



HUBER+SUHNER

Excellence in Connectivity Solutions

Agenda

Overview of financial year 2018

Financial results

Milestones and outlook 2019

Urs Ryffel (CEO)

Ivo Wechsler (CFO)

Urs Ryffel (CEO)

HUBER+SUHNER reports strong organic growth – profitability increases significantly

Broad-based growth in net sales

- All regions grow at double-digit rates.
- All three technology segments increase order intake and net sales significantly.
- Communication market clearly up, transportation market with a growth spurt, industrial market with very positive development.

Significant increase in profitability and operational progress

- Gross margin maintained, disproportionately lower increase of costs.
- EBIT margin back in upper half of medium-term EBIT target range of 8–10 %.
- Pronounced reduction of NWC leads to high free operating cash flow.

Market share gains in core markets and dynamic development of growth initiatives

- Most important markets of HUBER+SUHNER characterised by friendly market environment.
- Market position in core markets expanded.
- Increase of customer projects in growth initiatives underlines good positioning for the future.

Figures at a glance

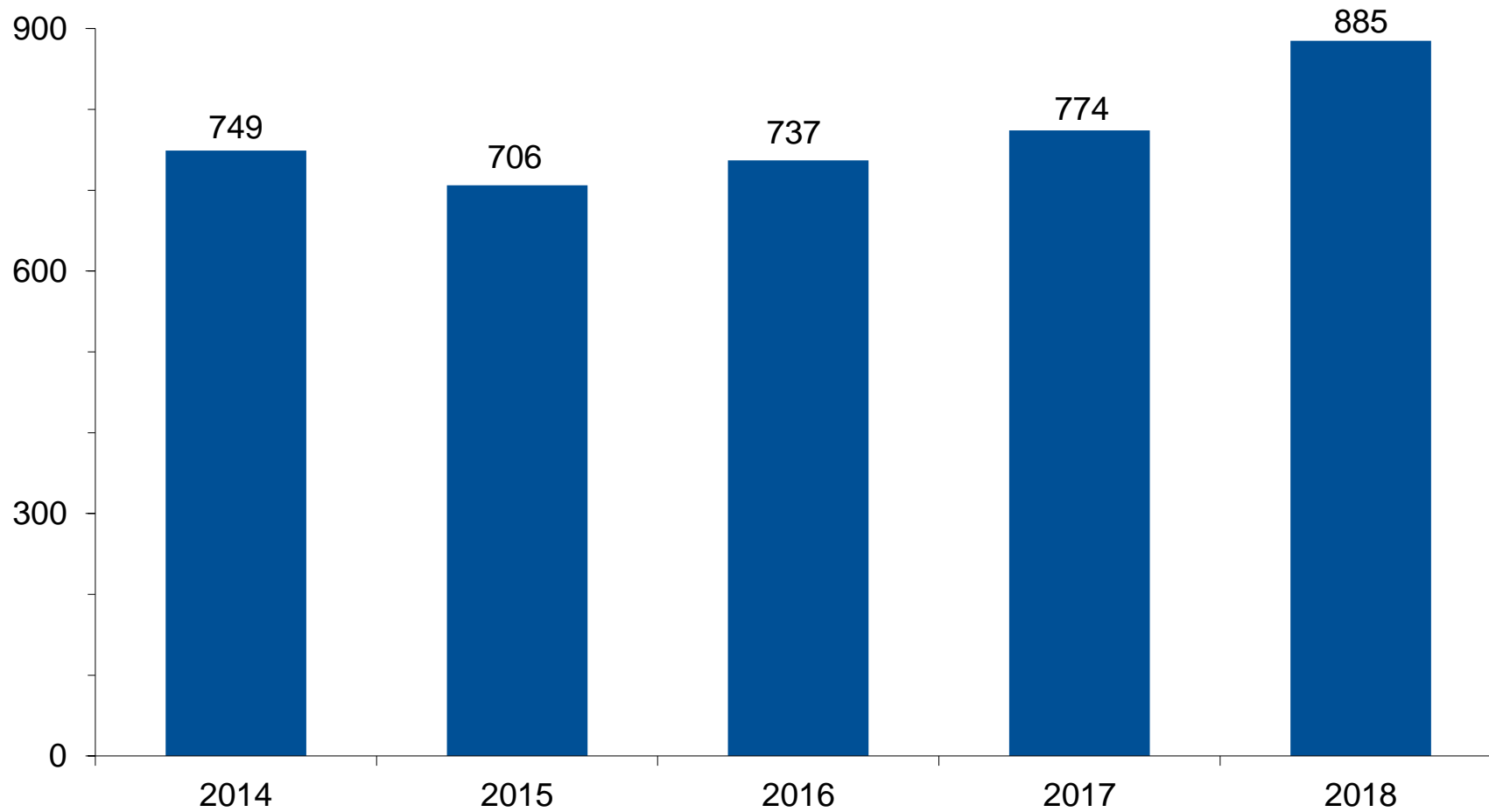
CHF million

| | 2018 | 2017 | Δ % |
|-------------------------|-------|-------|-------|
| Order intake | 915.2 | 826.3 | +10.8 |
| Net sales | 885.0 | 774.0 | +14.3 |
| Operating profit (EBIT) | 82.5 | 58.1 | +41.9 |
| as % of net sales | 9.3 | 7.5 | |
| Net income | 61.4 | 42.1 | +45.6 |
| as % of net sales | 6.9 | 5.4 | |

