsibilities

The Board of Directors is responsible for regulating general questions regarding compensation. The compensation models relevant for the Board of Directors and Executive Group Management are outlined in a compensation policy approved by the Board of Directors. The Board of Directors is supported in its work by the Nomination and Compensation Committee. The committee reviews the principles and prepares all relevant decisions concerning compensation of the members of the Board of Directors and Executive Group Management. The composition, main tasks and working practices of the Nomination and Compensation Committee are laid down in the Corporate Governance Report on page 14.

2 Compensation of the Board of Directors

Compensation for non-executive members of the Board of Directors consists of the following fixed components:

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

a) Remuneration

Each member of the Board of Directors receives an equal fixed basic remuneration. Additionally, members also receive an extra allowance for taking on a post as Chairman, if applicable as Deputy Chairman of the Board of Directors and for sitting on the permanent committees (Nomination and Compensation Committee and Audit Committee). The responsibility and the increased workload of the various functions are therefore accounted for individually. In addition, from the serving period 2014/2015 attendance fees were abolished and replaced with lump sum expense allowances.

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

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

c) Social security benefits

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

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

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

3 Compensation for Executive Group Management

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

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

a) Fixed basic salary

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

b) Variable performance components

b1) Cash bonus

The Executive Group Management variable compensation system is based on the MbO (Management by Objective) process that applies to the entire Group. Success and performance-related compensation is defined based on a set target bonus (this corresponds to a 100 % target achievement). The target bonus for the Executive Group Management members, which is defined on an individual basis based on the ratio to the fixed basic salary, is between 40 % and 60 % for the CEO, and between 20 % and 50 % respectively for the remaining Executive Group Management members.
40 % (50 % for the CEO) of the bonus is contingent upon reaching the weighted Group financial targets determined annually by the Board of Directors (e.g. organic growth in net sales, EBIT-margin, a measurement parameter in the area of net working capital), and 60 % (50 % for the CEO) of the bonus is contingent upon reaching measurable individual divisional and management targets.

These individual targets are set and weighted annually in a structured target-setting process by the Chairman of the Board of Directors and the CEO and the CEO and the members of Executive Group Management. Failure to reach targets means that no bonus is paid. Surpassing all targets may increase the bonus to a maximum of 1.5 times the target bonus.
Payment is made following approval by the Annual General Meeting. The amount of the bonus is fully accrued in accordance with the accrual principle in the financial statements of the corresponding financial year.

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

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

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

c) Pension and other social security benefits

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

Additional information

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

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

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

4 Determining method

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

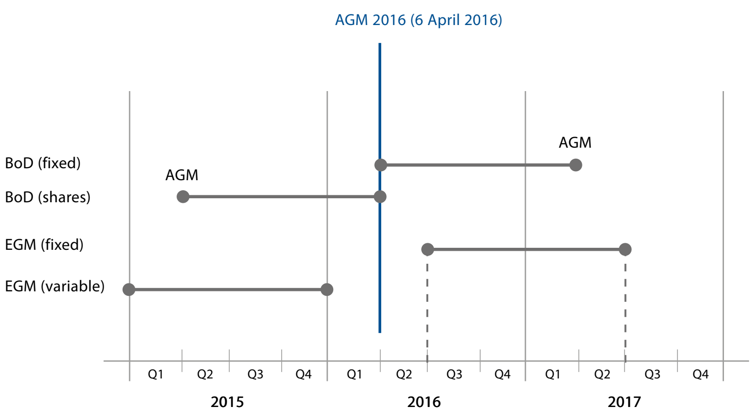
This relates to the amount of the basic fee, post-related allowances and lump sum expense allowances for the members of the Board of Directors for the coming term of office, and the fixed number of shares for the current year. For the Executive Group Management members, this is the amount of the basic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

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

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

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

Compensation vote at the 2016 AGM



5 Sums paid in remuneration to members of Board of Directors and to members of Executive Group Management for 2015

Board of Directors' compensation 2015

The members of the Board of Directors received TCHF 423 fixed compensation for the reporting year (previous year TCHF 460). Subject to approval by the Annual General Meeting, share-based compensation amounting to TCHF 500 (previous year TCHF 597) was also awarded. This amount is based on the market value of a total of 10 000 shares (previous year 12 000 shares), divided into 2 500 shares (previous year 3 000 shares) at the share price of CHF 45.70 from 31 March 2015 (previous year CHF 47.90) for the period from 1 January to 31 March 2015 and 7 500 shares (previous year 9 000 shares) at the share price of CHF 46.35 from 30 December 2015 (previous year CHF 47.40) for the period from 1 April 2015 to 31 December 2015. No compensation was paid to former members of the Board of Directors.

The total compensation for the Board of Directors for the reporting year was therefore TCHF 923 (previous year TCHF 1 058). This is down 13 % on the previous year. For the serving period 2015/2016 the Board of Directors waived 10% of the fixed compensation.

Compensation for the Board of Directors (BoD)

in CHF 1000		Fixed compensation[1]		Share-based compensation[2]		Total compensation		Number of allotted shares	
		2015	2014	2015	2014	2015	2014	2015	2014
B. Kälin [a]	Chairman of BoD	145	73	204	95	350	168	4 000	1 800
P. Altorfer [b]	Member of BoD	72	59	62	63	134	122	1 200	1 200
M. Bütler [c]	Member of BoD	62	43	62	47	123	90	1 200	900
C. Fässler	Member of BoD	46	42	55	57	102	99	1 200	1 200
U. Kaufmann [d]	Delegate of BoD/CEO	–	–	–	–	–	–	–	–
G. Müller	Member of BoD	51	48	62	63	113	111	1 200	1 200
R. Seiffert	Member of BoD	46	42	55	57	102	99	1 200	1 200
D. Syz [e]	Former Chairman of BoD	–	35	–	48	–	82	–	1 000
E. Walser [f]	Former Chairman/ Deputy Chairman of BoD	–	120	–	166	–	286	–	3 500
Total		423	460	500	597	923	1 058	10 000	12 000

[1] Basic salary and extra allowances including social security contributions; attendance fees up to and including the 2014 AGM; from 2015 onwards compensations include lump sum expense allowances.

[2] Share-based compensation is calculated at the share price of CHF 45.70 (for the part of the actual allocation from 31 March 2015) (previous year CHF 47.90) and of CHF 46.35 (as of year-end 2015) (previous year CHF 47.40) for the outstanding amount including social security. Outstanding shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

[a] Chairman (from 2015, previously from 10 April 2014 Deputy Chairman) and Chairman of the NCC (from 26 January 2015, previously Member of the NCC)

[b] Chairman of the AC (from 10 April 2014, previously Member of the AC) as well as Member of the NCC (from 26 January 2015)

[c] Member of the Board of Directors and Member of the AC from 10 April 2014

[d] If business management is delegated to a Board member, he is only compensated for his work as CEO.

[e] Chairman of the Board of Directors and Chairman of the NCC until 9 April 2014.

[f] Deputy Chairman and Chairman of the AC as well as Member of the NCC until 9 April 2014; Chairman and Chairman of the NCC from 10 April 2014 until 30 December 2014

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

An overview of the shareholdings of the members of the Board of Directors at HUBER+SUHNER AG can be found on page 53 of the 2015 Financial Report.

Executive Group Management compensation 2015

The Executive Group Management members received fixed compensation of TCHF 3 155 for the reporting year (previous year TCHF 2 920). Executive Group Management was – subject to approval by the Annual General Meeting – also awarded variable compensation of TCHF 1 418 (previous year TCHF 2 338). This includes stock-based compensation based on the market value totalling 16 994 shares (previous year 20 400 shares) at a share price of CHF 46.35 on 30 December 2015 (previous year CHF 47.40). No compensation was paid to former Executive Group Management members.

The total compensation for the Executive Group Management for the reporting year was, therefore, TCHF 4 573 (previous year TCHF 5 258). Compared to the previous year this is equivalent to a decrease of 13 %, despite the increase in Executive Group Management from seven to eight members. The decrease in total compensation is mainly due to lower variable compensation, substantially caused by the 10 % target-salary reduction for Executive Group Management in 2015.

Compensation for Executive Group Management	Highest individual compensation[1]		Total Executive Group Management	
in CHF 1000	2015	2014	2015	2014
Basic salary [2]	595	593	2 555	2 337
Contributions to social security and pension funds on fixed compensation	176	175	600	583
Total fixed compensation	771	768	3 155	2 920
Variable compensation	223	448	529	1 215
Share-based compensation [3]	232	284	788	967
Contributions to social security on variable compensation	28	45	101	156
Total variable compensation	483	777	1 418	2 338
Total compensation	1 254	1 545	4 573	5 258
Number of allotted shares	5 000	6 000	16 994	20 400

[1] U. Kaufmann (CEO and Delegate of the Board of Directors (since 10 April 2014))
[2] Including extra allowances
[3] Based on year-end share price of CHF 46.35 (previous year CHF 47.40). Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

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

An overview of the shareholdings of Executive Group Management members at HUBER+SUHNER AG can be found on page 54 in the 2015 Financial Report.

Report of the Statutory Auditors

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the General Meeting on the remuneration report 2015

We have audited the remuneration report of HUBER+SUHNER AG for the year ended 31 December 2015. 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 24 and 25 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration 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 remuneration 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 remuneration 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 remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration 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 remuneration report of HUBER+SUHNER AG for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

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

Winterthur, 24 February 2016

Financial Report 2015

HUBER+SUHNER
Group Financial Statements

Key Figures

Group in CHF million	2015	2014	Change
Order intake	702.8	768.1	(8.5 %)
Order backlog as of 31.12.	169.7	186.2	(8.8 %)
Net sales	706.3	748.5	(5.6 %)
Gross margin	34.6 %	35.8 %	
EBITDA	86.5	101.1	(14.4 %)
as % of net sales	12.2 %	13.5 %	
EBIT	52.3	69.0	(24.2 %)
as % of net sales	7.4 %	9.2 %	
Net financial result	(15.4)	4.8	n/a
Net income	24.7	59.2	(58.3 %)
as % of net sales	3.5 %	7.9 %	
as % of average shareholders' equity	3.7 %	9.1 %	
Purchases of PP&E and intangible assets	23.5	42.5	(44.6 %)
Net cash from operating activities	69.7	78.0	(10.7 %)
Free operating cash flow	47.9	(11.9)	n/a
Net liquidity	160.0	143.3	11.7 %
Shareholders' equity	649.6	673.6	(3.6 %)
as % of balance sheet total	83.5 %	80.5 %	
Employees as of 31.12.	3 649	3 891	(6.2 %)
Market capitalisation as of 31.12.	901.6	921.6	(2.2 %)
Data per share (in CHF)			
Stock market price as of 31.12.	46.35	47.40	(2.2 %)
Net income	1.27	3.05	(58.3 %)
Dividend	1.00 [1]	1.40	(28.6 %)

[1] proposed dividend

Segment information in CHF million		2015	2014	Change
Radio Frequency	Order intake	201.2	238.7	(15.7 %)
	Net sales	206.6	235.0	(12.1 %)
	EBIT	21.7	33.0	(34.3 %)
	as % of net sales	10.5 %	14.0 %	
Fiber Optics	Order intake	270.8	271.0	(0.1 %)
	Net sales	280.7	249.9	12.3 %
	EBIT	34.4	26.6	29.5 %
	as % of net sales	12.3 %	10.6 %	
Low Frequency	Order intake	230.8	258.4	(10.7 %)
	Net sales	219.0	263.6	(16.9 %)
	EBIT	2.4	12.2	(80.1 %)
	as % of net sales	1.1 %	4.6 %	

