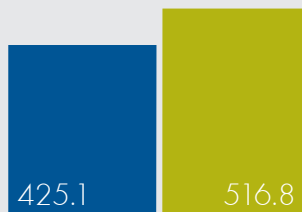


# Half-year Report 2018

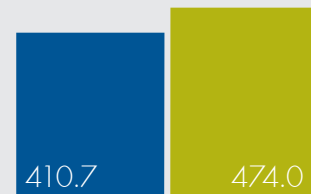
Order intake up  
by 21.6 %



EBIT margin in the up-  
per half of the medium-  
term target range



Increase in net sales  
of 15.4 %



Double-digit growth  
rates in all three  
main regions testify  
to geographically  
broad-based growth

New customer  
projects in strategic  
growth initiatives  
make a considerable  
contribution to the  
positive development

In Switzerland,  
Low Frequency  
is concentrating  
its cable production  
in Pfäffikon ZH  
and investing in  
the Witzberg site

■ H1/2017 ■ H1/2018 in CHF million

## Broad-based double-digit growth in the first half of the year – higher profitability – growth initiatives make a considerable contribution



Urs Kaufmann (Chairman) and Urs Ryffel (CEO)

HUBER+SUHNER had a strong first half of the year. The Group's net sales and profitability improved significantly. The order intake of CHF 516.8 million was up 21.6 % on the same period in the previous year. Net sales also followed this positive development, up 15.4 % to CHF 474.0 million. This resulted in an EBIT of CHF 44.3 million, 35.1 % higher than in the previous year. The EBIT margin of 9.4 % was thus in the upper half of the medium-term target range of 8–10 %. Net income rose by 32.2 % to CHF 31.6 million, and the return on sales reached 6.7 %.

The first half of 2018 was characterised by above-average growth in order intake and net sales. All three main markets contributed to the increase in net sales, albeit to varying degrees. The communication market was slightly above the strong first half of 2017. The transportation market grew significantly thanks to a regained strength in the railway market. And the strong development in the industrial market was driven by significant increases in all submarkets. The broad support for this positive momentum was reflected in double-digit growth rates in both order intake and net sales in all three main regions. The shares of total sales remained virtually unchanged at 42 % in EMEA (including Switzerland), 40 % in APAC and 18 % in the Americas.

Organically, i.e. excluding the positive effect of currency and copper of 3.9 %, growth in net sales was still 11.5 %. Thanks to the above-average increase in order intake, the book-to-bill rate went up to 1.09 from 1.04 in the previous year. The positive development in demand in the Low Frequency technology segment, where the order backlog is traditionally larger than in the other two technology segments, reinforced this effect. Higher order volumes led to an increase in the workforce from 4 241 to 4 348, particularly at the production plants.

### Transportation market and industrial high-tech niches drive growth; communication market holds its own at a high level

With an increase of 2.4 %, net sales in the communication market were slightly higher than the high figure for the same period in the previous year.

The transportation market confirmed the upward trend with a plus in net sales of 44.3 %. The railway and automotive submarkets both contributed significantly to the dynamic growth, with the positive development in the Asian railway market being particularly pronounced.

In the industrial high-tech niches, growth was recorded in all submarkets, which resulted in overall growth in net sales of 14.9 % in the industrial market, with a substantial contribution also from the aerospace and defense growth initiative.

### Impressive renewed growth in Radio Frequency – attractive profitability increased further

The Radio Frequency technology segment has remained on a path of growth and continued the positive development of recent years. Order intake rose by 16.8 % to CHF 143.7 million compared to the same period of the last year. Net sales were also well up by 10.7 % to CHF 130.7 million. EBIT stood at CHF 19.9 million, equating to an EBIT margin of 15.2 %, which is 2.1 percentage points higher than in the same period last year. The strongest sales growth was recorded in the two submarkets of test and measurement, and aerospace and defense. The latter reflected the stronger demand for radio frequency components for private satellite projects. Thanks to the dynamic development in the railway market, the business with radio frequency solutions for fast data connections in trains made a significant contribution to sales growth.