Net sales

Above-average growth

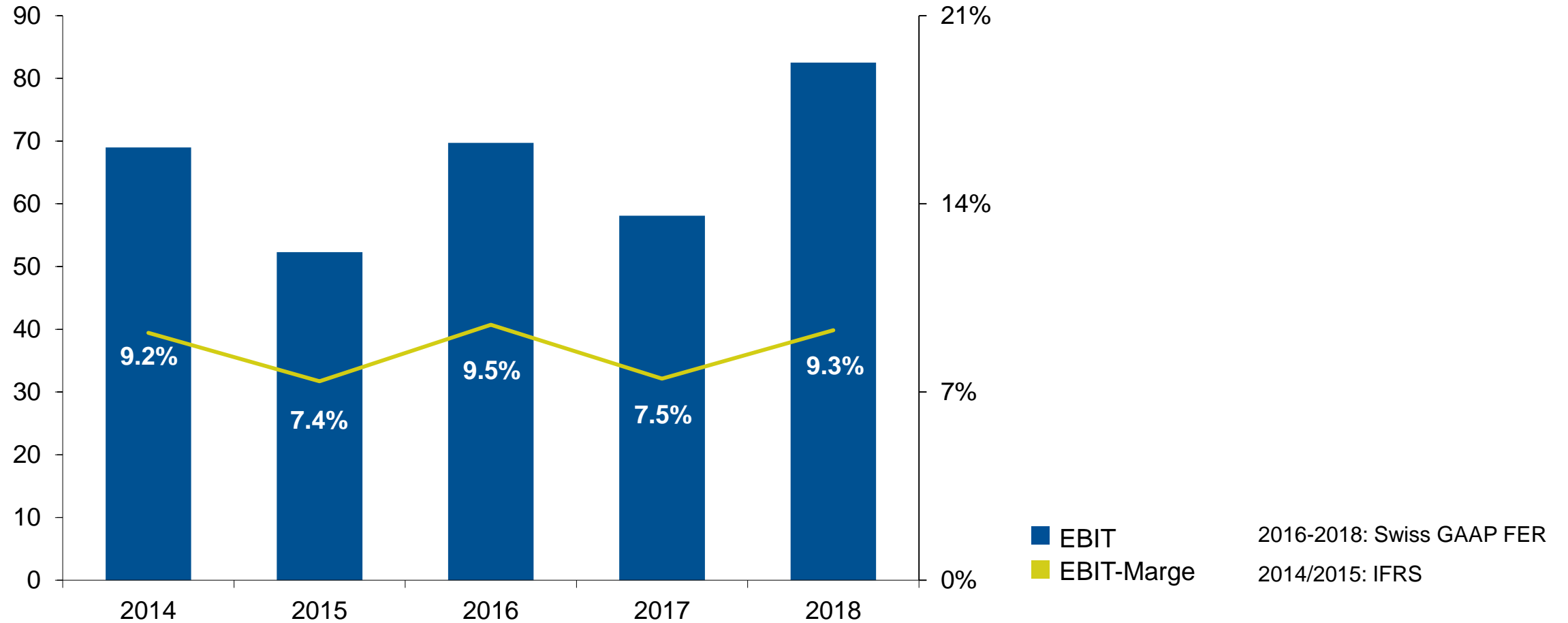
CHF million



EBIT

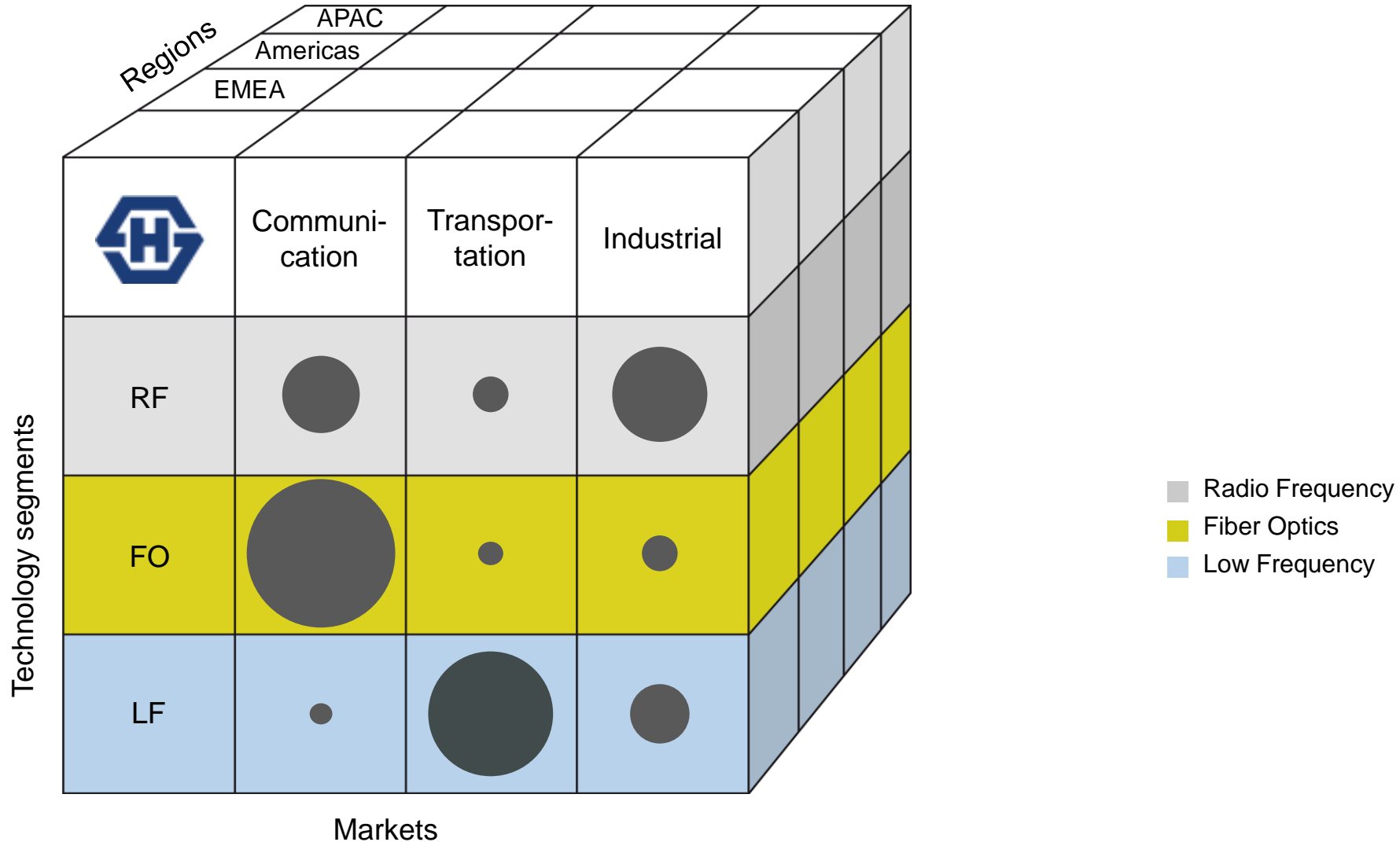
Profitability in upper half of mid-term target range (8–10%)

CHF million



The three dimensions of our business

Sales by technology segments, markets and regions



Radio Frequency technology segment

Double-digit growth – further increased profitability

CHF million

| | 2018 | 2017 | Δ % |
|-------------------------|-------|-------|-------|
| Order intake | 269.1 | 239.9 | +12.1 |
| Net sales | 255.4 | 231.2 | +10.5 |
| Operating profit (EBIT) | 40.8 | 31.5 | +29.4 |
| • as % of net sales | 16.0 | 13.6 | |

Key aspects

- Order intake and net sales grow at double-digit rates
- Profitability at a high level
- All submarkets develop positively
- Position maintained in volume markets
- Market shares expanded in industrial markets

Fiber Optics technology segment

Positive development in net sales – slight improvement in profitability

CHF million

| | 2018 | 2017 | Δ % |
|-------------------------|-------|-------|-------|
| Order intake | 347.9 | 329.2 | +5.7 |
| Net sales | 338.2 | 316.2 | +6.9 |
| Operating profit (EBIT) | 20.0 | 17.7 | +12.9 |
| • as % of net sales | 5.9 | 5.6 | |

Key aspects

- EBIT margin not yet back at previous levels
- Technology continues to offer opportunities in different markets
- Mobile communications infrastructure projects in India with high revenue contribution
- Data centers and cell site businesses grow strongly

Low Frequency technology segment

Leap in net sales – EBIT margin nearly doubled

CHF million

| | 2018 | 2017 | Δ % |
|-------------------------|-------|-------|--------|
| Order intake | 298.2 | 257.2 | +16.0 |
| Net sales | 291.4 | 226.6 | +28.6 |
| Operating profit (EBIT) | 28.7 | 11.6 | +147.7 |
| • as % of net sales | 9.8 | 5.1 | |

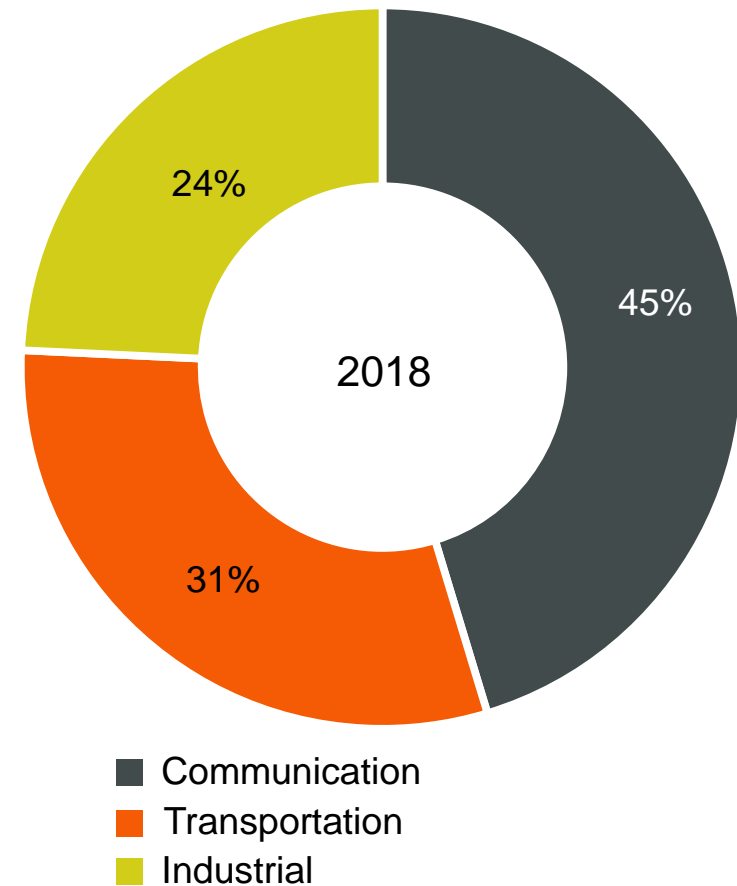
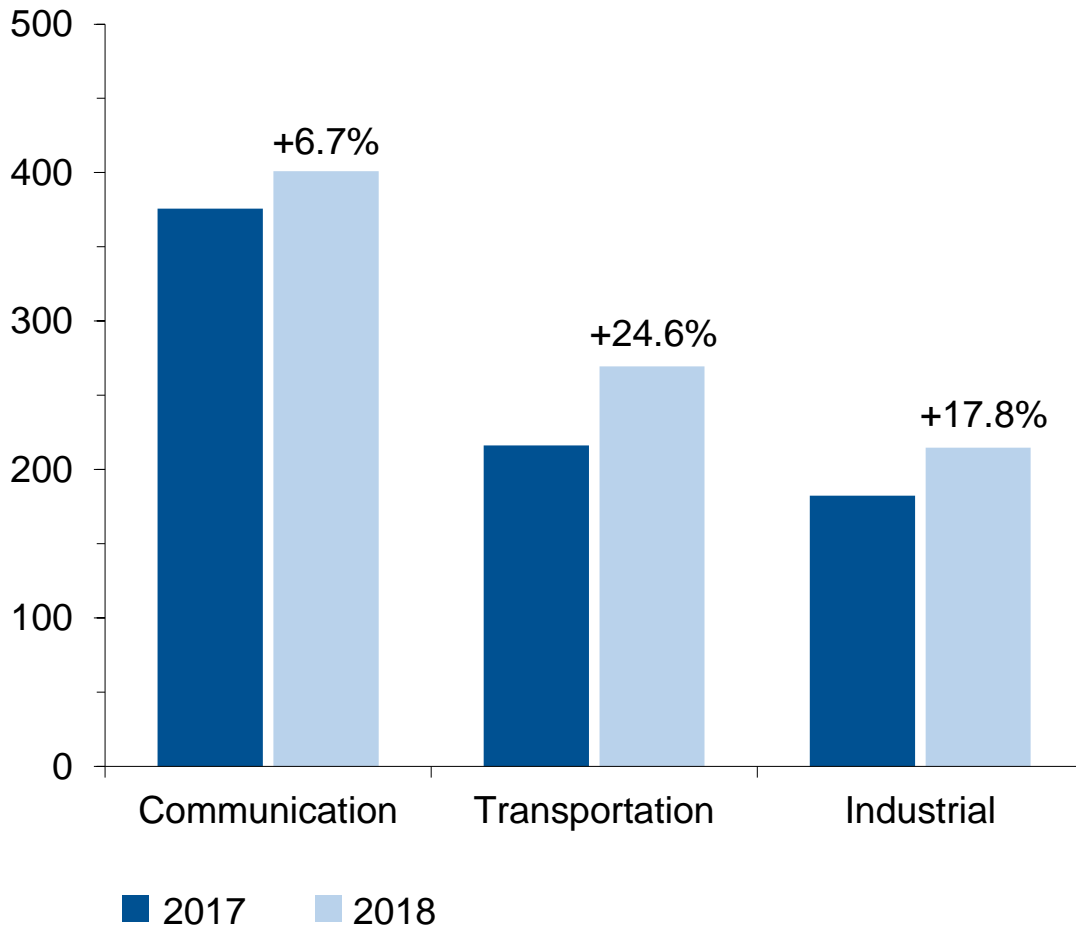
Key aspects

- Portfolio adjustment and high capacity utilization generate higher profitability
- Momentum in Asia and Europe in both submarkets railway and automotive
- Operational progress ensures delivery performance despite high workload
- Course set for merger of the two cable production plants Dorf and Witzberg in Pfäffikon
- Growth initiative EV Automotive with significant progress