Consolidated Income Statement

in CHF 1000	Notes	2015	%	2014	%
Net sales	7	706 349	100.0	748 503	100.0
Cost of goods sold		(462 293)		(480 778)	
Gross profit		244 056	34.6	267 725	35.8
Marketing and selling expenses		(109 433)		(112 928)	
General and administrative expenses		(46 297)		(58 982)	
Research and development expenses		(29 409)		(28 137)	
Other operating expenses	8	(8 200)		(4 591)	
Other operating income	8	1 598		5 915	
Operating profit (EBIT)	7	52 315	7.4	69 002	9.2
Financial income	9	1 477		11 922	
Financial expense	10	(16 925)		(7 105)	
Income before taxes		36 867	5.2	73 819	9.9
Income taxes	11	(12 158)		(14 590)	
NET INCOME		24 709	3.5	59 229	7.9

Data per share (in CHF)	Notes	2015	2014
Earnings per share	34	1.27	3.05
Diluted earnings per share	34	1.27	3.05
Dividend		1.00 [1]	1.40

[1] proposed dividend

Statement of Comprehensive Income

in CHF 1000	Notes	2015	2014
Net income		24 709	59 229
Items that may be transferred subsequently to the income statement:			
Currency translation differences		(12 217)	11 503
Items that will not be transferred subsequently to the income statement:			
Remeasurement of post-employment benefit obligations	14	(11 203)	(4 127)
Income taxes		1 479	624
Total other comprehensive income		(21 941)	8 000
TOTAL COMPREHENSIVE INCOME		2 768	67 229

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

Consolidated Balance Sheet

in CHF 1000	Notes	31.12.2015	%	31.12.2014	%
Assets					
Cash and cash equivalents	19	159 989		133 286	
Marketable securities	20	–		10 000	
Trade receivables	21	121 945		131 299	
Other current assets	22	18 652		21 936	
Inventories	23	133 142		166 824	
Tax assets		6 620		1 737	
Prepaid expenses		912		1 306	
Total current assets		441 260	56.7	466 388	55.7
Property, plant and equipment	26	187 227		199 003	
Investment property	26	2 080		2 080	
Intangible assets	27, 28	98 528		107 519	
Financial assets	29	36 264		48 373	
Deferred tax assets	11	12 901		13 632	
Total non-current assets		337 000	43.3	370 607	44.3
TOTAL ASSETS	7	778 260	100.0	836 995	100.0
Liabilities and shareholders' equity					
Short-term debt		–		–	
Current other liabilities	31	58 907		82 811	
Current tax liabilities		6 645		11 953	
Current provisions	32	10 479		9 665	
Accrued liabilities		9 717		12 947	
Total current liabilities		85 748	11.0	117 376	14.0
Long-term debt		–		–	
Non-current other liabilities		116		163	
Non-current provisions	32	10 975		10 507	
Deferred tax liabilities	11	31 789		35 326	
Total non-current liabilities		42 880	5.5	45 996	5.5
Total liabilities	7	128 628	16.5	163 372	19.5
Share capital	33	4 864		4 861	
Share premium		31 832		31 300	
Retained earnings		612 936		637 462	
Total shareholders' equity		649 632	83.5	673 623	80.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		778 260	100.0	836 995	100.0

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

Consolidated Cash Flow Statement

in CHF 1000	Notes	2015	2014
Net income		24 709	59 229
Income taxes		12 158	14 590
Net income before taxes		36 867	73 819
Depreciation and impairment of property, plant and equipment and investment property	26	25 697	25 294
Amortisation and impairment of intangible and financial assets	27, 28, 29	8 478	6 770
Other non-cash items		9 647	(3 487)
Gain/loss on disposal of property, plant and equipment	8	205	(584)
Gain/loss on sale of business unit	5,8	1 962	–
Change in trade receivables		2 000	(16 639)
Change in inventories		26 571	(9 960)
Change in other current assets		2 829	(7 118)
Change in trade payables		(17 272)	18 888
Change in provisions and other liabilities		(3 544)	4 300
Income tax paid		(23 701)	(13 159)
Interest paid		(78)	(130)
Net cash from operating activities		69 661	77 994
Purchases of property, plant and equipment	26	(18 883)	(39 649)
Proceeds/disbursements from disposal of property, plant and equipment	26	846	1 687
Purchases of intangible assets	27	(3 688)	(3 667)
Purchases/sales of financial assets		–	77
Purchases/sales of marketable securities and derivative financial instruments	20	8 868	14 972
Interest received		412	396
Purchase of subsidiaries less purchased net cash	5, 27	(1 795)	(48 743)
Proceeds from sale of business unit	5	1 314	–
Net cash from investing activities		(12 926)	(74 927)
Payment of dividend		(27 263)	(15 578)
Purchase/sale of treasury shares		(873)	(1 407)
Net cash from financing activities		(28 136)	(16 985)
Effect of exchange rate changes on cash		(1 896)	2 415
Net change in cash and cash equivalents		26 703	(11 503)
Cash and cash equivalents at beginning of year		133 286	144 789
Cash and cash equivalents at end of year	19	159 989	133 286
Net change in cash and cash equivalents		26 703	(11 503)

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

Consolidated Statement of Shareholders' Equity

in CHF 1000	Share capital [1]	Share premium	Retained earnings	Translation differences	Total retained earnings	Total shareholders equity
Balance at 31.12.2013	4 865	32 194	608 700	(22 949)	585 751	622 810
Net income	–	–	59 229	–	59 229	59 229
Other comprehensive income	–	–	(3 503)	11 503	8 000	8 000
Dividend paid	–	–	(15 578)	–	(15 578)	(15 578)
Changes in treasury shares [1]	(4)	(894)	60	–	60	(838)
Balance at 31.12.2014	4 861	31 300	648 908	(11 446)	637 462	673 623
Net income	–	–	24 709	–	24 709	24 709
Other comprehensive income	–	–	(9 724)	(12 217)	(21 941)	(21 941)
Dividend paid	–	–	(27 263)	–	(27 263)	(27 263)
Changes in treasury shares [1]	3	532	(31)	–	(31)	504
Balance at 31.12.2015	4 864	31 832	636 599	(23 663)	612 936	649 632

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

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

Notes to Group Financial Statements

1 General

The global HUBER+SUHNER Group develops and manufactures components and system solutions for electrical and optical connectivity. The company serves customers in the communication, transportation and industrial markets with cables, connectors and systems in the three key technologies: radio frequency, fiber optics and low frequency. The products stand out due to their exceptional quality, reliability and durability – even under harsh environmental conditions.
These consolidated financial statements were approved by the Board of Directors on 24 February 2016 and released for publication on 8 March 2016. They are subject to the approval of the Annual General Meeting on 6 April 2016.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

2.2 Changes in accounting policy

New standards and interpretations and amendments to published standards whose application is obligatory for financial years beginning 1 January 2015:
- Annual improvements to IFRSs 2010 – 2012 cycles
- Annual improvements to IFRSs 2011 – 2013 cycles

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

New standards and interpretations and amendments to published standards that are effective for financial years starting after 1 January 2016:
- IAS 1 – Disclosure Initiative – Amendments to IAS 1 (1 January 2016)
- IAS 28 – Investments in associates and joint ventures (1 January 2016)
- IFRS 10 – Consolidated Financial Statements (1 January 2016)
- IFRS 9 – Financial instruments (1 January 2018)
- IFRS 15 – Revenue from contracts with customers (1 January 2018)
- IFRS 16 – Leases (1 January 2019)
- Annual improvements to IFRSs 2012 –2014 cycles (1 January 2016)

HUBER+SUHNER Group has decided not to adopt these changes early. These standards and interpretations will be applied when they become effective, if relevant for the HUBER+SUHNER Group. The impact of IFRS 15 and IFRS 16 is currently under review.

2.3 Scope and principles of consolidation

The investments in subsidiaries are included in the Group financial statements as follows:
- All subsidiaries which HUBER+SUHNER controls are fully consolidated. Control is usually presumed where the Group directly or indirectly owns 50 % or more of the voting rights of the subsidiaries. All of the assets and liabilities as well as the income and expenses of these companies are fully included. Minority interests in the consolidated equity and net income are shown separately. All intercompany transactions and balances as well as intercompany profits in inventory are eliminated on consolidation.
- Those companies purchased during the reporting year are included in the consolidation as of the date on which control has effectively been transferred. From the date of transfer of control all identifiable assets and liabilities as well as contingent liabilities of the company are valued initially at fair value. Companies which have been divested during the reporting year are included in the consolidated financial statements till the date control ceases.
- The acquisition method of accounting is used to account for the acquisition of subsidiaries by Group.

2.4 Segment reporting

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

2.5 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

2.6 Financial assets and liabilities

Five categories of financial assets and financial liabilities are distinguished:

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

In accordance with IAS 39, financial assets and liabilities are initially recognised at fair value. The fair value corresponds in general to the purchase costs. Transaction costs are directly recognised in the income statement when they occur respectively are recognised distributed over the contract period. All sales and disposals are recognised on the trading day.
Financial assets "at fair value through profit and loss" are measured at fair value. Changes in the fair value are recognised in the financial result of the period in which they occur. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (realised within 12 months) or if so designated by management. Derivatives also fall in this category.
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. For the fair value valuation of forward foreign exchange contracts actual market prices are used at the balance sheet date.
Changes in the fair value of derivatives are recorded immediately in the income statement. During the year, the HUBER+SUHNER Group did not apply Hedge Accounting.
Trade receivables or payables and other current assets or liabilities are non-derivative financial assets or liabilities with fixed or defined payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor or creditor with no intention of trading the receivables or payables. They are recognised in the balance sheet at their net realisable value. A provision for impairment is recognised if there are objective indications that the receivable amounts due cannot be recovered completely. Reductions in value are recognised in the income statement. The net realisable value corresponds approximately to the fair value. Cash and cash equivalents are stated at nominal value.
With the exception of the financial assets shown under IAS 19 (revised), HUBER+SUHNER Group did not have any financial assets in the categories "held to maturity", "available for sale" or "other financial assets" in the reporting year.

2.7 Cash and cash equivalents

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

2.8 Trade receivables

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

2.9 Inventories

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

2.10 Property, plant and equipment

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

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

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

2.11 Leasing

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

2.12 Investment property

Investment properties are held to earn rental income and capital gains. They are valued at purchase cost less accumulated depreciation and impairments. Investment properties are depreciated using the straight-line method over their estimated useful life (20 to 40 years).
In accordance with IAS 40, the fair value is shown in the notes for comparison. It is calculated based on internal net present value or DCF method.

2.13 Intangible assets

Goodwill

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

Trademarks, technology and customer relations

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

Software

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

Other intangible assets

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

2.14 Impairment of assets

Goodwill and other intangible assets with an indefinite useful life are reviewed annually for impairment. Property, plant and equipment and other long-term assets, including intangible assets with a definite useful life, are reviewed for impairment if events or changes in circumstances have occurred that indicate that the book value can no longer be realised. Assets with book values above the recoverable amount are written down to the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. In order to determine the reduction in value, assets are allocated to specific cash-generating units for which separate cash flows can be determined.
If there is an indication that the impairment loss in prior periods no longer exists or may have decreased, the carrying amount is with the exception of goodwill increased to its recoverable amount and is recognised immediately in the income statement.

2.15 Provisions

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

2.16 Employee benefits

Pension obligations

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

The annual defined benefit cost consist of the following components:

- Service cost: cost of newly acquired claims by insured, active employees during the year (Current service cost), cost of newly implemented or subsequently amended plans as well as curtailments (Past service cost) and gains or losses on settlements.
- Net interest on the net defined benefit liability/asset, based on applying the interest rate on the net balance sheet position of obligation and plan assets, after adjustment to the asset ceiling.
- Remeasurements of the net defined benefit liability/asset: this includes all actuarial gains and losses on the DBO and changes in fair value of the plan assets (including changes in the so-called "Asset ceiling") incurred during the year, in as far as they are not an obligatory part of the interest component.

