2021

Annual Report

HUBER+SUHNER

Connecting – today and beyond

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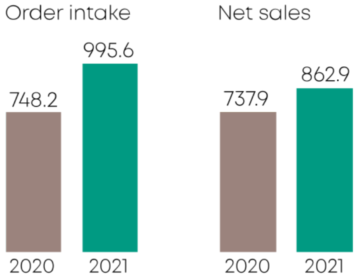
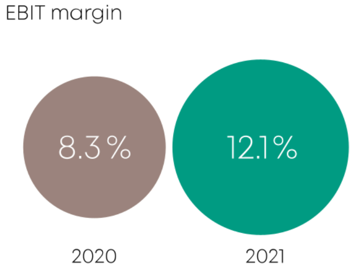
Key Facts at a glance



In CHF million

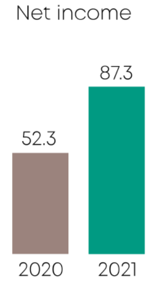
Order intake and net sales significantly above previous year

Double-digit percentage growth in order intake and net sales in all three market segments



EBIT margin of 12.1 % – the highest absolute operating profit in the company's history

Growth initiatives data center, electric vehicle as well as aerospace and defense make an above-average contribution to development compared with previous year

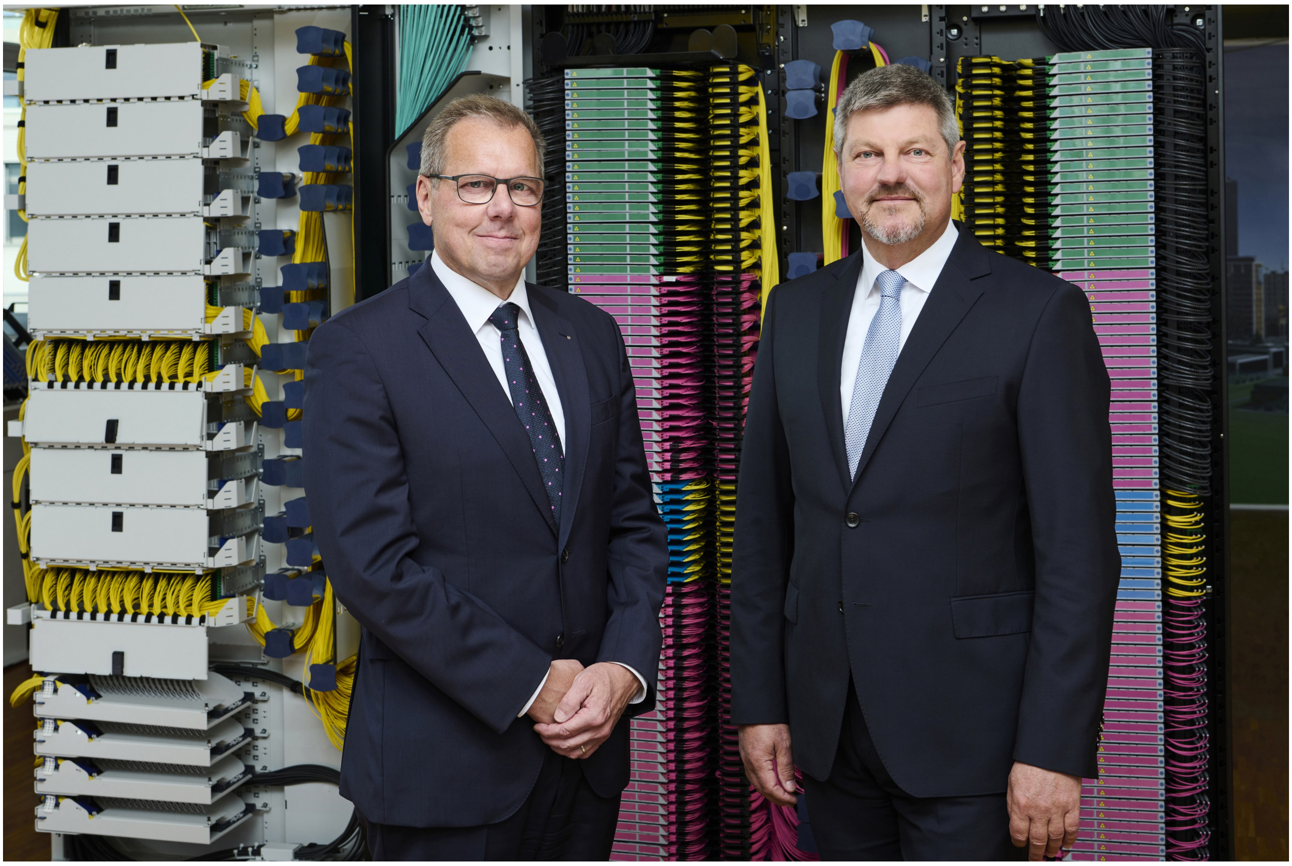


In CHF million

Highest ever net income – up two thirds year-on-year

Target markets in robust shape – medium-term EBIT margin target range revised up to 9–12 %

Record results for HUBER+SUHNER in 2021



Urs Kaufmann (Chairman) and Urs Ryffel (CEO)

2021 was the best financial year in the HUBER+SUHNER history. In an environment that continues to be beset by uncertainties, the company's strong focus on the needs of its customers resulted in significant growth across all key indicators.

In 2021, order intake stood at a very high CHF 995.6 million (previous year CHF 748.2 million), representing a leap of 33.1 %. This strong increase was due to the consistently high demand over the entire reporting period without major seasonal fluctuations. The basis for this was the significantly higher activity in many target markets, which the company was able to successfully take advantage of.

Net sales in 2021 amounted to CHF 862.9 million, which represents a 16.9 % increase year on year (previous year CHF 737.9 million). Adjusted for currency and copper price effects, growth in net sales amounted to 13.8 %. Revenues in the second half of the year were, on the whole, slightly higher than in the first half. The book-to-bill rate of 1.15 (PY 1.01) reflects the increase in the order backlog to CHF 323.4 million at the end of the year. By region, the net sales share in EMEA stood at 54 % (PY 54 %), followed by the Americas at 25 % (PY 18 %) and APAC at 21 % (PY 28 %). All three market segments contributed to the year-on-year growth in net sales.

The operating profit (EBIT) of CHF 104.6 million is a record figure for the company and corresponds to an EBIT margin of 12.1 % (PY 8.3 %). Year on year, the gross margin increased by almost three percentage points. In the case of net income, which rose sharply by around two thirds to CHF 87.3 million (PY CHF 52.3 million), the company also benefited from a low tax rate.

A further rise in research and development expenses to CHF 55.9 million (+17 % year on year) reflects the commitment of HUBER+SUHNER to maintaining and building on its innovation leadership. Despite the higher volumes, there was a disproportionately low increase of 7.4 % in administrative and selling expenses. Employee numbers worldwide grew by 178 to 4588 in the reporting year. In Switzerland, the number of employees fell to 1162 (PY 1225).

New market-segment-based organisation lays foundation for increased market and customer focus

The reorientation of the organisation around the three market segments Industry, Communication and Transportation at the beginning of the reporting year was implemented successfully. This new organisation has increased market focus and simplified structures by abolishing the sales region matrix. Today, customers are served by global sales teams, resulting in greater customer proximity. It provides the basis for offering customers the entire portfolio of innovative HUBER+SUHNER products across all technologies, thus opening up new potential for the company.

Industry market segment sees impressive growth coupled with high profitability

The Industry market segment developed particularly dynamically with a notable increase of 23.7 % in order intake to CHF 296.6 million and of 21.9 % in net sales to CHF 275.4 million. In percentage terms, the test and measurement core market, the aerospace and defense growth initiative and the two other subsegments energy and general industrial all made an equal contribution to growth. Overall, business with industrial customers saw above-average growth as a result of the cross-technology portfolio within the new organisation. With an EBIT margin of 21.2 % (PY 16.1 %), the segment made a significant contribution to the Group’s overall result.

Leap in volume in Communication market segment, EBIT margin improved into double digits

The Communication market segment recorded a big jump in order intake of 46.6 % to CHF 420.0 million, attributable to the accelerated expansion of both 5G mobile network and fixed network infrastructure. The data center growth initiative also contributed considerably to the increase. Net sales rose by 18 % to CHF 341.1 million in the reporting year, resulting in a significant increase in the order backlog. The market segment also posted a markedly improved EBIT margin of 12.2 % (PY 5.3 %).

Transportation market segment grows thanks to automotive business, EBIT margin expectations missed

With an order intake of CHF 279.0 million, the Transportation market segment reported a strong 25.7 % increase compared to the previous year. Net sales still showed an increase of 10.6 % to CHF 246.4 million. Business developed very differently in the two subsegments. In the automotive subsegment, orders and net sales increased by around half. The electric vehicle growth initiative made a particularly large contribution to this. By contrast, the railway subsegment moved sideways, while sales decreased slightly. Public transport was severely hit by the pandemic, which led to a decline in projects for new rolling stock, especially in China. With an EBIT margin of 5.1 % (PY 7.3 %), the Transportation segment failed to meet expectations. This was due to rising raw material prices, which could not yet be fully passed on to customers in the reporting period, and significant upfront investments in solutions for autonomous driving.

Business of HUBER+SUHNER driven by people’s need for communication, mobility, safety, and sustainability

Being able to communicate, being mobile, feeling safe and preserving the environment are important human needs that call for innovative connectivity solutions from HUBER+SUHNER. By connecting people and bringing them together through its products and solutions, the company is making an important contribution to society and derives its purpose from this. With the vision “Connecting – today and beyond”, HUBER+SUHNER combines the claim to serve the needs of society today and tomorrow with connectivity solutions, while at the same time helping to shape the future with innovative solutions. The company’s commitment to sustainable business is underscored, for example, by its commitment to achieving net-zero CO2 emissions by 2030. Information about the sustainability strategy of HUBER+SUHNER is provided in the separate Sustainability Report 2021, which is published at the same time as the Annual Report 2021 and can be found under www.hubersuhner.com/en/company/sustainability.

Risk management

At its meeting on 8 December 2021, the Board of Directors assessed the business risks as part of its ongoing risk management and approved the 2021 risk report including the defined measures.

Share buyback programme

At the end of October, HUBER+SUHNER started a share buyback programme of up to 5 % of the share capital over a maximum of three years, with the aim of a sustainable compression of earnings per share. By the end of the year, 141 500 shares or 0.7 % of the registered shares had been bought back.

Dividend

The Board of Directors proposes to the Annual General Meeting a payout of CHF 2.00 (PY CHF 1.30) per share, resulting in a distribution ratio of 45 %.

Outlook

With the record result in the 2021 financial year, HUBER+SUHNER has developed very positively in a dynamic but also quite challenging environment. The high order backlog at the end of the year ensured the company a good start into the current financial year.
HUBER+SUHNER is very well positioned in attractive and robust target markets. Many relevant demand parameters – growing need for communication solutions and higher data volumes, increasing need for mobility, as well as increased demand for security solutions – continue to offer a favourable environment in the future.

Therefore, the company expects higher profitability over the cycle and adjusts the medium-term target range for the operating margin to 9–12 % (previously 8–10 %). In terms of sales, the company is targeting mid-single-digit percentage growth in the current year.

The prerequisite for achieving the medium-term EBIT target range and the targeted growth in 2022 is that the current challenges such as rising inflation rates, a strong Swiss franc or bottlenecks in the global supply and transport chains do not accentuate.

Our sincere thanks

Together with our employees, we can look back on an enormously successful but also challenging financial year. On behalf of the Board of Directors and Executive Group Management, we would like to express our great appreciation for our employees' extraordinary commitment, the flexibility they have shown time and again, and their permanent willingness to work with full dedication for our customers even in difficult times. We would also like to thank our shareholders, customers and suppliers for their valued cooperation and continued trust.

Urs Kaufmann
Chairman of the Board of Directors

Urs Ryffel
Chief Executive Officer

Industry market segment sees impressive growth coupled with high profitability

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"The strong sales growth in 2021 was driven by all sub-segments. The RADOX® HPC fast charging systems made an above-average contribution. The company also expanded its market leadership in this area across more territories. Bottlenecks in global supply chains proved a challenge. Nevertheless, a high level of delivery reliability for customers continued to be assured thanks to considerable agility and commitment on the part of the whole organisation across all locations. For customers in the industrial environment in particular, connectivity solutions are often not in focus, but at the same time they are of great importance for our customers. It is therefore all the more important for this customer group to work with a competent partner such as HUBER+SUHNER in this area. In the industrial market, dependability and delivery reliability will be even more important in the future, becoming key success and differentiation factors."

Reto Bolt, COO Industry

Growth in all subsegments emphasises competitiveness – new level of profitability reached

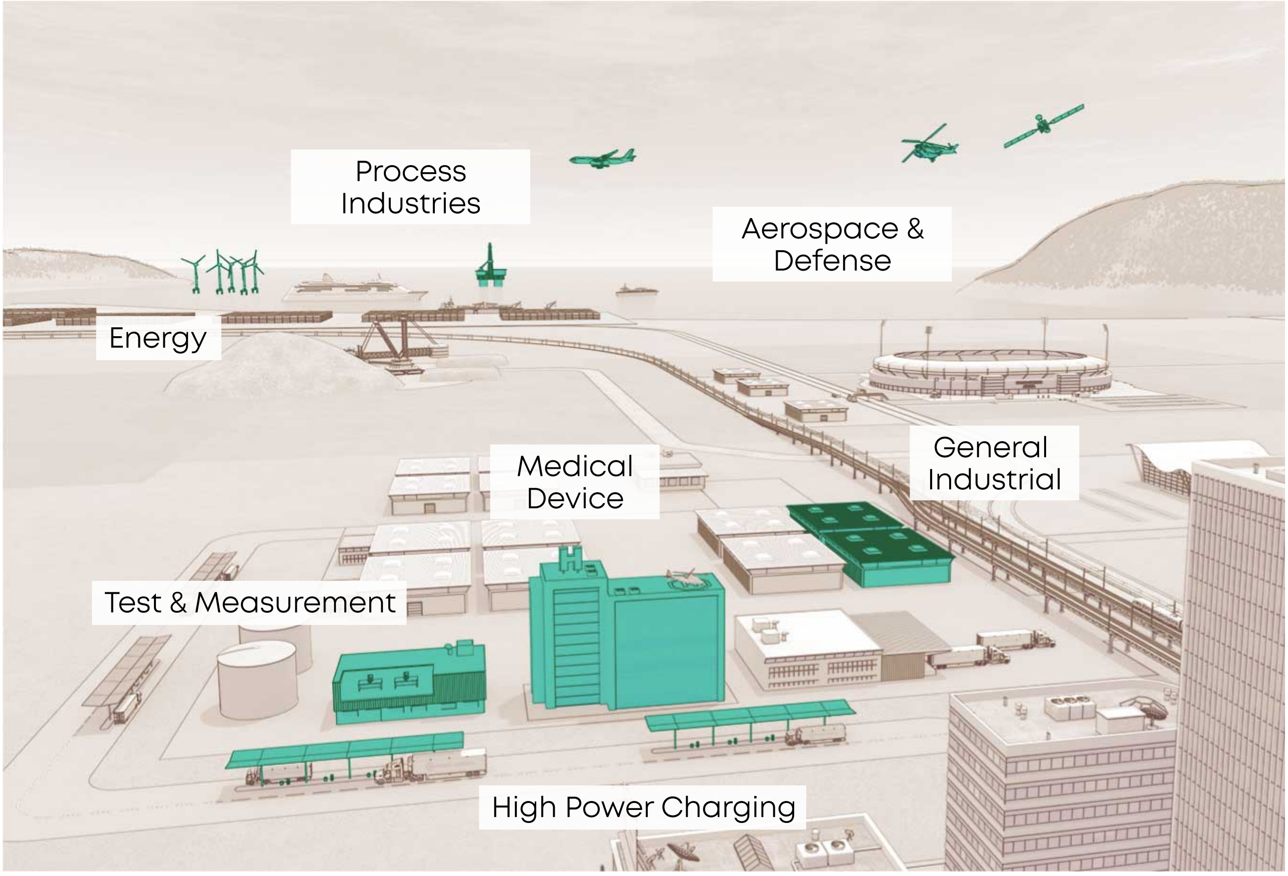
In percentage terms, the test and measurement core market, aerospace and defense growth initiative and the two subsegments energy and general industrial all grew at the same pace. A growing need for high-precision components with maximum signal integrity for test applications, the expansion of low-orbit satellite constellations for Earth-wide signal coverage, the trend towards shorter electric vehicle charging times and the construction of wind farms to supply renewable energy: all these factors have contributed to a rapidly increasing demand for connectivity solutions that work without disruption 24/7 whatever the environmental conditions.
The company's connectivity solutions are also making an essential contribution to ensuring reliability of supply for people. The innovative strength of HUBER+SUHNER, and thus its ability to constantly push the boundaries of what is possible, gives customers the opportunity to make their offerings competitive and sustainable.

