

Half-year Report
2014

Key figures

in CHF millions	January–June 2014	January–June 2013	Change
Order intake	408.9	352.4	16.0 %
Order backlog as of 30.6.	193.0	158.7	21.6 %
Net sales	366.8	387.5	(5.4 %)
Gross margin	36.5 %	34.6 %	
EBITDA	50.1	46.6	7.6 %
as % of net sales	13.7 %	12.0 %	
EBIT	33.8	29.4	14.9 %
as % of net sales	9.2 %	7.6 %	
Net financial result	1.7	2.5	(32.0 %)
Net income	28.3	23.0	23.0 %
as % of net sales	7.7 %	5.9 %	
Purchases of PP&E and intangible assets	27.2	11.0	147.5 %
Free operating cash flow	(2.1)	54.7	(103.9 %)

Data per share in CHF	January–June 2014	January–June 2013	Change
Stock market price as of 30.6.	46.50	42.20	10.2 %
Net income	1.45	1.18	23.0 %
Shareholders' equity as of 30.6.	32.27	30.28	6.6 %

Segment information in CHF millions	January–June 2014	January–June 2013	Change	
Order intake	Radio Frequency	125.3	107.0	17.1 %
	Fiber Optics	138.6	94.6	46.6 %
	Low Frequency	145.0	150.8	(3.9 %)
	Total order intake	408.9	352.4	16.0 %
Net sales	Radio Frequency	116.1	115.9	0.1 %
	Fiber Optics	115.0	127.6	(9.9 %)
	Low Frequency	135.7	144.0	(5.7 %)
	Total net sales	366.8	387.5	(5.4 %)
EBIT	Radio Frequency	15.7	17.3	(9.3 %)
	<i>in % of net sales</i>	<i>13.5 %</i>	<i>14.9 %</i>	
	Fiber Optics	12.4	18.2	(31.7 %)
	<i>in % of net sales</i>	<i>10.8 %</i>	<i>14.3 %</i>	
	Low Frequency	8.4	(3.4)	n.a.
	<i>in % of net sales</i>	<i>6.2 %</i>	<i>(2.4 %)</i>	
	Corporate	(2.7)	(2.7)	1.1 %
Total EBIT	33.8	29.4	14.9 %	
Employees as of 30.6.	Radio Frequency	1 252	1 316	(4.9 %)
	Fiber Optics	1 283	1 203	6.7 %
	Low Frequency	1 185	1 301	(8.9 %)
	Total employees as of 30.6.	3 720	3 820	(2.6 %)

HUBER+SUHNER with significant increase in order intake and improved profitability

The first term of 2014 showed positive momentum. While as expected, HUBER+SUHNER still recorded restrained net sales development compared with 2013, order intake increased markedly, above all in Fiber Optics and Radio Frequency. Profitability also rose substantially, resulting in an EBIT margin above the medium-term target range.

The encouraging growth of order intake is mainly related to the LTE roll-outs associated with the introduction of the 4G mobile communication standard. The customer base of HUBER+SUHNER for this application is now broader in geographical terms. The market segment railway also gained compared with the equivalent period of the previous year and shows a solid project pipeline. Furthermore, Asia in particular generated a strong momentum, with China, India and Australia currently achieving the highest growth rates.

As expected, net sales in the first term lagged behind the strong equivalent period of the previous year, but increased noticeably compared with the second half of 2013. Negative currency effects accounted for around two thirds of the shortfall in net sales compared with the previous year. The base effect of the Fiber to the Antenna (FTTA) wave in the first term of 2013 in North America represented another influencing factor. By contrast, the positive trend in the railway market continued, supported by large-scale projects in China and Europe and the growing importance of communication technology in trains in general.

Net income increased thanks to a higher gross margin and a lower tax rate, and the EBIT margin exceeded the medium-term target range in the first term. Profitability in all three divisions was pleasing: Radio Frequency continues to demonstrate high levels of profitability; Fiber Optics generated a double-digit EBIT margin despite a noticeably lower volume of business, while Low Frequency accomplished the turnaround and achieved again a pleasing profitability.

The free operative cash flow was slightly negative due to higher investments, mainly due to the purchase of a building in Pfäffikon for the purpose of setting up a new European logistics centre. The increased number of employees in the first term of 2014 compared with the end of 2013, especially at the plants in China and Tunisia, is attributable to the expansion of capacities due to the growing volume of business. The number of employees in Switzerland remained stable.