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

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

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

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

Share-based payments
Part of the compensation for members of the Board of Directors and Executive Group Management is paid in HUBER+SUHNER AG shares, which are valued at market price and have a lock-in period with a minimum of three and a maximum of ten years. These shares are transferred for the financial year after approval by the Annual General Meeting in the following year. The market value of the shares is fully accrued in accordance with the accrual principle and the yearlong vesting period in the accounts of the respective year under review.

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

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

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

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

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

3 Risk management

3.1 Risk assessment and risk policy
The risk management system of the HUBER+SUHNER Group and the Group companies is defined in the Board of Directors' risk policy and in the Executive Group Management's guidelines on the risk management process.
Risk management is a structured, continuous process, which prescribes the systematic monitoring of essential business risks. As a global industrial corporation with its own development, manufacturing and sales operations in several countries, HUBER+SUHNER is exposed to various financial, market and

credit risks of strategic, operational and financial nature. In this process risks are identified, analysed on probability and financial impact and valued. Measures to control the risk are defined.
Based on its own assessment (top-down) and on information provided by the Divisions and regions (bottom-up), Executive Group Management on the one hand selects and reassesses the most significant financial, operational and strategic risks and on the other hand reviews the status and the result of previously decided actions. Every member of Executive Group Management is responsible for implementation of measures in his own area of responsibility. Every year the Board of Directors is informed about essential changes in the risk assessment and the conducted risk management activities. The permanent monitoring and control of risks resides with Executive Group Management, which strives to minimalize negative impacts on the Group, particularly on the Group's financial result. The assessed risks as well as the on-going and new actions as well as the activities to adhere to Compliance principles have been submitted in the Risk Report 2015 for discussion and approval to the Board of Directors. After an intensive review the Board of Directors has agreed on 7 December 2015 on the risk assessment and approved the Risk Report 2015.
For risks in the area of accounting and financial reporting HUBER+SUHNER carries out comprehensive analyses for the purpose of risk management. Substantial financial risks are incorporated in the processes of the internal control system (ICS) and thereby are monitored periodically and systematically.

3.2 Exchange rate risks

Because of its international business activities HUBER+SUHNER generates revenues and profits in Switzerland and abroad. The foreign exchange risk arises from investments in foreign subsidiaries (translation risk) and from business transactions or assets and liabilities in a currency different from the functional currency of the company concerned (transaction risk). Foreign exchange rate fluctuations therefore affect the consolidated result. In order to limit these risks the concept of natural hedging is applied as a primary hedging strategy. Within this concept the foreign exchange risk on money inflows in a certain currency is neutralised by money outflows in the same currency.
Furthermore the remaining foreign exchange risk is actively managed. For this purpose HUBER+SUHNER has centralised the exchange rate risk mainly in Switzerland. To manage foreign exchange risks arising from expected incoming and outgoing cash flows of the following 12 months, Corporate Treasury also uses derivative financial instruments. According to the individual risk evaluation, 20 % to 80 % of anticipated net cash flows per currency are hedged. Neither net investments in foreign subsidiaries nor Group loans in foreign currency are hedged.

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

As of 31 December 2015	Less than 1 year	1–5 years	After 5 years	Total cash flows
Economical cash flow hedge outflow	76 853	–	–	76 853
Economical cash flow hedge inflow	75 351	–	–	75 351

As of 31 December 2014	Less than 1 year	1–5 years	After 5 years	Total cash flows
Economical cash flow hedge outflow	44 034	–	–	44 034
Economical cash flow hedge inflow	42 169	–	–	42 169

Due to the high value creation in Switzerland and balance sheet positions in foreign currency HUBER+SUHNER Group is primarily exposed to foreign exchange risks of the Swiss franc against USD, EUR, CNY and AUD.
The following sensitivity analysis calculates the foreign currency risks of these most important currencies. The forward contracts which have not been settled before balance sheet date are included in the calculations.

A fluctuation of ± 10 % (previous year, ± 10 %) of the underlying currency as at 31 December, assuming all other parameters had remained unchanged, would have had the following effect on comprehensive income (converted into Swiss francs at the closing rate for the reporting period):

in CHF million	2015 Financial result ± 10 %	2015 Other comprehensive income ± 10 %	2014 Financial result ± 10 %	2014 Other comprehensive income ± 10 %
USD / CHF	± 1.1	± 4.7	± 2.7	± 1.3
EUR / CHF	± 0.7	± 2.8	± 5.9	–
CNY / CHF	± 0.9	–	± 1.3	–
AUD / CHF	± 0.5	–	± 0.5	–

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

3.3 Credit risks

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

3.4 Liquidity risks

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

All amounts are in CHF 1000

in CHF million	31.12.2015	31.12.2014
Cash and cash equivalents	160.0	133.3
+ Marketable securities	–	10.0
= Liquidity reserves	160.0	143.3

In addition to the liquidity reserves consisting of cash and cash equivalents and marketable securities, the Group has access to not-committed lines of credit with different banks, which are only occasionally used for bank guarantees. Furthermore, HUBER+SUHNER has additional financing potential due to the strong income and balance sheet position.

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

As of 31 December 2015	Total balance sheet position	Cash flows			
		Less than 1 year	1–5 years	After 5 years	Total cash flows
Trade payables and other liabilities	54 038	54 038	–	–	54 038
Derivative financial instruments	2 010	2 010	–	–	2 010

As of 31 December 2014	Total balance sheet position	Cash flows			
		Less than 1 year	1–5 years	After 5 years	Total cash flows
Trade payables and other liabilities	78 484	78 484	–	–	78 484
Derivative financial instruments	2 259	2 259	–	–	2 259

3.5 Capital risks

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

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

Ratios	Definition	Target
Return on equity	Net income as percentage of average equity	Risk-free interest rate (10-year government bond rate) + risk premium of 5 %
Equity ratio	Equity as percentage of balance sheet total	> 50 %
Net liquidity	Cash and cash equivalents and marketable securities less short- and long-term debt	Entrepreneurial freedom of action and guarantee of unrestricted solvency

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

in CHF million	31.12.2015	31.12.2014
Return on equity	3.7 %	9.1 %
Equity ratio	83.5 %	80.5 %
Net liquidity	160.0	143.3

All amounts are in CHF 1000

3.6 Market price risks

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

3.7 Interest risks

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

3.8 Fair value estimation

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

3.9 Fair value hierarchy

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

Financial assets as of 31 December 2015	Level 1	Level 2	Level 3	Total
Marketable securities	–	–	–	–
Derivative financial instruments	–	284	–	284

Financial liabilities as of 31 December 2015	Level 1	Level 2	Level 3	Total
Derivative financial instruments	–	2 010	–	2 010

Financial assets as of 31 December 2014	Level 1	Level 2	Level 3	Total
Marketable securities	–	–	–	–
Derivative financial instruments	–	130	–	130

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

4 Critical accounting estimates and judgements

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

Trade receivables

The assessment of trade receivables is on the one hand based on realised revenues from current transactions. On the other hand a regular review takes place of the recoverable value of receivables outstanding from closed and invoiced transactions. Allowances are recorded in accordance with the judgement of receivables outstanding and their collectability. Effective losses on receivables may deviate from these estimations.

All amounts are in CHF 1000

Inventories

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

Goodwill and intangible assets

Goodwill is defined as an intangible asset with an indefinite useful life and is reviewed for impairment at least once a year. This review requires estimations on the expected future cash flows of the Cash Generating Unit to which the goodwill has been assigned. Especially failed estimations or assumptions in the value in use calculation of goodwill can lead to a substantial re-appraisal of the recoverable amount. Goodwill is tested for impairment annually or whenever there are indications for an impairment. The procedure of impairment testing is described in note 28. If the carrying amount is higher than the recoverable amount, goodwill is written off to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

Intangible assets are assets with a definite useful life. The value and the economic useful life of intangible assets obtained by acquisition of a subsidiary, are assessed based on external appraisal reports, which require estimations and assumptions for future sales and revenue development, royalty rates or weighted average cost of capital (WACC). Changes in the estimated recoverable amount of the acquired intangible assets may lead to a necessary adjustment of their carrying amount.

Pension liabilities

The DBO for insured, active employees equals the present value of the acquired defined benefits at the balance sheet date including future salary and pension increases and probability of withdrawal. The DBO for pensioners equals the present value of current pensions, taking into account future pension increases.

The total DBO is compared with the fair value of the plan assets. After considering the asset ceiling, a surplus or deficit is recognised as an asset or liability in the balance sheet.

For these projections assumptions must be made regarding discount rate, salary and pension increases, staff fluctuations, etc. The assumptions are considered each year on the balance sheet date based on observed market data. These are the interest rates of bonds in the relevant currency with high creditworthiness as well as asset studies. Changing the assumptions mentioned could lead to significant deviations because of the long-term nature of these calculations.

Provisions

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

Income taxes and tax accruals

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

The related tax assets on losses carried forward are valued based on business plans. The capitalisation of usable tax losses carried forward is assessed on a yearly base. The tax losses carried forward are recognised considering country-specific fiscal regulations and the likelihood that they can be used during the next one to two years depending on the profit situation of the corresponding subsidiary. In countries respectively subsidiaries where the usage of tax losses carried forward is not foreseeable no tax loss is capitalised.

IAS 19 (revised) requires recognition of certain postings in the statement of comprehensive income. The related income taxes are also posted in the statement of comprehensive income.

5 Changes in the scope of consolidation and other changes

On 5 February 2015 the Danish subsidiary, HUBER+SUHNER A/S, was liquidated. The company was wholly owned by HUBER+SUHNER AG and was deconsolidated. The financial impact of the liquidation was immaterial.
On 24 March 2015 the Chinese subsidiary, HUBER+SUHNER Electrical Equipment Manufacture (Shanghai) Co. Ltd., was liquidated. The company was wholly owned by HUBER+SUHNER (Hong Kong) Ltd. and was deconsolidated. The financial impact of the liquidation was immaterial.

With a view to ensuring consistent alignment to the 3x3 strategy, the HUBER+SUHNER Group sold the last non-strategic business unit Composites in Fehraltorf to the company Connova AG on 7 December 2015. The date of execution was 23 December 2015. The sales price amounted to CHF 1.8 million, the cash flow was CHF 1.3 million. There is a conditional purchase price payment of CHF 0.5 million maximum. Furthermore provisions for lease of buildings, warranty and personnel, as well as allowances in the amount of CHF 2.5 million were built. The net result of the transaction is CHF –2.0 million. The divested business unit contributed CHF 3.4 million to net sales in the reporting year and CHF –1.6 million to EBIT. The operating result as well as the transactional loss were allocated to the Low Frequency division.

On 31 October 2014 HUBER+SUHNER acquired the Mainz-based German company Cube Optics AG. The purchase price was CHF 53.4 million (EUR 44.3 million).
The Cube Optics acquisition in 2014 resulted in a goodwill of CHF 27.3 million. The acquired intangible assets of CHF 15.7 million include trademark and technology of Cube Optics.

In 2014 the values of net assets, intangible assets and resulting goodwill were as follows:

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

The final purchase price allocation did not require any further fair value adjustment. In the reporting year the retained purchase price of the Cube Optics acquisition in the amount of CHF 1.8 million was paid.

A complete list of all Group companies can be found on page 69.