### Fiber Optics growing compared to a strong prior-year period – below-average profitability

With an order intake of CHF 203.6 million (+12.0 %) and net sales of CHF 190.1 million (+2.0 %) in the first half of 2018, the Fiber Optics technology segment exceeded the high levels of the previous year. Significant volumes were generated by major projects to expand mobile networks to the 4G/LTE standard in price-sensitive emerging markets, while sales to communications equipment suppliers declined. Business in the data centers growth initiative, where higher margins can be achieved, made further progress and recorded double-digit growth. EBIT stood at CHF 12.1 million, equating to an EBIT margin of 6.4 %. It was thus below the 8.7 % of the same period of the previous year, but recovered slightly compared to the weak second half of 2017.

**Low Frequency continues impressive upward trend in net sales and EBIT – successful design-ins for electric vehicles**

In the Low Frequency technology segment, the momentum gained in the second half of 2017 was stepped up further in the first half of the current year. Order intake rose by 40.8 % compared to last year to CHF 169.5 million; net sales were up by 44.2 % to CHF 153.2 million. This resulted in an EBIT of CHF 15.4 million or an EBIT margin of 10.1 %. There were several reasons for the high growth rates: the solid order backlog from customer projects in the railway market enabled the current year to get off to a dynamic start. Customer projects with both Asian and European manufacturers made a significant contribution towards the increase, which was widespread geographically. With its electric vehicles growth initiative in the automotive market, the company succeeded in designing in high-voltage systems in new platforms of some manufacturers of passenger and commercial vehicles. This will mainly have an impact on sales in the medium term. A significant portion of the marked improvement in earnings in the Low Frequency technology segment was due to the more favourable cost structure, which had a full impact following the strategic alignment of the previous year. In June, the Board of Directors took the decision to concentrate the two Swiss production sites in the Low Frequency technology segment at the Witzberg plant in Pfäffikon ZH from 2021. The area thus liberated in the village can be diverted to a different use. The aim is to align the Low Frequency technology segment even better to the challenges of the future.

**Outlook**

Compared with the previous year, HUBER+SUHNER expects the positive development to continue in the second half of 2018. Although the momentum is likely to be lower in the second half of the year due to project-related influences, the company expects growth in net sales of at least 10 % in 2018 compared to the previous year, provided that there is a comparable currency situation. The EBIT margin for 2018 as a whole should be in the middle of the medium-term target range of 8–10 %.



Urs Kaufmann  
Chairman of the Board of Directors

Urs Ryffel  
CEO

Milestones in the first half year 2018

**Communication**

Data Centers growth initiative



Significantly more data center orders in Asia and new customer projects for major American media corporations

**Transportation**

EV Automotive growth initiative



Customer projects worldwide to supply RACS solutions (RADOX® Automotive Connection System) for commercial and passenger vehicle platforms

**Transportation**

Opportunity with growth potential



With the RADOX® HPC High power charging system, the Group is to become the most important subcontractor for establishing the charging infrastructure in the USA by Electrify America

**Industrial**

Aerospace & Defense growth initiative



Capable solution for communication and entertainment on board the fleets of two American airlines

# Key figures H1/2018

<b>Group</b> CHF million		January-June 2018	January-June 2017	Change
Order intake		516.8	425.1	21.6 %
Order backlog as of 30.6.		268.0	186.5	43.7 %
Net sales		474.0	410.7	15.4 %
Gross margin		33.6 %	33.9 %	
EBITDA		61.2	48.3	26.7 %
as % of net sales		12.9 %	11.8 %	
EBIT		44.3	32.8	35.1 %
as % of net sales		9.4 %	8.0 %	
Financial result		(2.4)	(0.4)	n/m
Net income		31.6	23.9	32.2 %
as % of net sales		6.7 %	5.8 %	
Purchases of PP&E and intangible assets		11.4	18.1	(37.2 %)
Cash flow from operating activities		34.8	23.1	50.9 %
Free operating cash flow		21.5	8.9	141.1 %
Net liquidity as of 30.6.		150.5	140.5	7.1 %
Equity as of 30.6.		598.7	565.3	5.9 %
as % of balance sheet total		77.6 %	77.6 %	
Employees as of 30.6.		4 348	4 241	2.5 %
<b>Data per share</b> in CHF				
Stock market price as of 30.6.		60.50	71.70	(15.6 %)
Net income		1.62	1.23	32.2 %
<b>Segment information</b> CHF million				
Radio Frequency	Order intake	143.7	123.1	16.8 %
	Net sales	130.7	118.1	10.7 %
	EBIT	19.9	15.5	28.6 %
	as % of net sales	15.2 %	13.1 %	
Fiber Optics	Order intake	203.6	181.7	12.0 %
	Net sales	190.1	186.4	2.0 %
	EBIT	12.1	16.2	(25.2 %)
	as % of net sales	6.4 %	8.7 %	
Low Frequency	Order intake	169.5	120.3	40.8 %
	Net sales	153.2	106.2	44.2 %
	EBIT	15.4	0.5	n/m
	as % of net sales	10.1 %	0.4 %	