Net sales by market

All three main markets grow significantly

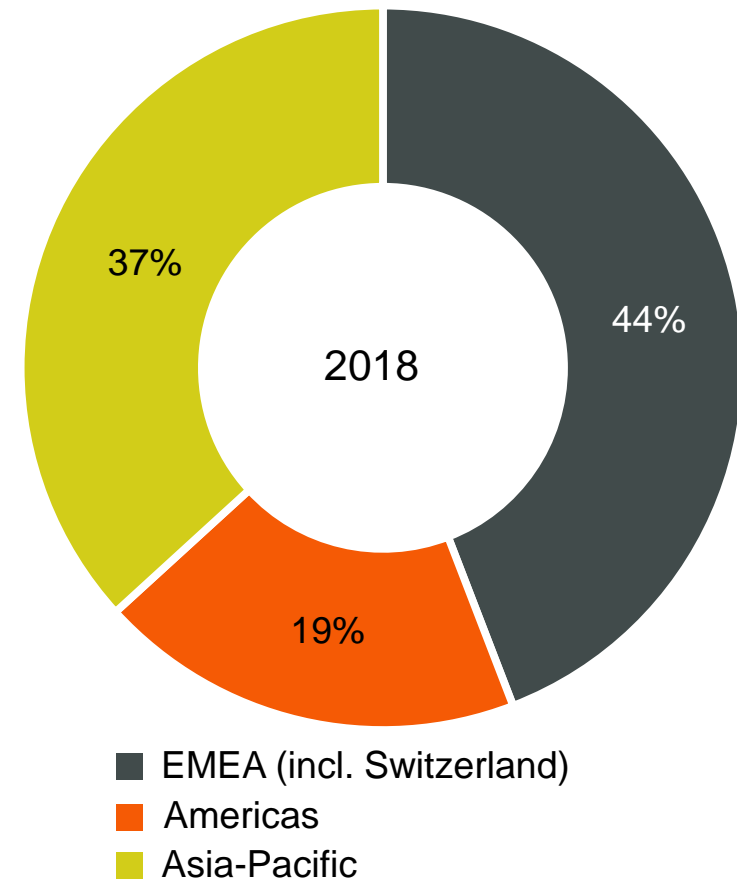
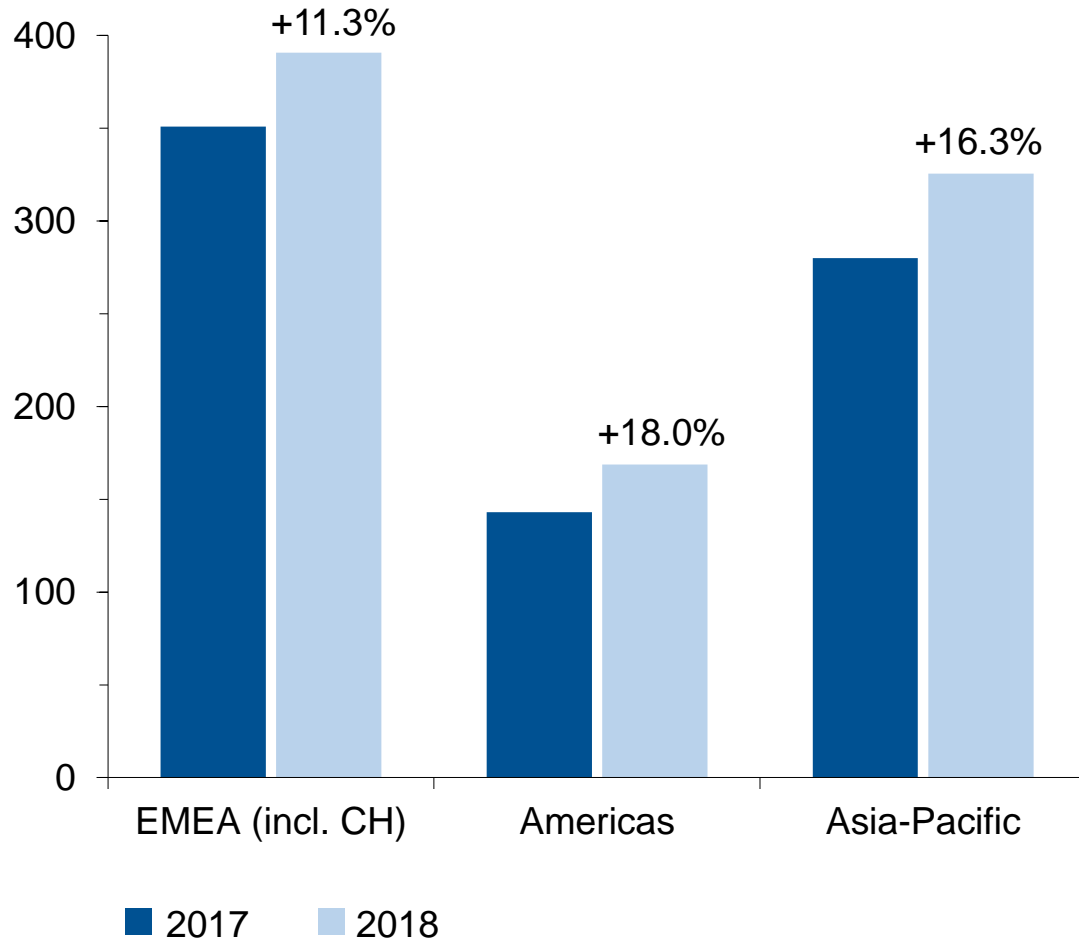
CHF million



Net sales by regions

All three regions with double-digit increase

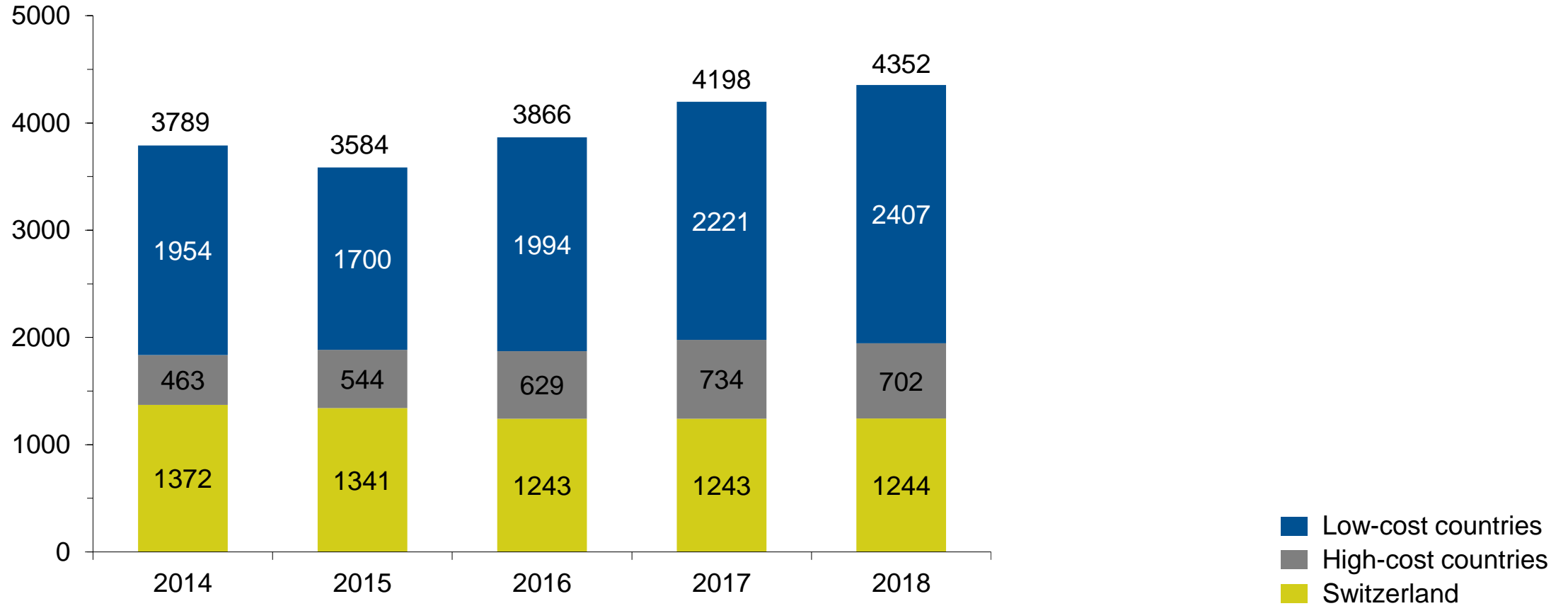
CHF million



Average number of employees

Strong growth in net sales requires moderate increase in number of staff

Permanent employees



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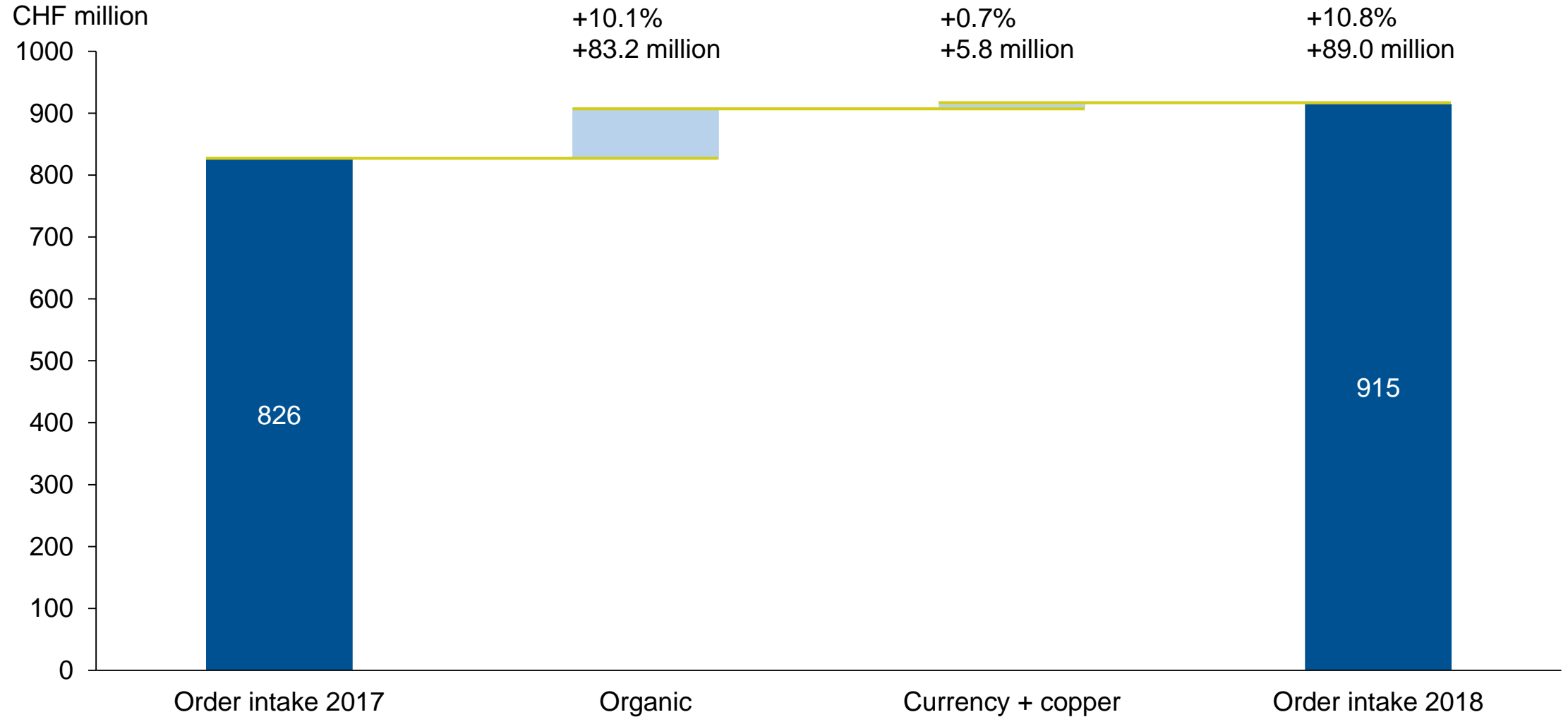
Milestones and outlook 2019