All amounts are in CHF 1000

6 Exchange rates for currency translation

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

Spot rates for the consolidated balance sheet	31.12.2015	31.12.2014
1 EUR	1.08	1.20
1 USD	0.99	0.99
100 CNY	15.26	15.84
1 GBP	1.47	1.53
1 AUD	0.72	0.80
1 BRL	0.26	0.37
100 INR	1.49	1.55

Average rates for the consolidated income and cash flow statement	2015	2014
1 EUR	1.06	1.21
1 USD	0.96	0.92
100 CNY	15.29	14.87
1 GBP	1.47	1.51
1 AUD	0.72	0.82
1 BRL	0.29	0.39
100 INR	1.50	1.50

7 Segment information

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

Radio Frequency: HUBER+SUHNER develops and manufactures radio frequency and microwave products for the most diverse of requirements. The wide product range encompasses all passive components like cables, connectors, cable assemblies, antennas, lightning protection and resistive components. HUBER+SUHNER is constantly applying its distinctive knowledge – of radio frequency and microwave technologies, sophisticated simulation processes and the most modern test methods – to make components even smaller, to expand their operating frequencies continuously and minimise losses in signal quality. Thanks to the own state-of-the-art electroplating processes HUBER+SUHNER has a sound knowledge of surface-coating that is vital when developing modern radio frequency components.

Fiber Optics: HUBER+SUHNER develops and manufactures fiber optic products for challenging applications requiring the highest of data rates. The comprehensive portfolio includes cables, connectors, cable assemblies, cable and distribution systems, along with fiber management systems. HUBER+SUHNER products are used, for instance, in especially harsh environmental conditions. When installation has to be fast and safe, the pre-assembled, often customer-specific systems – including the smallest components and the highest packing density – are ideal. An important basis for the high quality of HUBER+SUHNER optic connectivity technology is a self-developed optimized polishing process for fiber optic connectors. By using this process, the highest levels of precision and optimal signal quality are achieved.

Low Frequency: HUBER+SUHNER develops and manufactures low frequency products for challenging applications. The wide portfolio here includes single cores, cables, cable assemblies, hybrid cables and cable systems. Thanks to the high vertical manufacturing integration, high levels of automation and market-specific know-how, HUBER+SUHNER is able to meet the various demands of the customers. HUBER+SUHNER specializes in polymer compounds for high-quality cable insulation that is produced using self-developed formulations. Another HUBER+SUHNER core competency is electron beam cross-linking, which allows to produce space-saving, lighter and longer-life cables that function reliably, even under extreme conditions. Until its sale per end 2015 the business unit Composites was also part of this division.

Corporate: Includes corporate functions and all activities that cannot be allocated to one of the three operational Divisions.

Net sales	2015	2014
Radio Frequency	206 659	234 985
Fiber Optics	280 682	249 916
Low Frequency	219 008	263 602
Total net sales	706 349	748 503

Operating profit (EBIT)	2015	2014
Radio Frequency	21 686	32 986
in % of net sales	10.5 %	14.0 %
Fiber Optics	34 446	26 603
in % of net sales	12.3 %	10.6 %
Low Frequency	2 431	12 220
in % of net sales	1.1 %	4.6 %
Corporate	(6 248)	(2 807)
Total operating profit (EBIT)	52 315	69 002
Financial income	1 477	11 922
Financial expense	(16 925)	(7 105)
Net income before taxes	36 867	73 819

Depreciation and amortisation	2015	2014
Radio Frequency	(11 626)	(10 973)
Fiber Optics	(8 323)	(5 980)
Low Frequency	(14 226)	(15 111)
Total depreciation and amortisation	(34 175)	(32 064)

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

Assets	31.12.2015	31.12.2014
Radio Frequency	157 480	180 437
Fiber Optics	164 896	196 543
Low Frequency	237 708	250 194
Corporate	218 176	209 821
Total assets	778 260	836 995

Liabilities	31.12.2015	31.12.2014
Radio Frequency	25 108	30 799
Fiber Optics	27 792	39 901
Low Frequency	25 925	34 705
Corporate	49 803	57 967
Total liabilities	128 628	163 372

Investments in property, plant and equipment and intangible assets	2015	2014
Radio Frequency	4 960	7 349
Fiber Optics	5 709	5 157
Low Frequency	12 865	29 991
Total investments in property, plant and equipment and intangible assets	23 534	42 497

All amounts are in CHF 1000

Net sales by region (sales area)	2015	2014
Switzerland	53 188	61 072
EMEA (Europe, Middle East and Africa [excl. CH])	270 688	310 466
of which Germany	92 336	112 649
APAC (Asia-Pacific)	238 220	238 100
of which China	90 703	118 647
Americas (North and South America)	144 253	138 865
of which USA	100 767	96 348
Total net sales	706 349	748 503

In the reporting year, as in the previous year, with no customer more than 10 % of total net sales were achieved.

Property, plant and equipment, investment property and intangible assets	31.12.2015	31.12.2014
Switzerland	138 742	147 975
EMEA (Europe, Middle East and Africa [excl. CH])	49 233	56 010
APAC (Asia-Pacific)	54 782	54 690
Americas (North and South America)	45 078	49 927
Total property, plant and equipment, investment property and intangible assets	287 835	308 602

Investments in property, plant and equipment and intangible assets	2015	2014
Switzerland	12 960	27 295
EMEA (Europe, Middle East and Africa [excl. CH])	3 445	1 771
APAC (Asia-Pacific)	6 280	10 857
Americas (North and South America)	849	2 574
Total investments in property, plant and equipment and intangible assets	23 534	42 497

All amounts are in CHF 1000

8 Other operating expenses and income

	2015	2014
Other operating expenses	(8 200)	(4 591)
Other operating income	1 598	5 915
Total other operating expenses and income	(6 602)	1 324
Of which gain from sales of PP&E and investment property	247	2 374

Other operating expenses include amongst others the amortisation of acquired intangible assets for trademarks, technology and customer relations as well as the charges to income relating to IAS 19 (revised). The transaction loss on the sale of business unit Composites is also recognised under other operating expenses (see note 5).

Other operating income includes amongst others gains from the sale of property, plant and equipment, one-time income from a former divestment as well as licence fee income from third parties and refunds of withholding tax.

9 Financial income

	2015	2014
Interest income	413	456
Foreign exchange gains	773	11 297
Other financial income	291	169
Total financial income	1 477	11 922

10 Financial expense

	2015	2014
Interest expense	(76)	(118)
Foreign exchange losses	(15 151)	(2 507)
Losses from derivative financial instruments (incl. change in fair value)	(729)	(3 653)
Other financial expense	(969)	(827)
Total financial expense	(16 925)	(7 105)

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

All amounts are in CHF 1000

11 Income taxes

	2015	2014
Current income taxes	(13 892)	(12 885)
Deferred income taxes	1 734	(1 705)
Total income taxes	(12 158)	(14 590)

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

	2015	2014
Net income before taxes	36 867	73 819
Expected income tax rate	28.5 %	18.8 %
Expected income tax expense	(10 499)	(13 907)
Effect of utilisation of non-recognised tax loss carry-forward	247	–
Effect of non-tax-deductible expenses and non-taxable income	(80)	730
Effect of non-recognition of current tax losses	(814)	(1 139)
Effect of increased/reduced allowance on deferred tax balances	(22)	(458)
Effect of changes in tax rates on deferred tax balances	(1 251)	(785)
Effect of tax credits/debits from prior years and other effects	261	969
Effective income taxes	(12 158)	(14 590)
Effective income tax rate	33.0 %	19.8 %

The expected Group tax rate corresponds to the weighted average tax rate based on the income/(loss) before taxes and the tax rate of each individual Group company. The increase in the reporting year compared to the previous year is attributable to the different composition of the net income. In the reporting year the share of the consolidated net income in India and in Germany is significantly higher than in the previous year. Furthermore Switzerland reports a loss (IFRS) as a result of the abolishment of the Euro-minimum foreign exchange rate by the Swiss National Bank.
Additionally the effective income tax rate is affected by non-capitalized tax losses in two Group companies and by the increase of the deferred tax rate on deferred tax positions in Switzerland.

Unrecognised tax loss carry-forward	31.12.2015	31.12.2014
Expiring within 1 year	742	343
Expiring within 2 years	1 112	–
Expiring within 3 years	1 112	–
Expiring within 4 years	3 828	1 107
Expiring within 5 years	–	–
Expiring thereafter	14 520	21 233
Total unrecognised tax loss carry-forward	21 314	22 683

The unrecognised tax loss carry-forward was CHF 21.3 million (previous year, CHF 22.7 million). This corresponds to a potential tax asset of CHF 7.4 million (previous year, CHF 7.8 million). In 2015 a deferred tax asset was recognised in five Group companies, whereas in three Group companies a deferred tax asset was used.

In 2015 tax losses carry-forward of CHF 0.3 million expired (previous year, CHF 1.1 million).

All amounts are in CHF 1000

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

	31.12.2015 Assets	31.12.2015 Liabilities	31.12.2014 Assets	31.12.2014 Liabilities
Trade receivables	445	1 363	579	1 689
Inventories	6 766	2 250	5 194	2 138
Property, plant and equipment	267	5 391	554	6 200
Financial assets	–	10 458	–	12 482
Intangible assets	–	6 743	–	7 429
Current liabilities	1 603	–	980	17
Current provisions	775	290	289	–
Non-current provisions	793	7 037	899	6 775
Total deferred taxes	10 649	33 532	8 495	36 730
Netting	(1 743)	(1 743)	(1 404)	(1 404)
Deferred taxes after netting	8 906	31 789	7 091	35 326
Capitalised loss carry-forward	3 995	–	6 541	–
Amounts recognised in the balance sheet	12 901	31 789	13 632	35 326

Temporary differences relating to investments in subsidiaries, on which no deferred tax liabilities were provided, amounted to CHF 125.7 million on 31 December 2015 (previous year, CHF 122.3 million).

12 Material expenses

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

	2015	2014
Total material expenses	263 627	284 873
as % of net sales	37.3 %	38.1 %

13 Employee benefit expenses

Employee benefit expenses included in the income statement amount to:

	2015	2014
Wages and salaries	178 967	189 005
Social security costs	20 201	21 271
Pension costs – defined benefit plans	8 878	7 720
Pension costs – defined contribution plans	1 647	2 220
Other employee benefit expenses	15 682	17 838
Total employee benefit expenses	225 375	238 054
as % of net sales	31.9 %	31.8 %

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

All amounts are in CHF 1000

Employees by segment at 31.12.	2015	2014
Radio Frequency	1 241	1 276
Fiber Optics	1 313	1 447
Low Frequency	1 095	1 168
Total employees by segment	3 649	3 891

Employees by geographical split at 31.12.	2015	2014
Switzerland	1 271	1 367
EMEA (Europe, Middle East and Africa [excl. CH])	1 006	1 052
APAC (Asia-Pacific)	1 078	1 164
Americas (North and South America)	294	308
Total employees by geographical split	3 649	3 891

The number of employees does not include temporary employees.

