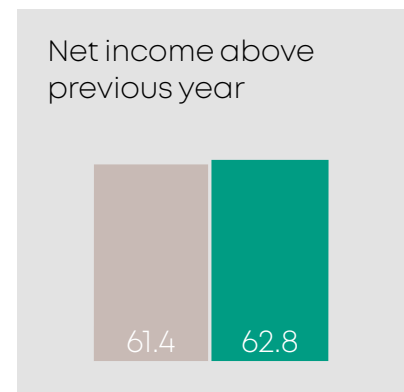
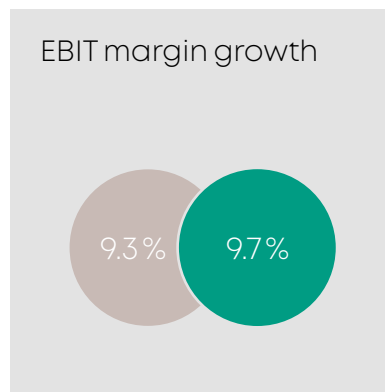
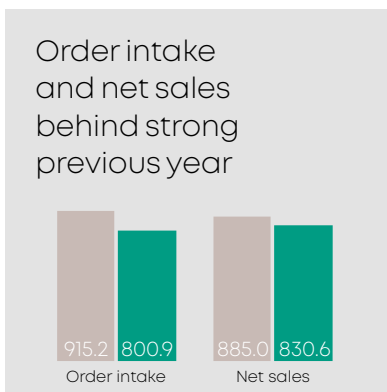


# Management Report 2019

## Key Facts at a glance



Radio Frequency posts further increase in net sales and profitability

Industrial market with jump in sales

Significant acquisitions – nevertheless high free operating cash flow

■ 2018 ■ 2019 in CHF million

## HUBER+SUHNER improves profit despite lower net sales



Urs Ryffel (CEO) and Urs Kaufmann (Chairman)

Following three years of strong growth, HUBER+SUHNER saw a decline in order intake and net sales in the financial year 2019. Despite this, the company slightly improved the profit in the reporting year.

At Group level, order intake stood at CHF 800.9 million (previous year CHF 915.2 million), representing a decline of 12.5 %. There were two main reasons for this: a 21.1 % decline in Fiber Optics, attributable to a large-scale 4G project coming to an end, as expected, on the Indian subcontinent, and a 15.0 % decline in Low Frequency as a result of the weaker railway market in China. In Radio Frequency by contrast, there was a marginal increase in order intake of 1.4 %.

Therefore, net sales overall were down 6.1 % at CHF 830.6 million (PY CHF 885.0 million). Adjusted for currency, copper and portfolio effects, the organic decline was 4.6 %.

In the technology segments, net sales developed as follows: Radio Frequency +7.7 %, Fiber Optics -15.5 % and Low Frequency -7.4 %. These developments also resulted in a shift in the net sales share in the main regions: 50 % in EMEA (PY 44 %), 30 % in APAC (PY 37 %) and 20 % in the Americas (PY 19 %). The four strategic growth initiatives developed at a varied pace and resulted in growth overall again.

More funds were dedicated to developing medium-term opportunities with growth potential, resulting in a 15 % increase in research and development expenses year on year to CHF 42.1 million.

The Group was able to reduce selling, general and administrative expenses through stringent cost management. Together with an improved business mix, this contributed to a significantly higher gross margin and increased profitability. The EBIT margin increased to 9.7 % (PY 9.3 %), which is at the upper end of the medium-term target range of 8–10 %.

In absolute figures, the EBIT of CHF 80.5 million was only marginally down on the previous year (CHF 82.5 million). Net income improved to CHF 62.8 million (PY CHF 61.4 million) on account of a lower tax rate. Return on sales therefore increased to 7.6 % (PY 6.9 %).

Despite the acquisitions made, free operating cash flow stood at a high CHF 45.1 million (PY CHF 71.7 million).

The number of permanent employees worldwide grew by 367 to 4823 in the reporting year (4576 full-time equivalents – annual average). This increase was attributable to the aforementioned acquisition as well as the transitioning of some temporary workers to permanent contracts. In Switzerland, the total number of employees remained stable (1256; PY 1261).

### Double-digit growth in industrial, decline in communication and transportation markets

Early in the year under review, the communication market showed signs of reduced activity with roll-outs of the 4G/LTE standard for mobile phone networks, resulting in a significant 24.4 % decline in order intake to CHF 307.4 million and a 20.8 % decline in net sales to CHF 317.8 million.