Urs Ryffel (CEO)

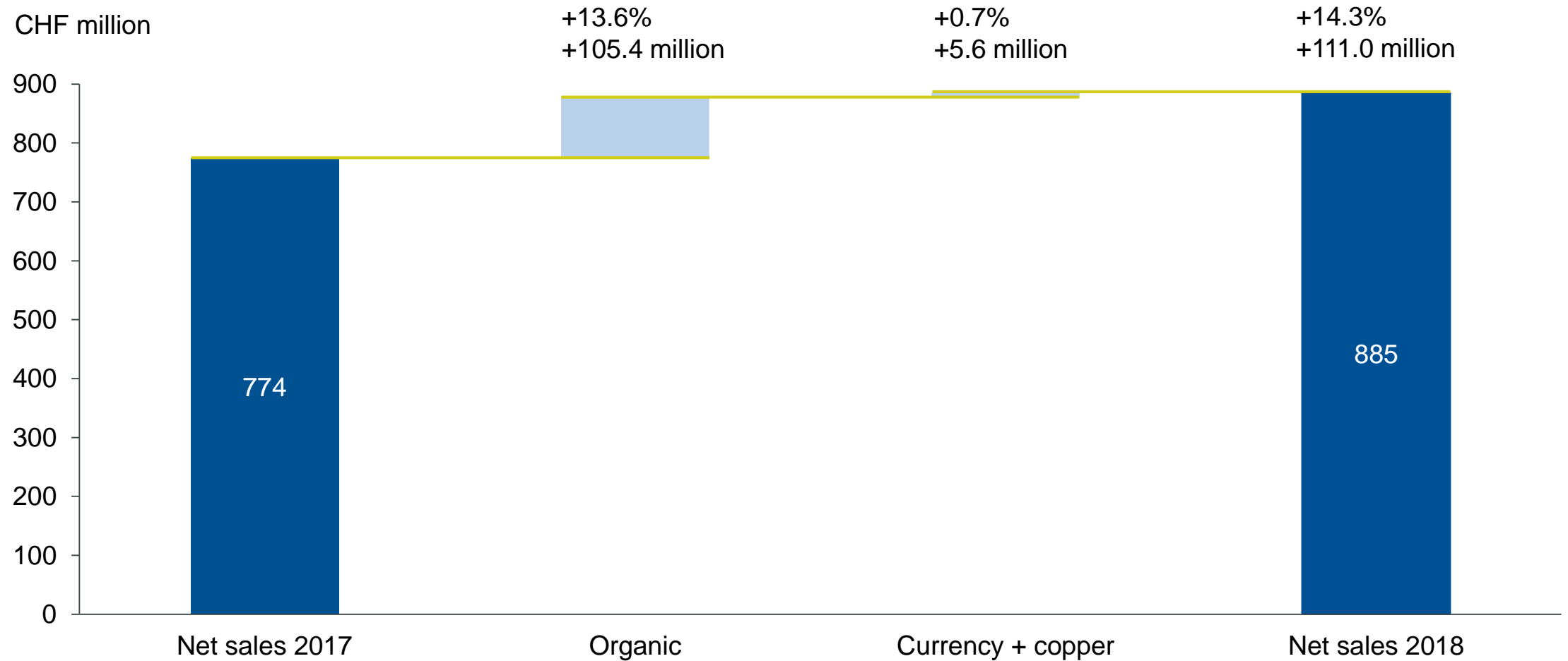
Ivo Wechsler (CFO)

Urs Ryffel (CEO)

Factors impacting order intake

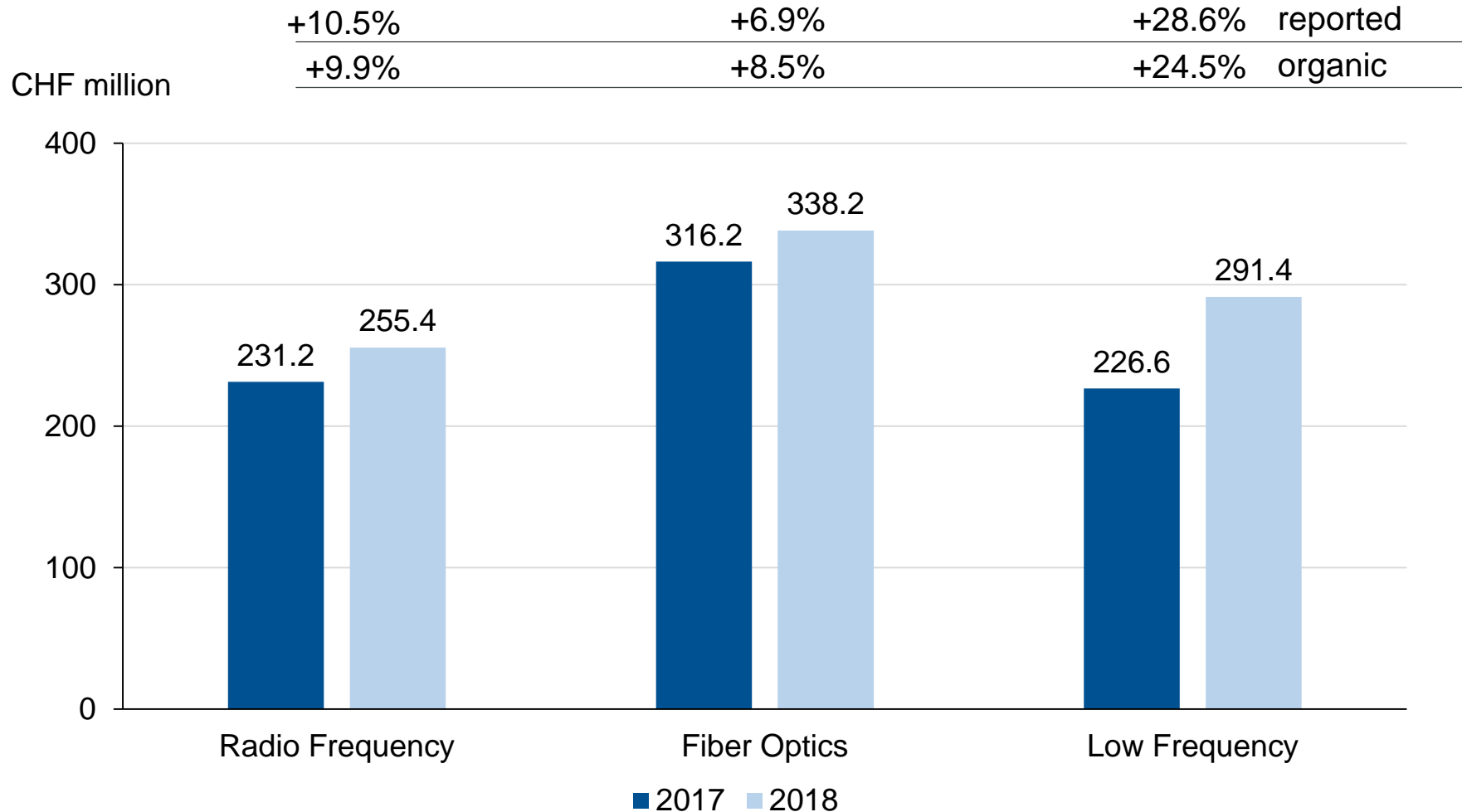


Factors impacting net sales



Net sales development by technology

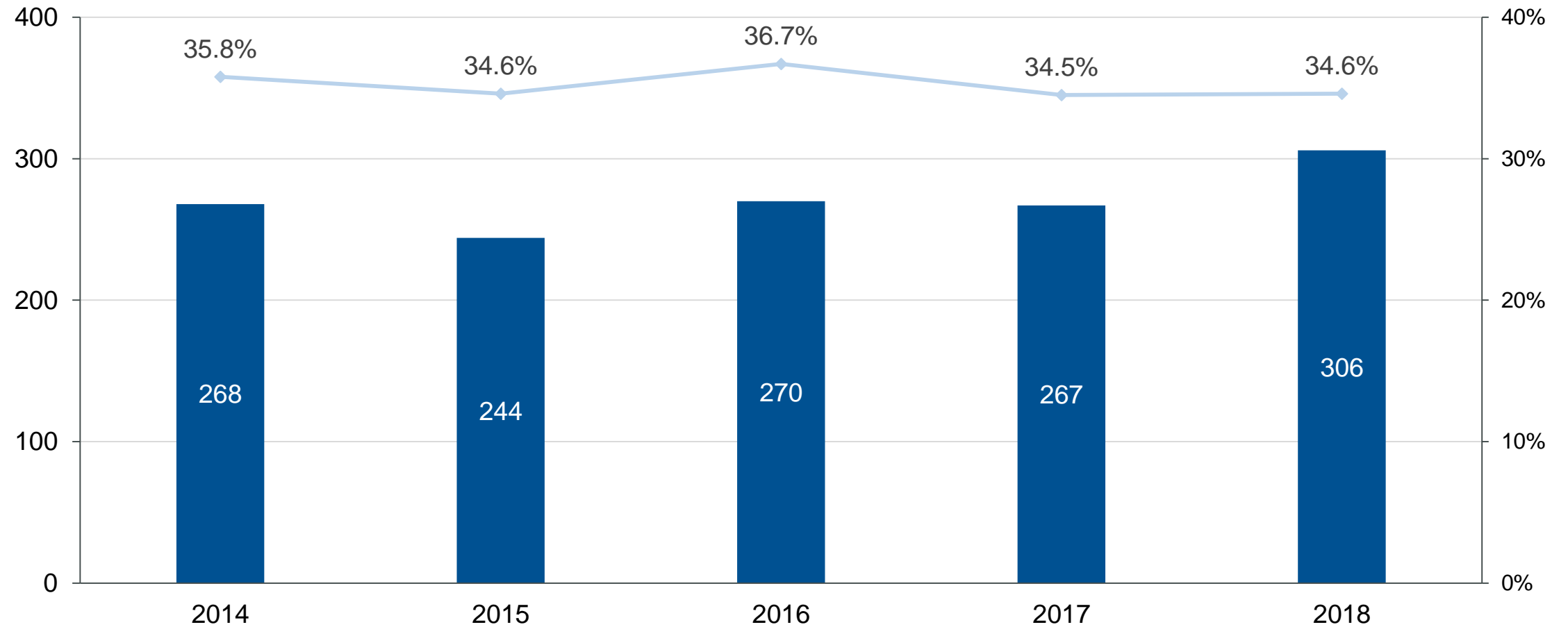
High organic growth in all three technology segments