14 Post-employment benefits

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

For the actuarial calculation the following assumptions have been used:

	2015	2014
Discount rate per 31.12	1.00 %	1.33 %
Expected future salary increases	0.50 %	1.00 %
Mortality tables	BVG2010 GT	BVG2010 GT
Weighted average duration of the obligations in years	13.9	14.0
Date of the last actuarial calculation		
– prepared per	31.12.2015	01.01.2013
– carried forward to	–	31.12.2014

Reconciliation of defined benefit positions recognised in the balance sheet	31.12.2015	31.12.2014
Present value of defined benefit obligation	(534 843)	(527 897)
Fair value of plan assets	643 025	653 954
Surplus	108 182	126 057
Adjustment to asset ceiling	(74 945)	(80 250)
In the balance sheet recognised surplus as financial assets	33 237	45 807

All amounts are in CHF 1000

Changes in the present value of the defined benefit obligations	2015	2014
Present value of defined benefit obligation at 1.1.	(527 897)	(474 225)
Interest cost on defined benefit obligation	(6 907)	(11 332)
Current service cost (employer)	(9 154)	(8 568)
Employee contributions	(5 855)	(5 846)
Benefits paid	32 126	18 505
Administration cost (excl. cost for managing plan assets)	(264)	(237)
Net actuarial gains/(losses) recognised on obligation	(16 892)	(46 194)
Present value of defined benefit obligation at 31.12.	(534 843)	(527 897)
Thereof defined benefit obligation at 31.12. for active members	(242 493)	(221 616)
Thereof defined benefit obligation at 31.12. for pensioners	(292 350)	(306 281)

Components of actuarial gains/losses on the defined benefit obligations	2015	2014
Actuarial gain/(loss) arising from changes in financial assumptions	(18 444)	(52 740)
Actuarial gain/(loss) arising from changes in demographic assumptions	–	6 546
Actuarial gain/(loss) arising from experience adjustments	1 552	–
Actuarial gain/(loss) on defined benefit obligation	(16 892)	(46 194)

Changes in the fair value of plan assets	2015	2014
Fair value of plan assets at 1.1.	653 954	607 057
Interest income on plan assets	8 572	14 506
Employer contributions	7 453	7 423
Employee contributions	5 855	5 846
Benefits paid	(32 126)	(18 505)
Return on plan assets excl. interest income	(683)	37 627
Fair value of plan assets at 31.12.	643 025	653 954
Effective return on plan assets	7 889	52 133

Allocation of plan assets	31.12.2015	31.12.2014
Quoted plan assets		
Cash and cash equivalents	7.3 %	7.3 %
Shares	24.9 %	28.6 %
Bonds	28.5 %	27.7 %
Real estate	35.8 %	33.9 %
Other investments	3.1 %	2.1 %
Total quoted plan assets	99.6 %	99.6 %
Plan assets not quoted		
Cash and cash equivalents	–	–
Bonds	0.1 %	0.1 %
Real estate	0.3 %	0.3 %
Total plan assets not quoted	0.4 %	0.4 %
Total plan assets	100 %	100 %

Reconciliation of effect of asset ceiling	31.12.2015	31.12.2014
Adjustment to asset ceiling at 1.1.	80 250	82 705
Interest (expense)/income on effect of asset ceiling	1 067	1 985
Change in effect of asset ceiling excluding interest expense/income	(6 372)	(4 440)
Adjustment to asset ceiling at 31.12.	74 945	80 250

All amounts are in CHF 1000

Defined benefit cost in income statement	2015	2014
Current service cost (employer)	(9 154)	(8 568)
Interest cost on defined benefit obligation	(6 907)	(11 332)
Interest income on plan assets	8 572	14 506
Interest cost on effect of asset ceiling	(1 067)	(1 985)
Administration cost (excl. cost for managing plan assets)	(264)	(237)
Total expense in the income statement	(8 820)	(7 616)
thereof service cost and administration cost	(9 418)	(8 805)
thereof net interest (expense)/income on net defined benefit (liability)/asset	598	1 189

Of the total employer's contribution CHF 3.7 million (previous year, CHF 3.8 million) was included in cost of goods sold and CHF 5.1 million (previous year, CHF 3.8 million) in operating expenses.

For 2016, employer's contributions of CHF 7.1 million are expected.

Defined benefit cost in other comprehensive income (OCI)	2015	2014
Actuarial (gain)/loss on defined benefit obligation	16 892	46 194
Return on plan assets excl. interest income	683	(37 627)
Change in effect of asset ceiling excl. interest cost/income	(6 372)	(4 440)
Defined benefit cost recognised in other comprehensive income	11 203	4 127

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

	2015	2014
Balance at 1.1. (asset)	45 807	50 127
Defined benefit cost recognised in the income statement	(8 820)	(7 616)
Defined benefit income recognised in other comprehensive income	(11 203)	(4 127)
Employer contributions	7 453	7 423
Balance at 31.12. (asset)	33 237	45 807

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

Impact on the defined benefit obligations	Change of assumption	Increase of assumption	Decrease of assumption
Discount rate	± 0.25 %	Reduction of 3.4 %	Increase by 3.6 %
Interest rate on retirement savings capital	± 0.25 %	Increase by 0.7%	Reduction of 0.7%
Salary increase	± 0.25 %	Increase by 0.2 %	Reduction of 0.2 %
Life expectancy	± 1 year	Increase by 3.5 %	Reduction of 3.6 %

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

All amounts are in CHF 1000

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

According to the Ordinance against Excessive Compensation in Listed Companies (OaEC) which is in force since 1 January 2014, all details of the compensation paid to members of the Board of Directors and the Executive Group Management are presented in a separate Compensation Report (see Compensation Report pages 21 to 25).

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

Compensation of Board of Directors (BoD)

The compensation of members of the Board of Directors represents the total actual cost for the company. The allotted shares have a lock-in period with a minimum of three years. No compensation has been paid to related parties of Board members. For the serving period 2015/2016 the Board of Directors waived 10 % of the fixed compensation.

Compensation for the Board of Directors (BoD)

in CHF 1000		Fixed compensation[1)]		Share-based compensation[2)]		Total compensation		Number of allotted shares	
		2015	2014	2015	2014	2015	2014	2015	2014
B. Kälin [a)]	Chairman of BoD	145	73	204	95	350	168	4 000	1 800
P. Altorfer [b)]	Member of BoD	72	59	62	63	134	122	1 200	1 200
M. Bütler [c)]	Member of BoD	62	43	62	47	123	90	1 200	900
C. Fässler	Member of BoD	46	42	55	57	102	99	1 200	1 200
U. Kaufmann [d)]	Delegate of BoD/CEO	–	–	–	–	–	–	–	–
G. Müller	Member of BoD	51	48	62	63	113	111	1 200	1 200
R. Seiffert	Member of BoD	46	42	55	57	102	99	1 200	1 200
D. Syz [e)]	Former Chairman of BoD	–	35	–	48	–	82	–	1 000
E. Walser [f)]	Former Chairman/ Deputy Chairman of BoD	–	120	–	166	–	286	–	3 500
Total		423	460	500	597	923	1 058	10 000	12 000

1) Basic salary and extra allowances including social security contributions; attendance fees up to and including the 2014 AGM; from 2015 onwards compensations include lump sum expense allowances.

2) Share-based compensation is calculated at the share price of CHF 45.70 (for the part of the actual allocation from 31 March 2015) (previous year CHF 47.90) and of CHF 46.35 (as of year-end 2015) (previous year CHF 47.40) for the outstanding amount including social security. Outstanding shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

a) Chairman (from 2015, previously from 10 April 2014 Deputy Chairman) and Chairman of the NCC (from 26 January 2015, previously Member of the NCC)

b) Chairman of the AC (from 10 April 2014, previously Member of the AC) as well as Member of the NCC (from 26 January 2015)

c) Member of the Board of Directors and Member of the AC from 10 April 2014

d) If business management is delegated to a Board member, he is only compensated for his work as CEO.

e) Chairman of the Board of Directors and Chairman of the NCC until 9 April 2014.

f) Deputy Chairman and Chairman of the AC as well as Member of the NCC until 9 April 2014; Chairman and Chairman of the NCC from 10 April 2014 until 30 December 2014

All amounts are in CHF 1000

Shareholdings of BoD (Number of shares at 31 December 2015)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
B. Kälin	Chairman of BoD	8 500	–	8 500	3 600	4 900	< 0.10 %
P. Altorfer	Member of BoD	22 640	–	22 640	17 840	4 800	0.12 %
M. Bütler	Member of BoD	1 200	–	1 200	–	1 200	< 0.10 %
C. Fässler	Member of BoD	2 900	–	2 900	500	2 400	< 0.10 %
U. Kaufmann	Delegate of BoD / CEO	66 400	400	66 800	12 600	54 200	0.34 %
G. Müller	Member of BoD	15 200	184 986	200 186	196 586	3 600	1.03 %
R. Seiffert	Member of BoD	6 233	–	6 233	2 633	3 600	< 0.10 %
Total shareholdings BoD 2015		123 073	185 386	308 459	233 759	74 700	1.59 %

Shareholdings of BoD (Number of shares at 31 December 2014)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
B. Kälin	Deputy Chairman of BoD	6 000	–	6 000	2 400	3 600	< 0.10 %
P. Altorfer	Member of BoD	21 440	–	21 440	14 640	6 800	0.11 %
M. Bütler	Member of BoD	–	–	–	–	–	–
C. Fässler	Member of BoD	1 700	–	1 700	500	1 200	< 0.10 %
U. Kaufmann	Delegate of BoD / CEO	60 400	400	60 800	12 600	48 200	0.31 %
G. Müller	Member of BoD	14 000	60 640	74 640	71 040	3 600	0.38 %
R. Seiffert	Member of BoD	5 033	–	5 033	1 433	3 600	< 0.10 %
Total Total shareholdings BoD 2014		108 573	61 040	169 613	102 613	67 000	0.87 %

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

Compensation of Executive Group Management (EGM)

The compensation of Executive Group Management represents the total cost for the company, i.e. including all employer contributions for social security, pension funds and illness/unemployment insurance. The allotted shares have a lock-in period with a minimum of three years. No compensation has been paid to close family members of EGM members. Concerning the structure of the Executive Group Management and their functions see pages 16 and 17 in the Corporate Governance Report. Executive Group Management waived 10 % of the target-salary in reporting year 2015.

Compensation for Executive Group Management

in CHF 1000	Highest individual compensation[1] 2015	2014	Total Executive Group Management 2015	2014
Basic salary [2]	595	593	2 555	2 337
Contributions to social security and pension funds on fixed compensation	176	175	600	583
Total fixed compensation	771	768	3 155	2 920
Variable compensation	223	448	529	1 215
Share-based compensation [3]	232	284	788	967
Contributions to social security on variable compensation	28	45	101	156
Total variable compensation	483	777	1 418	2 338
Total compensation	1 254	1 545	4 573	5 258
Number of allotted shares	5 000	6 000	16 994	20 400

[1] U. Kaufmann (CEO and Delegate of the Board of Directors (since 10 April 2014))
[2] Including extra allowances
[3] Based on year-end share price of CHF 46.35 (previous year CHF 47.40). Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

EGM shareholdings
(Number of shares at 31 December 2015)

		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
U. Kaufmann	Delegate of BoD / CEO	66 400	400	66 800	12 600	54 200	0.34 %
R. Bolt	Member EGM	5 470	–	5 470	470	5 000	< 0.10 %
D. Nixon	Member EGM	1 470	–	1 470	510	960	< 0.10 %
P. Riederer	Member EGM	10 000	–	10 000	4 000	6 000	< 0.10 %
U. Ryffel	Member EGM	11 100	–	11 100	5 100	6 000	< 0.10 %
U. Schaumann	Member EGM	1 930	–	1 930	1 080	850	< 0.10 %
P. Stolz	Member EGM	70	–	70	70	–	< 0.10 %
I. Wechsler	Member EGM	10 600	–	10 600	1 000	9 600	< 0.10 %
Total EGM shareholdings 2015		107 040	400	107 440	24 830	82 610	0.55 %

EGM shareholdings
(Number of shares at 31 December 2014)

		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [1]	Total share of votes [2]
U. Kaufmann	Delegate of BoD / CEO	60 400	400	60 800	12 600	48 200	0.31 %
U. Alder	Member EGM	17 800	200	18 000	12 400	5 600	< 0.10 %
R. Bolt	Member EGM	3 070	–	3 070	230	2 840	< 0.10 %
P. Harris	Member EGM	13 352	28	13 380	7 780	5 600	< 0.10 %
P. Riederer	Member EGM	11 100	–	11 100	5 100	6 000	< 0.10 %
U. Ryffel	Member EGM	14 200	–	14 200	8 200	6 000	< 0.10 %
I. Wechsler	Member EGM	8 200	–	8 200	1 000	7 200	< 0.10 %
Total EGM shareholdings 2014		128 122	628	128 750	47 310	81 440	0.66 %

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

All amounts are in CHF 1000

Members of the Board of Directors and the Executive Group Management as well as persons closely related to them are not and were not related to HUBER+SUHNER AG or any of its subsidiaries.
During 2015 HUBER+SUHNER AG and its subsidiaries had no guarantees or outstanding loans, advances or credits to members of the Board of Directors or the Executive Group Management or to parties closely related to them.