Significantly more orders with slightly lower net sales and noticeably higher profitability

The first half year resulted in a pleasing development overall. Order intake increased significantly by 16% to CHF 408.9 million compared with the first term of 2013. Net sales amounted to CHF 366.8 million, representing a shortfall of -5.4% compared with the previous year (CHF 387.5 million) as expected. In organic terms, excluding currency and copper effects (-4.7%), net sales remained virtually constant (-0.7%). Operating profit rose to CHF 33.8 million, representing a plus of 14.9%. The EBIT margin in the first term amounted to 9.2% (+ 1.6 percentage points), thus exceeding the medium-term target range. The book-to-bill ratio of 1.11 underlines the positive momentum. The number of employees rose during the first six months compared with the end of 2013 worldwide by 217 permanent employees (plus 6.2%).

More orders in Communication, positive development in Transportation, decline in Industrial

Order intake in the communication market was 42% higher than in the previous year, thus significantly exceeding net sales, which were still decreasing during the first term (-5.7%). The book-to-bill ratio amounted to 1.18. The most important drivers are the increasing momentum in global roll-outs of LTE technology and the acquisition of new customers in all regions.

Net sales in the transportation market show solid growth with a plus of 4.8%. The company's global presence with engineering, production and logistics services is a decisive factor contributing to sustainable success in the railway area. In the automotive market segment, net sales remained at the previous year's level, thus confirming the spurt in growth generated in 2013. The book-to-bill ratio amounted to 1.08.

A noticeable shortfall in net sales (-16%) was recorded in the industrial market. Over half is attributable to the solar market, which declined again as expected compared with the previous year and will no longer play an important role in the future. Budget cuts, especially in North America in the space and defence market, also had a negative impact on net sales. The book-to-bill ratio of 1.04 indicates a stable situation in Industrial.

Radio Frequency with positive dynamics

The Radio Frequency division was characterised by a marked increase in order intake to CHF 125.3 million (+17%). This is mainly based on a higher volume in the communication market and to further progress in the railway area. In the main market of Communication, the new MFBX generation of board-to-board connectors was introduced at important customers with great success. Moreover, HUBER+SUHNER is increasingly establishing itself as the market leader for special railway antennas. Due to the decline in Space and Defence, net sales for Radio Frequency remained virtually unchanged compared with the previous year at CHF 116.1 million. In this division, the EBIT dropped by CHF 1.6 million to CHF 15.7 million, corresponding to an EBIT margin of 13.5%.

Broader base for Fiber Optics

In the first term, Fiber Optics recorded the expected shortfall in net sales of -9.9% to CHF 115.0 million. Nevertheless, the great potential of this technology is evident: While the shortfall in net sales is attributable to the base effect of the previous year, when the division in North America experienced a veritable boom, the order intake of CHF 138.6 million reached a new record in the first term of 2014. Growth in orders thus exceeded the level for the equivalent period of the previous year by

46.6%. There is thus a good chance of more than compensating for the shortfall in net sales by the end of the year. Despite the lower net sales volume, a double-digit EBIT margin of 10.8% and thus an EBIT of CHF 12.4 million was achieved. The innovation award from Ericsson, which HUBER+SUHNER was delighted to accept in May in the USA as the best supplier in the "Innovation" category for the MASTERLINE Extreme Hybrid cable system, shows that the company currently offers the most innovative portfolio for the FTTA market.

Low Frequency with pleasing profitability again

The Low Frequency division recorded an order intake of CHF 145.0 million, representing a slight downturn of -3.9%, and net sales also fell by -5.7% to CHF 135.7 million. The reason is the solar market, which for the last time played an important role in the equivalent period of the previous year. The volume in the other applications remained constant overall. Profitability has improved considerably with an EBIT margin of 6.2% (previous year -2.4%). The turnaround in the Low Frequency division is based on operative progress and the absence of one-off costs in the solar area. Thanks to the company's innovative strength, new fields of business are also opening up for HUBER+SUHNER. Thus, for the automotive market the company currently offers the only available silicone-free solution for anti-capillary cables, which is becoming increasingly mainstream.

Outlook

The results of the first half year show a positive trend and confirm the good positioning of HUBER+SUHNER. The 3x3 strategy continues to prove itself as the company is focusing its activities on the three core technologies for energy and data transmission on main markets with growth potential.