Industry segment

		2021	2020 [2]	%
Order intake	CHF million	296.6	239.8	23.7
Net sales	CHF million	275.4	225.9	21.9
Operating profit (EBIT)	CHF million	58.4	36.4	60.5
EBIT margin	%	21.2	16.1	

[2] Regarding adjustments due to the new segment structure see note 5.

Our solutions for the Industry market



Leap in volume in Communication market segment, EBIT margin improved into double digits

The Communication market segment recorded a big jump in order intake of 46.6 % to CHF 420.0 million, attributable to the accelerated expansion of both 5G mobile network and fixed network infrastructure. The data center growth initiative also contributed considerably to the increase. Net sales rose by 18 % to CHF 341.1 million in the reporting year, resulting in a significant increase in the order backlog. The market segment also posted a markedly improved EBIT margin of 12.2 % (PY 5.3 %).

"In light of the fact that communication networks represent the backbone of a functioning society, the Communication segment achieved strong profitable growth despite the challenges presented by the pandemic. Rollouts of the 5G mobile communications infrastructure emerged as the most important driver. Sales of solutions for data centers and active fixed network infrastructure components from BKtel, which was acquired in 2019, also increased significantly. The unique optical switch technology from HUBER+SUHNER is making major headway in a wide variety of applications, which demonstrates our innovation leadership."

Jürgen Walter, COO Communication

Strong growth in mobile infrastructure and access network business – EBIT margin almost seven percentage points higher

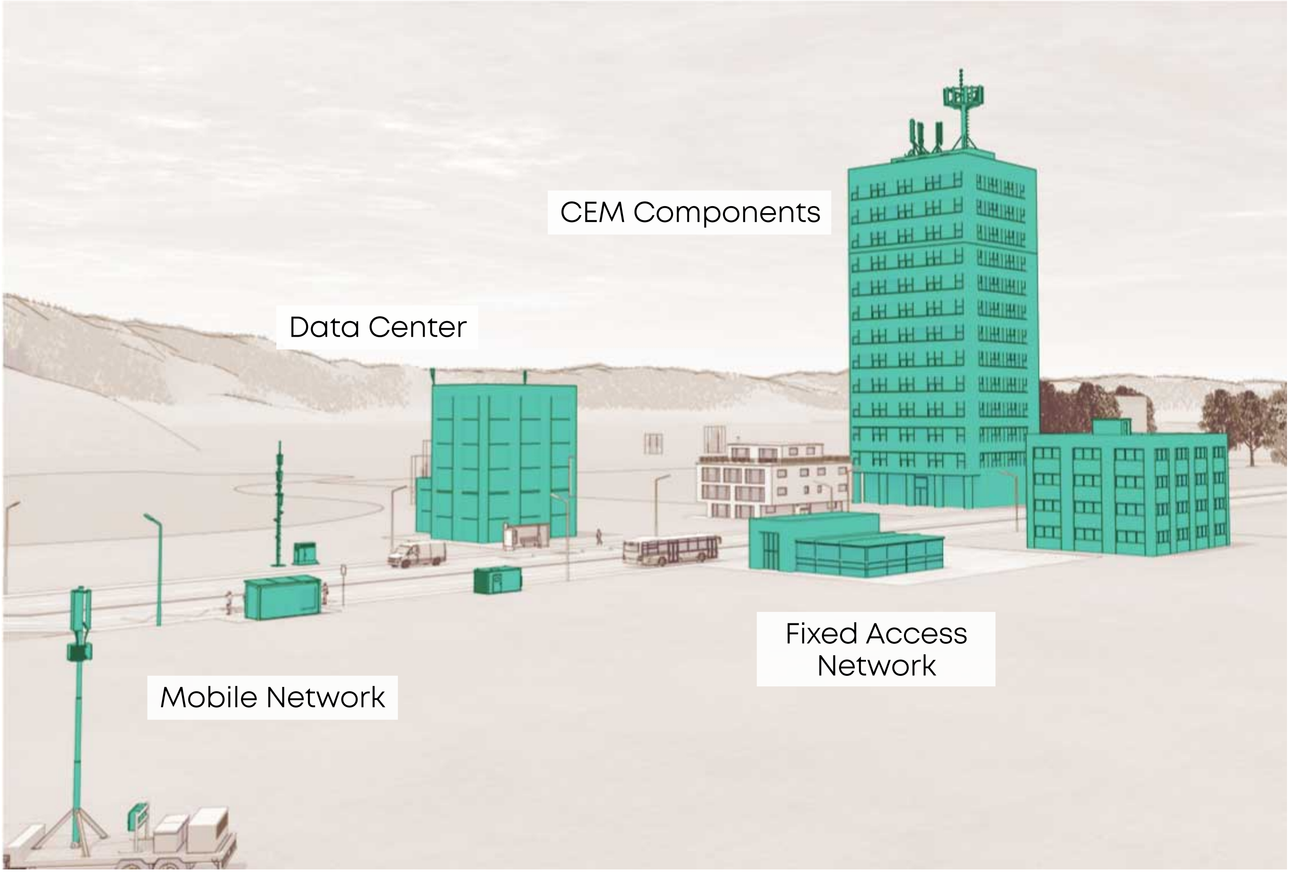
The large-scale rollout of the 5G mobile communication network in North America and Europe prompted the sharp increase in volumes in the reporting year. Increased customer investments in the fixed network infrastructure and in the data center growth initiative also contributed to growth.
Investments in communication networks continued to be driven by the continuously rising volume of data as a result of the networking of more and more devices (internet of things) and the transmission and storage of high-resolution image and video content. In addition, these networks must be upgraded to future applications with growing requirements in terms of reliability, transmission speed and latency. Application examples of this include autonomous driving or surgical procedures over long distances.
Worldwide, communication network operators will rely on connectivity solutions from HUBER+SUHNER to respond to these changing communication needs of our society in an efficient and future-oriented manner.

Communication segment

		2021	2020 [2]	%
Order intake	CHF million	420.0	286.4	46.6
Net sales	CHF million	341.1	289.1	18.0
Operating profit (EBIT)	CHF million	41.5	15.4	168.2
EBIT margin	%	12.2	5.3	

[2] Regarding adjustments due to the new segment structure see note 5.

Our solutions for the Communication market



Transportation market segment grows thanks to automotive business, EBIT margin expectations missed

With an order intake of CHF 279.0 million, the Transportation market segment reported a strong 25.7 % increase compared to the previous year. Net sales still showed an increase of 10.6 % to CHF 246.4 million. Business developed very differently in the two subsegments. In the automotive subsegment, orders and net sales increased by around half. The electric vehicle growth initiative made a particularly large contribution to this. By contrast, the railway subsegment moved sideways, while sales decreased slightly. Public transport was severely hit by the pandemic, which led to a decline in projects for new rolling stock, especially in China. With an EBIT margin of 5.1 % (PY 7.3 %), the Transportation segment failed to meet expectations. This was due to rising raw material prices, which could not yet be fully passed on to customers in the reporting period, and significant upfront investments in solutions for autonomous driving.

"For the automotive industry, 2021 was a good year despite the many challenges with bottlenecks in the supply chain. The major trends towards electrification and autonomous driving in both passenger and utility vehicles defined the orientation of the market and our successful leveraging of this contributed to our strong sales growth. As automotive manufacturers are systematically switching to electric drives, high growth rates for electric vehicles are projected in the medium to long term. The railway market will not recover from the effects of the corona pandemic in the short term on account of the lower passenger numbers and lower operator revenues. In the medium term, however, further major investments will be required in rail infrastructure for the ecological mobility."

Drew Nixon, COO Transportation

Business with automotive applications increased by half – high upfront investments put pressure on profitability

The railway and automotive subsegments made very different contributions to the Transportation segment. In the railway core market, the company felt the impact of significantly lower volumes with high-speed trains in China. Within the automotive subsegment, there was strong demand in the electric vehicle growth initiative for high-voltage distribution solutions in commercial vehicles.

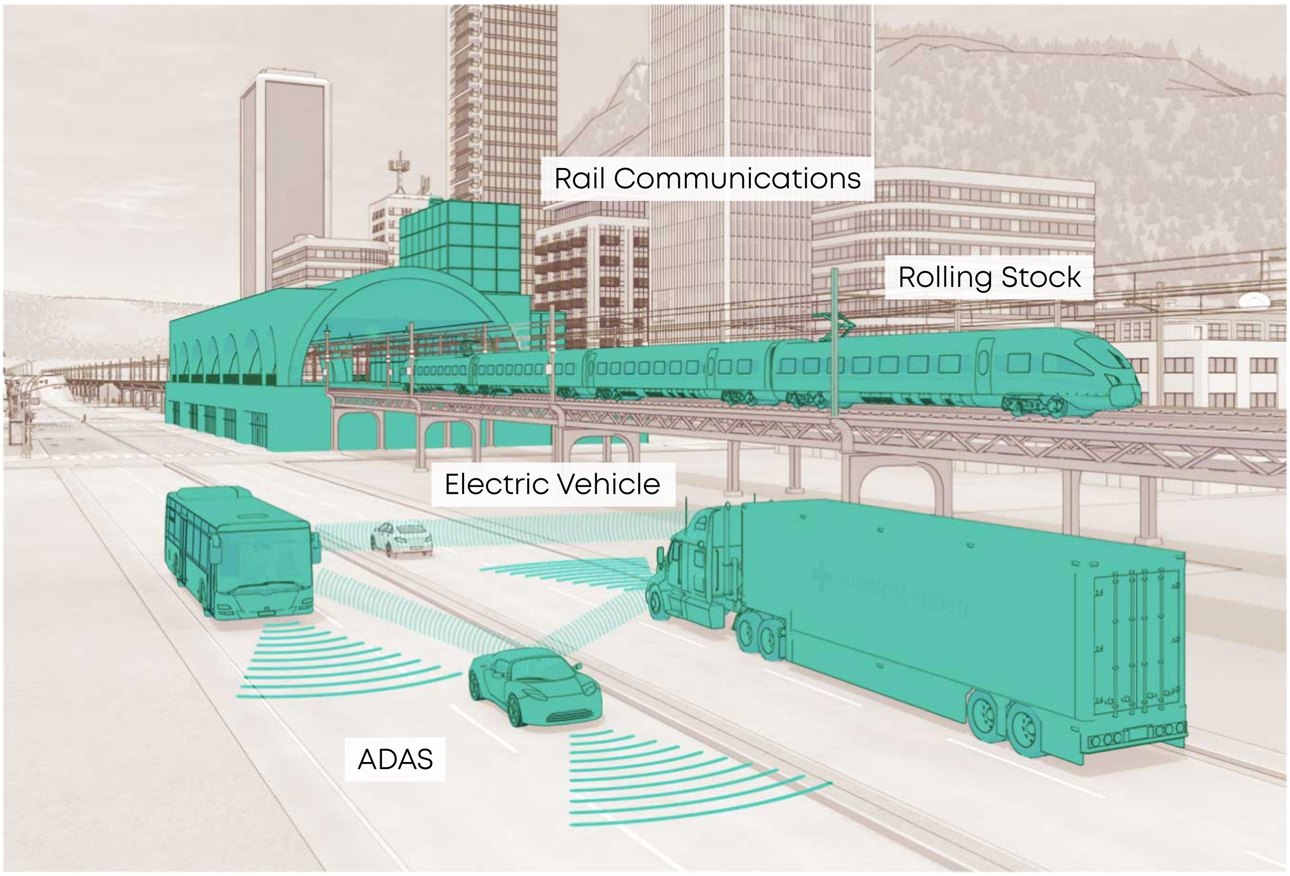
The company is positioning itself in the transportation market with two additional growth initiatives in promising applications that offer high differentiation potential: communications solutions for rolling stock (Rail Communications) and radar antennas with regard to autonomous driving (ADAS – advanced driver assistance system). Both follow the long-term trend that mobility must become safer and travellers want to use their time on the road more efficiently. In particular, the radar antenna business, which is new to HUBER+SUHNER, entailed substantial upfront investments in the reporting year, which will start to make an impact on sales from 2023 onwards.

Transportation segment

		2021	2020 [2)]	%
Order intake	CHF million	279.0	222.0	25.7
Net sales	CHF million	246.4	222.9	10.6
Operating profit (EBIT)	CHF million	12.5	16.2	(22.3)
EBIT margin	%	5.1	7.3	

[2)] Regarding adjustments due to the new segment structure see note 5.

Our solutions for the Transportation market



Key Figures and Financial Calendar

Group

in CHF million	2021	2020	Change
Order intake	995.6	748.2	33.1%
Order backlog as of 31.12.	323.4	195.5	65.4%
Net sales	862.9	737.9	16.9%
Gross margin	38.2%	35.4%	
EBITDA	137.6	89.3	54.1%
as % of net sales	16.0%	12.1%	
EBIT	104.6	61.2	70.9%
as % of net sales	12.1%	8.3%	
Financial result	(2.3)	(0.6)	n/m
Net income	87.3	52.3	66.9%
as % of net sales	10.1%	7.1%	
Purchases of PP&E and intangible assets	50.7	37.7	34.6%
Cash flow from operating activities	101.7	86.5	17.5%
Free operating cash flow	56.6	50.2	12.7%
Net liquidity as of 31.12.	219.8	202.9	8.3%
Equity as of 31.12.	643.8	591.6	8.8%
as % of balance sheet total	77.2%	79.9%	
Employees as of 31.12.	4 588	4 410	4.0%
Market capitalisation as of 31.12.	1 679.7	1 361.1	23.4%

n/m = not meaningful

Data per share

in CHF	2021	2020	Change
Stock market price as of 31.12.	87.00	69.90	24.5%
Net income	4.45	2.66	67.1%
Dividend	2.00 [1]	1.30	53.8%

[1] Proposed dividend

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

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Financial calendar

Annual General Meeting	06.04.2022
Half-year report	16.08.2022
Media and analysts' conference	16.08.2022
Capital Market Day (Herisau)	23.09.2022
Sales and order intake (9 months)	24.10.2022

The Management Report 2021 in English and German is also available in the Download Center and on the website under www.hubersuhner.com/en/company/investors/publications. The German version is binding.