Compensation of former directors and executives

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

Relationship with pension fund/paternal foundations

Similar as in the previous year HUBER+SUHNER AG did not charge any services to the pension fund in 2015. At the reporting date, HUBER+SUHNER AG has similar to previous year no receivables and liabilities with the pension fund. At the reporting date, there was no receivable (previous year, CHF 0.5 million) on the paternal foundation.

Purchased services

In 2015 the HUBER+SUHNER Group has purchased services (mainly airfares from Cosa Travel Ltd.) for CHF 1.5 million (prior year, CHF 2.0 million) from companies in which members of the Board of Directors perform an executive role.

16 Depreciation, amortisation and impairment

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

	2015	2014
Depreciation on PP&E and investment property	25 697	25 294
Impairment/(reversal impairment) on PP&E	–	–
Total depreciation and impairment on PP&E and investment property	25 697	25 294
Amortisation of intangible assets	8 478	6 770
Total depreciation, amortisation and impairment	34 175	32 064
as % of net sales	4.8 %	4.3 %

17 EBITDA

	2015	2014
EBIT	52 315	69 002
+ Depreciation on PP&E and investment property	25 697	25 294
+ Amortisation of intangible assets	8 478	6 770
EBITDA	86 490	101 066
as % of net sales	12.2 %	13.5 %

All amounts are in CHF 1000

18 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	31.12.2015	31.12.2014
Less than 1 year	4 811	5 677
Between 1 and 5 years	8 945	10 900
After 5 years	1 298	1 624
Total liabilities from operating lease	15 054	18 201

19 Cash and cash equivalents

	31.12.2015	31.12.2014
Cash at bank and on hand	112 654	93 718
Term deposits < 3 months term in CHF	45 000	35 001
Term deposits < 3 months term in other currency	2 335	4 567
Total cash and cash equivalents	159 989	133 286

20 Marketable securities

	31.12.2015	31.12.2014
Deposits > 3 months term in CHF	–	10 000
Total marketable securities	–	10 000

21 Trade receivables

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

	31.12.2015	31.12.2014
Current	92 856	95 612
Overdue for 1–30 days	20 577	23 569
Overdue for 31–60 days	6 226	6 403
Overdue for 61–90 days	2 304	2 930
Overdue for 91–120 days	616	1 809
Overdue over 120 days	1 965	4 090
Total trade receivables, gross	124 544	134 413
Provision for doubtful debts	(2 599)	(3 114)
Total trade receivables, net	121 945	131 299

At year-end 2015 the overdue trade receivables amount to CHF 31.7 million (previous year, CHF 38.8 million), of which CHF 2.6 million (8.2 %) have a provision for doubtful debts (previous year, CHF 3.1 million or 8.0 %).

All amounts are in CHF 1000

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

	2015	2014
Balance at 1.1.	(3 114)	(3 245)
Provisions for doubtful debts on trade receivables	(1 299)	(523)
Utilisation of provisions	547	307
Releases of provisions	1 147	501
Currency translation differences	120	(154)
Balance at 31.12.	(2 599)	(3 114)

In the reporting year, as in the previous year actual losses on doubtful debts are below 0.1 % of net sales.

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

	31.12.2015	31.12.2014
CHF	10 324	10 971
EUR	33 228	40 149
USD	23 854	30 705
CNY	21 385	24 135
INR	20 823	5 994
GBP	4 265	5 798
AUD	1 344	5 217
BRL	3 007	5 161
Other	3 715	3 169
Total trade receivables, net	121 945	131 299

At 31 December 2015, the three customers with the largest amounts of open invoices represented together 24.3 % (previous year, 18.0 %) of total trade receivables gross:

	31.12.2015	%	31.12.2014	%
Customer A	11 130	8.9	11 282	8.4
Customer B	9 996	8.0	9 110	6.8
Customer C	9 164	7.4	3 854	2.9
Total	30 290	24.3	24 246	18.0

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

22 Other current assets

	31.12.2015	31.12.2014
Other current assets	18 368	21 806
Derivative financial instruments	284	130
Total other current assets	18 652	21 936

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

All amounts are in CHF 1000

23 Inventories

	31.12.2015	31.12.2014
Raw materials and supplies	58 113	73 307
Work in progress	7 925	9 118
Finished goods	106 144	121 913
Total inventories, gross	172 182	204 338
Inventory provision	(39 040)	(37 514)
Total inventories, net	133 142	166 824

Changes in inventory provision 2015	Raw materials and supplies	Work in progress	Finished goods	Total inventory provision
Balance at 1.1.	(12 916)	–	(24 598)	(37 514)
Additions	(10 281)	–	(8 133)	(18 414)
Disposals	2 462	–	1 616	4 078
Scrapped	4 493	–	6 777	11 270
Change in consolidation scope	125	–	193	318
Reclassifications	(268)	–	268	–
Currency translation differences	472	–	750	1 222
Balance at 31.12.	(15 913)	–	(23 127)	(39 040)

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

24 Valuation categories of financial instruments

Financial assets as of 31 December 2015	Notes	At fair value through profit and loss	Loans and receivables	Total
Cash and cash equivalents	19	–	159 989	159 989
Marketable securities	20	–	–	–
Derivative financial instruments	22	284	–	284
Trade receivables	21	–	121 945	121 945
Other current assets (excluding prepayments)	22	–	17 306	17 306
Financial assets (non-current)	29	–	36 264	36 264
Total financial assets		284	335 504	335 788

All amounts are in CHF 1000

Financial liabilities as of 31 December 2015	Notes	At fair value through profit and loss	Other liabilities	Total
Trade payables	31	–	28 064	28 064
Other current liabilities	31	–	7 122	7 122
Short- and long-term debt		–	–	–
Derivative financial instruments	31	2 010	–	2 010
Total financial liabilities		2 010	35 186	37 196

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

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

25 Derivative financial instruments

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

	31.12.2015	31.12.2014
Contract value	90 758	59 731
Contracts with positive fair values	284	130
Contracts with negative fair values	(2 010)	(2 259)

All amounts are in CHF 1000

26 Property, plant and equipment

Property, plant and equipment 2015	Investment property	Land and buildings	Technical equipment and machinery	Other equipment [1]	Assets under construction	Total
Initial cost						
Balance at 1.1.	2 080	188 877	323 607	86 374	18 177	617 035
Additions	–	238	3 392	1 878	14 302	19 810
Disposals	–	(2 767)	(27 304)	(23 775)	–	(53 846)
Reclassifications	–	1 403	8 054	3 191	(12 648)	–
Change in consolidation scope	–	(68)	(4 100)	(1 055)	–	(5 223)
Currency translation differences	–	(2 090)	(3 935)	(1 358)	(442)	(7 825)
Balance at 31.12.	2 080	185 593	299 714	65 255	19 389	569 951
Accumulated depreciation						
Balance at 1.1.	–	(102 317)	(239 591)	(75 961)	–	(417 869)
Additions	–	(4 085)	(16 996)	(4 616)	–	(25 697)
Disposals	–	2 752	26 355	23 912	–	53 019
Reclassifications	–	(21)	105	(84)	–	–
Change in consolidation scope	–	68	3 842	1 025	–	4 935
Currency translation differences	–	777	1 435	833	–	3 045
Balance at 31.12.	–	(102 826)	(224 850)	(54 891)	–	(382 567)
Accumulated impairment						
Balance at 1.1.	–	–	(161)	(2)	–	(163)
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Reversal impairments	–	–	–	–	–	–
Currency translation differences	–	–	6	–	–	6
Balance at 31.12.	–	–	(155)	(2)	–	(157)
Carrying amount						
At 1.1.	2 080	86 560	83 855	10 411	18 177	199 003
At 31.12.	2 080	82 767	74 709	10 362	19 389	187 227

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

The disposals disclosed under initial cost and accumulated depreciation mainly relate to the disposal of items of zero carrying value as part of a validation of the assets accounting (in Switzerland, USA and Germany).
The fair value of investment property amounts to CHF 10.0 million (previous year, CHF 10.0 million). There are no contractual obligations for future repairs and maintenance, investment property consists mainly of freehold land.

All amounts are in CHF 1000

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

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

All amounts are in CHF 1000

27 Intangible assets

Intangible assets 2015	Goodwill	Trademarks, technology and customer relations	Software	Other	Total
Initial cost					
Balance at 1.1.	52 671	35 109	61 602	1 590	150 972
Additions	–	–	3 724	–	3 724
Disposals	–	–	(5 996)	–	(5 996)
Change in consolidation scope	–	–	(14)	–	(14)
Currency translation differences	(2 564)	(1 458)	(367)	(58)	(4 447)
Balance at 31.12.	50 107	33 651	58 949	1 532	144 239
Accumulated amortisation					
Balance at 1.1.	–	(4 832)	(38 523)	(98)	(43 453)
Additions	–	(3 964)	(4 483)	(31)	(8 478)
Disposals	–	–	5 993	–	5 993
Change in consolidation scope	–	–	14	–	14
Currency translation differences	–	(86)	295	4	213
Balance at 31.12.	–	(8 882)	(36 704)	(125)	(45 711)
Carrying amount					
At 1.1.	52 671	30 277	23 079	1 492	107 519
At 31.12.	50 107	24 769	22 245	1 407	98 528

The disposals disclosed under initial cost and accumulated amortisation mainly relate to the disposal of items of zero carrying value as part of a validation of the assets accounting (in Switzerland and Germany).
Other intangible assets include the acquired rights of land use in Changzhou, China.

All amounts are in CHF 1000

Intangible assets 2014

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

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

All amounts are in CHF 1000

28 Impairment test

The goodwill acquired in 2012 on the acquisition of Astrolab and the goodwill acquired in 2014 on the acquisition of Cube Optics were tested for impairment in reporting year 2015 using the "Discounted Cash Flow" method (DCF). Future cash flows, discount rates and other parameters relating to the smallest identifiable cash generating unit are determined using various assumptions. The calculation is based on the forecast for the reporting year and the medium term plan for the following five years, which has been approved by the Board of Directors. Cash-inflows beyond the medium term planning period are based on a sustainable result, extrapolated to a terminal value.

The goodwill position was tested for impairment in the fourth quarter based on the value in use.

28.1 Acquisition Astrolab

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

	2015	2014
Average net sales growth rate medium term plan 2016–2020 (previous year 2015–2019)	8.1 %	9.9 %
Average EBIT growth rate medium term plan 2016–2020 (previous year 2015–2019)	9.5 %	15.5 %
Weighted cost of capital (before income taxes)	7.7 %	8.3 %
Goodwill Astrolab as of 31.12.	25 587	25 479

As in the previous year a terminal growth rate of 1 % has been assumed in the impairment model. The discount rate is basically the weighted average cost of capital before taxes, including a risk premium estimated by management.

The result from the impairment test was, that no impairment was needed in reporting year 2015.