The strong increase in order intake in the first term and the noticeably higher level of orders on hand compared with the previous year make us optimistic for the second term. The promising upturn in Communication is set to continue throughout the coming months, while stable development at current levels is expected overall in Transportation and Industrial.

For 2014 as a whole, HUBER+SUHNER thus expects growth in net sales of 2-4% and an EBIT margin slightly exceeding the target range of 6-9%.



Erich Walser
Chairman of the Board
of Directors



Urs Kaufmann
Delegate of the Board
of Directors and CEO

Consolidated income statement

in CHF 1000	Notes	January–June 2014	%	January–June 2013	%
Net sales	6	366 775	100.0	387 534	100.0
Cost of goods sold		(232 879)		(253 486)	
Gross profit		133 896	36.5	134 048	34.6
Marketing and selling expenses		(56 200)		(59 129)	
General and administrative expenses		(30 063)		(29 868)	
Research and development expenses		(14 382)		(14 445)	
Other operating expenses	7	(1 236)		(2 486)	
Other operating income	7	1 815		1 311	
Operating profit (EBIT)	6	33 830	9.2	29 431	7.6
Financial income		3 268		5 077	
Financial expense		(1 558)		(2 562)	
Income before taxes		35 540	9.7	31 946	8.2
Income tax expense		(7 235)		(8 927)	
NET INCOME		28 305	7.7	23 019	5.9

Data per share in CHF	January–June 2014	January–June 2013
Earnings per share	1.45	1.18
Diluted earnings per share	1.45	1.18

Statement of comprehensive income

in CHF 1000	January–June 2014	January–June 2013
Net income	28 305	23 019
Items that may be transferred subsequently to the income statement:		
Currency translation differences	(689)	4 928
Items that will not be transferred subsequently to the income statement:		
Remeasurement of post-employment benefit obligations	(6 876)	12 047
Income taxes	1 031	(1 867)
Total other comprehensive income	(6 534)	15 108
TOTAL COMPREHENSIVE INCOME	21 771	38 127

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

Consolidated balance sheet (condensed)

in CHF 1000	Notes	30.6.2014	%	31.12.2013	%
Assets					
Cash and cash equivalents		126 913		144 789	
Marketable securities		25 000		25 000	
Trade receivables		141 100		103 323	
Other current assets		29 506		21 018	
Inventories		165 767		147 427	
Total current assets		488 286	60.9	441 557	58.8
Property, plant and equipment		193 439		180 620	
Investment property		2 080		2 084	
Intangible assets		61 528		63 392	
Financial assets		45 161		51 933	
Other non-current assets		11 922		11 104	
Total non-current assets		314 130	39.1	309 133	41.2
TOTAL ASSETS	6	802 416	100.0	750 690	100.0
Liabilities and shareholders' equity					
Short-term debt		-		-	
Other current liabilities		133 877		86 188	
Total current liabilities		133 877	16.7	86 188	11.4
Other non-current liabilities		40 374		41 692	
Total non-current liabilities		40 374	5.0	41 692	5.6
Total liabilities		174 251	21.7	127 880	17.0
Share capital		4 861		4 865	
Share premium		31 300		32 194	
Retained earnings		592 004		585 751	
Total shareholders' equity		628 165	78.3	622 810	83.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		802 416	100.0	750 690	100.0

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

Consolidated cash flow statement (condensed)

in CHF 1000

	January–June 2014	January–June 2013
Net income	28 305	23 019
Income tax expense	7 235	8 927
Net income before taxes	35 540	31 946
Depreciation and impairment of property, plant and equipment and investment property	12 834	14 144
Amortisation and impairment of intangible and financial assets	3 473	3 015
Other non-cash items	(2 233)	(295)
Loss / (gain) on disposal of property, plant and equipment	(377)	(4)
Changes in net working capital	(16 624)	26 229
Income tax paid	(7 978)	(7 141)
Net cash from operating activities	24 635	67 894
Purchases of property, plant and equipment	(26 146)	(10 029)
Purchases of intangible assets	(1 256)	(1 774)
Other cash from investing activities	1 880	(951)
Net cash from investing activities	(25 522)	(12 754)
Payment of dividend	(15 578)	(9 737)
(Purchase) / sale of treasury shares	(1 407)	(509)
Other cash from financing activities	-	-
Net cash from financing activities	(16 985)	(10 246)
Effect of exchange rate changes on cash and cash equivalents	(4)	1 634
Net change in cash and cash equivalents	(17 876)	46 528
Cash and cash equivalents at 1.1.	144 789	84 401
Cash and cash equivalents at 30.6.	126 913	130 929
Net change in cash and cash equivalents	(17 876)	46 528

