Financial Report

HUBER+SUHNER Group Financial Statements

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	Accumulation	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.

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

Financial Statements HUBER+SUHNER AG

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.

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Building a better working world

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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)	Erik Zeller (Qualified Signature)
Partner	Senior Manager