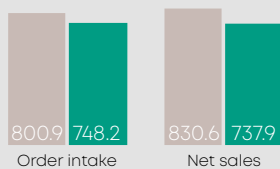


# Management Report 2020

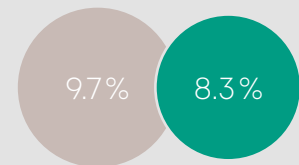
## Key Facts at a glance

Order intake and net sales below previous year due to pandemic



Further progress in growth initiatives and investments in the future at a record high

EBIT margin of 8.3 % within medium-term target range despite lower net sales



Stringent cost management, structural measures and agility in supply chain were major factors for solid result

New alignment by market segments strengthens market orientation and reduces complexity – matrix structure abolished

Significantly improved profitability in the second half-year due to increased share of higher-margin business

■ 2019 ■ 2020 in CHF million

## HUBER+SUHNER achieves solid result despite significant decline in net sales



Urs Ryffel (CEO) and Urs Kaufmann (Chairman)

In a difficult environment, HUBER+SUHNER succeeded in significantly reducing the shortfall in the second half of 2020 compared to the prior-year period and thereby achieved a solid result in the financial year as a whole. At CHF 748.2 million, order intake was down 6.6 % on the previous year (CHF 800.9 million). The decline was mainly attributable to the noticeable slowdown in the mobile network expansion in the first half of the year, precipitated by the coronavirus pandemic, which impacted business with communication equipment manufacturers and thus in the Radio Frequency (–12.2 %) and Fiber Optics divisions. In the railway market, the delayed entering into service of rolling stock was reflected in more caution in the awarding of contracts along the entire supply chain. Accordingly, Low Frequency was behind the previous year (–9.1 %). Fiber Optics increased slightly by 1.4 % thanks to an upturn in the data center business and the acquisition of Bktel at the end of 2019 in the WAN / access networks market. Net sales amounted to CHF 737.9 million in 2020, down 11.2 % on the previous year (CHF 830.6 million). Adjusted for portfolio, currency and copper effects, organic growth declined by 10.0 %. The technology segments reported a change in net sales of –14.1 % for Radio Frequency, of –5.7 % for Fiber Optics and of –14.0 % for Low Frequency. These developments also resulted in a shift in the net sales share by region to 54 % (PY 50 %) in EMEA, at the expense of APAC with 28 % (PY 30 %) and the Americas with 18 % (PY 20 %). The three strategic growth initiatives (Aerospace & Defense, Data Center, EV Automotive) developed at a varied pace. Overall, growth was achieved again compared to the previous year. A significant 12.9 % increase in research and development expenses year on year to CHF 47.5 million was in contrast to a decrease in administrative and sales costs as a result of stringent cost management. Combined with the significantly improved business mix over the course of the year, this resulted in an EBIT margin of 8.3 % for the year as a whole (PY 9.7 %), which is within the medium-term target range. Net profit amounted to CHF 52.3 million (PY CHF 62.8 million),

which means that return on sales was down marginally on the previous year at 7.1 % (PY 7.6 %). Free operating cash flow even increased slightly to CHF 50.2 million (PY CHF 45.1 million). The number of permanent employees worldwide was reduced by 8.6 % to 4410 during the year. In Switzerland, this figure fell by 2.5 % to 1225 in the same period.

### Standing up to the challenges of the pandemic

The outbreak of the coronavirus pandemic subjected the global economy to completely new challenges. In retrospect, the company managed to cope well with the demanding situation. Despite state-imposed temporary site closures and massive restrictions on transport capacities, procurement supplies were ensured and delivery obligations to customers were honoured thanks to the continued functioning of the global production and supplier network.

Temporary measures, such as cost reductions and temporary wage sacrifice, also cushioned the economic effects of the pandemic. At the same time, the organisation was reviewed worldwide. It was decided to close the production site in Brazil and to reduce the global workforce by about 5 %.