For the transportation market as a whole, order intake stood at CHF 239.5 million (-11.7 %) and net sales at CHF 248.5 million (-7.7 %), with heterogeneous developments in the individual submarkets. The large railway market was unable to sustain the strong growth of the previous year, which had been particularly marked in Asia. In the automotive submarket, net sales of solutions for conventional vehicles fell slightly short of the previous year, while electric vehicles recorded a slight increase.

The industrial market again grew across a broad front. Order intake increased to CHF 254.0 million (+6.9 %), and net sales rose sharply to CHF 264.3 million (+23.1 %). The aerospace and defense growth initiative as well as the test and measurement core market both reported the strongest development.

### Growth in Radio Frequency technology segment, further improving strong profitability

The Radio Frequency technology segment reported another very successful year. Order intake increased by 1.4 % to CHF 272.8 million and net sales rose by 7.7 % to CHF 275.2 million. The EBIT margin was up again to a high 17.1 % (PY 16.0 %). The high degree of differentiation in terms of quality and performance features of the radio frequency solutions led to broad-based growth in a wide range of industrial and transportation applications. The portfolio acquisitions of special antennas made in the year under review ideally complement the existing product range.

### **Fiber Optics technology segment improves profitability despite lower volumes**

In the Fiber Optics technology segment, lower volumes from 4G mobile communications infrastructure projects in India left a clear mark. Order intake fell by 21.1 % to CHF 274.7 million, while net sales decreased by 15.5 % to CHF 285.6 million. Despite this, active development of higher-margin business helped to grow the EBIT margin to 6.6 % (PY 5.9 %). The innovative products as well as the know-how of the acquired BKtel are complementary to the existing product range and provide the Group with new options for extended overall solutions beyond fiber optics.

### **Low Frequency technology segment holds its own in a more demanding environment**

After the strong growth in 2018, the Chinese railway market lagged behind the previous year. In the Low Frequency technology segment, order intake stood at CHF 253.4 million, representing a year-on-year decline of 15.0 %. Net sales fell by 7.4 % to CHF 269.8 million. The lower utilisation of production capacity put pressure on the EBIT margin (8.0 %; PY 9.8 %). In the automotive submarket, new customer projects were won with components and complete solutions comprising high-voltage cables and distribution units for electric vehicles. In the expansion of the charging infrastructure, which is vital for the further development of electromobility, the company succeeded in consolidating its leading position in the area of high-power charging systems.

### **Risk management**

At its meeting on 5 December 2019, the Board of Directors assessed the business risks as part of its ongoing risk management and approved the 2019 report including the defined measures.

### **Dividend**

The Board of Directors proposes to the Annual General Meeting a payout of CHF 1.60 per share, corresponding to a payout ratio of 50 %.

### **Change to the Board of Directors**

George H. Müller, a long-standing member of the Board of Directors of HUBER+SUHNER AG, will not stand for re-election at the next Annual General Meeting. The Board of Directors would like to thank George H. Müller for his commitment and contribution to the development of HUBER+SUHNER over the past 19 years and will not propose any additions to the Board at the Annual General Meeting. As a result, the Board of Directors will thereafter consist of six members.

### **Outlook**

With a view to the main markets, the company expects the expansion of the 5G mobile network infrastructure to gain momentum in the communication market. In the transportation market, tenders for railway projects indicate a positive market environment. In the industrial market, highly differentiated products continue to offer opportunities in a large number of applications. The company remains confident in the prospects for further development in the four growth initiatives and also expects a positive contribution from the acquisition of BKtel.

Following the lower order intake during the second half of the reporting year, a rather restrained start to the current year is to be expected. It is certain that the measures against the spread of the coronavirus in the Chinese market will have negative effects directly on local sales and indirectly on the global value chains with Chinese participation. At this point in time it is unclear how the presumed geographical expansion of the corona crisis will possibly impact business in additionally affected regions.

HUBER+SUHNER will specify its sales outlook for the current fiscal year when presenting its half-year figures. From today's perspective, the aim remains unchanged to achieve an EBIT margin within the medium-term target range of 8–10 % for the full year 2020.

### **Our sincere thanks**

In 2019, the Group celebrated fifty years since the merger of the two founding companies to create HUBER+SUHNER AG in 1969. The reporting year will therefore go down in the company's history as a very special one. On behalf of the Board of Directors and Executive Group Management, we would like to thank all our employees for their excellent work and high level of dedication in a challenging year. We would also like to express our sincere thanks to all shareholders, customers and suppliers for their valued cooperation and trust.