Gross margin

Gross profit developed proportionally to net sales

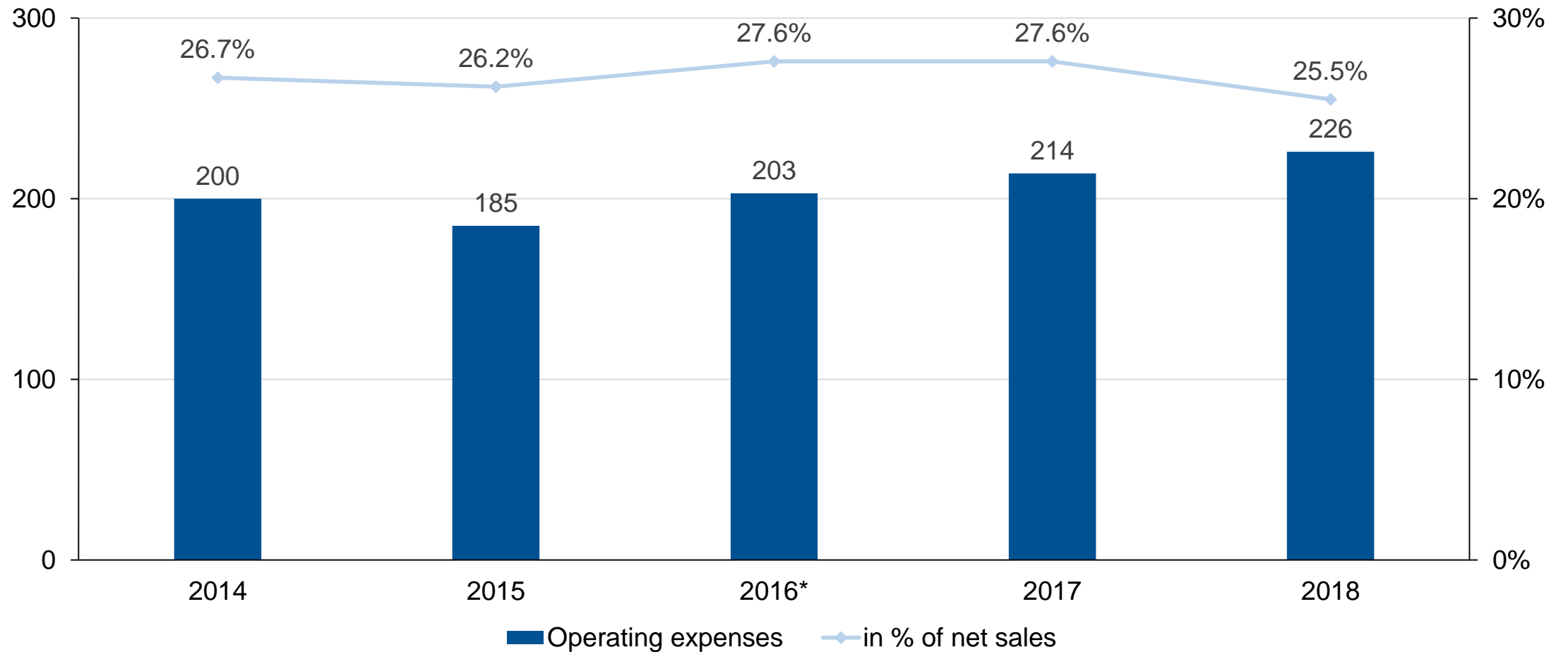
CHF million



Operating expenses

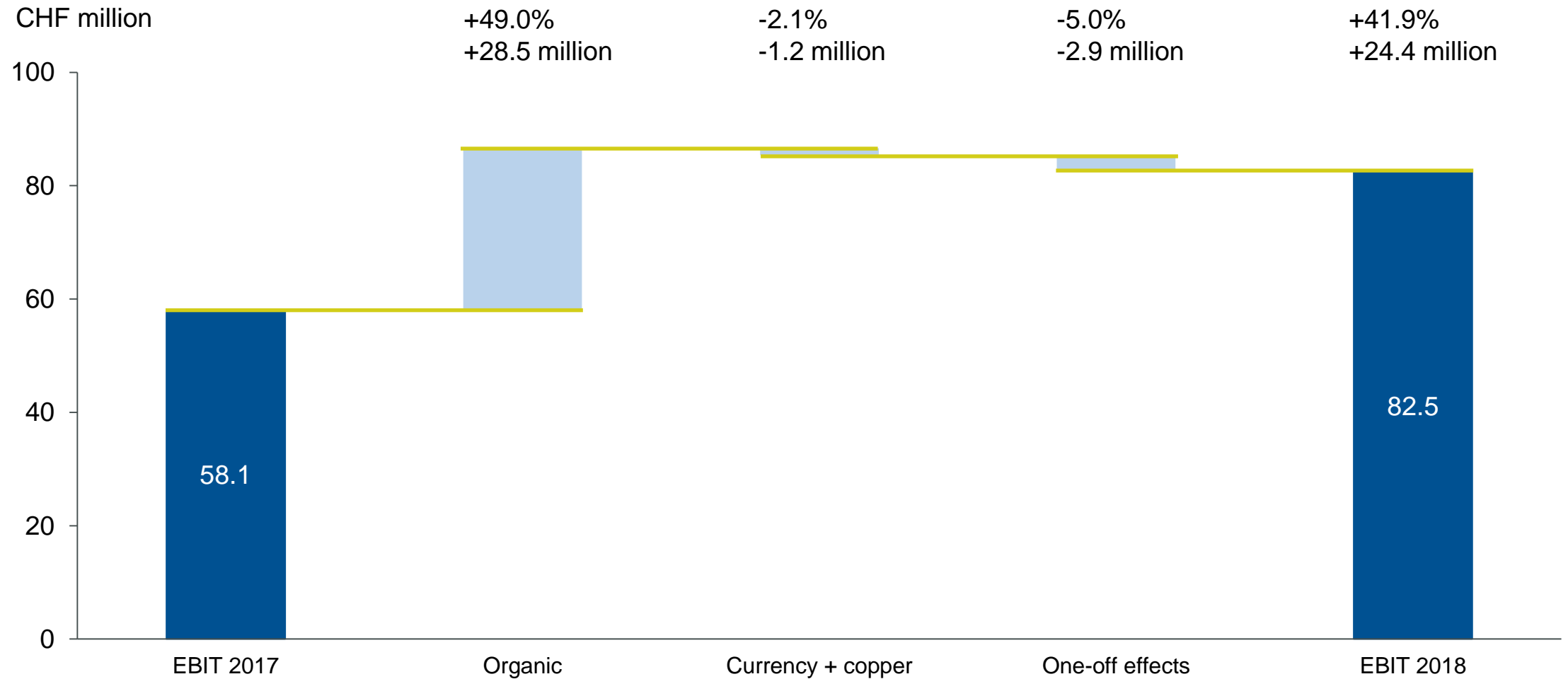
Disproportionately lower increase

CHF million



*Swiss GAAP FER restated

Factors influencing EBIT



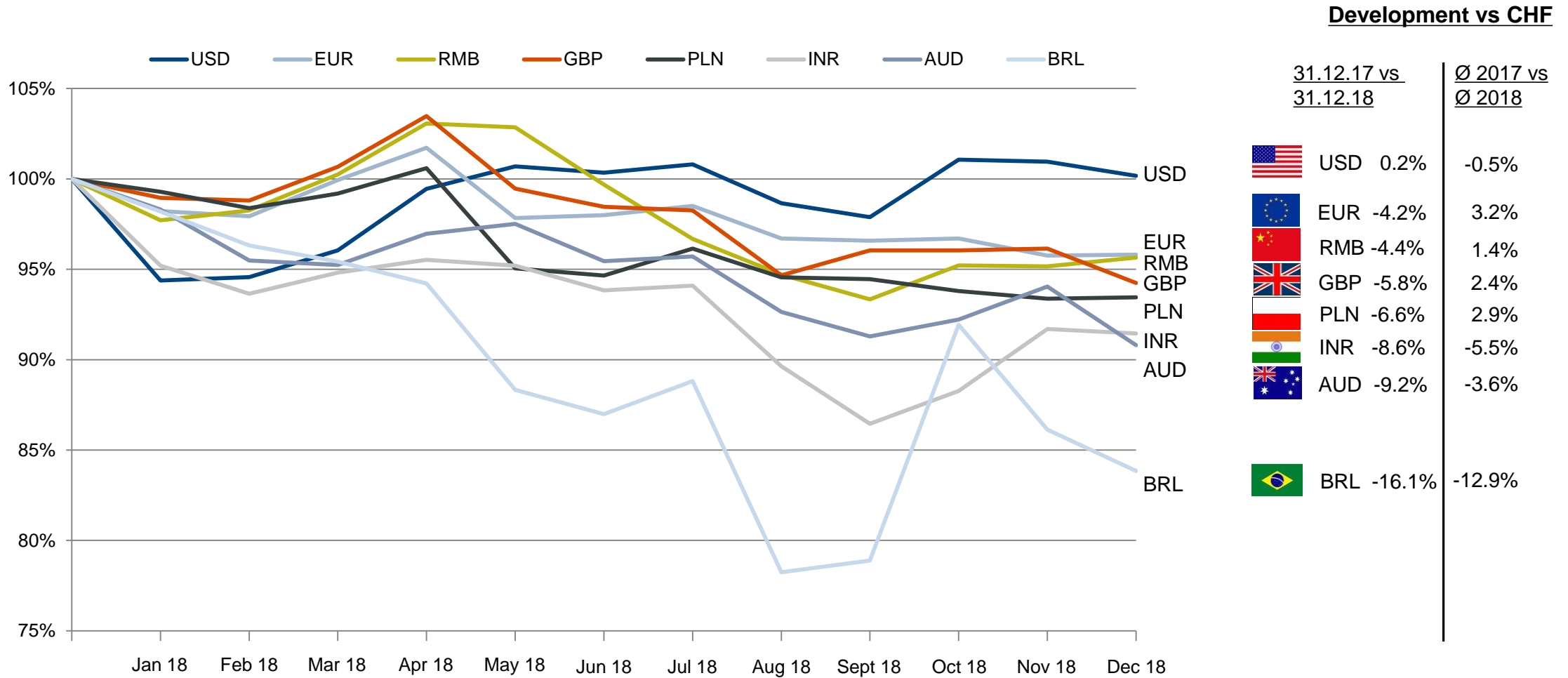
EBIT by technology segments

All three segments with higher operating result

| CH million | 2018 | <i>in %</i> | 2017 | <i>in %</i> |
|-------------------|-------------|-------------|-------------|-------------|
| Radio Frequency | 40.8 | 16.0 | 31.5 | 13.6 |
| Fiber Optics | 20.0 | 5.9 | 17.7 | 5.6 |
| Low Frequency | 28.7 | 9.8 | 11.6 | 5.1 |
| Corporate | (7.0) | | (2.7) | |
| Total EBIT | 82.5 | 9.3 | 58.1 | 7.5 |

Currency development in 2018

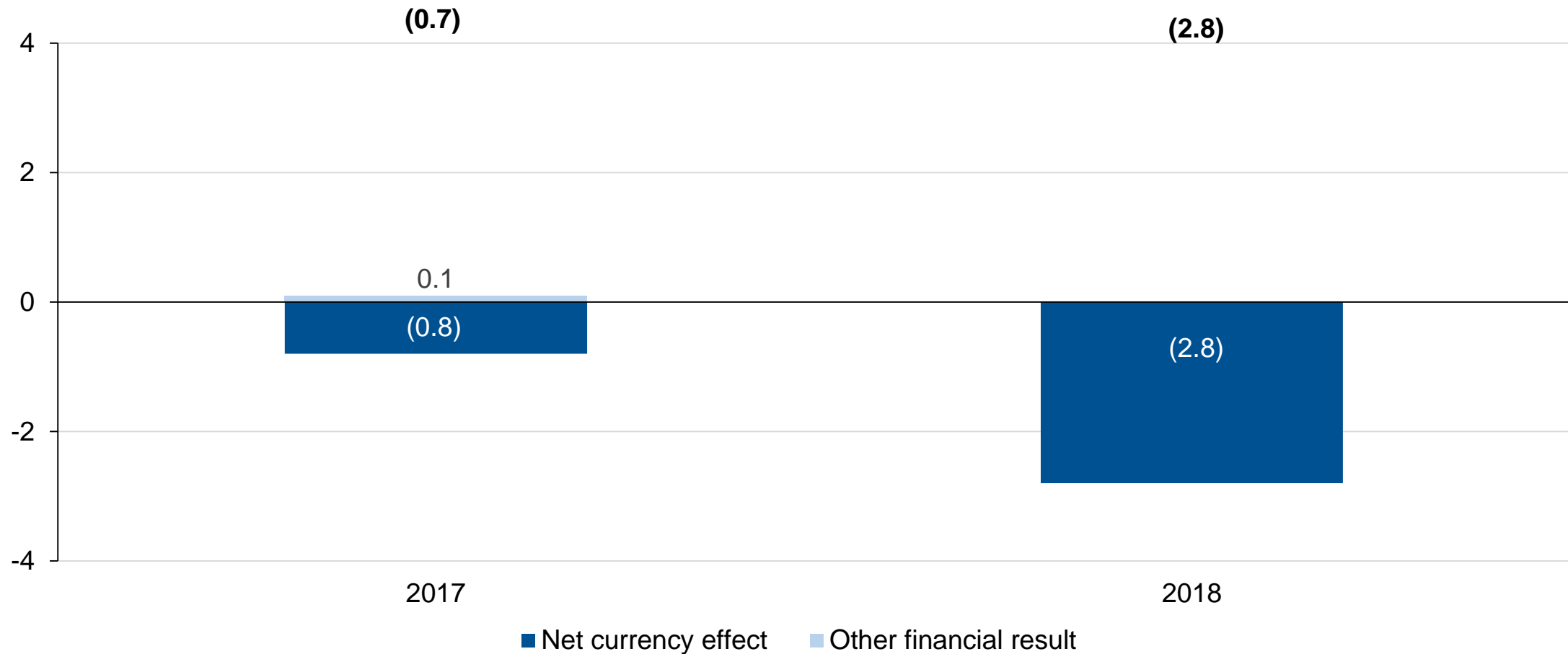
Strengthened Swiss franc in the second half of the year



