

Letter to Shareholders

H1/2021

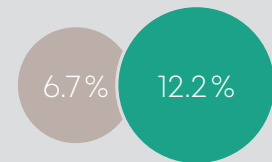
Strong increase in order intake – book-to-bill rate 1.16



Double-digit net sales growth of 12.7 %



EBIT margin of 12.2 %, above the medium-term target range



Net income doubled



Strong growth and high profitability in Industry – Communication with leap in EBIT – growth in net sales in Transportation

Consistent alignment of the organisation to market segments successfully implemented

■ H1/2020 ■ H1/2021 in CHF million

HUBER+SUHNER doubles profit in the first half of the year



Urs Ryffel (CEO) and Urs Kaufmann (Chairman)

HUBER+SUHNER looks back on a very good first half of 2021. In a more positive global economic environment, the company achieved operating profit (EBIT) of CHF 51.7 million on the basis of a significantly higher gross margin, which represents a doubling year on year and corresponds to an EBIT margin of 12.2 % (PY 6.7 %). Net income amounted to CHF 41.9 million (PY CHF 19.9 million).

Order intake was a very high CHF 494.2 million, representing an increase of 24.6 % compared to the same period of the previous year (CHF 396.7 million). Whilst this positive development was driven, in part, by a base effect, there was also a clear upward trend in most of the target markets, resulting in a surge in demand overall.

Net sales also increased significantly by 12.7 % to CHF 424.4 million (PY CHF 376.7 million). Adjusted for currency and copper price effects, growth in net sales amounted to 11.4 %. The high order intake volume contributed to a book-to-bill rate of 1.16 (PY 1.05).

In the first six months of the reporting year, free operating cash flow was CHF 26.2 million (PY CHF –12.0 million).

The number of employees was reduced from 4860 to 4450 within the space of a year, with capacities worldwide being built up again due to the high order backlog. In Switzerland, the number of employees fell from 1237 to 1185.

Broad-based demand helped all three market segments achieve significant double-digit growth in order intake. The Industrial and Communication segments recorded double-digit growth in net sales.

By region, net sales in EMEA was proportionately at 54 % (PY 55 %). In the Americas, this figure increased to 24 % (PY 18 %), while in APAC, a decline to 22 % (PY 27 %) was recorded.

Consistent organisational alignment to market segments successfully implemented

The structural orientation of the company around the three market segments Industry, Communication, and Transportation, which was introduced at the start of the year, was well implemented throughout the organisation and successfully met the challenges posed by the simultaneous marked increase in business volumes. With the aim of further strengthening market focus and simplifying structures, the newly set up organisation is now serving customers through global sales teams. This resulted in a further increase in customer proximity despite the more difficult general conditions due to the pandemic. A further goal of the reorientation is to increasingly offer customers the entire portfolio of innovative HUBER+SUHNER products based on the three technologies radio frequency, low frequency and fiber optics across all technologies. This approach makes the company even more attractive from the customers' point of view and offers potential for the future.

In the following, a restatement is applied for all market segment figures of the prior-year period.

Strong growth and high profitability in Industry segment

The Industry market segment, almost two thirds of which is attributable to radio frequency technology, experienced strong growth. The positive environment in large parts of the industry drove strong growth in net sales. The test and measurement core market, which expanded 5G-related testing capacities, and the aerospace and defense growth initiative, driven by increasing demand for security, performed particularly well. Other industrial applications, such as fast-charging systems for electric vehicles and those in medical technology and wind power also contributed to the positive development in the Industry segment. Order intake amounted to CHF 153.1 million, up 23.9 % year on year. Net sales reached CHF 137.0 million (+18.0 %). This resulted in EBIT of CHF 28.7 million, which corresponds to a very high EBIT margin of 21.0 % (PY 15.2 %).

Communication segment with leap to double-digit EBIT margin

The Communication segment, in which fiber optics is the dominant technology, experienced strong growth. This was driven primarily by solutions for the expansion of mobile networks (Cell Site), which followed a sharp, temporary decline during the same period in the previous year owing to the severe restrictions imposed due to the pandemic. In North America in particular, the company recorded

a significant upward trend in this market thanks to major investments in 5G networks. In many countries, however, the 5G infrastructure implementation has yet to commence. The focus in these countries remains on completing the rollout of the fourth mobile communication generation. Business with communication equipment manufacturers fell below expectations, while the data center growth initiative continued to develop positively. Order intake in the Communication segment stood at CHF 191.4 million which was 20.3 % above the previous year's figure. Net sales also increased considerably to CHF 165.6 million (+10.7 %). There was a significant increase in EBIT: at CHF 19.7 million, the EBIT margin was 11.9 % (PY 1.1 %).