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

Consolidated statement of shareholders' equity

in CHF 1000	Share capital	Share premium	Retained earnings	Translation differences	Total retained earnings	Total shareholders' equity
Balance at 31.12.2012	4 868	32 700	545 215	(21 336)	523 879	561 447
Net income	-	-	23 019	-	23 019	23 019
Other comprehensive income	-	-	10 180	4 928	15 108	15 108
Dividend paid	-	-	(9 737)	-	(9 737)	(9 737)
Change in treasury shares	(3)	(506)	-	-	-	(509)
Balance at 30.6.2013	4 865	32 194	568 677	(16 408)	552 269	589 328
Balance at 31.12.2013	4 865	32 194	608 700	(22 949)	585 751	622 810
Net income	-	-	28 305	-	28 305	28 305
Other comprehensive income	-	-	(5 845)	(689)	(6 534)	(6 534)
Dividend paid	-	-	(15 578)	-	(15 578)	(15 578)
Change in treasury shares	(4)	(894)	60	-	60	(838)
Balance at 30.6.2014	4 861	31 300	615 642	(23 638)	592 004	628 165

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

Notes to group financial statements

1 General

The global HUBER+SUHNER Group develops and manufactures components and system solutions for electrical and optical connectivity. The company serves customers in the communication, transportation and industrial markets with cables, connectors and systems in the three key technologies: radio frequency, fiber optics and low frequency. The products stand out due to their exceptional quality, reliability and durability – even under harsh conditions.

2 Accounting policies

This unaudited Report, presented in a condensed form, was approved for publication by the Board of Directors on 18 August 2014.

The consolidated financial statements were prepared in accordance with IAS 34 “Interim Financial Reporting” and the accounting policies set out in the 2013 Annual report.

Preparation of the consolidated half year financial statements requires the Board of Directors and Executive Group Management to make estimates and assumptions, whereby such estimates and assumptions have an effect on the amounts stated under assets, liabilities, income and expenses. At a later stage actual results may differ from these estimates and assumptions that management took at the time of interim financial reporting to the best of their knowledge and therefore the original assumptions and estimates will be adjusted accordingly in the period under review in which the actual results have changed.

Income tax expense is recognised based on the best estimate of the weighted average income tax rate expected for the fiscal year 2014.

The accounting principles applied for the consolidated half-year report 2014 are identical with the published and described standards in the Annual Report 2013, with the exception of the annual improvements 2010–2013 that were applied for financial year starting 1 January 2014. The annual improvements have no material effect on the consolidated financial statements.

3 Financial instruments

Financial assets and liabilities measured at fair value, amounted as of 30 June 2014, CHF 0.2 million and CHF 0.3 million (as of 31 December 2013: CHF 1.5 million and CHF 0.1 million). The market value of these derivative financial instruments that are not traded in an active market is determined by using valuation techniques (fair value hierarchy level 2). On the fair value hierarchy levels 1 and 3 there are still no financial assets and liabilities.

4 Changes in the scope of consolidation and other changes

There were no changes in the scope of consolidation in the financial year 2014.

On 20 February 2013 the Thai subsidiary, HUBER+SUHNER (Thailand) Co. Ltd., was liquidated. The company was wholly owned by HUBER+SUHNER (Singapore) Ltd. and was deconsolidated. The financial impact of the liquidation was immaterial.

On 14 February 2013 the subsidiary in Dubai, HUBER+SUHNER Middle East Trading LLC was transferred to our sales and distribution partner with retroactive effect from 1 January 2013. The company was wholly owned by HUBER+SUHNER. The financial impact of the transfer was immaterial.

5 Exchange rates for currency translation

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

Spot rates for the consolidated balance sheet	30.6.2014	31.12.2013
1 EUR	1.22	1.22
1 USD	0.89	0.89
100 CNY	14.36	14.59
1 GBP	1.52	1.46
1 AUD	0.84	0.79
1 BRL	0.40	0.38

Average rates for the consolidated income and cash flow statement	January–June 2014	January–June 2013
1 EUR	1.22	1.23
1 USD	0.89	0.94
100 CNY	14.40	15.23
1 GBP	1.49	1.44
1 AUD	0.82	0.95
1 BRL	0.39	0.46

6 Segment information

Segment reporting is based on reports that are used by the Executive Group Management to run the business by regularly assessing performance and allocating resources. Segment information is presented for the following segments:

Radio Frequency: HUBER+SUHNER develops and produces radio frequency and microwave products for the global market. The product portfolio is comprehensive and meets the different requirements of data transmission components in the communication, industrial and transport sectors. The product range includes all passive components: cables, connectors, cable assemblies, antennas, lightning protection components and resistive components.