Corporate Governance

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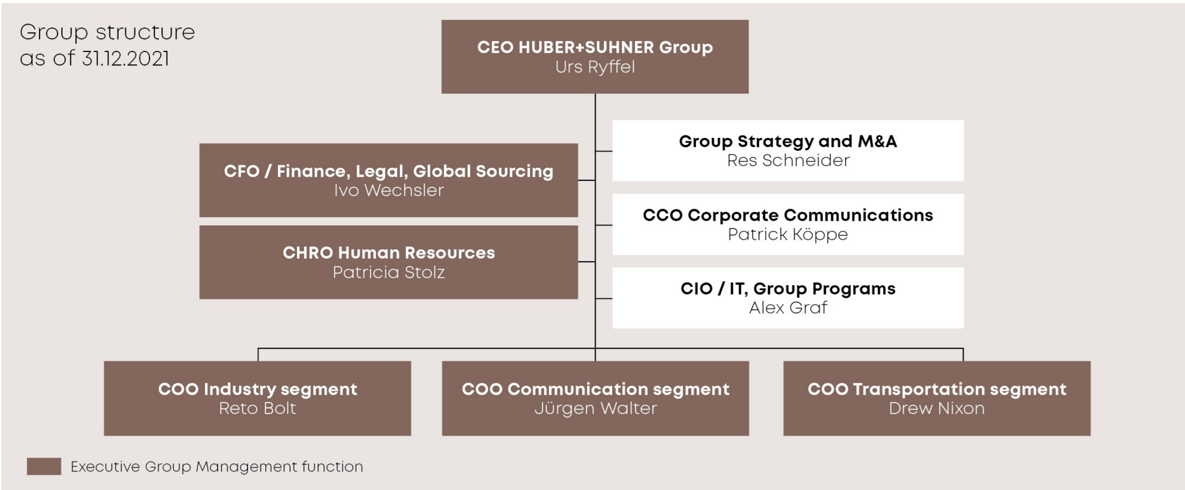
Corporate Governance

The term “Corporate Governance” refers to all of the principles and rules aimed at safeguarding sustainable company interests. These principles are intended to guarantee transparency and a healthy balance of management and control while maintaining decision-making capability and efficiency at the highest level of a company.

The following Corporate Governance report is structured in accordance with the Directive on Information relating to Corporate Governance (DCG) issued by SIX Swiss Exchange. All information presented reflects the situation on 31 December 2021, unless otherwise stated.

1 Group structure and shareholders



1.1 Group structure

The operational management of the HUBER+SUHNER Group consists of the Chief Executive Officer (CEO) and five other Executive Group Management members. It is structured according to the three market segments Industry, Communication and Transportation, and in addition two functional units Finance, Legal, Global Sourcing and Human Resources. At Group level, three further service units – Group Strategy and M&A, Corporate Communications and Information Technology including Group Programs – assist the CEO.

Listed Group company

HUBER+SUHNER AG, domiciled in Herisau AR, Switzerland, is the parent company of the HUBER+SUHNER Group. It is incorporated under Swiss law and its shares are listed on the SIX Swiss Exchange in Zurich (Swiss Reporting Standard, VALOR number: 3 038 073; ISIN: CH0030380734). The market capitalisation as per 31 December 2021 amounted to CHF 1 680 million. Further key share data is provided in the chapter Share Data.

Non-listed Group companies

The directly and indirectly held companies consolidated in the Group accounts of HUBER+SUHNER AG are shown in the chapter Group Companies.

1.2 Significant shareholders

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

Shareholder	Country	% of shares
EGS Beteiligungen AG	CH	9.24%
S. Hoffmann-Suhner	CH	6.18%
Huwa Finanz- und Beteiligungs AG	CH	3.25%

The company holds 893 140 treasury shares (726 640 treasury stock, 141 500 treasury shares as part of the running share buyback programme 2021, 25 000 other treasury shares for remuneration purposes).

HUBER+SUHNER AG has published six disclosures in connection with shareholder participation in the year under review. Significant shareholder disclosures can be viewed at: Significant shareholders.

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

1.3 Cross-shareholdings

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

2 Capital structure

2.1/2.2 Capital/Authorised and conditional capital in particular

The HUBER+SUHNER AG share capital, as on the balance sheet date, is fully paid in and stands at CHF 5 050 000. HUBER+SUHNER AG has no authorised or conditional capital.

On 29 October 2021 HUBER+SUHNER AG launched a share buyback programme over a maximum period of three years, for up to 5 % of the registered shares. The shares are being repurchased via a second trading line on the SIX Swiss Exchange for the purpose of capital reduction.

More information regarding the share capital is presented in the Notes to the Financial Statements of the Group, under note Share Capital.

2.3 Changes in capital

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

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

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

2.6 Limitations on transferability and nominee registrations

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

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

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

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

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

2.7 Convertible bonds and options

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

3 Board of Directors

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

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

At the Annual General Meeting on 31 March 2021 six acting members of the Board of Directors were re-elected.

On 31 December 2021 the Board of Directors comprised the following six members:

Urs Kaufmann

Chairman of the Board of Directors since April 2017 and Board of Directors since 2014

1962, Swiss citizen

Education and professional background

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

Other activities and vested interests

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

Dr. Beat Kälin

Deputy Chairman of the Board of Directors (Chairman 2015 - until April 2017) and Board of Directors since 2009

1957, Swiss citizen

Education and professional background

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

Other activities and vested interests

Chairman of the Board of Directors of Sevensense Robotics AG, Zurich and member of the Board of Directors of CabTec Holding AG, Rotkreuz.

Prof. Dr. Monika Bütler
Board of Directors since 2014

1961, Swiss citizen

Education and professional background

Dipl. math. of University of Zurich. Dr. oec. University of St. Gallen. Assistant Professor at the University of Tilburg, Netherlands, 1997 to 2001. Professor at the University of Lausanne, 1999 to 2004. Full Professor of Economics and Public Policy and Director of the Swiss Institute for Empirical Economic Research (SEW) at the University of St. Gallen from 2004 until January 2021. Honorary Professor at the University of St. Gallen from February 2021.

Other activities and vested interests

Member of the Board of Directors of Schindler Holding Ltd., Hergiswil and ACImmune, Lausanne. Member of the Bank Council of the Swiss National Bank, Zurich (until April 2022). Vice President of the Foundation Board, Gebert Rüf Stiftung, Zurich.

Rolf Seiffert
Board of Directors since 2010

1958, Swiss citizen

Education and professional background

Dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. Product development and product management posts with ABB Transportation/Adtranz, Zurich, 1988 to 1998. Various line functions in product development and sales at Siemens Switzerland, Rail Automation, Wallisellen, 1999 to 2010. Vice President Sales at duagon AG, Dietikon, 2011 to 2013. Head of Sales at Ruf Telematik AG, Schlieren, 2013 to 2015. Managing Director at Kummler+Matter AG, Zurich, 2015 to 2017 and Head of Railway Signaling until 2018. Managing Director of BBR rail automation Swiss AG, Lucerne, 2019 to 2021. CEO of AlpRail GmbH, Gais, since 2014.

Other activities and vested interests

None

Dr. Franz Studer

Board of Directors since 2019

1965, Swiss citizen

Education and professional background

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

Other activities and vested interests

Chairman of the Board of Directors of Kantonsspital Winterthur, Winterthur; FAES AG, Wollerau as well as Roth Gerüste AG, Gerlafingen. Member of the Board of Directors of Sensirion AG, Stäfa.

*Significant shareholder at HUBER+SUHNER AG

Jörg Walther

Board of Directors since 2016

1961, Swiss citizen

Education and professional background

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

Other activities and vested interests

Chairman of the Board of Directors of Proderma AG, Schötz. Vice-Chairman of the Board of Directors of Zehnder Group AG, Gränichen and AEW Energie AG, Aarau. Member of the Board of Directors of SFS Group AG, Heerbrugg; Kraftwerk Augst AG, Augst; Immobilien AEW AG, Aarau as well as swissVR, Rotkreuz.

Honorary chairmen

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

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

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

3.4 Elections and terms of office

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

3.5 Internal organisational structure

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

Working practices of the Board of Directors

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

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

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

Committees – composition and working practices

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

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

* until 31 March 2021

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

The Nomination and Compensation Committee (NCC)

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

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

The main duties of the Nomination and Compensation Committee are:

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

Audit Committee (AC)

The committee consists of at least two members. The Board of Directors appoints the members and designates the Chair annually. It supports the Board with financial management, supervision of accounting, financial reporting, internal auditing and cooperation with the external auditor. It decides on urgent technical matters. Areas of authority and responsibility assigned to the Board of Directors by law and by the Bylaws remain wholly within the Board.

The Chairman of the Board, the CEO, the CFO, the Head of Corporate Controlling and the external auditor usually attend committee meetings. Where necessary, the committee addresses certain agenda items with the external auditor alone. The committee held two meetings with an average duration of 3 hours and a 100 % participation rate during the year under review.

The Audit Committee has the following main tasks:

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

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 Corporate Governance).

The Board of Directors issues guidelines for business policy and makes decisions about all matters that are not reserved for, or assigned to, the Annual General Meeting or another company body by law, by the Articles of Association or the Bylaws. In particular, the Board of Directors approves the business strategy and organisation proposed by Executive Group Management, as well as budgets, medium-term plans, acquisitions and other business which, by its nature or financial impact, is considered strategically significant. Written requests are prepared for all projects that require a decision by the Board. The Board of Directors delegates the Group's operational management to the Chief Executive Officer (CEO), unless statutory regulations or the Bylaws state otherwise. The Bylaws are periodically reviewed and adapted by the Board, most recently on 24 June 2021.

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

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

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

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

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

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

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

Risk management of the HUBER+SUHNER Group and all Group companies is laid down in the Board of Directors' risk policy and in the Executive Group Management's guidelines on the risk management process. In the reporting year, the Executive Group Management reviewed the progress and effectiveness of the measures taken and has selected and reassessed the most significant financial, operational and strategic risks at Group level. This was based on its own top-down estimates and on bottom-up data from market segments and corporate functions. The risks were categorised according to their probability of occurrence and potential financial impact. In addition, mitigating measures as well as operational responsibilities were defined for each listed risk. The evaluated risks as well as the ongoing and planned compliance measures were presented in the 2021 Risk Report to the Board of Directors for review and approval. After its review, the Board approved the report on 8 December 2021.

4 Executive Group Management

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

Executive Group Management is the highest management level; it assists the CEO with his operational management tasks. It deals with all business and decisions that are important for the company. On 31 December 2021, Executive Group Management consisted of the following six members:

Urs Ryffel
Chief Executive Officer (CEO)

1967, Swiss citizen

Education and professional background

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

Other activities and vested interests

Member of the Board of Directors of Bergbahnen Scuol AG, Scuol.

Reto Bolt
Chief Operating Officer (COO) Industry segment

1966, Swiss citizen

Education and professional background

Dipl. Ing. ETH (Swiss Federal Institute of Technology) Zurich. Joined HUBER+SUHNER in 1993 as Operations Engineer for coaxial connectors, then held several management positions in the operations department of the Radio Frequency Division. 2004 to 2007 Head of Global Management Systems, from 2007 to 2012 Head of the Cable Systems business unit within the Low Frequency Division. 2012 to 2020 Head of Radio Frequency Division and since 2021 COO Industry segment. Member of the Executive Group Management since 2012.

Other activities and vested interests

None

Drew Nixon

Chief Operating Officer (COO) Transportation segment

1965, American citizen

Education and professional background

Bachelor in Business Administration, Babson College, Wellesley Massachusetts, USA. 1988 to 2000 working in various management functions for the American companies Charleswater Products INC, Boston Metal Products Corp, Cerplex Mass INC and Decibel Instruments INC. 2000 to 2004 as Director of Finance and Administration at Zettacom INC, Santa Clara, US. Joined HUBER+SUHNER in 2004 as Finance Director North America, 2008 to 2012 Managing Director North America, Vermont, 2012 to 2015 Managing Director of the Region North Asia, Shanghai. 2015 to 2020 Chief Operating Officer Global Sales and since 2021 COO Transportation segment. Member of the Executive Group Management since 2015.

Other activities and vested interests

None

Patricia Stolz

Chief Human Resources Officer (CHRO)

1969, Swiss citizen

Education and professional background

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

Other activities and vested interests

None

Jürgen Walter

Chief Operating Officer (COO) Communication segment

1968, German citizen

Education and professional background

Dipl. electrical engineer Technical University of Munich. 1995-2000 with Siemens Management Consulting in Munich. 2000 to 2007 various leading positions in the communication division at Siemens AG, Munich. 2007-2009 Head of the Business Unit 'Converged Core', as of 2010 Head of the Segment 'Business Solutions' and member of the Executive Board at Nokia Siemens Network, Munich. 2012 to 2015 at Fujitsu Technology Solutions, as of 2013 CEO Central Europe, Munich. 2015 to 2019 with Kathrein Group, as of 2017 COO and member of the Executive Board at Kathrein SE, Rosenheim. 2019 to 2021 COO at Kathrein Mobile Communication, Rosenheim. Since 1 October 2021 COO Communication segment and member of the Executive Group Management.

Other activities and vested interests

None

Ivo Wechsler

Chief Financial Officer (CFO)

1969, Swiss citizen

Education and professional background

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

Other activities and vested interests

Member of the Board of Directors of Zehnder Group AG, Gränichen.

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

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

5 Compensation, shareholdings and loans

The principles and elements of compensation and shareholding program for the members of the Board of Directors and the Executive Group Management are laid down in Articles 24 to 29 of the Articles of Association and specified in the compensation regulations issued by the Board of Directors. More detailed information about the compensation, shareholding programs as well as loans and the approval procedure by the Shareholder Meeting is set forth in the Compensation Report. Information about the shareholdings of the Board of Directors and Executive Group Management are shown in the Financial Statements HUBER+SUHNER AG, are disclosed in note 7.

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation

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

6.2 Quorums required by the Articles of Association

The Annual General Meeting makes its decisions and carries out its elections with a relative majority of votes unless the law determines otherwise. A decision by the Annual General Meeting which assembles at least 2/3 of the represented share votes and the absolute majority of the nominal value of the shares issued, is required for:

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

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

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

6.5 Entries in the share register

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

7 Changes of control and defence measures

7.1 Duty to make an offer

The Articles of Association do not entail any rule governing opting-up or opting-out as per the Financial Market Infrastructure Act (FMIA).

7.2 Clauses on changes of control

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

8 Auditors

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

Ernst & Young AG, Basel, has been the independent auditor of HUBER+SUHNER AG and various Group companies since 2018. The current lead auditor, Mr. Iwan Zimmermann, has been in charge since 1 April 2021. As per article 730a(2) Swiss Code of Obligations, his tenure as lead auditor may not exceed seven years. The auditors are elected by the Annual General Meeting for a term of one year.

8.2/8.3 Auditing fees/Additional fees

Ernst & Young (EY) charged CHF 298 000 for auditing the Group Financial Statements and the individual financial statements of different Group companies during the reporting year, and CHF 63 000 for additional EY services (e.g. independent assurance for sustainability report).