### Main markets communication, transportation and industrial with recovery in the second half of the year despite decline

It became apparent early on in the reporting year that the new general conditions would impact all three of the main markets. In the second half-year, the communication and transportation markets showed a significant improvement compared to the prior-year period, but without being able to make up for the shortfall from the first half of the year. Order intake in the communication market amounted to CHF 285.0 million (–7.3 %), while the decline in net sales to CHF 289.8 million (–8.8 %) was a result of the weak first half of the year.

The transportation market suffered from the delayed entering into service of rolling stock in the railway submarket, whereas the automotive submarket stood out thanks to the strong development with solutions for electric vehicles. Order intake amounted to CHF 223.4 million (–6.8 %), while net sales fell to CHF 223.0 million (–10.3 %).

The industrial market, which had grown strongly in recent years, had to contend with a decline in order intake to CHF 239.8 million (–5.6 %) and in net sales to CHF 225.1 million (–14.8 %). This development was attributable to slower momentum in all key submarkets.

### Clear double-digit margin for Radio Frequency technology segment despite shortfall in net sales

In the reporting year, after four years of continuous growth, the Radio Frequency technology segment reported a 12.2 % decline in order intake to CHF 239.5 million

(PY CHF 272.8 million) and a 14.1 % decline in net sales to CHF 236.3 million (PY CHF 275.2 million). With an EBIT margin of 12.5 % (PY 17.1 %), however, a clear double-digit result was still achieved. The diversified portfolio with highly differentiated products continues to offer interesting potential, especially in industrial, but also in communication and transportation applications.

#### **Increased profitability in Fiber Optics technology segment**

The Fiber Optics technology segment reported a positive development. With a marked increase in the submarket WAN / access networks – due to the acquisition of BKtel – as well as in the data center growth initiative, order intake was 1.4 % higher than the previous year at CHF 278.4 million. Net sales were 5.7 % lower, at CHF 269.4 million, after significant improvement over the course of the year. Once again, activities in the higher-margin business were developed in a targeted manner, increasing the EBIT margin to 8.3 % (PY 6.6 %).

#### **High bidding activity in Low Frequency technology segment**

In the Low Frequency technology segment, order intake stood at CHF 230.3 million, or 9.1 % below the previous year's figure, while net sales amounted to CHF 232.2 million, a decline of 14.0 %. The EBIT margin decreased to 6.7 % (PY 8.0 %).

Despite high bidding activity in both the railway and automotive submarkets, they developed differently. While the aforementioned delay in entering into service of rolling stock affected the entire supply chains of the railway market, the growth initiative electric vehicles, especially with solutions for commercial vehicles, developed favourably.

#### **Risk management**

At its meeting on 3 December 2020, the Board of Directors assessed the business risks as part of its ongoing risk management and approved the 2020 report including the defined measures.

#### **Dividend**

The Board of Directors proposes to the Annual General Meeting a distribution of CHF 1.30 (PY CHF 1.60) per share, corresponding to a payout ratio of 49 %.

#### **Downsizing of Executive Group Management**

The new alignment of the organisation by market segments, as announced towards the end of the year, resulted in a downsizing of the Executive Group Management. On 31 December 2020, Fritz Landolt, Patrick Riederer and Dr Martin Strasser stepped down from the Executive Group Management. They remain in key management positions within the company. HUBER+SUHNER would like to thank the three members of Executive Group Management for their dedicated contribution to the body, which has extended

over many years, and their willingness to contribute their proven expertise to their new areas of responsibility within the company. Executive Group Management will comprise six people instead of eight once the Communication segment management position has been filled.

#### **Outlook**

Since the beginning of the current financial year, HUBER+SUHNER has been organised into the three market segments Industry, Communication, and Transportation, and is oriented towards the main markets of the same name. The sales organisations have been directly integrated into the three segments, thus abolishing the matrix organisation at Group level. The aim behind the new alignment is to place a greater focus on the markets and simplify structures. The half-year reporting will reflect the new segments Industry, Communication, and Transportation for the first time.