n/m = not meaningful

## Financial calendar

Net sales/Order intake (9 months)	25.10.2018	Annual report 2018	19.03.2019
Net sales/Order intake 2018	24.01.2019	Media and analysts' conference	19.03.2019
		Annual General Meeting	10.04.2019

Detailed figures are available online at [www.hubersuhner.com](http://www.hubersuhner.com)

This letter to shareholders is also available in German. The German version is binding.

# Consolidated Income Statement

in CHF 1000	Notes	January-June 2018	%	January-June 2017	%
Net sales	5	473 988	100.0	410 682	100.0
Cost of goods sold		(314 768)		(271 292)	
<b>Gross profit</b>		<b>159 220</b>	<b>33.6</b>	<b>139 390</b>	<b>33.9</b>
Selling expense		(65 628)		(63 811)	
Administrative expense		(32 557)		(29 912)	
Research and development expense		(18 399)		(17 334)	
Other operating expense		(287)		(428)	
Other operating income	5	1 974		4 900	
<b>Operating profit (EBIT)</b>	5	<b>44 323</b>	<b>9.4</b>	<b>32 805</b>	<b>8.0</b>
Financial result		(2 410)		(354)	
Income before taxes		41 913	8.8	32 451	7.9
Income taxes		(10 320)		(8 551)	
<b>Net income</b>		<b>31 593</b>	<b>6.7</b>	<b>23 900</b>	<b>5.8</b>

## Data per share

in CHF	January-June 2018	January-June 2017
Undiluted/diluted earnings per share	1.62	1.23

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

# Consolidated Balance Sheet

in CHF 1000	Notes	30.6.2018	%	31.12.2017	%
<b>Assets</b>					
Cash and cash equivalents		150 529		152 605	
Trade receivables		171 847		146 942	
Other short-term receivables		35 717		33 485	
Inventories		164 837		164 966	
Accrued income		3 287		1 701	
Current assets		526 217	68.2	499 699	66.4
Property, plant and equipment		190 858		196 576	
Intangible assets		22 048		23 352	
Financial assets		20 484		19 933	
Deferred tax assets		11 924		12 542	
Non-current assets		245 314	31.8	252 403	33.6
<b>Assets</b>		<b>771 531</b>	<b>100.0</b>	<b>752 102</b>	<b>100.0</b>
<b>Liabilities and equity</b>					
Trade payables		49 415		46 202	
Other short-term liabilities		59 945		53 842	
Short-term provisions		11 765		10 495	
Accrued liabilities		15 352		11 395	
Current liabilities		136 477	17.7	121 934	16.2
Other long-term liabilities		1 353		1 388	
Long-term provisions		9 544		9 904	
Deferred tax liabilities		25 484		25 417	
Non-current liabilities		36 381	4.7	36 709	4.9
Liabilities		172 858	22.4	158 643	21.1
Share capital		5 050		5 050	
Capital reserves		32 695		32 695	
Treasury shares		(531)		(937)	
Retained earnings		561 459		556 651	
Equity		598 673	77.6	593 459	78.9
<b>Liabilities and equity</b>		<b>771 531</b>	<b>100.0</b>	<b>752 102</b>	<b>100.0</b>