8.4 Information instruments pertaining to the external audit

The Audit Committee informs the Board of the work performed by and working relationship with the external auditor. Each year, the external auditor submits an audit plan, a “confirmation of analytical review” of the half-year and a comprehensive report on the annual financial statements with conclusions on financial accounting, the internal control system, the Compensation Report (Chapter 5) and the audit results for the attention of the Board of Directors and the Audit Committee. The Audit Committee also assesses the scope of the annual audit and the audit plans, and discusses the audit findings with the external auditor. In the year under review, the external auditor was present at both Audit Committee meetings.

The Audit Committee annually assesses the external auditors' performance, independence and fees and recommends to the Board the external auditing company to be nominated by the Annual General Meeting.
This evaluation is based on the reports and presentations provided by the external auditors, the discussions held in the meetings, their objectivity as well as their technical and operational expertise. The Audit Committee reviews the suitability and scope of the additional services rendered by the external auditor. If the planned additional services exceed the monetary limit set by the Audit Committee, the Audit Committee must be informed in advance.

9 Information policy

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

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

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

An important source of current in-depth information on the Group, including products and contact details is the H+S website.
Relevant shareholder information, important dates and news can be found using the links below:
Ad hoc news
News
Investor information
Articles of Association
Bylaws
Subscription to information service

10 Quiet periods

At HUBER+SUHNER, the general quiet period starts on the day of the last regular Board meeting of the preceding fiscal year or preceding first half of the fiscal year, as the case may be, and ends two days after the publication of the relevant ad-hoc announcement related to the respective annual report or half-year report.

The following group of persons has signed the "Prohibition of Insider trading" of 3rd December 2020 and are affected by the general quiet period:

- Members of the Board of Directors and Honorary Chairman of the Board of Directors
- Secretary of the Board of Directors
- Members of the Executive Group Management and its assistants
- All Group Meeting participants*
- Head of Group Strategy and M&A and employees
- Head of Corporate Communications and employees
- Head of Finance and Accounting at H+S AG

- Head of Corporate Controlling and employees
- Head of Business Controlling and employees
- Head of Treasury
- General Counsel

*EGM plus top ~20 global key positions

The CFO sends a written notification of the dates of the general quiet periods yearly and maintains a list of all affected persons.

During a general quiet period, affected persons are prohibited from trading in HUBER+SUHNER AG securities or financial instruments derived therefrom, for themselves or through third parties. This transaction block also applies to transactions falling within the scope of an asset management mandate, regardless of the structure of the latter and the agent's powers.

In addition to the general quiet period, a project specific transaction block in HUBER+SUHNER AG securities may be imposed by the CEO to employees who are aware of specific confidential projects.

Compensation Report 2021

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Compensation Report

The Compensation Report provides an overview of the remuneration principles and compensation systems of the HUBER+SUHNER Group. It describes how compensation is determined and contains detailed information on the compensation of the Members of the Board of Directors and the Executive Group Management in the fiscal years 2020 and 2021.
The Compensation Report fulfils the requirements of the Ordinance against Excessive Compensation in Listed Companies (OaEC), which has been in effect since January 2014. Furthermore, the Compensation Report fulfils the requirements of the Swiss Code of Obligations and the provisions set forth in the Directive on Information relating to Corporate Governance issued by SIX Swiss Exchange.

1 Guidelines and responsibilities

Guidelines

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

Payments are made according to the following principles:

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

The principles governing the compensation of Members of the Board of Directors and Executive Group Management are laid down in the following Articles of Association: Article 23 (Compensation Approval); 24 (Compensation of the Board of Directors); 25 (Compensation of Executive Group Management); 26 (Principles of Success and Performance-related Compensation); 27 (Principles for Allocating Shares); 28 (Additional Amount) and 29 (Activities for Group Companies).

For more details, please refer to Corporate Governance.

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

Responsibilities

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

2 Compensation system for the Board of Directors

2.1 Chairman of the Board of Directors

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

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

a) Remuneration

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

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

In addition, the Chairman annually receives a long-term oriented compensation in the form of a fixed number of company shares (2000), with a blocking period of at least three years. The share blocking periods are not rescinded on his retirement from the Board.

c) Pension and other social security benefits

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

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

2.2 All other Board Members

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

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

a) Remuneration

Each member of the Board receives an equal fixed basic fee of CHF 60 000 per annum. Additionally, members receive an extra allowance for taking on a post as Deputy Chairman (CHF 20 000) or for serving on the Nomination and Compensation Committee or Audit Committee (CHF 10 000). The responsibility and the increased workload of the various functions are therefore accounted for individually. Also, all Board members receive a lump sum expense allowance of CHF 10 000 regardless of their function.

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

In addition, each Board member receives annually a long-term oriented compensation in the form of a fixed number of company shares (Deputy Chairman: 1200 shares; other members: 800 shares) with a blocking period of at least three years. The share blocking periods are not rescinded on retirement from the Board.

c) Social security benefits

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

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

3 Compensation system for the Executive Group Management

The total compensation for a member of the Executive Group Management (EGM) reflects the responsibility assigned, qualifications, complexity of the task, achievement of goals and local market conditions in the machinery and electrical industry.

These comparisons are executed every year, the last time 2021 (based on 2020 compensation reports), to benchmark Executive Group Management’s salaries. The fixed and variable elements assessed are short-term incentives (basic salary and bonus), long-term incentives (shares) and complementary benefits (pension fund and other compensation).

In 2021, the comparison of Executive Group Management’s salaries included manufacturing industrial companies with registered seat in Switzerland and of similar size (based on net sales, EBIT margin, number of employees and market capitalisation) like AFG Arbonia Forster, Belimo, Bobst, Bosshard, Burckhardt Compression, Comet, dorma+kaba, Kardex, Komax, Landis+Gyr, LEM and SFS.

In addition every three to five years international compensation analyses for selected management positions are conducted. In 2021 this comparison was executed by Mercer, a consulting company specializing in international salary benchmarking. It is based on anonymised data and helps to determine Executive Group Management's salaries. The elements assessed are short-term incentives (basic salary and bonus) and long-term incentives (shares).

In 2021, the comparison of Executive Group Management’s salaries was made by Mercer using two peer groups. The sample in the two peer groups consisted of (i) manufacturing industrial companies with registered seat in Switzerland (industrial companies in Switzerland) and similar size as HUBER+SUHNER (based on annual net sales and number of employees), (ii) direct competitors in the job market in the machinery and electrical industry with registered seat in Switzerland (based on annual net sales and number of employees). In case of companies of bigger size than HUBER+SUHNER, the benchmarking consulting firm compares the salary of managers with comparable responsibility to the one of the HUBER+SUHNER manager whose salary is benchmarked. The benchmarking consulting firm has vast experience in determining which roles are comparable in companies of different sizes. The benchmarking consulting firm does not have any other roles or mandates at HUBER+SUHNER.

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

a) fixed basic salary;

b) variable performance components
   b1) cash bonus
   b2) long-term incentive (in the form of shares);
c) pension and other social security benefits

a) Fixed basic salary

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

b) Variable performance components

b1) Cash bonus

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

Target category	Group financial targets	Individual targets	Leader-ship factor
CEO	60%	20%	20%
Other EGM members	40%-60%	20%-40%	20%

Every year, the Board sets in advance three weighted Group financial targets which are applicable for a one-year period. For the years 2021 and 2020 the Group financial targets were: net sales, EBIT-margin and inventory turn.
The individual targets are three to five function-specific measurable management targets. These are set and weighted annually in a structured target-setting process by the Chairman of the Board for the CEO, and by the CEO for members of the Executive Group Management.
A leadership factor (leadership, cooperation and conduct) is also included in the calculation of the cash bonus. The leadership performance review is conducted by the Chairman of the Board for the CEO and by the CEO for members of the Executive Group Management.

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

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

As long-term compensation, members of the Executive Group Management receive a variable number of HUBER+SUHNER shares each year. The annual number of target shares for the CEO is 4000, and between 800 and 2000 shares for other Executive Group Management members. The number of shares effectively allotted annually (number of target shares multiplied by a factor of between 0.0 and 1.5) is determined by the Board of Directors and is driven by the long-term business success, which is assessed based on the factors “market environment”, “strategy implementation” and “financial situation”.

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

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

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

c) Pension and other social security benefits

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

Additional information

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

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

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

4 Determining method

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

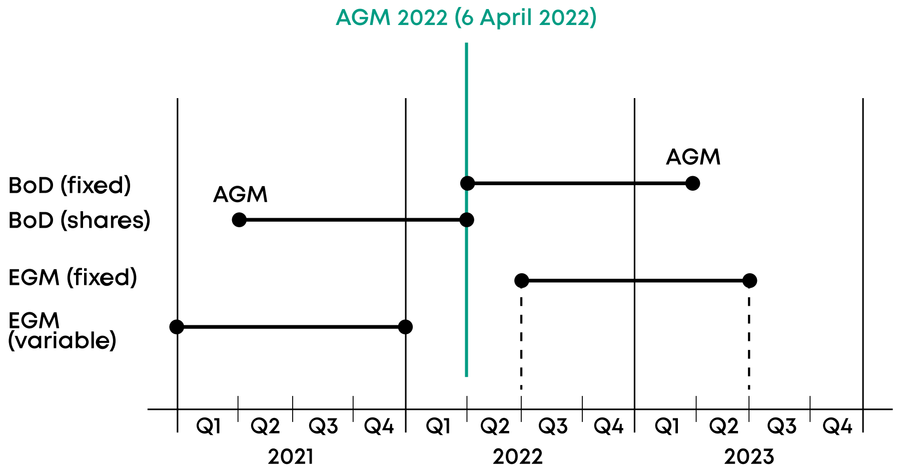
This relates to the amount of the fixed fee, post-related allowances and lump sum expense allowances for the members of the Board for the coming term of office and the fixed number of shares for the current term of office. For Executive Group Management members, this is the amount of the basic salary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

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

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

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

Compensation vote at the 2022 AGM



5 Compensation for the members of the Board of Directors and Executive Group Management for fiscal year 2021

Board of Directors' compensation 2021

After the Board of Directors reduced its share-based compensation at the last Annual General Meeting (March 31, 2021), it is based on a fixed number of shares: 2000 shares for the Chairman, 1200 shares for the Deputy Chairman and 800 shares for the remaining Members of the Board. Before the last Annual General Meeting the share-based compensation was based on a fixed number of shares: 3000 shares for the Chairman, 2000 shares for the Deputy Chairman and 1200 shares for the remaining Members of the Board.

The Members of the Board of Directors received KCHF 693 in fixed compensation for the year under review (previous year: KCHF 600). Share-based compensation amounting to KCHF 648 (previous year KCHF 729) was also awarded. This amount is based on the market value of a total of 7250 shares (previous year: 10 100 shares) divided into 2450 shares (previous year: 2750 shares) at a share price of CHF 73.20 from 1 April 2021 (previous year: CHF 56.90) for the period from 1 January to 31 March 2021 and 4800 shares (previous year: 7350 shares) at a share price of CHF 87.00 from 31 December 2021 (previous year: CHF 69.90) for the period from 1 April 2021 to 31 December 2021. No compensation was paid to former Board members.

Total compensation for members of the Board of Directors for the reporting year amounted to KCHF 1341 (previous year: KCHF 1329).

Compensation for the Board of Directors

(BoD)		Fixed compensation [1]		Share-based compensation [2]		Total compensation		Number of allotted shares	
		2021	2020	2021	2020	2021	2020	2021	2020
U. Kaufmann [a]	Chairman	288	277	207	223	495	499	2 250	3 000
B. Kälin [b]	Deputy Chairman	107	86	128	149	235	234	1 400	2 000
M. Bütler [c]	Member	84	64	83	89	167	153	900	1 200
G. Müller	Member (until AGM 2020)	–	14	–	19	–	33	–	300
R. Seiffert	Member	65	48	74	80	139	128	900	1 200
F. Studer [d]	Member	65	48	74	80	139	128	900	1 200
J. Walther [e]	Member	84	64	83	89	167	153	900	1 200
Total		**693**	**600**	**648**	**729**	**1 341**	**1 329**	**7 250**	**10 100**

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

2) Share-based compensation is calculated at a share price of CHF 73.20 (for the part of the allocation approved by the Annual General Meeting 2021) (previous year: CHF 56.90) and at CHF 87.00 (as of year-end 2021) (previous year CHF 69.90) for the outstanding amount including social security. Outstanding shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

a) Chairman and NCC member

b) Deputy Chairman and NCC Chairman

c) AC Committee Chair

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

e) AC member

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

An overview of the shareholdings of members of the Board of Directors at HUBER+SUHNER AG can be found in note 7 of the 2021 Financial Report.

In addition to serving on the Board of Directors of HUBER+SUHNER the members hold the following significant mandates:

Urs Kaufmann
Chairman of the Board of Directors of Schaffner Holding AG, Luterbach. Member of the Board of Directors of SFS Group AG, Heerbrugg; Vetropack Holding AG, Bülach as well as Müller Martini Holding AG, Hergiswil. Executive committee member of Swissmem and the Swiss Employers' Association.

Dr. Beat Kälin
Chairman of the Board of Directors of Komax Group, Dierikon, Chairman of the Board of Directors of Sevensense Robotics AG, Zurich and member of the Board of Directors of CabTec Holding AG, Rotkreuz.

Prof. Dr. Monika Bütler
Member of the Board of Directors of Schindler Holding Ltd., Hergiswil and ACImmune, Lausanne. Member of the Bank Council of the Swiss National Bank, Zurich (until April 2022). Vice President of the Foundation Board, Gebert Rüf Stiftung, Zurich.

Rolf Seiffert
None.

Dr. Franz Studer
Chairman of the Board of Directors of Kantonsspital Winterthur, Winterthur; FAES AG, Wollerau as well as Roth Gerüste AG, Gerlafingen. Member of the Board of Directors of Sensirion AG, Stäfa.

Jörg Walther
Chairman of the Board of Directors of Proderma AG, Schötz. Vice-Chairman of the Board of Directors of Zehnder Group AG, Gränichen and AEW Energie AG, Aarau. Member of the Board of Directors of SFS Group AG, Heerbrugg; Kraftwerk Augst AG, Augst; Immobilien AEW AG, Aarau as well as swissVR, Rotkreuz.

Executive Group Management compensation 2021

The Executive Group Management members received fixed compensation of TCHF 2219 for the year under review (previous year: TCHF 2988). Subject to approval by the Annual General Meeting, Executive Group Management was awarded variable compensation of TCHF 2154 (previous year: TCHF 2081). This comprises a cash bonus and a share based compensation. The factors for the variable cash component which is determined individually and depends on the achievement of the Group's financial targets and the individual objectives, range from 112 to 132 %. The share-based compensation at the market value of the shares amounts to 13 150 shares (previous year: 18 250 shares) at a share price of CHF 87.00 on 31 December 2021 (previous year: CHF 69.90). The Board of Directors determined the share factor for 2021 in its February 2022 meeting. The assessment was based on the criteria as defined under chapter 3, section b) of this document. The Board of Directors assesses the market environment in 2021 as very favorable yet challenging and demanding with regard to supply chain management and material price inflation. The implementation of the strategy is considered to be very well on track. At the level of individual initiatives, the Executive Group Management succeeded in exceeding its targets with a few exceptions. The Board of Directors considers the company's financial basis at the end of the reporting period to be very solid and the future perspective as promising. A positive aspect is that the company generated again an attractive cash flow. Based on the above assessment, the share factor was set at 1.25. No compensation was paid to former Executive Group Management members.