Markets around the world remain uncertain due to the impact of the coronavirus pandemic. While HUBER+SUHNER expects a rapid recovery in individual submarkets, a return to prepandemic levels in others is likely to be a gradual process, taking several years. The company is very well positioned, with the right technologies, products and innovative solutions, to play a leading role in important applications of the future. This future will be greatly influenced by sustainable mobility, an increased need for security, and communication solutions for continually growing data volumes.

From today's perspective, the company expects growth in net sales for the current financial year to be within the mid-single-digit percentage range. The operating margin in 2021, assuming a comparable exchange rate situation, is expected to be in the medium-term EBIT target range of 8–10 %.

#### **Many thanks**

On behalf of the Board of Directors and the Executive Group Management, we would like to express our sincere thanks to our employees worldwide for their tremendous efforts and commitment in a year marked by so many uncertainties and challenges. Thanks to their unparalleled dedication, together we have managed to steer the company through these volatile times largely unscathed. We would like to extend our thanks to all shareholders, customers and suppliers for their valued cooperation, loyalty and continued 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

### Fast and climate-friendly

To combat climate change, nations are setting strict environmental targets aimed at reducing carbon emissions worldwide. Consequently, this has increased the trend towards battery-powered electric vehicles (BEV), causing industries, municipalities and developers to rethink infrastructure.

HUBER+SUHNER leads the way in the high power charging (HPC) market through the development of its cooled cable technology and has the largest number of installed HPC systems in the world, while the company has expanded its portfolio to include non-cooled units to suit varying application requirements.

#### Industry

“We are pleased to present the impressive outcome of our collaboration with HUBER+SUHNER. The innovative RADOX® HPC500 and HPC200 charging cables are key to building the bridge between our charging infrastructure and our customers' electric vehicles. We will proudly showcase this innovative solution at the Sortimo Innovationspark Zusmarshausen, opening mid-year 2021.”

**Frank Steinbacher, CEO at eLoaded GmbH**

### Efficient and compact

Data centers and cloud services are demanding increased Ethernet speeds driven by the continued growth of giant communication networks. To make data rates of 400 Gbps or even 1.4 Tbps economically and environmentally viable, the cost per bit and electrical power dissipation must be greatly reduced. As a result, the necessary transceivers – COB (Chip On Board)

or CPO (Co-Packaged Optics) modules – require new optical coupling, assembly and packaging approaches. The HUBER+SUHNER CUBO WCM (Wavelength division multiplexing Coupling Module) provides excellent optical performance with a minimum footprint to address market challenges and deliver future-ready speed at the lowest cost.

#### Communication

“HUBER+SUHNER is partnering with a range of communication network equipment suppliers – from massive international entities to budding start-ups – all focused on meeting the needs of emerging trends for faster data speeds. With the CUBO WCM we have an excellent, compact and economical solution for major network operators striving to be ready for the future already today.”

**Thomas Paatzsch, Managing Director, Business Unit CUBO, HUBER+SUHNER**

#### Transportation

“By using tailored rail solutions from HUBER+SUHNER, we were able to upgrade the first trains in the UK to be suitable for Wi-Fi 6 and 5G. Their expertise enabled us to continue our leading innovation for transport.”

**Steve Hill, Business Manager Intelligent Transport at McLaren Applied**

### Mobile and connected

Rail industry strives to meet the passenger demand for reliable and seamless connectivity. HUBER+SUHNER was approached by McLaren Applied Technology to provide a passive onboard communications platform that supports their new railway software. By integrating tailored solutions based on radio frequency, low frequency and fiber optics technologies to meet the required specifications, the project

delivered a complete communication technology upgrade of the train including the installation of a DUAL RAILCAT7 backbone and inter-vehicle jumpers, offering up to 20 Gbps bandwidth between each carriage. This onboard infrastructure allows theoretically unlimited data rates and is thus prepared for the future of broadband communication when more powerful active components become available to the industry at a later date.