Financial result

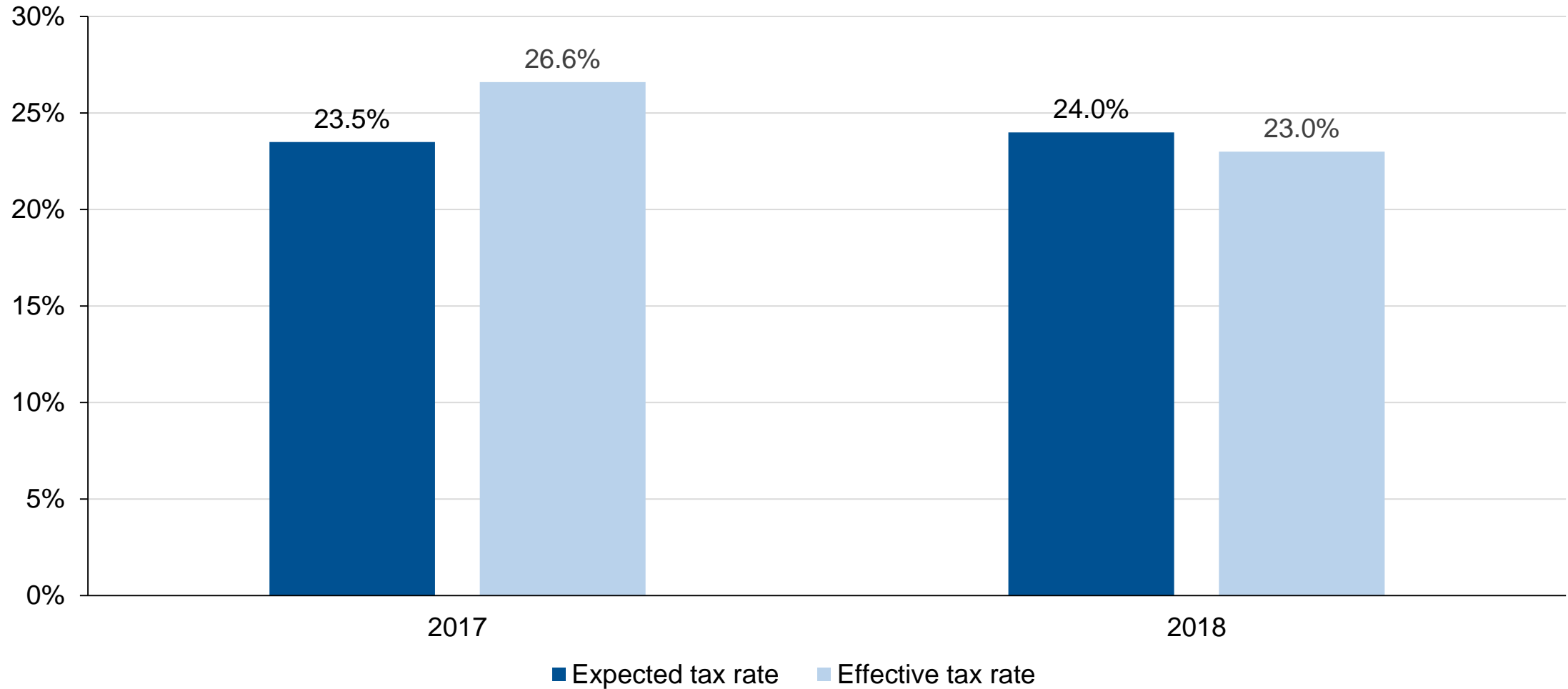
Negative currency effects

CHF million



Group income tax rate

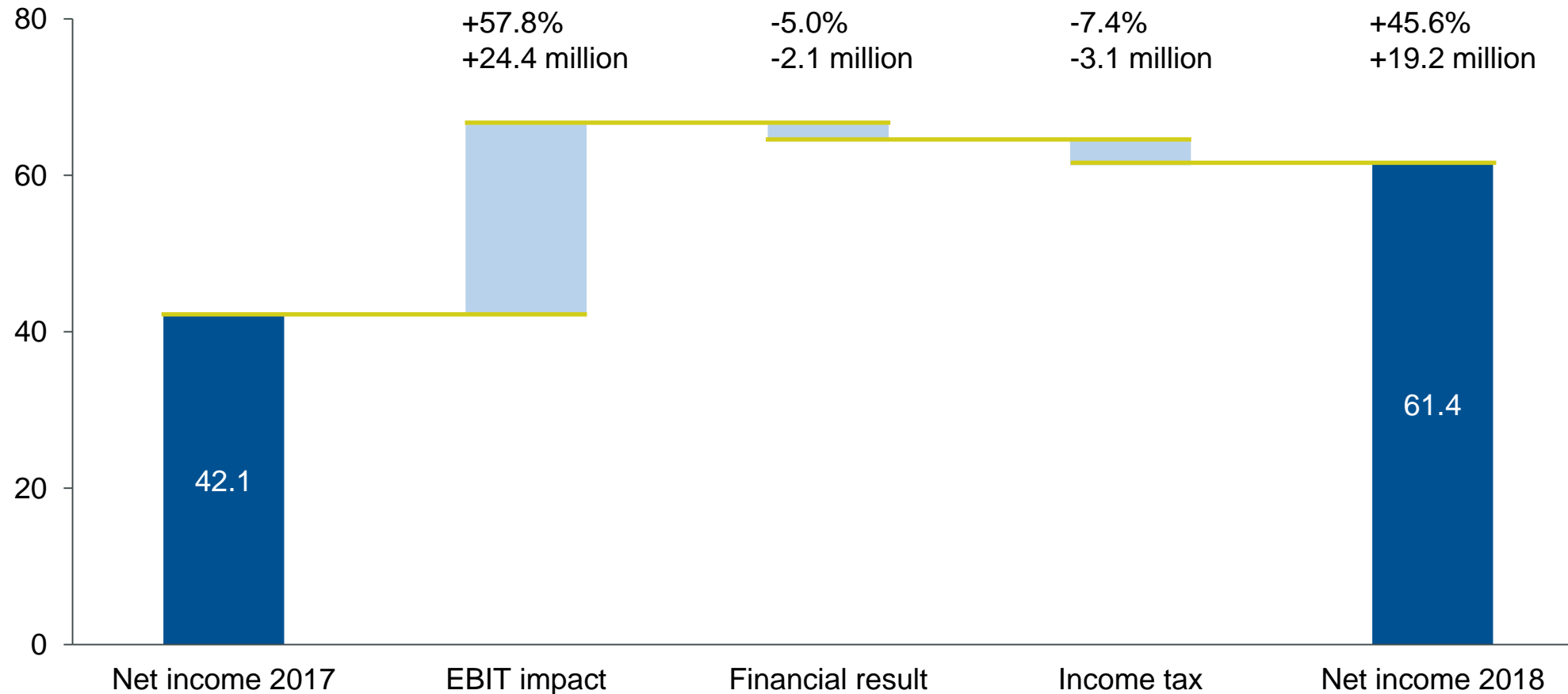
Significant reduction in effective tax rate



Factors influencing net income

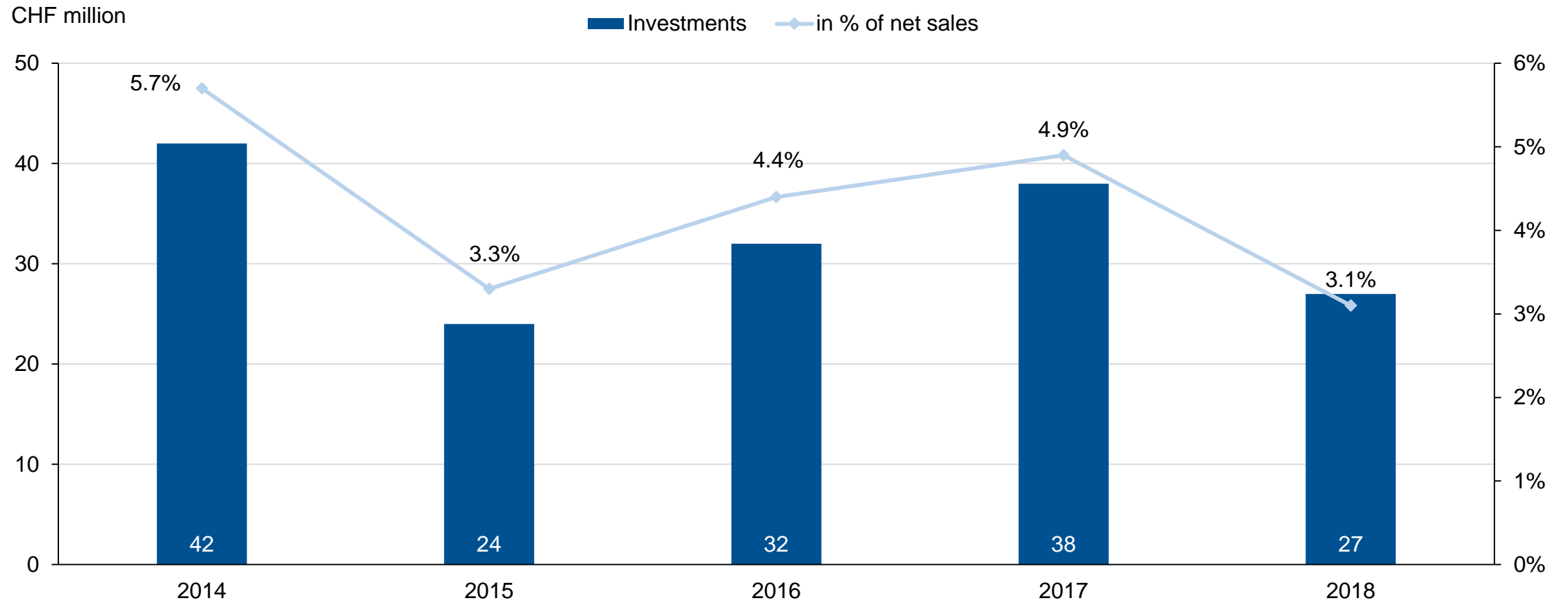
Earnings per share (CHF)
2.17 ▶ 3.15 (46%)

CHF million



Investments

Below-average spending in 2018, project-related increase expected for 2019/2020



Amortisation:
(without M&A amortisation)

| Year | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------|------|------|------|------|------|
| Amortisation: | 30 | 30 | 30 | 31 | 34 |