Total compensation for the Executive Group Management for the year under review was TCHF 4373 (previous year: TCHF 5069). In 2021 the total compensation overall decreased by 13.7 %. In order to compare total compensation for the Executive Group Management of the reporting period with 2020, one has to consider:

- Individual bonuses were higher in 2021 based on the stronger performance of the company
- The value of the share based compensation was higher in 2021 due to the increase in share price
- The Executive Group Management accepted a reduction of 10 % on fixed compensation (for 6 months) in 2020
- The 2020 figure includes 8 members of Executive Group Management (2021: 5 members for the full year, 1 member for 3 months).

Compensation for Executive Group Management

	Highest individual compensation [1]		Total Executive Group Management [2]	
	2021	**2020**	**2021**	**2020**
Basic salary [3]	540	513	1 743	2 347
Contributions to social security and pension funds on fixed compensation	154	156	476	641
Total fixed compensation	**694**	**669**	**2 219**	**2 988**
Variable compensation	352	159	866	654
Share-based compensation [4]	435	350	1 144	1 276
Contributions to social security on variable compensation	66	45	144	151
Total variable compensation	**853**	**554**	**2 154**	**2 081**
Total compensation	**1 547**	**1 223**	**4 373**	**5 069**
Number of allotted shares	**5 000**	**5 000**	**13 150**	**18 250**

1) U. Ryffel, CEO
2) The Executive Group Management consists of 6 members in 2021 (Jürgen Walter as of 1.10.2021) and 8 members in 2020.
3) Including allowances
4) Based on the year-end share price of CHF 87.00 (previous year: CHF 69.90). Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

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

An overview of the shareholdings of members of Executive Group Management at HUBER+SUHNER AG can be found in note 7.

In addition to serving on the Executive Group Management of HUBER+SUHNER the members hold the following significant mandates:

Urs Ryffel
Member of the Board of Directors of Bergbahnen Scuol AG, Scuol.

Reto Bolt
None.

Drew Nixon
None.

Patricia Stolz
None.

Jürgen Walter (as of 1.10.2021)
None.

Ivo Wechsler
Member of the Board of Directors at Zehnder Group AG, Gränichen.

6 Management compensation compared to amounts approved by the Annual General Meetings 2020 and 2021

The below tables provide a comparison of the actual amounts in the reporting year to the respective amounts approved by the Annual General Meeting.

Board of Directors

	Fixed compensation Board of Directors April 1, 2020 - March 31, 2021[1]		Variable compensation Board of Directors April 1, 2020 - March 31, 2021[2]		
	Approved Maximum as applied for	Actual	Approved Maximum as applied for	Approved Maximum based on share price as of allottment date	Actual
Cash, in CHF 1 000[3]	560	517	–	–	–
Number of shares	–	–	9 800	9 800	9 800
Share-based compensation in CHF 1 000[4]	–	–	689	717	717
Social security and pension in CHF 1 000	80	70	71	74	74
Total	**640**	**587**	**760**	**791**	**791**

Executive Group Management

	Fixed compensation EGM July 1, 2020 - June 30, 2021[1]		Variable compensation EGM January 1, 2020 - December 31, 2020[2]		
	Approved Maximum as applied for	Actual	Approved Maximum as applied for	Approved Maximum based on share price as of allottment date	Actual
Cash, in CHF 1 000[3]	2 536	2 018	654	654	654
Number of shares	–	–	18 250	18 250	18 250
Share-based compensation in CHF 1 000[4]	–	–	1 283	1 336	1 336
Social security and pension in CHF 1 000	964	556	163	168	168
Total	**3 500**	**2 574**	**2 100**	**2 158**	**2 158**

1) According to AGM Agenda 2020
2) According to AGM Agenda 2021
3) Salary reduction for Board- and EGM-members (Covid-19) and reduction of number of EGM members from 8 to 6 as of January, 1, 2021 (one position vacant until September, 30, 2021)
4) Share price 70.28 (at the average closing price from the last five trading days prior to determination by the Board of Directors as of February, 25, 2021) compared to share price 73.20 as of March, 31, 2021 (allottment date)

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Basel, 3 March 2022

Report of the statutory auditor on the compensation report

We have audited the compensation report of HUBER+SUHNER AG for the year ended 31 December 2021. 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 41 to 44 of the compensation report.

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

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

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

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

Opinion
In our opinion, the compensation report for the year ended 31 December 2021 of HUBER+SUHNER AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Iwan Zimmermann (Qualified Signature)	Erik Zeller (Qualified Signature)
Partner	Senior Manager

Financial Report

HUBER+SUHNER Group Financial Statements

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Key Figures

Group

in CHF million	2021	2020	Change
Order intake	995.6	748.2	33.1%
Order backlog as of 31.12.	323.4	195.5	65.4%
Net sales	862.9	737.9	16.9%
Gross margin	38.2%	35.4%	
EBITDA	137.6	89.3	54.1%
as % of net sales	16.0%	12.1%	
EBIT	104.6	61.2	70.9%
as % of net sales	12.1%	8.3%	
Financial result	(2.3)	(0.6)	n/m
Net income	87.3	52.3	66.9%
as % of net sales	10.1%	7.1%	
Purchases of PP&E and intangible assets	50.7	37.7	34.6%
Cash flow from operating activities	101.7	86.5	17.5%
Free operating cash flow	56.6	50.2	12.7%
Net liquidity as of 31.12.	219.8	202.9	8.3%
Equity as of 31.12.	643.8	591.6	8.8%
as % of balance sheet total	77.2%	79.9%	
Employees as of 31.12.	4 588	4 410	4.0%
Market capitalisation as of 31.12.	1 679.7	1 361.1	23.4%

n/m = not meaningful

Data per share

in CHF	2021	2020	Change
Stock market price as of 31.12.	87.00	69.90	24.5%
Net income	4.45	2.66	67.1%
Dividend	2.00 [1]	1.30	53.8%

[1] Proposed dividend

Segment information

in CHF million		2021	2020 [2]	Change
Industry	Order intake	296.6	239.8	23.7%
	Net sales	275.4	225.9	21.9%
	EBIT	58.4	36.4	60.5%
	as % of net sales	21.2%	16.1%	
Communication	Order intake	420.0	286.4	46.6%
	Net sales	341.1	289.1	18.0%
	EBIT	41.5	15.4	168.2%
	as % of net sales	12.2%	5.3%	
Transportation	Order intake	279.0	222.0	25.7%
	Net sales	246.4	222.9	10.6%
	EBIT	12.5	16.2	(22.3%)
	as % of net sales	5.1%	7.3%	

[2] Regarding adjustments due to the new segment structure see note 5.

Consolidated Income Statement

in CHF 1 000	Notes	2021	%	2020 [1]	%
Net sales	5	862 947	100.0	737 897	100.0
Cost of goods sold		(533 473)		(477 045)	
Gross profit		**329 474**	**38.2**	**260 852**	**35.4**
Selling expense		(120 547)		(112 042)	
Administrative expense		(49 456)		(46 229)	
Research and development expense		(55 937)		(47 800)	
Other operating expense		(2 355)		(1 755)	
Other operating income	5	3 398		8 174	
Operating profit (EBIT)	**5**	**104 577**	**12.1**	**61 200**	**8.3**
Financial result	6	(2 265)		(582)	
Income before taxes		**102 312**	**11.9**	**60 618**	**8.2**
Income taxes	7	(14 996)		(8 312)	
Net income		**87 316**	**10.1**	**52 306**	**7.1**
Attributable to shareholders of HUBER+SUHNER AG		86 538		51 863	
Attributable to minority interests		778		443	

[1] Regarding adjustments due to the new segment structure see note 5.

Data per share

in CHF	Notes	2021		2020	
Undiluted / diluted earnings per share	28	4.45		2.66	
Dividend		2.00 [2]		1.30	

[2] Proposed dividend

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

Consolidated Balance Sheet

in CHF 1 000	Notes	31.12.2021	%	31.12.2020	%
Assets					
Cash and cash equivalents	14	219 845		203 556	
Trade receivables	15	144 424		121 103	
Other short-term receivables	16	26 209		25 541	
Inventories	17	172 019		138 812	
Accrued income		3 454		2 297	
Current assets		**565 951**	**67.9**	**491 309**	**66.4**
Property, plant and equipment	19	212 616		195 110	
Intangible assets	20	21 931		21 322	
Financial assets	21	22 763		21 457	
Deferred tax assets	26	10 267		11 119	
Non-current assets		**267 577**	**32.1**	**249 008**	**33.6**
Assets		**833 528**	**100.0**	**740 317**	**100.0**
Liabilities and equity					
Short-term financial liabilities	3, 22	–		632	
Trade payables		63 876		39 397	
Other short-term liabilities	24	62 458		50 681	
Short-term provisions	25	17 782		14 102	
Accrued liabilities		17 529		13 765	
Current liabilities		**161 645**	**19.4**	**118 577**	**16.0**
Other long-term liabilities		2 656		2 280	
Long-term provisions	25	7 992		8 738	
Deferred tax liabilities	26	17 485		19 094	
Non-current liabilities		**28 133**	**3.4**	**30 112**	**4.1**
Liabilities		**189 778**	**22.8**	**148 689**	**20.1**
Share capital	27	5 050		5 050	
Capital reserves		33 083		33 044	
Treasury shares		(13 835)		(247)	
Retained earnings		616 255		550 678	
Equity attributable to shareholders of HUBER+SUHNER AG		**640 553**	**76.8**	**588 525**	**79.5**
Minority interests		3 197	0.4	3 103	0.4
Total equity		**643 750**	**77.2**	**591 628**	**79.9**
Liabilities and equity		**833 528**	**100.0**	**740 317**	**100.0**

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

Consolidated Cash Flow Statement

in CHF 1 000	Notes	2021	2020
Net income		**87 316**	**52 306**
Income taxes		14 996	8 312
Depreciation of property, plant and equipment and intangible assets	19, 20	33 069	28 148
Other non-cash items		(5 881)	1 511
Loss/profit from the disposal of property, plant and equipment		(177)	(432)
Change in trade receivables		(21 936)	9 628
Change in inventories		(32 800)	8 519
Change in other receivables and accrued income		299	(3 180)
Change in trade payables		23 973	2 844
Change in other liabilities and accrued liabilities		14 561	(6 407)
Change in provisions		3 522	1 953
Income tax paid		(14 748)	(16 485)
Interest paid		(544)	(215)
Cash flow from operating activities		**101 650**	**86 502**
Purchases of property, plant and equipment	19	(40 097)	(32 861)
Proceeds from sale of property, plant and equipment	19	414	1 814
Purchases of intangible assets	20	(5 690)	(6 390)
Purchases and disposals of financial assets		(88)	(80)
Interest received		1 668	1 614
Cash outflow from acquisition	3	(1 276)	(400)
Cash flow from investing activities		**(45 069)**	**(36 303)**
Payment of dividend		(25 315)	(31 157)
Payment of dividend to minority interests		(533)	(451)
Purchase of treasury shares		(15 805)	(1 154)
Repayment of short-term financial liabilities		(629)	(749)
Cash flow from financing activities		**(42 282)**	**(33 511)**
Effect of exchange rate changes on cash		1 990	(4 768)
Net change in cash and cash equivalents		**16 289**	**11 920**
Cash and cash equivalents at beginning of year		203 556	191 636
Cash and cash equivalents at end of year	14	219 845	203 556
Net change in cash and cash equivalents		**16 289**	**11 920**

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

Consolidated Statement of Equity

in CHF 1 000	Share capital[1]	Capital reserves	Treasury shares	Other retained earnings	Goodwill offset	Translation differences	Retained earnings	Equity attributable to shareholders of H+S AG	Minority interests	Total equity
Balance at 1.1.2020	**5 050**	**32 994**	**(719)**	**705 618**	**(141 758)**	**(16 665)**	**547 195**	**584 520**	**3 193**	**587 713**
Net income	–	–	–	51 863	–	–	51 863	51 863	443	52 306
Dividend paid	–	–	–	(31 157)	–	–	(31 157)	(31 157)	(451)	(31 608)
Purchase of treasury shares	–	–	(1 154)	–	–	–	–	(1 154)	–	(1 154)
Share-based payment	–	50	1 626	(400)	–	–	(400)	1 276	–	1 276
Goodwill offset[2]	–	–	–	–	1 076	–	1 076	1 076	–	1 076
Currency translation differences	–	–	–	–	–	(17 899)	(17 899)	(17 899)	(82)	(17 981)
Balance at 31.12.2020	**5 050**	**33 044**	**(247)**	**725 924**	**(140 682)**	**(34 564)**	**550 678**	**588 525**	**3 103**	**591 628**
Net income	–	–	–	86 538	–	–	86 538	86 538	778	87 316
Dividend paid	–	–	–	(25 315)	–	–	(25 315)	(25 315)	(533)	(25 848)
Purchase of treasury shares	–	–	(15 805)	–	–	–	–	(15 805)	–	(15 805)
Share-based payment	–	39	2 217	220	–	–	220	2 476	–	2 476
Goodwill offset[2]	–	–	–	–	(445)	–	(445)	(445)	–	(445)
Currency translation differences	–	–	–	–	–	4 579	4 579	4 579	(151)	4 428
Balance at 31.12.2021	**5 050**	**33 083**	**(13 835)**	**787 367**	**(141 127)**	**(29 985)**	**616 255**	**640 553**	**3 197**	**643 750**

1) See note 27
2) See note 20

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

Notes to Group Financial Statements

1 General

These consolidated financial statements were approved by the Board of Directors on 3 March 2022 and released for publication on 8 March 2022. They are subject to the approval of the shareholders at the Annual General Meeting on 6 April 2022.

2 Accounting policies

2.1 Basis of preparation

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

2.2 Scope and principles of consolidation

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

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

2.3 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are prepared in Swiss francs (CHF). CHF is the Group's presentation currency and, unless stated otherwise, the information is given in CHF 1000 (KCHF).

Transactions and balances

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

Group companies

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

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

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

2.4 Cash and cash equivalents

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

2.5 Trade receivables and other short-term receivables

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

2.6 Inventories

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

2.7 Property, plant and equipment

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

Asset category	**Useful life in years**
Land	not depreciated
Buildings	20-40 years
Technical equipment and machinery	5-15 years
Leasehold improvements	5-10 years
Office furniture and fixtures	3-5 years
IT hardware	3-5 years
Other equipment	3-7 years

2.8 Intangible assets

Software

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

Other intangible assets

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

2.9 Impairment of assets

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

2.10 Financial assets

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

2.11 Financial liabilities

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

2.12 Trade payables and other short-term liabilities

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

2.13 Provisions

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

2.14 Off-balance-sheet transactions

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

2.15 Employee benefits

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

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

2.16 Share-based payment

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

2.17 Revenue recognition

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

2.18 Gross profit

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

2.19 Income taxes

Income taxes are accounted for on the basis of the income for the reporting year, less the use of tax losses carried forward, using expected effective (local) tax rates. Income tax receivables and payables outstanding at the balance sheet date are disclosed under other short-term receivables or other short-term liabilities. Deferred income tax is calculated using the liability method for any temporary difference between the carrying amount according to Swiss GAAP FER and the tax basis of assets and liabilities. Deferred income tax is measured at tax rates that are expected to apply to the period when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates/laws that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be offset.