Growth in net sales in Transportation segment – EBIT margin at the lower end of expectations

The Transportation segment, which mainly comprises low-frequency applications, showed a mixed picture: in the Railway subsegment, a continued hesitancy in the awarding of contracts prevented a swifter recovery. Business with solutions for integrating mobile communication in trains developed well, underscoring the importance of the new cross-technology and cross-segment approach to sales. Development in the Automotive subsegment was extremely positive. The volume of business with solutions for conventional vehicle construction and, in particular, for high-voltage distribution units in electric vehicles increased significantly. As a result, the Transportation segment as a whole met its growth targets. Order intake amounted to CHF 149.7 million, an increase of 31.3 % year on year. Net sales stood at CHF 121.8 million (+9.8 %). Due to pre-investments in new and innovative applications in the automotive sector

and strongly rising logistics costs, which could only partially be passed on to customers, EBIT was at the lower end of expectations at CHF 7.8 million, and the EBIT margin was 6.4 % (previous year 7.5 %).

Outlook

The first six months of the reporting period were marked by the broad economic recovery, from which HUBER+SUHNER derived above-average benefit. The focus of the business strategy on major social trends, such as sustainable mobility, greater demand for security and rapidly growing data volumes, paved the way for this. HUBER+SUHNER managed the rise in business volume through agility and flexibility in its global production network. However, the increase in demand in many industries was reflected in bottlenecks in global supply chains and transport capacities.

From today's perspective, HUBER+SUHNER expects the positive momentum in important target markets to continue in the coming months. Provided that the procurement and currency situation remains stable, the company confirms its outlook for the year as a whole of achieving double-digit growth in net sales and an operating margin slightly above the medium-term EBIT target range of 8–10 %.



Urs Kaufmann
Chairman of the Board of Directors



Urs Ryffel
CEO

Sustainability at HUBER+SUHNER



2020
**Sustainability
report**

In its 2020 Sustainability report published at the end of June, HUBER+SUHNER Group delivers, for the first time, detailed information about its performance and goals in the areas of sustainable growth, human rights, working conditions, business ethics, procurement, community engagement and the environment.

HUBER+SUHNER is on track to reduce greenhouse gas (GHG) emissions that the company can directly influence (Scope 1+2). The Group is committed to reducing scope 1 and 2 GHG emissions 50 % per added value by 2025 from a 2015 base year and has set itself the goal of bringing GHG emissions (Scope 1+2) to zero by 2030.

Link to the 2020 Sustainability report:
<https://literature.hubersuhner.com/group/sustainability-report-2020-en>

Key figures H1/2021

Group in CHF million	January–June 2021	January–June 2020	Change
Order intake	494.2	396.7	24.6 %
Order backlog as of 30.6.	269.9	204.9	31.7 %
Net sales	424.4	376.7	12.7 %
Gross margin	39.7 %	34.8 %	
EBITDA	69.3	39.2	76.7 %
as % of net sales	16.3 %	10.4 %	
EBIT	51.7	25.1	106.0 %
as % of net sales	12.2 %	6.7 %	
Financial result	(0.9)	0.1	n/m
Net income	41.9	19.9	110.6 %
as % of net sales	9.9 %	5.3 %	
Purchases of PP&E and intangible assets	18.5	17.9	3.5 %
Cash flow from operating activities	43.2	5.0	769.3 %
Free operating cash flow	26.2	(12.0)	n/m
Net liquidity as of 30.6.	202.4	141.6	43.0 %
Equity as of 30.6.	614.7	559.0	10.0 %
as % of balance sheet total	76.9 %	76.3 %	
Employees as of 30.6.	4 450	4 860	(8.4 %)
Data per share in CHF	January–June 2021	January–June 2020	Change
Stock market price as of 30.6.	78.10	66.60	17.3 %
Net income	2.13	1.02	110.1 %
Segment information in CHF million	January–June 2021	January–June 2020 ¹⁾	Change
Industry			
Order intake	153.1	123.5	23.9 %
Net sales	137.0	116.2	18.0 %
EBIT	28.7	17.7	62.7 %
as % of net sales	21.0 %	15.2 %	
Communication			
Order intake	191.4	159.2	20.3 %
Net sales	165.6	149.6	10.7 %
EBIT	19.7	1.7	1 053.9 %
as % of net sales	11.9 %	1.1 %	
Transportation			
Order intake	149.7	114.0	31.3 %
Net sales	121.8	110.9	9.8 %
EBIT	7.8	8.3	(6.7 %)
as % of net sales	6.4 %	7.5 %	

n/m = not meaningful ¹⁾ Regarding adjustments due to the new segment structure see note 5, page 10, in the Half-year report 2021.

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

Financial calendar

Net sales / Order intake (9 months)	21.10.2021	Annual report 2021	08.03.2022
Net sales / Order intake 2021	21.01.2022	Media and analysts' conference	08.03.2022
		Annual General Meeting	06.04.2022

Figures are available online at www.hubersuhner.com/en/company/investors/publications
This letter to shareholders is also available in German. The German version is binding.