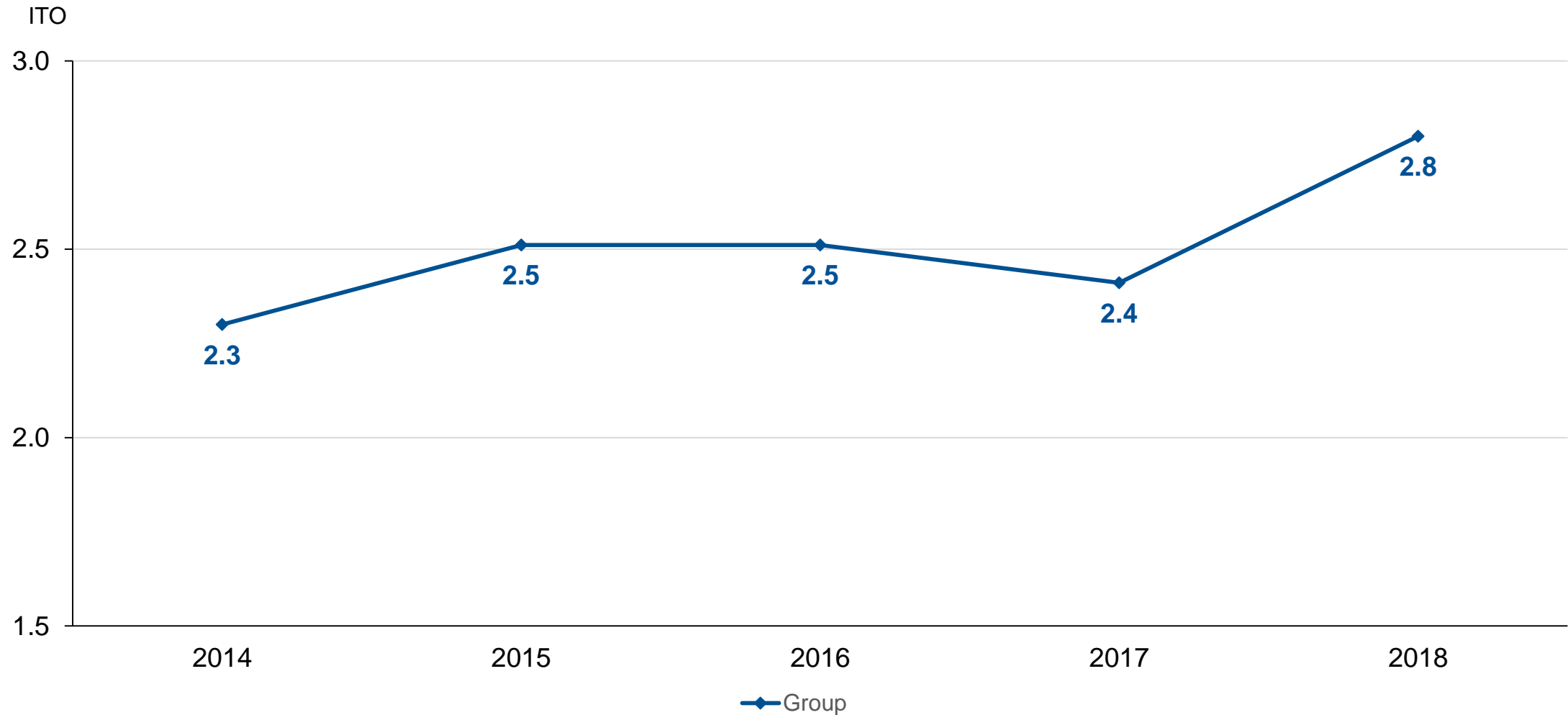
Balance sheet

Significant increase in cash and cash equivalent

| CHF million | 31.12.2018 | 31.12.2017 | | 30.06.2018 |
|----------------------------|------------|------------|------------|------------|
| Cash and cash equivalent | 199 | 153 | 30% | 151 |
| Other current assets | 332 | 347 | -4% | 376 |
| Non-current assets | 239 | 252 | -5% | 245 |
| Liabilities | 149 | 159 | -6% | 173 |
| Equity | 621 | 593 | 5% | 599 |
| in % | 81% | 79% | | 78% |
| Balance sheet total | 770 | 752 | 2% | 772 |
| Net liquidity | 199 | 153 | 30% | 151 |