Urs Kaufmann  
Chairman of the Board of Directors



Urs Ryffel  
CEO

## HUBER+SUHNER milestones

Fascinating stories about HUBER+SUHNER, its products and their added value for customers and other stakeholders

### 5G antennas for Deutsche Telekom



Small cells are playing an important role in the densification of Deutsche Telekom networks. Within the area that they cover, they provide a significant increase in data capacity; currently, up to an additional 150 Mbps. The new HUBER+SUHNER antenna range is enabling this increase in bandwidth using MIMO (Multiple Input Multiple Output) technology. Multiple antennas in a single housing allow multiple data streams to be sent and received simultaneously.

“ Small cell antennas are a key element of our expansion strategy. The new antennas enable us to provide targeted coverage of squares and streets. This will enable us to create more capacity in the inner cities and thus further optimise our network. One great additional benefit of the antennas from our Swiss partner is the flexible handling: we can switch over to 5G in just a few simple steps. ”

**Walter Goldenits, Head of Technology at Telekom Deutschland**

### Helping buses go digital



When it comes to antennas for public transport, the availability of mobile communication in trains and buses is paramount. The example of the bus manufacturer MAN demonstrates how the right communication solutions not only

allow public transport users to access the Internet, but also ensure convenience and security. For MAN, HUBER+SUHNER supplied custom SENCITY® Road antennas that can send and receive 4G, GPS and Wi-Fi signals. Thanks to these antennas, operators of MAN buses enjoy digital monitoring, maintenance and analysis features, and can provide their passengers with mobile Internet access. To avoid roaming costs, a Wi-Fi antenna has been integrated into the system, also allowing the exchange of data while the bus is in the depot. An additional GPS antenna improves connectivity and tracking, which also benefits passengers.

“ Wireless vehicle connectivity is a major focus at MAN and an area where a lot of research is needed. To make this possible, we have to work closely with our suppliers. HUBER+SUHNER offers high-quality products with all the necessary industry certifications, tests and registrations. Many challenges will have to be overcome in the future to ensure the best possible connectivity of our vehicles. We rely on our partner HUBER+SUHNER to meet our requirements and make our service more attractive. ”

**Siegfried Seidel, Product Marketing & Technical Support Bus, MAN Truck & Bus Deutschland GmbH**

**50 years HUBER+SUHNER**  
Connecting with you



This is the motto under which the company was getting in touch with customers, employees, shareholders and other stakeholders at 50th anniversary celebrations worldwide.

**Communication**  
Acquisition of Bktel



The acquisition strengthens the position in broadband communication and optical transmission technology while offering new opportunities in advanced communication and 3D scanning solutions.

**Transportation**  
EV Automotive



HUBER+SUHNER received approval from a European-American car manufacturer to supply a customer-specific cable solution for electric vehicles.

**Industrial**  
Product innovation in test and measurement



Market launch of the innovative SUCOFLEX® 550S, manufactured using patented rotary swaging technology and with a 5 times longer service life

## A partnership based on trust

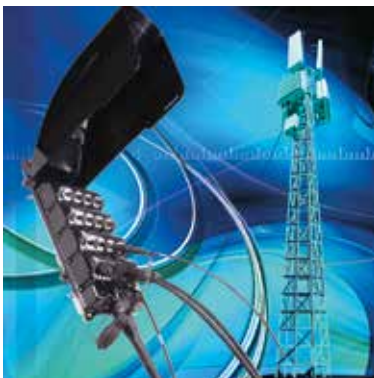


Bombardier Transportation and HUBER+SUHNER enjoy a successful and close relationship that goes back 20 years. As one of Bombardier Transportation's most trusted partners, HUBER+SUHNER supplies the company with railway cables, intervehicle jumper systems and train communication. Today, more than 20 Bombardier Transportation train models are equipped with HUBER+SUHNER power, signal and databus cables as standard, in projects that span the globe.

“HUBER+SUHNER has always remained a market leader, with its innovative products and knowledge confirming its market position as a leading international cable provider for railway technology. The reputation of HUBER+SUHNER in the industry and the ongoing support and commitment it provides, coupled with its innovative high-performance products on competitive terms, have been invaluable to Bombardier Transportation.”

**Gregory Devriese, Global Commodity Manager – Electrical Wiring Interconnectivity System, Bombardier Transportation**

## A power-saving cable system



The MASTERLINE Ultimate Hybrid High Voltage (MLUH HV) hybrid cable system has been designed specifically to meet the significantly higher power requirements of 5G mobile cells. This hybrid cable transmits data using fiber optics and supplies the remote radio heads (RRH) with 230 V AC voltage instead of the 'traditional' 48 V DC voltage. This significantly reduces power loss of the cable and thus the carbon footprint of the telecommunications providers.