The recoverable amount of the cash generating unit is significantly higher than the net book value. By changing the base assumptions, such as a deteriorating net sales performance at constant balance sheet and cost structure, no impairment of goodwill would result. Only an increase in the weighted cost of capital by over six percentage points or a reduction of net sales in the underlying business plan by over 15 % would lead to an impairment of the cash generating unit.

28.2 Acquisition Cube Optics

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

	2015	2014
Average net sales growth rate medium term plan 2016–2020 (previous year 2015–2019)	7.2 %	6.6 %
Average EBIT growth rate medium term plan 2016–2020 (previous year 2015–2019)	4.7 %	5.1 %
Weighted cost of capital (before income taxes)	7.5 %	8.3 %
Goodwill Cube Optics as of 31.12.	24 520	27 192

As in the previous year a terminal growth rate of 1 % has been assumed in the impairment model. The discount rate is basically the weighted average cost of capital before taxes, including a risk premium estimated by management.

The result from the impairment test was, that no impairment was needed in reporting year 2015.

The recoverable amount of the cash generating unit is significantly higher than the net book value. By changing the base assumptions, such as a deteriorating net sales performance at constant balance sheet and cost structure, no impairment of goodwill would result. Only an increase in the weighted cost of capital by over fifteen percentage points or a reduction of net sales in the underlying business plan by over 40 % would lead to an impairment of the cash generating unit.

All amounts are in CHF 1000

29 Financial assets

Financial assets 2015	Loans to third parties	Other financial assets	Total
Initial cost			
Balance at 1.1.	–	48 373	48 373
Additions	–	531	531
Disposals	–	(12 571)	(12 571)
Change in consolidation scope	–	–	–
Currency translation differences	–	(69)	(69)
Balance at 31.12.	–	36 264	36 264
Accumulated impairment			
Balance at 1.1.	–	–	–
Additions	–	–	–
Disposals	–	–	–
Currency translation differences	–	–	–
Balance at 31.12.	–	–	–
Carrying amount			
At 1.1.	–	48 373	48 373
At 31.12.	–	36 264	36 264

Other financial assets include primarily the recognised surplus, according to IAS 19 (revised) of CHF 33.2 million (previous year, CHF 45.8 million) of which the employer's contribution reserve was CHF 14.8 million (previous year, CHF 14.4 million). For further details see note 14.

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

All amounts are in CHF 1000

30 Restrictions on the title to assets

No assets were pledged or assigned as collateral to secure own obligations in the years 2015 and 2014.

31 Current other liabilities

	31.12.2015	31.12.2014
Trade payables	28 064	46 854
Accrual for personnel expenses	18 852	23 193
Advance payments from customers	2 859	2 068
Derivative financial instruments	2 010	2 259
Other liabilities	7 122	8 437
Total current other liabilities	58 907	82 811

Other liabilities include liabilities arising from value-added and withholding tax as well as liabilities for other duties. In 2014 other liabilities included a retained payment for the acquisition of Cube Optics AG, which was paid in 2015.

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

	31.12.2015	31.12.2014
CHF	4 986	8 987
CNY	7 508	11 133
USD	6 871	9 549
EUR	4 622	9 316
INR	2 391	5 173
Other	1 686	2 696
Total trade payables	28 064	46 854

All amounts are in CHF 1000

32 Provisions

	Retirement plan obligations	Restructuring provisions	Employee-related provisions	Order-related provisions	Other provisions	Total
Balance at 1.1.	3 572	539	4 941	6 572	4 548	20 172
Additions	52	2 550	69	2 279	1 065	6 015
Releases	(29)	(165)	(203)	(1 390)	(79)	(1 866)
Utilisation	(83)	(320)	(1 337)	(356)	(93)	(2 189)
Reclassifications	(197)	–	197	–	–	–
Change in consolidation scope	–	–	–	(16)	–	(16)
Currency translation differences	(206)	(47)	(52)	(109)	(248)	(662)
Balance at 31.12.	3 109	2 557	3 615	6 980	5 193	21 454
Of which short-term	–	919	600	5 956	3 004	10 479
Of which long-term	3 109	1 638	3 015	1 024	2 189	10 975

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

33 Share capital

Nominal value per registered share: CHF 0.25

	Total issued shares		Treasury stock		Other treasury shares		Shares outstanding/ net share capital	
	Number	CHF 1000	Number	CHF 1000	Number	CHF 1000	Number	CHF 1000
Balance at 31.12.2012	20 200 000	5 050	726 640	182	–	–	19 473 360	4 868
Purchase of treasury shares	–	–	–	–	12 000	3	(12 000)	(3)
Balance at 31.12.2013	20 200 000	5 050	726 640	182	12 000	3	19 461 360	4 865
Purchase of treasury shares	–	–	–	–	18 000	4	(18 000)	(4)
Balance at 31.12.2014	20 200 000	5 050	726 640	182	30 000	7	19 443 360	4 861
Sale of treasury shares	–	–	–	–	(8 486)	(3)	8 486	3
Balance at 31.12.2015	20 200 000	5 050	726 640	182	21 514	4	19 451 846	4 864

The voting and dividend rights of the 748 154 treasury shares, thereof 726 640 treasury stock and 21 514 other treasury shares (previous year, 726 640 treasury stock and 30 000 other treasury shares) cannot be exercised. The Company has no authorised or conditional capital. For information about changes of treasury shares see page 76. For information on significant shareholders see page 77.

All amounts are in CHF 1000

34 Earnings per share

	2015	2014
Net income	24 709	59 229
Average number of outstanding shares	19 460 192	19 450 589
Earnings per share (CHF)	1.27	3.05
Diluted earnings per share (CHF)	1.27	3.05

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

35 Free cash flow

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

Free cash flow	2015	2014
Net cash from operating activities	69 661	77 994
Net cash from investing activities (excluding changes of marketable securities and derivative financial instruments)	(21 794)	(89 899)
Free operating cash flow	47 867	(11 905)
Dividend paid	(27 263)	(15 578)
Sale/(purchase) of treasury shares	(873)	(1 407)
Free cash flow	19 731	(28 890)

36 Future commitments

The Group companies have committed to various capital expenditures essential to the ordinary conduct of their business. At year-end there were commitments for the purchase of property, plant and equipment and intangible assets of CHF 3.8 million (previous year, CHF 4.5 million).

37 Events after the balance sheet date

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

Group Companies

Companies at 31.12.2015 (all fully consolidated)		Domicile	Capital stock in 1000		Ownership	Purpose
Switzerland	HUBER+SUHNER AG	Herisau	CHF	5 050	Parent company	▲ ■
	HUBER+SUHNER Finance AG	Herisau	CHF	2 800	100 %	◆
Australia	HUBER+SUHNER (Australia) Pty Ltd.	Frenchs Forest, New South Wales	AUD	1 000	100 %	▲ ■
Brazil	HUBER+SUHNER América Latina Ltda.	Caçapava	BRL	39 197	100 %	▲ ■
Canada	HUBER+SUHNER (Canada) Ltd.	Ottawa	CAD	2 350	100 %	–
China	HUBER+SUHNER (Hong Kong) Ltd.	Hongkong	HKD	12 325	100 %	◆ ■
	HUBER+SUHNER (Shanghai) Co. Ltd.[1]	Shanghai	CNY	4 139	100 %	■
	HUBER+SUHNER T&C (Shanghai) Co. Ltd.[1]	Shanghai	CNY	27 854	100 %	■
	HUBER+SUHNER CCM (Changzhou) Co. Ltd.[1]	Changzhou	CNY	126 246	100 %	▲
Costa Rica	HUBER+SUHNER Astrolab Costa Rica S.r.l.[2]	San José	USD	0	100 %	▲
France	HUBER+SUHNER (France) SAS	Voisins-le-Bretonneux	EUR	200	100 %	■
Germany	HUBER+SUHNER GmbH	Taufkirchen	EUR	3 068	100 %	◆ ■
	HUBER+SUHNER Cube Optics AG[3]	Mainz	EUR	590	100 %	▲ ■
India	HUBER+SUHNER Electronics Pvt. Ltd.[4]	New Delhi	INR	170 000	100 %	▲ ■
Malaysia	HUBER+SUHNER (Malaysia) Sdn Bhd[5]	Kuala Lumpur	MYR	502	100 %	▲ ■
Netherlands	HUBER+SUHNER B.V.	Rosmalen	EUR	200	100 %	–
Poland	HUBER+SUHNER Sp. z o.o.	Tczew	PLN	3 500	100 %	▲
Singapore	HUBER+SUHNER (Singapore) Pte Ltd.	Singapore	SGD	3 000	100 %	◆ ■
Sweden	HUBER+SUHNER AB	Stockholm	SEK	16 000	100 %	–
Tunisia	HUBER+SUHNER (Tunisie) SARL	Sousse	TND	100	100 %	▲
United Kingdom	HUBER+SUHNER (UK) Limited	Bicester	GBP	4 000	100 %	▲ ■
USA	HUBER+SUHNER (North America) Corp.	Charlotte, North Carolina	USD	1	100 %	◆
	HUBER+SUHNER, Inc.[6]	Charlotte, North Carolina	USD	50	100 %	▲ ■
	HUBER+SUHNER Astrolab, Inc.[6]	Warren, New Jersey	USD	12 000	100 %	▲ ■

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

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

Report of the Statutory Auditors

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the General Meeting on the consolidated financial statements 2015

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of HUBER+SUHNER AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes (pages 29 to 69), for the year ended 31 December 2015.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

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

Winterthur, 24 February 2016

Five-Year Financial Summary

in CHF million	2011	2012	2013	2014	2015
Order intake	734.5	747.9	683.4	768.1	702.8
change in % over prior year	(13.2)	1.8	(8.6)	12.4	(8.5)
Net sales	758.5	698.1	719.7	748.5	706.3
change in % over prior year	(5.1)	(8.0)	3.1	4.0	(5.6)
Gross profit	238.4	214.6	246.6	267.7	244.1
as % of net sales	31.4	30.7	34.3	35.8	34.6
EBIT	66.1	24.0	51.6	69.0	52.3
as % of net sales	8.7	3.4	7.2	9.2	7.4
change in % over prior year	(35.1)	(63.7)	115.5	33.7	(24.2)
EBITDA	92.7	51.1	83.9	101.1	86.5
as % of net sales	12.2	7.3	11.7	13.5	12.2
Net financial result	(5.6)	(3.3)	(3.6)	4.8	(15.4)
Income tax	(10.7)	0.7	(15.5)	(14.6)	(12.2)
as % of income before taxes	17.7	(3.4)	32.3	19.8	33.0
Net income	49.8	21.4	32.5	59.2	24.7
as % of net sales	6.6	3.1	4.5	7.9	3.5
change in % over prior year	(37.0)	(57.0)	51.9	82.2	(58.3)
as % of average shareholders' equity	9.0	3.8	5.5	9.1	3.7
Purchases of PP&E and intangible assets	48.6	64.6	25.8	42.5	23.5
change in % over prior year	23.0	33.0	(60.1)	65.0	(44.6)
Net cash from operating activities	29.2	39.2	115.9	78.0	69.7
change in % over prior year	(50.0)	34.2	195.6	(32.7)	(10.7)
Free cash flow	(26.0)	(93.6)	85.7	(28.9)	19.7
change in % over prior year	(179.2)	(259.5)	191.5	(133.7)	168.3
Net liquidity	178.4	84.8	169.8	143.3	160.0
change in % over prior year	(13.3)	(52.4)	100.1	(15.6)	11.7
Current assets	519.2	430.1	441.6	466.4	441.3
as % of balance sheet total	73.4	61.0	58.8	55.7	56.7
Non-current assets	188.1	275.2	309.1	370.6	337.0
as % of balance sheet total	26.6	39.0	41.2	44.3	43.3
Liabilities	149.9	143.8	127.9	163.4	128.6
as % of balance sheet total	21.2	20.4	17.0	19.5	16.5
Shareholders' equity	557.4	561.4	622.8	673.6	649.6
as % of balance sheet total	78.8	79.6	83.0	80.5	83.5
Balance sheet total	707.3	705.3	750.7	837.0	778.3
change in % over prior year	(1.0)	(0.3)	6.4	11.5	(7.0)
Employees at year-end (permanent employees)	3 867	3 879	3 503	3 891	3 649
change in % over prior year	(4.8)	0.3	(9.7)	11.1	(6.2)
in Switzerland	1 588	1 419	1 378	1 367	1 271
in EMEA (Europe, Middle East and Africa [excl. CH])	715	791	793	1 052	1 006
in APAC (Asia-Pacific)	1 342	1 344	1 026	1 164	1 078
in Americas (North and South America)	222	325	306	308	294
Employees, yearly average	4 044	3 808	3 739	3 789	3 584