Fiber Optics: HUBER+SUHNER offers the leading fiber optic and hybrid systems for LTE (remote radio installations) but also newly developed products for Fiber in the Home (FiTH) applications, fiber management systems for data centers and a huge portfolio for Fiber to the Home (FTTH) networks. HUBER+SUHNER produces a complete range of standard fiber optic connectors, cables and assemblies (patch cables). The portfolio includes components for private and public communication networks as well as industrial applications.

Low Frequency: The Low Frequency Division of HUBER+SUHNER is responsible for high-quality RADOX cables. HUBER+SUHNER designs and manufactures individual cores and cables based on plastic compounds specially developed for insulation and jackets. Based on RADOX cables HUBER+SUHNER manufactures pre-assembled cables and ready-to-connect cable systems. Also part of this division is the business unit Composites.

Corporate: Includes all activities that cannot be allocated to one of the three operating segments including corporate functions.

Net sales	January–June 2014	January–June 2013
Radio Frequency	116 040	115 912
Fiber Optics	115 037	127 656
Low Frequency	135 698	143 966
Total net sales	366 775	387 534

All amounts are in CHF 1000

Operating profit (EBIT)	January–June 2014	January–June 2013
Radio Frequency	15 669	17 280
Fiber Optics	12 449	18 239
Low Frequency	8 377	(3 393)
Corporate	(2 665)	(2 695)
Total operating profit (EBIT)	33 830	29 431
Financial income	3 268	5 077
Financial expense	(1 558)	(2 562)
Net income before taxes	35 540	31 946

Assets	30.6.2014	31.12.2013
Radio Frequency	193 702	164 410
Fiber Optics	126 988	105 559
Low Frequency	263 802	238 285
Corporate	217 924	242 436
Total assets	802 416	750 690

7 Other operating expenses and income

	January–June 2014	January–June 2013
Other operating expenses	(1 236)	(2 486)
Other operating income	1 815	1 311
Total other operating expenses and income	579	(1 175)

Other operating expenses are affected by the adjustments of IAS 19 (revised) and include the amortisation of acquired intangible assets for trademarks, technology and customer relations.

Other operating income includes amongst others license fee income from third parties, refunds of withholding tax as well as gains from the sale of a piece of land.

8 Purchases of PP&E and intangible assets

Capital expenditure (PP&E and intangible assets) in the first half of 2014 was CHF 27.2 million (first half 2013, CHF 11.0 million).

9 Dividend

According to the resolution of the Annual General Meeting of 9 April 2014, a gross dividend of CHF 0.80 per share (previous year, CHF 0.50) was paid on 16 April 2014.

10 Free cash flow

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

	January–June 2014	January–June 2013
Net cash from operating activities	24 635	67 894
Net cash from investing activities (excluding changes of marketable securities and derivative financial instruments)	(26 755)	(13 205)
Free operating cash flow	(2 120)	54 689
Dividend paid	(15 578)	(9 737)
Sale / (purchase) of treasury shares	(1 407)	(509)
Free cash flow	(19 105)	44 443

11 Events after the balance sheet date

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

All amounts are in CHF 1000

Excellence in Connectivity Solutions

The global Swiss company HUBER+SUHNER develops and manufactures components and system solutions for electrical and optical transportation of data and energy. The company serves customers in the communication, transportation and industrial markets with cables, connectors, cable systems, antennas and other passive components relying on its expertise in radio frequency, fiber optics and low frequency technologies. The products stand out due to their exceptional quality, reliability and durability – even under harsh environmental conditions. HUBER+SUHNER maintains close relationships with its customers in more than 60 countries as the result of its global production network, own group companies and sales offices, as well as numerous distributors.

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

Financial calendar

Sales/order intake after 9 months	28 October 2014
Sales/order intake after 12 months	27 January 2015
Annual Report	10 March 2015
Media and analysts conference	10 March 2015
Annual General Meeting	31 March 2015, Pfäffikon ZH

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This half-year report is also available in German.
The German version is binding.

Impressum

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