**Corporate responsibility**

“On the one hand, the good ratings reflect that we assume our social responsibility and they are a reward for our Group’s systematic efforts to make a contribution in the ongoing fight against climate change. On the other hand, as a future-oriented company with a global presence, we feel spurred to continue along the path we have taken and to live our social responsibility out of conviction and to further strengthen our commitment.”

**Urs Ryffel, CEO of HUBER+SUHNER**

**Responsible and concrete**

In the most recent evaluation by EcoVadis in the categories of environment, labour and human rights, ethics and sustainable procurement, HUBER+SUHNER is among the top 10 % of 700 companies worldwide in the “Production of electronic components and printed circuit boards” sector. The rating report particularly emphasises the goals and measures for reducing greenhouse gas emissions. Compared to 2015, the company intends to reduce

its global CO<sub>2</sub> emissions in relation to the added value generated by 50 % by 2025.

With a rating of A- (A minus), the non-profit organisation CDP has placed HUBER+SUHNER in the highest of four evaluation categories “Leadership”, which refers to companies that, in the opinion of CDP, are implementing current best practices to reduce their CO<sub>2</sub> emissions.

**Transportation**

“It will be possible to buy vehicles with our new products already in 2021, showcasing our strength of rapid innovation within the automotive market. Our solutions will enable autonomous driving on new levels.”

**Alexander Post, SVP Automotive Strategy & Business Development, HUBER+SUHNER**

**Autonomous and safe**

As autonomous and assisted vehicles rise in popularity, it is essential that high-quality solutions ensure performance without compromising safety. HUBER+SUHNER has successfully developed solutions for autonomous driving, including board-to-board

connectors and radar antennas that provide excellent performance and enable high resolution over long distances of up to 300 metres. Such solutions can further enhance safety by processing large amounts of critical information even under difficult conditions.

**Timing is everything**

As 5G capacity increases, ensuring tighter coordination between cell sites calls for very low latency and precision timing and synchronization is key. Limited power supplies and the logistical challenges of installing multiple antennas across urban rooftops make network expansion difficult and expensive. Working

with a leading telecommunications company in North America, HUBER+SUHNER developed a game-changing Direct GPS-over-Fiber solution that not only enables greater distances between the remote GNSS antenna and receiver, but also reduces the amount of hardware required, thus providing the lowest total cost of ownership.

**Industry**

“Working with the team at HUBER+SUHNER enabled us to overcome the critical challenges of optimizing timing capacity for central offices and data centers. This truly copper-less link integrates power-over-fiber with direct fiber optic signal transmission from the antenna, giving us unlimited flexibility, scalability with minimum hardware.”

**A leading telecommunications provider in North America**

**Communication**

“The expertise and strong portfolio of physical layer solutions of HUBER+SUHNER will play a large role in NTT Ltd.’s Edge Technology Experience Lab, which provides clients with a state-of-the-art test environment to drive proof-of-concepts and innovation projects from edge to core to cloud.”

**Christopher Stumm, Business Development Manager of NTT Ltd.’s Global Data Centers division in EMEA**

**Bringing solutions to the edge**

Video streaming, and other applications such as gaming, virtual reality, augmented reality, Industry 4.0 and Internet of Things are driving demands for low latency in data transmission. As a result, it is becoming necessary to bring computing power or network resources closer to the periphery where they are needed. Edge data centers are emerging as a prime opportunity to enable efficient

data transmissions for real-time connectivity between devices and infrastructure. HUBER+SUHNER is partnering with NTT’s Global Data Center division to join their ecosystem for their Edge Technology Experience Lab. This lab will contain smart, simple, and scalable fiber optic solutions including all-optical switches, transport systems and fiber management systems.



## Radio Frequency technology segment

Double-digit EBIT margin – no further year of growth – broad portfolio for a wide range of high-performance connections

After several years of growth, the Radio Frequency technology segment also suffered a decline in business. Radar systems for distance measurement in autonomous vehicles, high-precision components for test and measurement technology, or antenna solutions for mission-critical communication networks in the fields of industry, energy, security and defense; these are just some of the applications that are set to see increased demand for versatile, safe and robust high-performance radio frequency connectivity.