**Cutting CO<sub>2</sub> emissions**

At a mobile site with six remote radio heads consuming 1,200 W of energy each, 60 m cable and a cross-section of 10 mm<sup>2</sup> per copper wire, the maximum energy loss of a 48 VDC installation is 11.20 MWh per year and the maximum loss of a 230 VAC installation is only 2.23 MWh. The cumulative power saving of 8.97 MWh allows operators save between one and 13 tons of CO<sub>2</sub> every year, depending on the electricity mix in a country.

## Radio Frequency technology segment

Further growth – increased profitability – portfolio expansion in transportation and industrial markets following acquisition of special antennas from Kathrein

The Radio Frequency technology segment once again increased profitability and enjoyed broad-based growth. Notably strong growth was reported in the aerospace and defense growth initiative, with satellite components a particularly dynamic driver. The test and measurement market segment, for its part, saw an increase in demand for high-quality RF connectors. The antenna solutions acquired from Kathrein were successfully integrated into the HUBER+SUHNER portfolio.

Key figures		2019	2018	%
Order intake	CHF million	272.8	269.1	+1.4
Net sales	CHF million	275.2	255.4	+7.7
Operating profit (EBIT)	CHF million	47.1	40.8	+15.4
EBIT margin	%	17.1	16.0	

## Fiber Optics technology segment

Improved EBIT margin – lower 4G roll-out volumes – prospects remain intact

Declining volumes from 4G mobile infrastructure roll-outs in the communication market could be offset only in part through other applications. The optical switches business grew significantly and has the potential to develop even further. The company has also positioned itself well in respect of the ongoing 5G roll-outs. The acquired BKtel brings important knowledge of active network technology at the interface between digital and analogue, and fiber optics and radio frequency respectively. BKtel has also been pioneering interesting laser technology applications in areas such as 3D landscape scanning and autonomous driving.

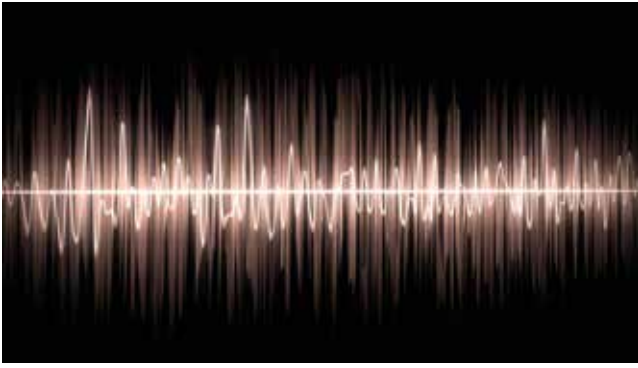
Key figures		2019	2018	%
Order intake	CHF million	274.7	347.9	-21.1
Net sales	CHF million	285.6	338.2	-15.5
Operating profit (EBIT)	CHF million	18.8	20.0	-5.7
EBIT margin	%	6.6	5.9	

## Low Frequency technology segment

Net sales and EBIT margin behind strong previous year – further approvals with HV cables and solutions for electric vehicles – position consolidated with high power charging systems

The conditions on the two submarkets, railway and automotive, were less dynamic than the previous year. The position as system supplier was further strengthened with the RADOX® HPC High Power Charging System and expanded to market leadership worldwide. Based on the convincing product properties of RADOX®, a new product line for offshore applications was successfully developed and launched on the market, offering great potential for differentiation.

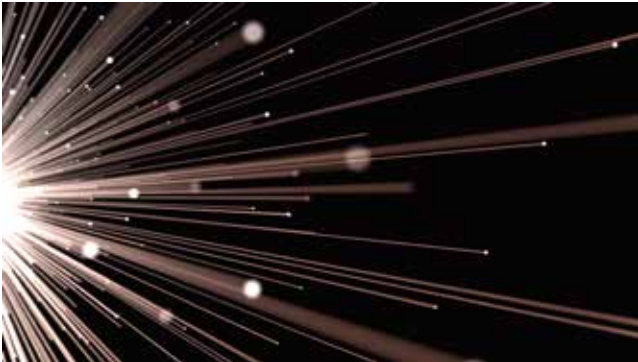
Key figures		2019	2018	%
Order intake	CHF million	253.4	298.2	-15.0
Net sales	CHF million	269.8	291.4	-7.4
Operating profit (EBIT)	CHF million	21.6	28.7	-24.8
EBIT margin	%	8.0	9.8	



### **Reto Bolt**

COO Radio Frequency

“In both the aerospace and defense growth initiative and the test and measurement core market, we were able to continue our growth in 2019. In the communication market, we maintained our position overall, which was due in part to successes with new products. The acquisition of part of the Kathrein antenna portfolio opens up additional opportunities for us.”