Deferred income tax is provided for temporary differences on investments in subsidiaries and associates, except when the Group can control the timing of the reversal of the temporary difference or the reversal is not probable in the foreseeable future.

2.20 Alternative Performance Measures

Alternative Performance Measures are key figures not defined by Swiss GAAP FER. HUBER+SUHNER uses alternative performance measures as guidance parameters for both internal and external reporting to stakeholders. For the definition of Alternative Performance Measures please visit Publications.

3 Changes in the scope of consolidation and other changes

On 30 April 2021 HUBER+SUHNER acquired ROADMap Systems Ltd., a technology start-up located in Cambridge, UK, through an asset deal. The company is developing the next generation of highly integrated wavelength-selective switch technology and is integrated into the Communication segment. At the time of acquisition, the fair values of net assets acquired according to Swiss GAAP FER were as follows:

Effect of acquisition	**Fair Value**
Property, plant and equipment	44
Deferred tax asset	230
Acquired net assets	**274**

The goodwill from the acquisition of ROADMap Systems Ltd, which was offset with equity, was CHF 1.2 million. The total purchase price (including acquisition costs) was CHF 1.5 million. Considering the remaining payment of total CHF 0.3 million, the net cash outflow was CHF 1.2 million.

In December 2021 the remaining outstanding payment of CHF 0.6 million for the acquisition of Kathrein SE, Germany (acquired in 2019), was fully derecognized as the criteria for deferred payment were not achieved and the goodwill was reduced by CHF 0.5 million (net of taxes) accordingly (see note 20). This business is reported in the Industry segment.

In February 2021 a final payment of CHF 0.1 million was made for the acquisition of Inwave Elektronik AG, Reute in Switzerland (acquired in 2017) and the goodwill was reduced by CHF 0.3 million, as the deferred purchase price was CHF 0.4 million. This business is reported in the Industry segment.

There were no changes in consolidation scope in 2020.

In 2020 the goodwill from the acquisition of the BKtel Group (acquired in 2019) has been increased by CHF 0.1 million due to the property acquisition tax in Germany (see note 20). BKtel is reported in the Communication segment.

In 2020 the outstanding payment for the acquisition of Kathrein SE, Germany (acquired in 2019), was reduced from CHF 1.9 million to CHF 0.6 million as the criterias for deferred payment were not achieved and the goodwill (net of taxes) was reduced accordingly (see note 20). This business is reported in the Industry segment.

From the acquisition Inwave Elektronik AG, Reute in Switzerland in 2017, CHF 0.3 million of the remaining payment was paid out in 2020.

A complete list of all Group companies can be found in chapter Group Companies.

Discontinued operation

In 2021 there is no material impact of the prior year discontinued operation in Brazil. The market is served through other HUBER+SUHNER entities.

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

4 Exchange rates for currency translation

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

	Spot rates for the consolidated balance sheet		Average rates for the consolidated income and cash flow statement	
	31.12.2021	**31.12.2020**	**2021**	**2020**
1 EUR	1.04	1.09	1.08	1.07
1 USD	0.92	0.89	0.92	0.94
100 CNY	14.42	13.57	14.21	13.60
1 GBP	1.23	1.20	1.26	1.21
100 INR	1.23	1.21	1.24	1.27
1 PLN	0.23	0.24	0.24	0.24
1 HKD	0.12	0.11	0.12	0.12
1 AUD	0.66	0.67	0.69	0.65

5 Segment information

Adjustments due to the new segment structure

HUBER+SUHNER has simplified its organisational structure with effect from 1 January 2021 and orients itself towards the three market segments Industry, Communication and Transportation. The three market segments replace the three technology segments Radio Frequency, Fiber Optics and Low Frequency. The reporting used on top management level to steer the Group has been adjusted accordingly. The segment reporting for the three market segments were disclosed for the first time in the Half-year Report 2021 including a prior-year restatement. The Consolidated Income Statement has been adjusted due to the new organisational structure for the prior year period to ensure comparability as some functions were reallocated. The Consolidated Balance Sheet, the Consolidated Cash Flow Statement as well as the Consolidated Statement of Equity are unchanged.

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

Industry segment

HUBER+SUHNER utilises its expertise in electrical and optical connectivity in developing advanced and differentiated solutions for demanding applications in a variety of industrial markets. Customers benefit from a wide range that encompasses components such as cables, connectors, cable assemblies, antennas, lightning protection and resistive components – all of which can be customised to meet specific requirements. This comprehensive portfolio features products specifically designed to withstand the extreme environments of space and offshore applications, ensure data integrity and connectivity to safeguard protective forces, guarantee accuracy and repeatability for test and measurement systems, maintain safe-handling in high power electric car charging, provide lifetime data transfer and control for wind energy and industrial automation, and deliver the precision and flexibility necessary for medical applications in improving lives.

Markets served: aerospace and defense, test and measurement, energy, medical, general industrials.

Communication segment

HUBER+SUHNER is a strategic partner to the communication market combining profound technical expertise with extensive customer intimacy to meet the needs of mobile networks, fixed access networks, data centers and communication equipment manufacturers. Customers benefit from a comprehensive and customisable portfolio of physical layer connectivity products and systems that are based on fiber optic and radio frequency technologies. HUBER+SUHNER provides an extensive range of reliable, future-ready solutions that pull from products including harsh environment connectivity, antenna transmission, residential access, video overlay, bandwidth expansion, cable systems, cable management, hardware interconnection, optical switching and wavelength-selective switching. Each solution is designed and engineered to provide the highest performance, density and scalability for today and far into the future.

Markets served: mobile networks, fixed access networks, data centers, communication equipment manufacturers.

Transportation segment

HUBER+SUHNER develops comprehensive and sustainable connectivity solutions for the transportation market by combining three in-house technologies into innovations. The solutions in the transportation segment address the mobility needs of today and tomorrow in the railway and automotive markets. These needs also include the addition of communication solutions and thus the possibility of being mobile while being connected. The portfolio includes an extensive range of cables, cable assemblies, hybrid cables and cable systems, as well as antennas, radar and connectors. By specialising in polymer compounds using a patented formula developed in-house for high-quality cable insulation, and in combination with electron beam cross-linking technology, low frequency cable products offer competitive advantages of space and weight savings, and long lifetime, even under extreme conditions. Altogether, customers benefit from efficient electrical transmission, high-speed data transfer, and autonomous control in future-ready transportation concepts.

Markets served: railway, automotive (conventional and electric vehicles).

Corporate

This segment chiefly covers the expenses of corporate functions in Switzerland and all business activities that cannot be allocated to one of the three market segments.

Net sales by segment

	2021	**2020**
Industry	275 398	225 956
Communication	341 108	289 079
Transportation	246 441	222 862
Total net sales	**862 947**	**737 897**

Net sales by region (sales area)

	2021	**2020**
Switzerland	40 673	41 423
EMEA (Europe, Middle East and Africa [excl. CH])	419 384	358 307
APAC (Asia-Pacific)	185 624	203 637
Americas (North and South America)	217 266	134 530
Total net sales	**862 947**	**737 897**

Operating profit (EBIT)

	2021	**2020**
Industry	58 387	36 376
Communication	41 459	15 460
Transportation	12 558	16 160
Corporate	(7 827)	(6 796)
Total operating profit (EBIT)	**104 577**	**61 200**

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

6 Financial result

	2021	2020
Interest income	1 870	2 518
Foreign exchange gains incl. derivative financial instruments	1 401	1 306
Other financial income	–	1
Total financial income	**3 271**	**3 825**
Interest expense	(547)	(213)
Foreign exchange losses incl. derivative financial instruments	(2 487)	(2 556)
Other financial expense	(2 502)	(1 638)
Total financial expense	**(5 536)**	**(4 407)**
Total financial result	**(2 265)**	**(582)**

Other financial expense includes amongst others bank charges and non-refundable withholding taxes on dividend from Group companies.

7 Income taxes

	2021	2020
Current income taxes	(15 513)	(14 965)
Deferred income taxes	517	6 653
Total income taxes	**(14 996)**	**(8 312)**

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

	2021	2020
Net income before taxes	102 312	60 618
Expected income tax rate	**19.2%**	**21.1%**
Expected income taxes	(19 694)	(12 792)
Effect of utilisation of non-recognised tax losses carry-forward	1 414	733
Effect of non-tax-deductible expenses and non-taxable income	2 803	1 408
Effect of non-recognition of current tax losses	(348)	(988)
Effect of increased/reduced allowance on deferred tax balances	82	3 862
Effect of changes in tax rates on deferred tax balances	(335)	(667)
Effect of tax credits/debits from prior years and other effects	1 082	132
Effective income taxes	**(14 996)**	**(8 312)**
Effective income tax rate	**14.7%**	**13.7%**

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

In the reporting year, the decrease from 19.2 % in the expected income tax rate to 14.7 % in the effective income tax rate is mainly attributable to the following three factors: Firstly, two legal entities were able to use non capitalized losses carried forward due to taxable profits in the reporting year. Secondly, in several countries (Switzerland, China, France, USA) R&D deductions and other tax benefits are available, that can be used by HUBER+SUHNER (shown in the line "effect of non-tax-deductible expenses and non-tax-deductible income"). Thirdly, due to the closure of the production site in Brazil in 2020, the investment in this group company had been finally written off (shown in the line "effect of tax credits/debits from prior years and other effects").

The capitalised deferred tax assets on losses carried forward amounts to CHF 1.2 million (previous year: CHF 0.9 million). The unrecognised tax loss carried forward was CHF 12.9 million (previous year, CHF 17.1 million). This corresponds to a potential tax asset of CHF 3.8 million (previous year: CHF 4.7 million). In 2021 no tax losses carried forward expired (previous year: CHF 0.0 million).

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

8 Personnel expenses

Personnel expenses included in the income statement amount to:

	2021	2020
Total personnel expenses	**280 807**	**262 766**

9 Post-employment benefits

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

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

Employer contribution reserves (ECR)

	Nominal value	Waiver of use	Accu-mulation	Balance sheet		Income statement impact from ECR	
	31.12.2021	2021	2021	31.12.2021	31.12.2020	2021	2020
Employer contribution reserves [1]	17 224	–	296	17 224	16 928	296	828
Total	**17 224**	**–**	**296**	**17 224**	**16 928**	**296**	**828**

[1] The ECR are based on the annual reports of the paternal fund from the previous year. The economic benefits/economic obligations are assessed at each balance sheet date. In 2021 as well as in 2020, interest on the paternal fund of the ECR is recognised as financial income.

Economic benefit / economic obligation and pension benefit expenses

	Funding surplus	Economic part of the organisation		Change from prior year with income statement impact	Change from prior year with no income statement impact	Contribu-tions for the period	Pension costs within personnel expenses	
	31.12.2021	31.12.2021	31.12.2020	2021	2021	2021	2021	2020
Paternal fund [1]	68 407	–	–	–	–	–	–	–
Pension plans with surplus [1]	41 469	–	–	–	–	(8 843)	(8 843)	(9 213)
Pension plans without own assets	–	1 612	2 281	(144)	813	–	(144)	(208)
Total	**109 876**	**1 612**	**2 281**	**(144)**	**813**	**(8 843)**	**(8 987)**	**(9 421)**

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

10 Share-based payment

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

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

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

Share-based compensation is calculated based on the year-end share price of CHF 87.00 (previous year: CHF 69.90). In the year under review, 24 775 shares (prior year: 31 225 shares) were allocated. Expenses, which included social security, in the amount of CHF 2.4 million (prior year: CHF 2.5 million) are recognised accordingly in the income statement. Shares are transferred in the following financial year, subject to approval by the Annual General Meeting.

11 Related party transactions

In 2021 no services (previous year: CHF 0.1 million for air travel) were purchased from related parties.

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

12 Depreciation and amortisation

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

	2021	2020
Depreciation of property, plant and equipment	26 993	22 873
Amortisation of intangible assets	6 076	5 275
Total depreciation and amortisation	**33 069**	**28 148**

13 Liabilities from operating lease

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

Liabilities from operating lease

	31.12.2021	31.12.2020
Less than 1 year	5 513	4 324
Between 1 and 5 years	15 637	12 779
More than 5 years	14 583	13 520
Total liabilities from operating lease	**35 733**	**30 623**

The increase of the liabilities from operating lease compared to previous year is mainly due to various extended lease agreements.

14 Cash and cash equivalents

	31.12.2021	31.12.2020
Cash at bank and on hand	98 769	166 338
Term deposits < 3 month term, in CHF	94 998	19 999
Term deposits < 3 month term, in other currency	26 078	17 219
Total cash and cash equivalents	**219 845**	**203 556**

15 Trade receivables

	31.12.2021	31.12.2020
Trade receivables from third parties	146 927	123 542
Provision for doubtful trade receivables	(2 503)	(2 439)
Total trade receivables, net	**144 424**	**121 103**

16 Other short-term receivables

	31.12.2021	31.12.2020
Other short-term receivables	25 424	25 446
Derivative financial instruments	785	95
Total other short-term receivables	**26 209**	**25 541**

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

17 Inventories

	31.12.2021	31.12.2020
Raw materials and supplies	84 019	68 655
Work in progress	12 814	12 855
Finished goods	109 854	100 567
Total inventories, gross	**206 687**	**182 077**
Inventory provision	(34 668)	(43 265)
Total inventories, net	**172 019**	**138 812**

18 Derivative financial instruments

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

Derivative financial instruments

	Positive market value	Negative market value	Purpose	Positive market value	Negative market value	Purpose
		31.12.2021			31.12.2020	
Foreign exchange	785	42	Hedging	95	316	Hedging
Total	**785**	**42**		**95**	**316**	

19 Property, plant and equipment

	Unde-veloped property	Land and buildings	Technical equipment and machinery	Other equip-ment	Assets under construc-tion	Total
Cost at 1.1.2020	**2 080**	**206 852**	**337 275**	**79 024**	**19 769**	**645 000**
Additions	–	732	2 688	3 160	24 755	31 335
Disposals	–	(3 168)	(7 869)	(1 136)	(152)	(12 325)
Reclassifications	–	986	14 126	2 080	(17 192)	–
Change in consolidation scope	–	–	–	–	–	–
Currency translation differences	–	(1 469)	(4 386)	(1 487)	(105)	(7 447)
Cost at 31.12.2020	**2 080**	**203 933**	**341 834**	**81 641**	**27 075**	**656 563**
Additions	–	1 017	4 678	3 216	35 179	44 090
Disposals	–	(227)	(11 331)	(2 289)	(1)	(13 848)
Reclassifications	–	1 614	28 354	4 234	(34 202)	–
Change in consolidation scope	–	–	44	–	–	44
Currency translation differences	–	502	2 419	(298)	(388)	2 235
Cost at 31.12.2021	**2 080**	**206 839**	**365 998**	**86 504**	**27 663**	**689 084**
Accumulated depreciation and impairment at 1.1.2020	**–**	**(118 247)**	**(268 397)**	**(66 427)**	**–**	**(453 071)**
Additions	–	(4 582)	(13 471)	(4 820)	–	(22 873)
Impairments	–	–	–	–	–	–
Disposals	–	2 336	7 180	973	–	10 489
Reclassifications	–	(8)	(1)	9	–	–
Currency translation differences	–	398	2 594	1 010	–	4 002
Accumulated depreciation and impairment at 31.12.2020	**–**	**(120 103)**	**(272 095)**	**(69 255)**	**–**	**(461 453)**
Additions	–	(5 240)	(16 903)	(4 850)	–	(26 993)
Impairments	–	–	–	–	–	–
Disposals	–	35	10 920	2 078	–	13 033
Reclassifications	–	–	–	–	–	–
Currency translation differences	–	117	(1 317)	145	–	(1 055)
Accumulated depreciation and impairment at 31.12.2021	**–**	**(125 191)**	**(279 395)**	**(71 882)**	**–**	**(476 468)**
Net book value at 1.1.2020	**2 080**	**88 605**	**68 878**	**12 597**	**19 769**	**191 929**
Net book value at 31.12.2020	**2 080**	**83 830**	**69 739**	**12 386**	**27 075**	**195 110**
Net book value at 31.12.2021	**2 080**	**81 648**	**86 603**	**14 622**	**27 663**	**212 616**