Financial Report 2015

Financial Statements HUBER+SUHNER AG

Income Statement

in CHF 1000	Notes	2015	2014
Net Sales		393 577	450 840
Other operating revenues	3.1	31 462	36 742
Change in semi-finished and finished goods		(8 040)	(9 446)
Total operating revenues		416 999	478 136
Material expenses		(165 166)	(186 139)
Personnel expenses		(140 635)	(153 089)
Other operating expenses		(65 444)	(73 333)
Depreciation and amortisation		(15 772)	(21 987)
Total operating expenses		(387 017)	(434 548)
Operating profit (EBIT)		29 982	43 588
Financial income		19 136	9 271
Financial expense		(33 445)	(7 298)
Income from investments	3.2	22 927	12 344
Expense from investments	3.2	(19 231)	–
Non-operating income		1 737	1 678
Non-operating expenses		(1 395)	(1 451)
Extraordinary expenses	3.3	(1 962)	–
Income before taxes		17 749	58 132
Income taxes		(2 451)	(6 754)
NET INCOME		15 298	51 378

Balance Sheet

in CHF 1000	Notes	31.12.2015	%	31.12.2014	%
Assets					
Cash and cash equivalents		129 968		93 892	
Marketable securities		–		10 000	
Trade receivables third party		16 130		10 905	
Trade receivables intercompany		45 382		59 073	
Other current receivables third party		8 261		6 370	
Other current receivables intercompany		2 829		3 825	
Inventories	3.4	35 160		40 349	
Prepaid expenses		129		473	
Short-term loans intercompany		868		–	
Total current assets		238 727	51.5	224 887	46.0
Property, plant, equipment and intangible assets	3.5	93 637		98 075	
Investments in subsidiaries	3.6	50 112		40 523	
Long-term loans intercompany		81 268		125 376	
Total non-current assets		225 017	48.5	263 974	54.0
TOTAL ASSETS		463 744	100.0	488 861	100.0
Liabilities and shareholders' equity					
Trade payables third party		9 106		17 984	
Trade payables intercompany		10 803		6 494	
Other current liabilities third party		12 702		21 251	
Other current liabilities intercompany		1 967		2 181	
Current provisions		1 128		519	
Accrued liabilities		4 014		5 480	
Total current liabilities		39 720		53 909	
Long-term loans intercompany		1 987		–	
Non-current provisions		52 440		53 893	
Total non-current liabilities		54 427		53 893	
Total liabilities		94 147	20.3	107 802	22.1
Share capital	3.7	5 050		5 050	
Legal reserves		40 271		40 271	
General reserves		89 719		89 750	
Retained earnings		235 612		247 577	
Treasury shares	3.8	(1 055)		(1 589)	
Total shareholders' equity		369 597	79.7	381 059	77.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		463 744	100.0	488 861	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). The 2015 financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting (32nd title of the Swiss Code of Obligations) for the first time. To ensure comparability, previous year's figures were adjusted to the new classification requirements of balance sheet and income statement

2 Significant accounting principles

2.1 General

These financial statements were prepared in accordance with the provisions of the commercial accounting of the Swiss Code of Obligations. The accounting of major balance sheet 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 considering the imparity principle. Income and expenses as well as transactions in foreign currency are converted at the conversion rate valid at transaction date. The resulting foreign exchange differences are recognised in the income statement.

2.3 Revenue recognition

Revenues from sales 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 for impairment are: substantial financial problems of the customer, a declaration of bankruptcy or a material delay in payment. Additionally a fiscally permitted allowance is recognised on 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. It excludes borrowing costs. The valuation of the inventory is based on standard costs that are verified annually. Slow-moving and obsolete stock that have insufficient inventory turns are systematically partially or fully revaluated.
Additionally a fiscally permitted allowance is recognised on 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 written down to the recoverable amount if necessary.

2.7 Investments in subsidiaries

Investments in subsidiaries are valued individually if they are material and if they are not generally grouped for valuation purposes based on their similarity.

2.8 Provisions

Provisions are made for warranties, personnel expenses, restructuring costs, legal and miscellaneous other operational risks that meet the recognition criteria. They are recognised when the 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 fiscally permitted.

2.9 Treasury shares

Treasury shares are stated at acquisition cost and deducted from shareholders' equity. No subsequent valuation is made. If the treasury shares are later disposed of, the resulting gain or loss is recognised in the capital reserves.

3 Details to individual positions

3.1 Other operating revenues

Include revenues 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 and expense from investments

Income from investments includes dividend payments from subsidiaries for an amount of TCHF 3 263 (previous year, TCH 12 344). On the one hand previous impairments of investments have been reversed for an amount of TCHF 19 664 (previous year, TCHF 0) (economic performance). On the other hand new impairments and a write-off of the liquidated danish subsidiary have been recognised totalling TCHF 19 231 (previous year, TCHF 0).

3.3 Extraordinary expenses

In the reporting year the last non-strategic business unit Composites has been sold to the company Connova AG. Further details are disclosed in the Group Financial Statements on page 42.

3.4 Inventories

in CHF 1000	31.12.2015	31.12.2014
Raw materials and supplies	8 706	11 133
Work in progress	5 575	6 493
Semi-finished and finished goods	76 677	84 717
Inventory provision	(55 798)	(61 994)
Total	35 160	40 349

3.5 Property, plant, equipment and intangible assets

in CHF 1000	31.12.2015	31.12.2014
Land	6 226	6 226
Buildings	40 544	43 234
Technical equipment and machinery	31 101	31 709
Other equipment	1 011	1 017
Assets under construction	5 789	6 056
Investment property	2 080	2 080
Intangible assets (Software)	6 886	7 753
Total	93 637	98 075

3.6 Investments in subsidiaries

Directly and indirectly held subsidiaries are listed on page 69 of the Group Financial Statements.

3.7 Shareholders' equity

At 31 December 2015 the shareholders' equity is composed of 20 20 000 registered shares at CHF 0.25 nominal value each. The composition of capital stock is disclosed in the Notes to the Group Financial Statements (see note 33).

3.8 Treasury shares

The company holds 748 154 treasury shares (726 640 treasury stock and 21 514 other treasury shares).

	2015	2014
Number at 1.1.	756 640	738 640
Purchases	26 614	46 100
Sales	–	–
Allotment	(35 100)	(28 100)
Number at 31.12.	748 154	756 640

4 Contingent liabilities

in CHF million	31.12.2015	31.12.2014
Guarantees for loans with promissory notes and other loans to Group companies	–	–

5 Liabilities to pension funds

in CHF million	31.12.2015	31.12.2014
Total liabilities to pension funds	–	–

6 Net release of undisclosed reserves

in CHF million	2015	2014
Total net release of undisclosed reserves	12.1	3.6

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

Shares of votes and capital	31.12.2015	31.12.2014
Metrohm AG	10.62 %	10.62 %
Abegg Holding AG	10.04 %	11.88 %*
S. Hoffmann-Suhner	6.18 %	6.18 %
EGS Beteiligungen AG	4.95 %	3.33 %
Huwa Finanz- und Beteiligungs AG	3.17 %	3.17 %

*incl. share of H.C.M. Bodmer

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

Allotted number of shares to:	2015	2014
Board of Directors	10 000	12 000
Executive Group Management	16 994	20 400
Employees	2 406	3 200

Allotted shares in CHF 1000	2015	2014
Expensed amount in Income Statement	1 363	1 687

Outstanding shares are actually transferred in the following year – for members of Board of Directors and Executive Group Management subject to approval by the Annual General Meeting. The expensed amount in the Income Statement is based on the year-end 2015 share price of CHF 46.35 (previous year, CHF 47.40).

8 Full-time positions

As in the previous year, HUBER+SUHNER AG employed over 250 full-time positions in 2015. More information on head count can be found in the Five-Year Financial Summary on page 71.

9 Leasing obligations not recorded in the balance sheet

Per balance sheet date there are short-term obligations with a duration of less than one year of TCHF 687 (previous year, TCHF 687) and obligations with a duration of one to five years amounting to TCHF 859 (previous year, TCHF 1 546).

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

In accordance with article 961d par. 1 of Swiss Code of Obligations (OR) no additional disclosures are made, as HUBER+SUHNER AG prepares Group Financial Statements in accordance with generally accepted accounting principles (IFRS).

Recommendation for Appropriation of Earnings

The Board of Directors of HUBER+SUHNER AG recommends to the Annual General Meeting of Shareholders the following appropriation of available earnings for the year 2015:

in CHF 1000	2015	2014
Prior-year retained earnings	220 314	196 199
Net income for the year	15 298	51 378
Total retained earnings	235 612	247 577
Dividend	19 452	27 263
Total appropriation	19 452	27 263
Retained earnings carried forward	216 160	220 314

If this proposal is accepted the following amounts would be valid for each registered share at CHF 0.25 nominal value	CHF	CHF
Gross dividend	1.00	1.40
Less 35 % withholding tax	0.35	0.49
Net dividend	0.65	0.91

Report of the Statutory Auditors

pwc

HUBER+SUHNER AG Herisau
Report of the statutory auditor to the General Meeting on the financial statements 2015

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HUBER+SUHNER AG, which comprise the income statement, balance sheet and notes (pages 73 to 78), for the year ended 31 December 2015.

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 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Christian Kessler
Audit expert
Auditor in charge

Diego J. Alvarez
Audit expert

Winterthur, 24 February 2016

Share Data

HUBER+SUHNER AG is a Swiss stock company. The registered share are listed on the main board of the SIX Swiss Exchange:

Registered office	9100 Herisau, Switzerland
Listing	SIX Swiss Exchange, International Financial 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)	2011	2012	2013	2014	2015
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	19 453 337	19 473 360	19 461 360	19 443 360	19 451 846
Number of shareholders at 31.12.	4 264	4 043	3 869	3 689	3 694
Stock market price (in CHF)					
– high	67.50	48.80	51.10	50.75	52.00
– low	37.75	35.85	41.80	41.50	38.60
– year-end	39.50	43.50	46.90	47.40	46.35
Amounts per registered share [1] (in CHF)					
– Net income	2.56	1.10	1.67	3.05	1.27
– Dividend	0.95	0.50	0.80	1.40	1.00[3]
– Pay-out ratio	37 %	45 %	48 %	46 %	79 %
– P/E ratio (year-end stock price)	15.4	39.5	28.1	15.6	36.5
– Shareholders' equity	28.65	28.83	32.00	34.65	33.40
Market capitalisation [2]					
– in CHF million	768	847	913	922	902
– as % of net sales	101	121	127	123	128
– as % of shareholders' equity	138	151	147	137	139

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

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

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