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

# Consolidated Cash Flow Statement

in CHF 1000	Notes	January-June 2018	January-June 2017
Net income		31 593	23 900
Income taxes		10 320	8 551
Depreciation of property, plant and equipment and intangible assets		16 846	15 484
Other non-cash items		4 750	863
Loss/profit from the disposal of property, plant and equipment		(77)	(3 874)
Change in trade receivables		(27 353)	(17 752)
Change in inventories		(2 094)	(22 231)
Change in other receivables and accrued income		(10 310)	(5 867)
Change in trade payables		3 674	23 272
Change in other liabilities and accrued liabilities		15 920	11 440
Change in provisions		1 118	(781)
Income tax paid		(9 593)	(9 907)
Interest paid		(8)	(41)
<b>Cash flow from operating activities</b>		<b>34 786</b>	<b>23 057</b>
Purchases of property, plant and equipment		(11 875)	(15 802)
Proceeds from sale of property, plant and equipment		142	4 419
Purchases of intangible assets		(1 414)	(2 801)
Purchases of financial assets		(318)	(130)
Interest received		221	193
<b>Cash flow from investing activities</b>		<b>(13 244)</b>	<b>(14 121)</b>
Payment of dividend		(21 416)	(24 342)
Purchase of treasury shares		(1 339)	(557)
<b>Cash flow from financing activities</b>		<b>(22 755)</b>	<b>(24 899)</b>
Effect of exchange rate changes on cash		(863)	(1 063)
<b>Net change in cash and cash equivalents</b>		<b>(2 076)</b>	<b>(17 026)</b>
Cash and cash equivalents at 1.1.		152 605	157 512
Cash and cash equivalents at 30.6.		150 529	140 486
<b>Net change in cash and cash equivalents</b>		<b>(2 076)</b>	<b>(17 026)</b>

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

# Consolidated Statement of Equity

in CHF 1000	Share capital	Capital reserves	Treasury shares	Other retained earnings	Goodwill offset	Translation differences	Retained earnings	Equity
Balance at 31.12.2016	5 050	32 744	(1 259)	633 048	(94 284)	(1 972)	536 792	573 327
Net income	-	-	-	23 900	-	-	23 900	23 900
Dividend paid	-	-	-	(24 342)	-	-	(24 342)	(24 342)
Purchase of treasury shares	-	-	(557)	-	-	-	-	(557)
Disposal of treasury shares (incl. for share-based payment)	-	-	1 586	348	-	-	348	1 934
Share-based payment	-	-	-	(839)	-	-	(839)	(839)
Currency translation differences	-	-	-	-	-	(8 153)	(8 153)	(8 153)
Balance at 30.6.2017	5 050	32 744	(230)	632 115	(94 284)	(10 125)	527 706	565 270
Balance at 31.12.2017	5 050	32 695	(937)	651 178	(97 512)	2 985	556 651	593 459
Net income	-	-	-	31 593	-	-	31 593	31 593
Dividend paid	-	-	-	(21 416)	-	-	(21 416)	(21 416)
Purchase of treasury shares	-	-	(1 339)	-	-	-	-	(1 339)
Disposal of treasury shares (incl. for share-based payment)	-	-	1 745	18	-	-	18	1 763
Share-based payment	-	-	-	(858)	-	-	(858)	(858)
Currency translation differences	-	-	-	-	-	(4 529)	(4 529)	(4 529)
Balance at 30.6.2018	5 050	32 695	(531)	660 515	(97 512)	(1 544)	561 459	598 673

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



# Notes to Group Financial Statements

## 1 General

The worldwide active 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 half-year report was approved for publication by the Board of Directors on 16 August 2018. The consolidated half-year report was prepared in accordance with Swiss GAAP FER 31 “Complementary recommendation for listed companies” and the accounting policies set out in the Annual report 2017. This half-year report is an interim report, which allows simplifications in comparison to an annual report.

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 guidelines of the accounting and reporting recommendations Swiss GAAP FER. The consolidated financial statements have been prepared under the historical cost convention unless otherwise mentioned in the Annual report 2017.

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.

## 3 Changes in the scope of consolidation and other changes

There are no changes in the scope of consolidation in the first half year 2018.

On 10 November 2017 HUBER+SUHNER acquired Inwave Elektronik AG in Reute (Switzerland) with a merger into HUBER+SUHNER AG as at 1 November 2017. Inwave Elektronik AG has been a supplier to HUBER+SUHNER for high frequency prototypes. At the time of acquisition the values of net assets according to Swiss GAAP FER were as follows:

in CHF 1000

Effect of acquisition	Fair Value
Cash and cash equivalents	100
Inventories	181
Non-current assets	73
Other short-term liabilities	(25)
Short-term provisions	(12)
Acquired net assets	317

The goodwill from the acquisition of Inwave which was offset with equity is CHF 3.2 million. The total purchase price (including acquisition costs) is CHF 3.5 million. After the deduction for purchased net cash (CHF 0.1 million) and the remaining payment of CHF 1.7 million, the net cash outflow is CHF 1.7 million.