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

20 Intangible assets

	Software	Other	Total
Cost at 1.1.2020	**74 269**	**1 418**	**75 687**
Additions	6 354	–	6 354
Disposals	(66)	–	(66)
Change in consolidation scope	–	–	–
Currency translation differences	(394)	(41)	(435)
Cost at 31.12.2020	**80 163**	**1 377**	**81 540**
Additions	6 606	–	6 606
Disposals	(874)	–	(874)
Change in consolidation scope	–	–	–
Currency translation differences	(11)	86	75
Cost at 31.12.2021	**85 884**	**1 463**	**87 347**
Accumulated amortisation and impairment at 1.1.2020	**(54 997)**	**(227)**	**(55 224)**
Additions	(5 245)	(30)	(5 275)
Disposals	61	–	61
Impairments	–	–	–
Currency translation differences	214	6	220
Accumulated amortisation and impairment at 31.12.2020	**(59 967)**	**(251)**	**(60 218)**
Additions	(6 044)	(32)	(6 076)
Disposals	892	–	892
Impairments	–	–	–
Currency translation differences	1	(15)	(14)
Accumulated amortisation and impairment at 31.12.2021	**(65 118)**	**(298)**	**(65 416)**
Net book value at 1.1.2020	**19 272**	**1 191**	**20 463**
Net book value at 31.12.2020	**20 196**	**1 126**	**21 322**
Net book value at 31.12.2021	**20 766**	**1 165**	**21 931**

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

Theoretical movement schedule for goodwill

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

Cost

	2021	2020
Balance at 1.1.	140 682	141 758
Additions from acquisitions	1 177	–
Increase of goodwill	–	123
Reduction of goodwill	(732)	(1 199)
Balance at 31.12.	**141 127**	**140 682**

For the changes in goodwill see note 3.

Accumulated amortisation

	2021	2020
Balance at 1.1.	(104 463)	(90 091)
Amortisation expense	(10 865)	(14 372)
Balance at 31.12.	**(115 328)**	**(104 463)**
Theoretical net book value at 31.12.	**25 799**	**36 219**

Impact on balance sheet

	31.12.2021	31.12.2020
Equity according to the balance sheet	643 750	591 628
Theoretical capitalisation of goodwill	25 799	36 219
Theoretical equity incl. net book value of goodwill	**669 549**	**627 847**

Impact on income statement

	2021	2020
Net income	87 316	52 306
Amortisation of goodwill	(10 865)	(14 372)
Theoretical net income	**76 451**	**37 934**

21 Financial assets

	31.12.2021	31.12.2020
Assets from employer contribution reserves	17 225	16 928
Others	5 538	4 529
Total financial assets	**22 763**	**21 457**

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

22 Financial liabilities

	31.12.2021	31.12.2020
Short-term financial liabilities	–	632
Total financial liabilities	**–**	**632**

Maturities of financial liabilities

	31.12.2021	31.12.2020
Due within 1 year	–	632
Total financial liabilities	**–**	**632**

The financial liability was a bank loan taken over as part of the acquisition of BKtel, which was fully paid back in 2021.

23 Restrictions on the title to assets

Assets with a carrying amount of CHF 1.1 million (previous year: CHF 1.2 million) were pledged to secure a bank loan, which was fully paid back at the end of 2021 and is in the process of being relieved. The pledged asset consists of a building.

24 Other short-term liabilities

	31.12.2021	31.12.2020
Accrual for personnel expenses	33 754	25 893
Advance payments from customers	2 882	2 612
Derivative financial instruments	42	316
Current income tax liabilities	14 961	13 382
Other liabilities	10 819	8 478
Total other short-term liabilities	**62 458**	**50 681**

25 Provisions

	Retirement plan obligations	Employee-related provisions	Order-related provisions	Other provisions	Total
Balance at 1.1.2020	**2 292**	**4 958**	**9 660**	**4 350**	**21 260**
Additions	208	1 054	3 018	550	4 830
Releases	–	(345)	(547)	(126)	(1 018)
Utilisation	(143)	(965)	(625)	(60)	(1 793)
Change in consolidation scope	–	–	–	–	–
Currency translation differences	(76)	(59)	(221)	(83)	(439)
Balance at 31.12.2020	**2 281**	**4 643**	**11 285**	**4 631**	**22 840**
Additions	146	1 886	4 421	224	6 677
Releases	–	(181)	(350)	(27)	(558)
Utilisation	(770)	(825)	(1 406)	(223)	(3 224)
Change in consolidation scope	–	–	–	–	–
Currency translation differences	(44)	(28)	99	12	39
Balance at 31.12.2021	**1 613**	**5 495**	**14 049**	**4 617**	**25 774**
Short-term provisions	**–**	**1 659**	**10 047**	**2 396**	**14 102**
Long-term provisions	**2 281**	**2 984**	**1 238**	**2 235**	**8 738**
Total provisions at 31.12.2020	**2 281**	**4 643**	**11 285**	**4 631**	**22 840**
Short-term provisions	**–**	**2 605**	**12 880**	**2 297**	**17 782**
Long-term provisions	**1 613**	**2 890**	**1 169**	**2 320**	**7 992**
Total provisions at 31.12.2021	**1 613**	**5 495**	**14 049**	**4 617**	**25 774**

Retirement plan obligations include liabilities in connection with defined contribution plans (pension plans without own assets) and primarily concern specific former employees.
Employee-related provisions mainly include length-of-service rewards and obligations to employees.
Order-related provisions are directly related to services arising from product deliveries and projects, and are formulated based on the experience and estimation of each project. Order-related provisions relate to warranties, customer claims, penalties and other guarantees.
Other provisions include obligations which do not fit into the aforementioned categories, such as current or possible

litigations arising from divestments, licence agreements or duties as well as other constructive or legal obligations. Due to the nature of the long-term provisions, the timing of the cash outflows is uncertain. However, a partial cash outflow can be expected within two to three years, on average.

In both the reporting period and the prior year, there were no restructuring provisions.

26 Deferred tax assets and liabilities

	Deferred tax assets	Deferred tax liabilities
Balance at 1.1.2020	**11 438**	**25 339**
Additions	2 092	562
Releases / utilisation	(1 637)	(6 760)
Releases through equity	(181)	(23)
Reclassifications	–	(8)
Change in consolidation scope	–	–
Currency translation differences	(593)	(16)
Balance at 31.12.2020	**11 119**	**19 094**
Additions	734	283
Releases / utilisation	(1 604)	(1 670)
Releases through equity	(73)	–
Reclassifications	(221)	(220)
Change in consolidation scope	230	–
Currency translation differences	82	(2)
Balance at 31.12.2021	**10 267**	**17 485**

27 Share capital

As at 31.12.2021 20 200 000 (previous year: 20 200 000) registered shares, with a nominal value of CHF 0.25, were outstanding. The Company has no authorised or conditional capital. Reserves which are not disposable or distributable amount to CHF 2.5 million as at 31 December 2021 (previous year: CHF 2.5 million).

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

	Quantity	Transaction price (Ø) in CHF	Purchase cost	Quantity	Transaction price (Ø) in CHF	Purchase cost
		2021			2020	
Balance at 1.1.	**727 640**		**246**	**735 140**		**718**
Purchases of treasury shares	196 425	80.46	15 805	22 133	52.14	1 154
Disposals of treasury shares	(30 925)	71.69	(2 217)	(29 633)	54.87	(1 626)
Balance at 31.12.	**893 140**		**13 834**	**727 640**		**246**

Out of the total purchases of treasury shares of 196 425, in 2021 141 500 treasury shares were purchased as part of the running share buyback programme and 54 925 treasury shares for remuneration purposes.

As at the balance sheet date, foundations related to the HUBER+SUHNER Group hold 274 716 shares in HUBER+SUHNER AG (previous year: 276 886). Pension funds connected with the HUBER+SUHNER Group hold no shares in HUBER+SUHNER AG.

28 Earnings per share

	2021	**2020**
Net income attributable to shareholders of HUBER+SUHNER AG	86 538	51 863
Average number of outstanding shares	19 440 610	19 469 307
Undiluted / diluted earnings per share (CHF)	**4.45**	**2.66**

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

29 Future commitments

The Group companies have committed to various capital expenditures essential for the day-to-day running of their businesses. At the year-end there were commitments for the purchase of property, plant and equipment and intangible assets amounting to CHF 27.3 million (previous year: CHF 15.9 million). The increased amount is due to ordered production equipment and the ongoing construction of a building in Switzerland.

30 Contingent Liabilities

As at 31 December 2021 a parent guarantee in the amount of CHF 6.4 million (previous year: CHF 6.2 million) exists in favour of a third party for a long-term lease agreement. This amount represents the maximum amount of the obligation assumed. HUBER+SUHNER Group has not given any other guarantees in respect of its business relationships with third parties.

31 Events after the balance sheet date

No events occurred between the balance sheet date and the date these consolidated financial statements were approved by the Board of Directors (3 March 2022) which affect the annual results or require any adjustments to the Group's assets and liabilities.

Group Companies

Companies at 31.12.2021 (all fully consolidated)		Domicile		Capital stock in 1 000	Ownership	Purpose
Switzerland	HUBER+SUHNER AG	Herisau	CHF	5 050	parent company	▲ ■
Australia	HUBER+SUHNER (Australia) Pty Ltd.	Frenchs Forest, New South Wales	AUD	5 000	100%	▲ ■
Brazil	HUBER+SUHNER América Latina Ltda.	São José dos Campos	BRL	39 197	100%	■
Canada	HUBER+SUHNER (Canada) Ltd.	Ottawa	CAD	2 350	100%	—
China	HUBER+SUHNER (Hong Kong) Ltd.	Hong Kong	HKD	12 325	100%	◆ ■
	HUBER+SUHNER (Shanghai) Co. Ltd. [1]	Shanghai	CNY	19 970	100%	■
	HUBER+SUHNER CCT (Shanghai) Co. Ltd. [1]	Shanghai	CNY	27 854	100%	■
	HUBER+SUHNER CCM (Changzhou) Co. Ltd. [1]	Changzhou	CNY	126 246	100%	▲
Costa Rica	HUBER+SUHNER Astrolab Costa Rica S.r.l. [2]	San José	USD	0	100%	▲
France	BKtel photonics SAS [3]	Lannion	EUR	10	57%	▲ ■
	HUBER+SUHNER (France) SAS	Voisins-le-Bretonneux	EUR	200	100%	■
Germany	HUBER+SUHNER BKtel GmbH	Hückelhoven	EUR	600	100%	▲ ■
	HUBER+SUHNER GmbH	Taufkirchen	EUR	3 068	100%	◆ ■
	HUBER+SUHNER Cube Optics AG [4]	Mainz	EUR	590	100%	▲ ■
India	HUBER+SUHNER Electronics Pvt. Ltd. [5]	New Delhi	INR	170 000	100%	▲ ■
Japan	BKtel Pacific Rim (Japan) Inc. [3]	Yokohama	JPY	10 000	51%	■
Malaysia	HUBER+SUHNER (Malaysia) Sdn Bhd [6]	Kuala Lumpur	MYR	2 500	100%	▲ ■
Netherlands	HUBER+SUHNER B.V.	Rosmalen	EUR	200	100%	—
Poland	HUBER+SUHNER Sp. z o.o.	Tczew	PLN	5 600	100%	▲
Singapore	HUBER+SUHNER (Singapore) Pte Ltd.	Singapore	SGD	3 000	100%	◆ ■
Spain	HUBER&SUHNER (Spain) [7]	Madrid	EUR	3	100%	▲
Tunisia	HUBER+SUHNER (Tunisie) SARL	Sousse	TND	100	100%	▲
United Kingdom	HUBER+SUHNER (UK) Ltd.	Bicester	GBP	4 000	100%	▲ ■
	HUBER+SUHNER Polatis Ltd.	Cambridge	GBP	700	100%	▲ ■
USA	HUBER+SUHNER (North America) Corp.	Charlotte, North Carolina	USD	1	100%	◆
	HUBER+SUHNER, Inc. [8, 9]	Charlotte, North Carolina	USD	50	100%	▲ ■
	HUBER+SUHNER Astrolab, Inc. [8]	Warren, New Jersey	USD	12 000	100%	▲ ■

1) Subsidiary of HUBER+SUHNER (Hong Kong) Ltd.
2) Subsidiary of HUBER+SUHNER Astrolab, Inc.
3) Subsidiary of HUBER+SUHNER BKtel GmbH
4) Subsidiary of HUBER+SUHNER GmbH
5) Subsidiary of HUBER+SUHNER AG and of HUBER+SUHNER B.V.
6) Subsidiary of HUBER+SUHNER (Singapore) Pte Ltd.
7) Subsidiary of HUBER+SUHNER Cube Optics AG
8) Subsidiary of HUBER+SUHNER (North America) Corp.
9) HUBER+SUHNER Polatis Photonics, Inc. was merged with HUBER+SUHNER, Inc. in November 2021.

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

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Basel, 3 March 2022

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the financial statements of HUBER+SUHNER AG, which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of equity and notes to the group financial statements including a summary of significant accounting policies (pages 48 to 71), for the year ended 31 December 2021.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2021 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

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

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

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

Valuation of inventories

Area of focus	As of 31 December 2021, inventories amounted to CHF 172.0 million, representing 20.6% of the Group's total assets. As indicated in Note 2.6 to the consolidated financial statements, inventories are valued at the lower of cost and net realisable value. Cost is determined according to the standard costing method. For slow-moving and obsolete stock the Group recognizes an inventory allowance based on the inventory turnover. Due to the significance of the carrying values of inventories and the degree of management judgment involved in determining production costs, write-downs and fair value less cost to sell, this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst other: • We gained an understanding of the inventory valuation process, the valuation method, as well as the underlying assumptions applied. • On a sample basis we analysed the standard cost calculations and verified the differences between the standard and actual costs. • We challenged the estimates made by Management regarding write-downs by assessing whether they are in line with historical experience. • We reviewed inventory ratio's and audited underlying data of the inventory ageing list. • We verified compliance with the principle of net realisable value for finished goods by comparing production costs with the expected net sale proceeds. Our audit procedures did not lead to any reservations regarding to the valuation of inventories.