Inventory turnover

Improvement thanks to operational progress



Free cash flow

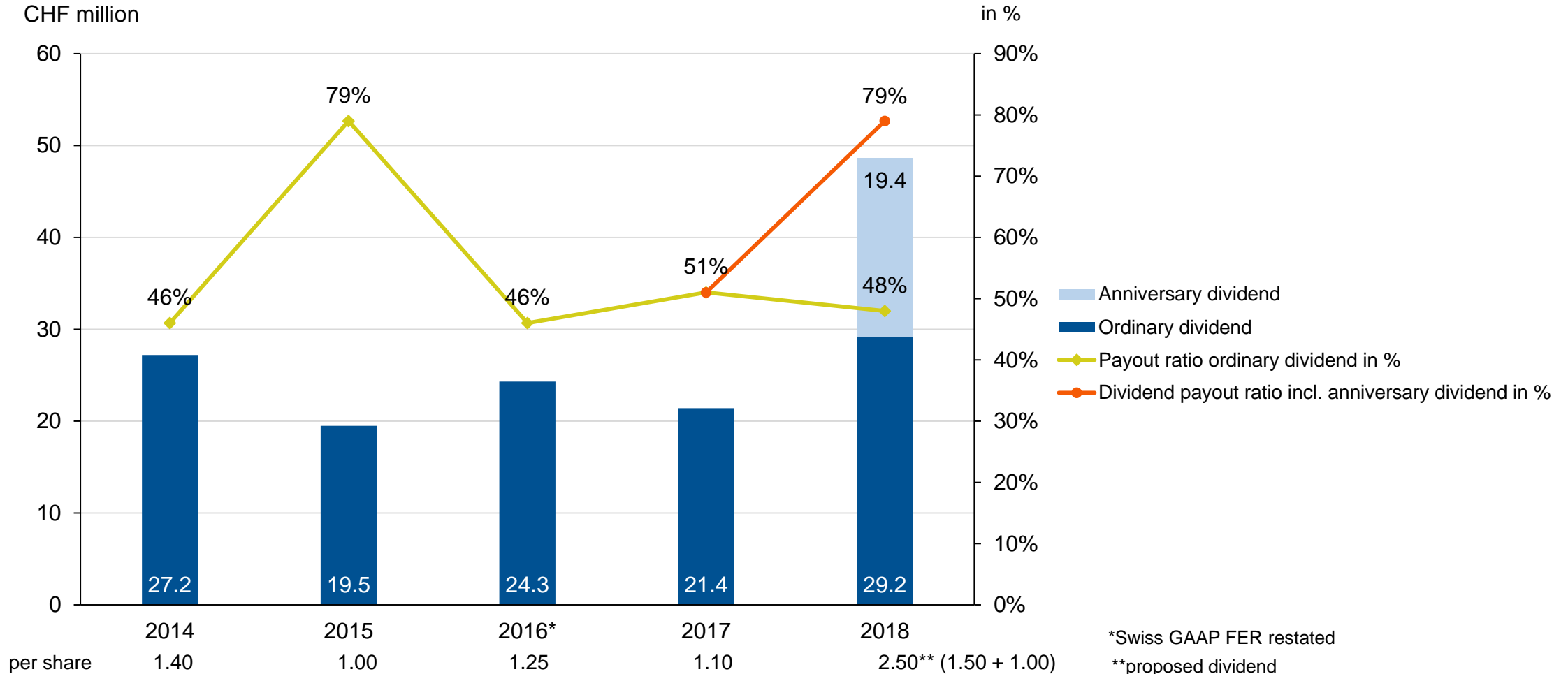
Improved cash flow from operating activities

| CHF million | 2014 | 2015 | 2016* | 2017 | 2018 |
|-------------------------------------|---------------|-------------|-------------|--------------|-------------|
| Cash flow from operating activities | 78.0 | 69.7 | 79.6 | 52.9 | 99.6 |
| Cash flow from investing activities | (89.9) | (21.8) | (57.5) | (33.0) | (27.8) |
| Free operating cash flow | (11.9) | 47.9 | 22.1 | 20.0 | 71.7 |
| Dividend payment | (15.6) | (27.3) | (19.5) | (24.3) | (21.4) |
| Purchase of treasury shares | (1.4) | (0.9) | (1.4) | (1.3) | (2.2) |
| Free cash flow | (28.9) | 19.7 | 1.2 | (5.7) | 48.1 |

*Swiss GAAP FER restated

Dividend development

Steady dividend policy plus additional anniversary dividend



Financial assessment 2018

- ✓ Double-digit organic growth in order intake (+10.1%) and net sales (+13.6%)
- ✓ Operating profitability in the upper half of the medium-term EBIT target range (9.3%)
- ✓ Lower income tax rate (23.0%)
- ✓ Very high free operating cash flow (CHF 72 million)

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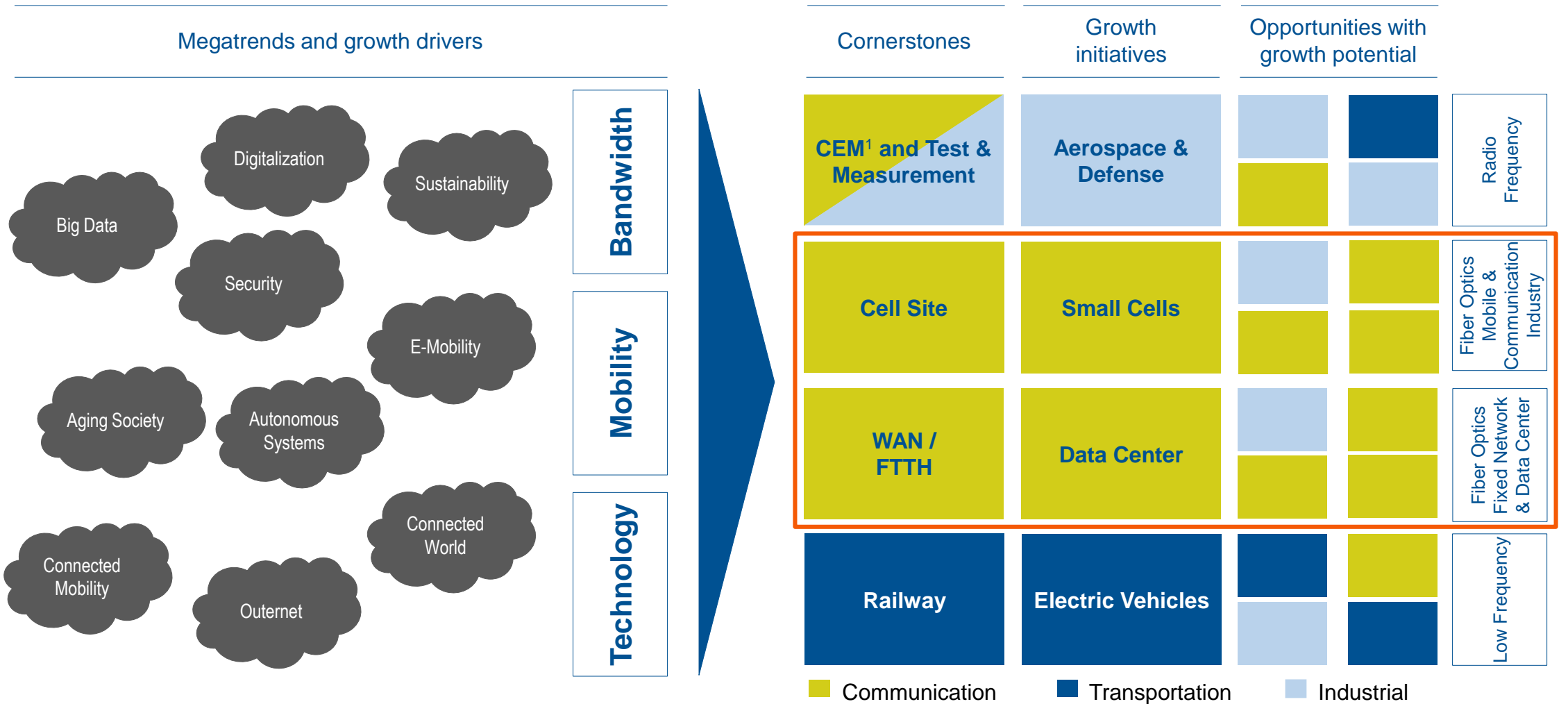
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Focused strategy derived from megatrends and growth drivers



Milestones 2018



Transportation – Growth initiative EV Automotive

HUBER+SUHNER becomes a Tier 1 supplier to Geely, a leading Chinese electric vehicles manufacturer



Communication – Growth initiative Data Centers

Delivery of entire fiber optic cabling to a German network operator of two of Europe’s most advanced data centers



Communication – Growth initiative Small Cell

Market launch of active multiplexer and converter system solutions for optimal use of existing fiber optic infrastructure in densified 5G networks



Industrial – High-tech niche Medical

Breakthrough with customized radio frequency products in microwave ablation applications

Outlook 2019 by markets

Overall slightly flattening dynamics with opportunities in growth initiatives

Communication

- LTE rollouts in price-sensitive emerging economies last – 5G network provider position themselves in the market.
- Ongoing geographic expansion and intensive use of the Internet will further increase global data volume – demand for mobile and fixed network infrastructure as well as data centers will increase.
- Growth market Asia is characterized by competitive environment.

Transportation

- Railway market tends to remain stable at a high level with decreasing momentum – China market remains strong.
- Electric vehicle market with increasingly wider offering from all major manufacturers; mass suitability of drive concept confirmed – EV share still at a low level, but strong development expected.

Industrial

- Growth rates in aerospace and defense continue to be at a high level thanks to increasing need for communication and security.
- Mixed signals regarding market development.

Outlook 2019 by technology segments

Continuity in strategic direction

Radio Frequency

- Goal 2019: defend previous year's strong margin and confirm growth path.
- Strategic direction: increase market share in high-margin applications; grow stronger than the market in aerospace and defense; position for the future opportunity of autonomous driving.

Fiber Optics

- Goal 2019: increase profitability to the level of medium-term target range.
- Strategic direction: continue to further increase high-margin business in the data center market segment; participate in the development of 5G networks in the small cells market segment from the beginning.

Low Frequency

- Goal 2019: consolidate profitability at increased level despite a decreasing momentum in the railway market.
- Strategic direction: expand first successes with high voltage distribution systems in EV platforms to other OEMs; claim market leadership with high power charging cables.

Outlook 2019

Net sales guidance for 2019

- From today's perspective, the Group expects net sales at the level of 2018 for the current financial year.

Medium-term target range over the business cycle and EBIT guidance for 2018

- Medium-term target range for EBIT margin unchanged at 8–10 %.
- Provided that exchange rates remain comparable to 2018, the EBIT margin is expected to be in the upper half of the medium-term EBIT target range of 8–10 % in 2019.

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