Since 21 December 2017 HUBER+SUHNER Cube Optics AG owns HUBER&SUHNER Spain. HUBER&SUHNER Spain is fully consolidated.

#### 4 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		Average rates for the consolidated income and cash flow statement	
	30.6.2018	31.12.2017	January-June 2018	January-June 2017
1 EUR	1.15	1.18	1.16	1.08
1 USD	0.99	0.99	0.97	0.99
100 CNY	15.05	15.10	15.14	14.39
1 GBP	1.31	1.33	1.33	1.25
100 INR	1.45	1.54	1.46	1.51

#### 5 Segment information

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

**Radio Frequency:** HUBER+SUHNER develops and manufactures radio frequency and microwave products for the most diverse set of customer and market requirements. The wide product range encompasses all passive components like cables, connectors, cable assemblies, antennas, lightning protection and resistive components as well as active RF-over-Fiber systems, which allow transporting radio frequency, microwave or LAN signals across wider distances. HUBER+SUHNER is constantly applying its distinctive knowledge of radio frequency and microwave technologies, sophisticated simulation processes and the most modern test methods to make components even smaller, to expand their operating frequencies continuously and to minimise losses in signal quality. Thanks to their own state-of-the-art electroplating processes HUBER+SUHNER has a sound and expert knowledge of surface-coating that is vital when developing modern radio frequency components.

**Fiber Optics:** Fiber optics products manufactured by HUBER+SUHNER are suitable for complex applications with very high data rates. The comprehensive portfolio includes cables, connectors, cable assemblies, cable and distribution systems, as well as highly miniaturised wavelength multiplexers and all-optical switches. The products are used, for instance, in especially harsh environmental conditions. Even when installation has to be fast and safe, the pre-assembled, customer-specific systems, including the smallest components and the highest packing density, are the ideal solution. An optimised polishing process developed in-house for fiber optic connectors represents an important basis for the high quality of the company's optical connectivity technology as does the distinctive know-how in the processing of high-performance materials and high-temperature polyamides to precision parts.

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

**Corporate:** Includes corporate functions and all activities that cannot be allocated to one of the three technology segments.

in CHF 1000

Net sales	January-June 2018	January-June 2017
Radio Frequency	130 653	118 045
Fiber Optics	190 103	186 404
Low Frequency	153 232	106 233
<b>Total net sales</b>	<b>473 988</b>	<b>410 682</b>

in CHF 1000

Operating profit (EBIT)	January-June 2018	January-June 2017
Radio Frequency	19 914	15 485
Fiber Optics	12 145	16 244
Low Frequency	15 436	460
Corporate	(3 172)	616
<b>Total operating profit (EBIT)</b>	<b>44 323</b>	<b>32 805</b>

The operating profit reported under Corporate in the reporting year 2017 contains the net profit from sale of an industrial property in Switzerland amounting to CHF 3.7 million (in the consolidated income statement shown under 'Other operating income').

## 6 Events after the balance sheet date

There were no events between the balance sheet date and the date this half-year report was approved by the Board of Directors (16 August 2018) which affect the half-year results or require any adjustments to the Group's assets and liabilities.

For further information on the  
HUBER+SUHNER Group please visit  
[www.hubersuhner.com](http://www.hubersuhner.com).

Photos: HUBER+SUHNER, Getty Images

### **Concept and editorial**

Editor:

Corporate Finance  
HUBER+SUHNER  
CH-8330 Pfäffikon

### **Contact**

Media:

Patrick G. Köppe  
Head Corporate Communications  
Phone +41 (0)44 952 25 55  
[patrick.koeppe@hubersuhner.com](mailto:patrick.koeppe@hubersuhner.com)

Investors:

Ivo Wechsler  
Chief Financial Officer  
Phone +41 (0)44 952 22 43  
[ivo.wechsler@hubersuhner.com](mailto:ivo.wechsler@hubersuhner.com)

HUBER+SUHNER AG

Degersheimerstrasse 14  
CH-9100 Herisau AR  
Phone +41 71 353 41 11  
Fax +41 71 353 44 44

Tumbelenstrasse 20  
CH-8330 Pfäffikon ZH  
Phone +41 44 952 22 11  
Fax +41 44 952 24 24

[www.hubersuhner.com](http://www.hubersuhner.com)