### **Fritz Landolt**

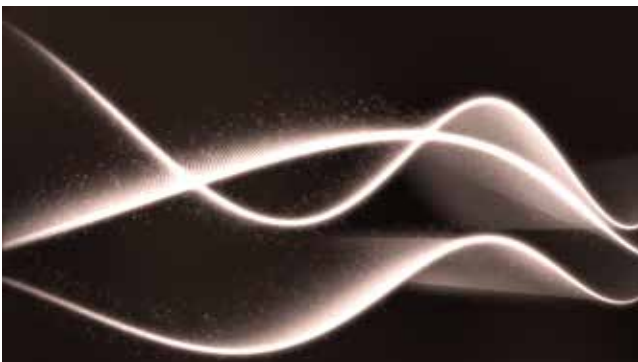
COO Fiber Optics Mobile Communication & Industry

“4G roll-outs still represented a significant portion of our revenue, although some large projects are coming to an end. We were able to establish a strong position with customers who are already implementing 5G roll-outs. In addition, our optical transport solutions based on our WDM technology opened up further application possibilities in the communication market. And in the industrial market, a major focus was the further development of high-voltage direct current transmission and wind power solutions.”

### **Martin Strasser**

COO Fiber Optics Fixed Network & Data Center

“With the acquisition of BKtel, the specialist for high-speed data transmission, we are strengthening our position in the WAN / Access networks core market. In addition, our innovative Polatis optical switches have enabled us to significantly increase our market share and attract leading technology companies as new customers.”



### **Patrick Riederer**

COO Low Frequency

“Electric drive concepts in the automotive submarket are steadily gaining in importance. Our expertise in high-voltage applications and solutions has also helped us win over more vehicle manufacturers. The more challenging environment in the Asian railway submarket was attributable to delays in the awarding of contracts for railway projects. However, the number of new project tenders worldwide in this market segment continues to testify to intact opportunities.”

# Key Figures and Financial Calendar

Group in CHF million	2019	2018	Change
Order intake	800.9	915.2	(12.5%)
Order backlog as of 31.12.	213.6	246.9	(13.5%)
Net sales	830.6	885.0	(6.1%)
Gross margin	36.2%	34.6%	
EBITDA	111.8	116.4	(3.9%)
as % of net sales	13.5%	13.2%	
EBIT	80.5	82.5	(2.4%)
as % of net sales	9.7%	9.3%	
Financial result	(1.7)	(2.8)	n/m
Net income	62.8	61.4	2.3%
as % of net sales	7.6%	6.9%	
Purchases of PP&E and intangible assets	37.5	27.0	38.9%
Cash flow from operating activities	129.1	99.6	29.7%
Free operating cash flow	45.1	71.7	(37.1%)
Net liquidity as of 31.12.	190.2	198.8	(4.3%)
Equity as of 31.12.	587.7	620.8	(5.3%)
as % of balance sheet total	78.4%	80.7%	
Employees as of 31.12.	4 823	4 456	8.2%
Market capitalisation as of 31.12.	1 494.9	1 274.2	17.3%
<b>Data per share</b> in CHF	2019	2018	Change
Stock market price as of 31.12.	76.80	65.50	17.3%
Net income	3.22	3.15	2.1%
Ordinary dividend	1.60 <sup>1)</sup>	1.50	6.7%
Anniversary dividend	–	1.00	n/m
<b>Total dividend</b>	<b>1.60<sup>1)</sup></b>	<b>2.50</b>	<b>(36.0%)</b>

<sup>1)</sup> Proposed dividend

n/m = not meaningful

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

## Company information

### Media

Patrick G. Köppe  
Head Corporate Communications  
Phone +41 (0)44 952 25 60  
[pressoffice@hubersuhner.com](mailto:pressoffice@hubersuhner.com)

### Investors

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

## Financial calendar

Annual General Meeting (Pfäffikon, ZH)	01.04.2020
Half-year report	18.08.2020
Media and analysts' conference	18.08.2020
Sales and order intake (9 months)	22.10.2020

Detailed figures are available online at [www.hubersuhner.com/en/company/investors/publications](http://www.hubersuhner.com/en/company/investors/publications)  
This management report is also available in German. The German version is binding.