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

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

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

Ernst & Young Ltd

Iwan Zimmermann (Qualified Signature)	Erik Zeller (Qualified Signature)
Partner	Senior Manager

Five-Year Financial Summary

in CHF million	2017	2018	2019	2020	2021
Order intake	**826.3**	**915.2**	**800.9**	**748.2**	**995.6**
change in % over prior year	10.7	10.8	(12.5)	(6.6)	33.1
Order backlog as of 31.12.	**230.5**	**246.9**	**213.6**	**195.5**	**323.4**
change in % over prior year	30.1	7.1	(13.5)	(8.5)	65.4
Net sales	**774.0**	**885.0**	**830.6**	**737.9**	**862.9**
change in % over prior year	5.0	14.3	(6.1)	(11.2)	16.9
Gross margin	**34.5%**	**34.6%**	**36.2%**	**35.4%**	**38.2%**
EBITDA	**90.5**	**116.4**	**111.8**	**89.3**	**137.6**
as % of net sales	11.7	13.2	13.5	12.1	16.0
EBIT	**58.1**	**82.5**	**80.5**	**61.2**	**104.6**
as % of net sales	7.5	9.3	9.7	8.3	12.1
change in % over prior year	(16.6)	41.9	(2.4)	(24.0)	70.9
Financial result	**(0.7)**	**(2.8)**	**(1.7)**	**(0.6)**	**(2.3)**
Net income	**42.1**	**61.4**	**62.8**	**52.3**	**87.3**
as % of net sales	5.4	6.9	7.6	7.1	10.1
change in % over prior year	(20.8)	45.6	2.3	(16.7)	66.9
Purchases of PP&E and intangible assets	**37.8**	**27.0**	**37.5**	**37.7**	**50.7**
change in % over prior year	17.3	(28.5)	38.9	0.4	34.6
Cash flow from operating activities	**52.9**	**99.6**	**129.1**	**86.5**	**101.7**
change in % over prior year	(33.5)	88.0	29.7	(33.0)	17.5
Free operating cash flow	**20.0**	**71.7**	**45.1**	**50.2**	**56.6**
change in % over prior year	(9.7)	259.2	(37.1)	11.3	12.7
Net liquidity as of 31.12.	**152.6**	**198.8**	**190.2**	**202.9**	**219.8**
change in % over prior year	(3.1)	30.3	(4.3)	6.7	8.3
Equity as of 31.12.	**593.5**	**620.8**	**587.7**	**591.6**	**643.8**
as % of balance sheet total	78.9	80.7	78.4	79.9	77.2
Employees at year-end (permanent employees)	**4 200**	**4 456**	**4 823**	**4 410**	**4 588**
change in % over prior year	4.2	6.1	8.2	(8.6)	4.0
Employees, yearly average (permanent employees)	**4 198**	**4 352**	**4 636**	**4 726**	**4 466**

Financial Report

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Income Statement

in CHF 1 000	Notes	2021	2020
Net Sales		431 087	389 247
Other operating income	3.1	50 470	22 176
Change in semi-finished and finished goods		11 888	(30 043)
Total operating income		**493 445**	**381 380**
Material expenses		(215 824)	(145 573)
Personnel expenses		(147 371)	(140 342)
Other operating expenses		(52 985)	(55 672)
Depreciation and amortisation		(46 426)	(19 102)
Total operating expenses		**(462 606)**	**(360 689)**
Operating profit (EBIT)		**30 839**	**20 691**
Financial income		4 272	2 257
Financial expense		(579)	(4 641)
Income from investments	3.2	44 997	25 602
Expense from investments	3.2	(3 200)	
Non-operating income		923	1 051
Non-operating expenses		(527)	(509)
Extraordinary income	3.3	252	–
Income before taxes		**76 977**	**44 451**
Income taxes		(3 816)	(2 823)
Net Income		**73 161**	**41 628**

Balance Sheet

in CHF 1 000	Notes	31.12.2021	%	31.12.2020	%
Assets					
Cash and cash equivalents		148 930		120 182	
Trade receivables third party		23 456		15 492	
Trade receivables group companies		32 249		22 308	
Other short-term receivables third party		7 114		5 364	
Other short-term receivables group companies		1 314		1 766	
Inventories	3.4	39 050		27 780	
Accrued income		1 618		669	
Current assets		**253 731**	**46.9**	**193 561**	**37.4**
Property, plant, equipment and intangible assets	3.5	105 597		119 782	
Investments in subsidiaries	3.6	149 161		152 361	
Long-term loans group companies		32 828		52 523	
Non-current assets		**287 586**	**53.1**	**324 666**	**62.6**
Assets		**541 317**	**100.0**	**518 227**	**100.0**
Liabilities and equity					
Trade payables third party		17 986		11 455	
Trade payables group companies		11 262		6 451	
Other short-term liabilities third party		18 918		17 518	
Short-term provisions		2 365		1 285	
Accrued liabilities		4 636		5 124	
Current liabilities		**55 167**		**41 833**	
Long-term provisions		27 615		52 536	
Other long-term liabilities		2 590		2 210	
Non-current liabilities		**30 205**		**54 746**	
Liabilities		**85 372**	**15.8**	**96 579**	**18.6**
Share capital	3.7	5 050		5 050	
Legal reserves		40 271		40 271	
General reserves		90 597		90 558	
Retained earnings		333 867		286 021	
Treasury shares	3.8	(13 840)		(252)	
Equity		**455 945**	**84.2**	**421 648**	**81.4**
Liabilities and equity		**541 317**	**100.0**	**518 227**	**100.0**

Notes to Financial Statements

1 General

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

2 Accounting policies

2.1 General

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

2.2 Foreign currency translation

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

2.3 Revenue recognition

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

2.4 Trade receivables

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

2.5 Inventories

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

2.6 Property, plant, equipment and intangible assets

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

2.7 Investments in subsidiaries

Investments are initially recognised at cost. Investments are assessed annually and individually.

2.8 Provisions

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

2.9 Treasury shares

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

3 Details to individual positions

3.1 Other operating income

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

3.2 Income and expense from investments

Income from investments includes dividend payments from subsidiaries in the amount of TCHF 44 997 (previous year: TCHF 25 602). Expense corresponds to an impairment recognized at the amount TCHF 3200. No impairments of investments have been reversed (previous year: no recognition or reversal).

3.3 Extraordinary income

Extraordinary income results from the reduction of deferred purchase price liability on an acquisition at the amount of TCHF 252 (previous year: none).

3.4 Inventories

in CHF 1 000	**31.12.2021**	**31.12.2020**
Raw materials and supplies	12 653	9 999
Work in progress	7 157	6 221
Semi-finished and finished goods	61 644	49 756
Inventory provision	(42 404)	(38 196)
Total	**39 050**	**27 780**

3.5 Property, plant, equipment and intangible assets

in CHF 1 000	31.12.2021	31.12.2020
Land	6 225	6 225
Buildings	35 116	36 931
Technical equipment and machinery	20 960	27 743
Other equipment	629	863
Assets under construction	18 677	26 266
Investment property	2 080	2 080
Intangible assets	21 910	19 674
Total	**105 597**	**119 782**

3.6 Investments in subsidiaries

Directly and indirectly held subsidiaries are listed in chapter Group Companies of the Group Financial Statements.

3.7 Share capital

Both at 31 December 2021 and at 31 December 2020 the share capital was composed of 20 200 000 registered shares, with a nominal value of CHF 0.25 each.
The composition of capital stock is disclosed in the Notes to the Group Financial Statements (see Note 27).

The company holds 893 140 treasury shares (726 640 treasury stock, 141 500 treasury shares as part of the running share buyback programme 2021, 25 000 other treasury shares for remuneration purposes).

On 29 October 2021 HUBER+SUHNER AG launched a share buyback programme over a maximum period of three years, for up to 5 % of the registered shares. The shares are being repurchased via a second trading line on the SIX Swiss Exchange for the purpose of capital reduction.

3.8 Treasury shares

	2021	2020
Number at 1.1.	727 640	735 140
Purchases	196 425	22 133
Allotment	(30 925)	(29 633)
Number at 31.12.	893 140	727 640

For details of transactions and balances relating to treasury shares see note 27 of the Notes to Group Financial Statements.

4 Contingent liabilities

in CHF 1 000	31.12.2021	31.12.2020
Parent guarantee for long-term lease	6 429	6 202

5 Liabilities to pension funds

in CHF 1 000	31.12.2021	31.12.2020
Total liabilities to pension funds	–	62

6 Net release of undisclosed reserves

in CHF 1 000	2021	2020
Total net release of undisclosed reserves	–	17 710

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

Shares of votes and capital	31.12.2021	31.12.2020
EGS Beteiligungen AG	9.24%	9.23%
S. Hoffmann-Suhner	6.18%	6.18%
Huwa Finanz- und Beteiligungs AG	3.25%	3.25%
Metrohm AG	n/a	10.62%
Norges Bank (the Central Bank of Norway)	n/a	3.40%

n/a = not applicable (no significant shareholder anymore)

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

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

Shareholdings of Board of Directors

(Number of shares at 31 December 2021)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [2]	Total share of votes [3]
U. Kaufmann	Chairman	89 200	500	89 700	45 700	44 000	0.46%
B. Kälin	Deputy Chairman	24 500	–	24 500	12 500	12 000	0.13%
M. Bütler	Member	6 000	–	6 000	2 400	3 600	< 0.10 %
R. Seiffert	Member	13 433	–	13 433	9 833	3 600	< 0.10 %
J. Walther	Member	6 000	–	6 000	–	6 000	< 0.10 %
F. Studer [1]	Member	–	–	–	–	–	–
Total shareholdings BoD 2021		**139 133**	**500**	**139 633**	**70 433**	**69 200**	**0.72%**

Shareholdings of Board of Directors

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

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

Shareholdings of Executive Group Management

(Number of shares at 31 December 2021)		Own shares	Shares of close family members	Total shares	Of which non-restricted shares	Of which restricted shares [2]	Total share of votes [3]
U. Ryffel	CEO	34 100	–	34 100	20 100	14 000	0.18%
R. Bolt	Member	14 570	–	14 570	2 570	12 000	< 0.10 %
D. Nixon	Member	10 330	–	10 330	1 530	8 800	< 0.10 %
P. Stolz	Member	4 970	–	4 970	70	4 900	< 0.10 %
J. Walter	Member	–	–	–	–	–	< 0.10 %
I. Wechsler	Member	17 600	–	17 600	3 600	14 000	< 0.10 %
Total shareholdings EGM 2021		**81 570**	**–**	**81 570**	**27 870**	**53 700**	**0.42%**

Shareholdings of Executive Group Management

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

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

Allotted number of shares to:

	2021	2020
Board of Directors	7 250	10 100
Executive Group Management	13 150	18 250
Employees	4 375	2 875

Allotted shares

in CHF 1 000	2021	2020
Expensed amount in Income Statement	2 155	2 183

Outstanding shares are effectively assigned in the following year; for members of Board of Directors and Executive Group Management, the issue is subject to approval by the Annual General Meeting. The expense amount in the Income Statement is based on the year-end 2021 share price of CHF 87.00 (previous year: CHF 69.90).

8 Full-time positions

As in the previous year, HUBER+SUHNER AG had over 250 full-time-equivalent employees in 2021.

9 Leasing obligations not recorded in the balance sheet

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

10 Events after the balance sheet date

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

11 Additional disclosures, cash flow statement and management report

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

Recommendation for Appropriation of Earnings

The Board of Directors of HUBER+SUHNER AG recommends to the Annual General Meeting the following appropriation of available earnings for the year 2021:

in CHF 1 000	**2021**	**2020**
Prior-year retained earnings	260 706	220 820
Gain on merger - directly recorded to equity	–	23 573
Net income for the year	73 161	41 628
Total retained earnings	**333 867**	**286 021**
Dividend	(38 614)	(25 315)
Total appropriation	**(38 614)**	**(25 315)**
Retained earnings carried forward	**295 253**	**260 706**

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

	CHF	**CHF**
Gross dividend	2.00	1.30
Less 35 % withholding tax	0.70	0.455
Net dividend	**1.30**	**0.845**

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Basel, 3 March 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HUBER+SUHNER AG, which comprise the income statement, balance sheet and notes to the financial statements including a summary of significant accounting policies (pages 77 to 85), for the year ended 31 December 2021.

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 2021 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of inventories

Area of focus	As of 31 December 2021, inventories amounted to CHF 39.1 million, representing 7.2% of HUBER+SUHNER AG's total assets. As indicated in Note 2.5 of the notes to the stand-alone financial statements of HUBER+SUHNER AG, inventories are valued at the lower of cost and net realisable value. Cost is determined according to the standard costing method. For slow-moving and obsolete stock the entity recognizes an inventory allowance based on the inventory turnover. Due to the significance of the carrying values of inventories and the degree of Management judgment involved in determining production costs, write-downs and fair value less cost of sales, this matter was considered significant to our audit.
Our audit response	Our audit procedures included, amongst other: • We gained an understanding of the inventory valuation process, the valuation method, as well as the underlying assumptions applied. • On a sample basis we analysed the standard cost calculations and verified the differences between the standard and actual costs. • We challenged the estimates made by Management regarding write-downs by assessing whether they are in line with historical experience. • We reviewed inventory ratio's and audited underlying data of the inventory ageing list. • We verified compliance with the principle of net realisable value for finished goods by comparing production costs with the expected net sale proceeds. Our audit procedures did not lead to any reservations regarding to the valuation of inventories.

Valuation of investments to subsidiaries and loans to group companies

Area of focus	As of 31 December 2021, the HUBER+SUHNER AG holds investments in subsidiaries of CHF 149.2 million and loans to group companies of CHF 32.8 million, which corresponds to 27.6% and 6.1% respectively of total assets. The investments in subsidiaries are disclosed in the note "Group Companies" of the consolidated financial statements of HUBER+SUHNER AG. Investments in subsidiaries and loans to group companies are material to the entity and may be subject to changes in value. Accordingly, Management performs regular impairment considerations and calculations to determine the value of each investment and loan. The investments in subsidiaries and the loans to group companies were considered significant to our audit as the amounts concerned are material and the assessments involve judgment in preparing the underlying key assumptions for the valuation.
Our audit response	Our audit work for the valuation of the investments in subsidiaries and loans to group companies consisted of auditing Management's valuation assessments and the underlying key assumptions. We also assessed the historical accuracy of the Company's estimates and long-term business plans. Our audit procedures did not lead to any reservations regarding to the valuation of investments in subsidiaries and loans to group companies.

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

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

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

Ernst & Young Ltd

Iwan Zimmermann (Qualified Signature)
Partner

Erik Zeller (Qualified Signature)
Senior Manager

Share Data

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

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

Registered shares at 31.12. (nominal value CHF 0.25)	**2017**	**2018**	**2019**	**2020**	**2021**
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	19 458 860	19 453 360	19 464 860	19 472 360	19 306 860
Number of shareholders at 31.12.	4 523	4 116	4 702	5 365	6 861
Stock market price (in CHF)					
high	73.80	74.90	85.90	77.80	88.0
low	50.55	50.90	60.80	47.80	69.0
year-end	50.85	65.50	76.80	69.90	87.0
Amounts per registered share[1] (in CHF)					
Net income	2.17	3.15	3.22	2.66	4.45
Ordinary dividend	1.10	1.50	1.60	1.30	2.00[3]
Anniversary dividend	–	1.00	–	–	–
Total dividend	**1.10**	**2.50**	**1.60**	**1.30**	**2.00[3]**
Pay-out ratio	51%	79%	50%	49%	45%
Market capitalisation[2]					
in CHF million	989	1 274	1 495	1 361	1 680
as % of net sales	128	144	180	184	195
as % of shareholders' equity	167	205	254	230	262

[1] Based on the average outstanding shares

[2] Stock market price at year-end × number of shares entitled to a dividend

[3] Proposed dividend

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

Publishing information

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