Key figures		2020	2019	%
Order intake	CHF million	239.5	272.8	-12.2
Net sales	CHF million	236.3	275.2	-14.1
Operating profit (EBIT)	CHF million	29.5	47.1	-37.4
EBIT margin	%	12.5	17.1	

## Fiber Optics technology segment

Business with data centers and WAN / access networks increases – EBIT margin rises significantly – ideally positioned for future trends 5G and increasing data rates

A temporary slowdown in the expansion of mobile networks due to the corona pandemic was offset by acquisition-driven growth in solutions for WAN / access networks. The data center growth initiative also increased. The company is ideally positioned to take advantage of the two big future trends in communication networks: the 5G mobile access and higher data rates in the fixed network. Optical switches from HUBER+SUHNER enable more efficient use of server infrastructures and fiber optic networks. The increasing importance of cloud-based services and the high data volume associated with this are driving the demand for such solutions. HUBER+SUHNER WDM system solutions are helping to combat the shortage of fiber in access networks in an effective and cost-efficient manner.

Key figures		2020	2019	%
Order intake	CHF million	278.4	274.7	1.4
Net sales	CHF million	269.4	285.6	-5.7
Operating profit (EBIT)	CHF million	22.4	18.8	18.8
EBIT margin	%	8.3	6.6	

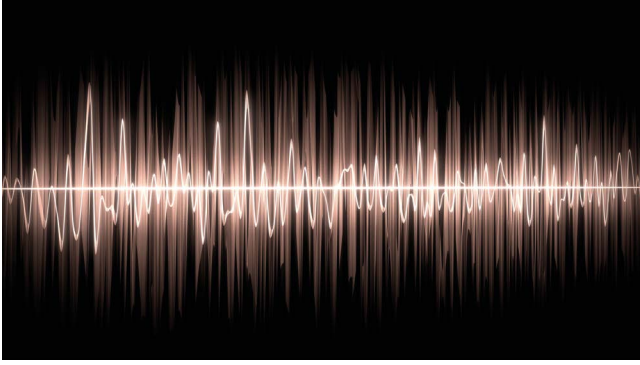
The significant market momentum in the mobile networks sector towards 5G is reflected in the upgrading of macro cells and the densification of the networks with small cells.

## Low Frequency technology segment

Sales of solutions for electric vehicles doubled – high bidding activity in the railway market – EBIT margin squeezed by lower volumes

Business in the Low Frequency technology segment was varied. The railway submarket was characterised by a high level of bidding activity and a simultaneous delay in the entering into service of new rolling stock due to the pandemic, with corresponding effects on the entire supply chain. In the automotive submarket, business with solutions for electric vehicles, especially in the commercial vehicle sector, was more dynamic than in the market for vehicles with conventional drives. Based on our experience as the market leader for cooled high-power charging systems in Europe and North America with RADOX® HPC, the portfolio has been expanded to include uncooled charging systems, which are increasingly used especially in urban areas with a higher density of charging stations.

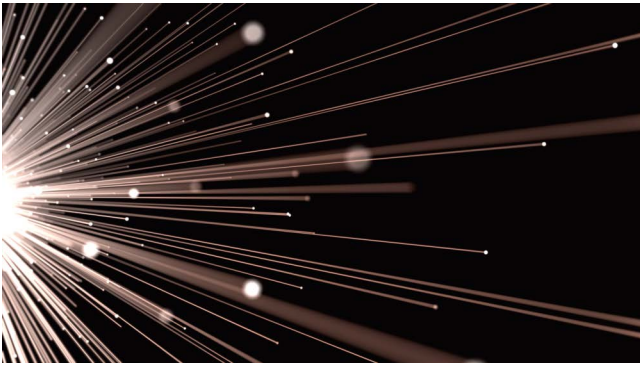
Key figures		2020	2019	%
Order intake	CHF million	230.3	253.4	-9.1
Net sales	CHF million	232.2	269.8	-14.0
Operating profit (EBIT)	CHF million	15.5	21.6	-28.2
EBIT margin	%	6.7	8.0	



### **Reto Bolt**

COO Radio Frequency

“During the pandemic, we made the global supply chains more flexible in order to be able to offer customers the service they are used to. At the same time, we pushed ahead with digitalisation. After the aerospace and defense growth initiative made strong gains in the previous year, we were able to maintain market share but did not record further growth. In the automotive market, we succeeded in securing important nominations for distance radar antennas with reference customers. In the communication market, success was recorded with radio-frequency-over-fiber (RF-over-fiber) solutions.”



### **Fritz Landolt**

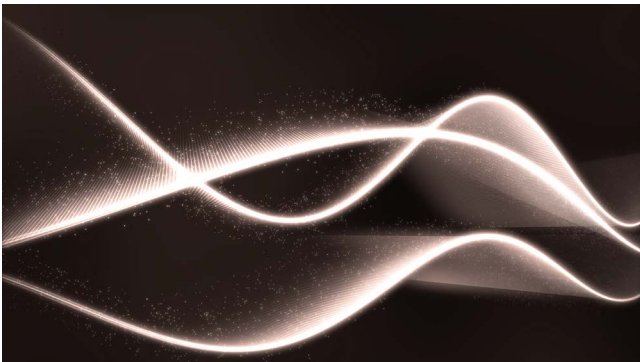
COO Fiber Optics Mobile Communication & Industry

“Ensuring capacities within the communication networks was the focus of our global mobile customers during the pandemic. With our scalable solutions and global production network, we proved a reliable partner. Thanks to our broad-based technologies and products, we are in a good position to continue participating in the upcoming investment rounds.”

### **Martin Strasser**

COO Fiber Optics Fixed Network & Data Center

“With our global production network, we were able to react flexibly to the ever-changing general conditions and thus keep our delivery performance high. We succeeded in gaining a further share of the data center market. At the same time, the optical switch business developed positively, resulting in a record-high order intake for these products.”



### **Patrick Riederer**

COO Low Frequency

“The trend towards electric drives also in commercial vehicles continued to intensify last year. We want to take advantage of this growth momentum and further expand our market position. To this end, we have expanded our HPC range with uncooled fast-charging cable solutions. After the railway market being hit hard by the pandemic, we assume a certain recovery – the numerous project tenders point to this.”

# Key Figures and Financial Calendar

Group in CHF million	2020	2019	Change
Order intake	748.2	800.9	(6.6%)
Order backlog as of 31.12.	195.5	213.6	(8.5%)
Net sales	737.9	830.6	(11.2%)
Gross margin	35.4%	36.2%	
EBITDA	89.3	111.8	(20.1%)
as % of net sales	12.1%	13.5%	
EBIT	61.2	80.5	(24.0%)
as % of net sales	8.3%	9.7%	
Financial result	(0.6)	(1.7)	n/m
Net income	52.3	62.8	(16.7%)
as % of net sales	7.1%	7.6%	
Purchases of PP&E and intangible assets	37.7	37.5	0.4%
Cash flow from operating activities	86.5	129.1	(33.0%)
Free operating cash flow	50.2	45.1	11.3%
Net liquidity as of 31.12.	202.9	190.2	6.7%
Equity as of 31.12.	591.6	587.7	0.7%
as % of balance sheet total	79.9%	78.4%	
Employees as of 31.12.	4 410	4 823	(8.6%)
Market capitalisation as of 31.12.	1 361.1	1 494.9	(8.9%)
<b>Data per share</b> in CHF	2020	2019	Change
Stock market price as of 31.12.	69.90	76.80	(8.9%)
Net income	2.66	3.22	(17.2%)
Dividend	1.30 <sup>1)</sup>	1.60	(18.8%)

<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

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## Financial calendar

Annual General Meeting (Pfäffikon ZH)	31.03.2021
Half-year report	17.08.2021
Media and analysts' conference	17.08.2021
Sales and order intake (9 months)	21.10.2021

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.