

HUBER+SUHNER sees increase in net sales and profit

4.4 % net sales increase in Swiss francs – EBIT margin at upper end of the announced target range of 6–9 % – net income almost doubled – change to Swiss GAAP FER reporting standard – midterm EBIT margin target range raised

in CHF million	2016	2015	Change in %
Group			
Order intake	746.6	702.8	+6.2
Net sales	737.2	706.3	+4.4
Operating profit	65.1	52.3	+24.4
EBIT margin	8.8 %	7.4 %	
Net income	49.1	24.7	+98.7
Radio Frequency			
Order intake	226.4	201.2	+12.5
Net sales	219.7	206.6	+6.3
Operating profit	27.5	21.7	+26.7
EBIT margin	12.5 %	10.5 %	
Fiber Optics			
Order intake	322.3	270.8	+19.0
Net sales	305.7	280.7	+8.9
Operating profit	38.4	34.4	+11.4
EBIT margin	12.6 %	12.3 %	
Low Frequency			
Order intake	198.0	230.8	-14.2
Net sales	211.8	219.0	-3.3
Operating profit	3.8	2.4	+57.7
EBIT margin	1.8 %	1.1 %	

In 2016 business performance was characterised by three distinct phases: A very dynamic first half year was followed by a weaker third quarter, then demand picked up again. Overall, order intake increased by 6.2 % to CHF 746.6 million compared to the previous year. The Fiber Optics and Radio Frequency divisions saw double-digit growth (+19.0 % and +12.5 % respectively), while order intake in the Low Frequency division experienced a decline on account of low demand in the railway market (-14.2 %). Net sales increased to CHF 737.2 million (+ 4.4 %). In organic terms, i.e. excluding currency, copper and portfolio impacts, growth in net sales amounted to 3.8 %. Net sales of the Fiber Optics division recorded the strongest growth with an increase of 8.9 %. The Radio Frequency division also recorded a very pleasing development with growth of 6.3 %. In the Low Frequency division, the marked growth in the automotive market was not able to compensate for the decline in the railway market, with net sales declining by 3.3 % as a result. The EBIT margin grew by 1.4 percentage points to 8.8 %, thus reaching the upper end of the midterm target range of 6–9 %. The net income of CHF 49.1 million almost doubled compared to the previous year (CHF 24.7 million), which is also due to a significantly improved financial result. The free operating cash flow (CHF 19.5 million) remained positive despite the acquisition of Polatis in June 2016.

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The communication market was the driver for growth, the transportation and industrial markets remained stable at around previous year levels

Net sales in the communication market rose by 9.4 % to CHF 372.6 million. Order intake grew even more strongly by 21.2 % to CHF 390.4 million. The reasons for this rapid development were diverse: HUBER+SUHNER was able to acquire considerable market shares with the big communication network suppliers, and the company continued on its successful course in the fiber-to-the-antenna application. In addition, the Cube Optics business unit made a significant contribution to the growth.

Net sales in the transportation market were just short of the previous year's level (CHF 198.5 million, -1.8 %). Order intake on the other hand was significantly lower than in 2015 (CHF 187.4 million, -11.8 %). The reason for this unsatisfactory development was a restrained demand in the railway market. By contrast, the automotive submarket developed with significantly higher net sales and a number of promising customer projects which will ensure further growth in the medium term.

Net sales and order intake in the industrial high-tech niches increased slightly (net sales: CHF 166.1 million, +1.5 %; order intake: CHF 168.8 million, +0.4 %). Without the sale of the Composites business unit at the end of 2015 the growth of both net sales and order intake would have been about two percentage points higher. HUBER+SUHNER Astrolab, which was acquired at the end of 2012, reported healthy growth, boosting the Aerospace+Defense market segment. In addition, the pipeline of promising customer projects in this submarket increased.

Radio Frequency division: Marked increase in new orders

The Radio Frequency division returned to a path of growth with a 6.3 % increase in net sales to CHF 219.7 million. The division's order intake developed even better (CHF 226.4 million, +12.5 %). In addition, the measures implemented after the strong appreciation of the Swiss franc showed the expected effect: The EBIT margin reached an attractive 12.5 %, corresponding to an increase of two percentage points. This strong growth in Radio Frequency was primarily attributable to an increased market share in business with major communication equipment manufacturers, the expansion of market leadership in the field of board connectors and progress in the Aerospace+Defense market segment.

Fiber Optics division: Best performance in corporate history

Net sales in Fiber Optics grew by 8.9 % compared to the previous year to CHF 305.7 million. Order intake significantly exceeded net sales (CHF 322.3 million; +19.0 %). The EBIT margin also improved again by 0.3 percentage points to 12.6 %. This success is attributable to increased market shares in business with the large-scale communication equipment manufacturers. HUBER+SUHNER Cube Optics, which was acquired in October 2014, also made a noticeable contribution to growth in net sales and profitability. The business generated by the introduction of the LTE mobile radio standard was able to maintain a high level in 2016 thanks to geographical diversification. The acquisition of Polatis, the technology leader in the field of 'All-optical switches', further boosted the position and the outlook in the data centers market segment.

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Low Frequency division: Automotive successes not fully compensated faltering railway market

Net sales in the Low Frequency division fell slightly compared to the previous year (–3.3 %); order intake decreased significantly (–14.2 %). The EBIT margin also remained unsatisfactory at 1.8 %, +0.7 percentage points compared with the previous year. The fall in order intake in the railway market was attributable to low demand for cable systems from the important European countries and to delayed orders in China. There were several reasons for the unsatisfactory EBIT margin: The cable system project for the SBB Twindexx trains caused considerable problems and unpredictable additional costs in the second half year. The project is now back on track. Finally, the division made large-scale preliminary investments in the field of electromobility, a market which is promising good growth prospects for the medium term.

Changes to the Board of Directors and CEO succession

The Board of Directors will propose to the Annual General Meeting that Urs Kaufmann, the long-standing CEO, be elected as Chairman of the Board. Beat Kälin, who assumed this role in 2015 for a maximum of two years, remains a Board Member and shall become Vice-Chairman. As of 1 April 2017, Urs Ryffel will become CEO of the HUBER+SUHNER Group.

Dividend

The Board of Directors proposes to the Annual General Meeting to raise the dividend from CHF 1.00 per share in the previous year to CHF 1.25. That corresponds to a payout ratio of 50 %.

Change from IFRS to Swiss GAAP FER reporting standard

The Board of Directors of HUBER+SUHNER AG has decided to switch the corporate accounting standard of the HUBER+SUHNER Group from IFRS to Swiss GAAP FER with retroactive effect from 1 January 2017. HUBER+SUHNER AG stock will remain part of the Swiss Performance Index (SPI).

Outlook

Thanks to increasing order intake towards the end of 2016, HUBER+SUHNER got off to a good start in the 2017 financial year. The growth opportunities in the target markets of Communication, Transportation and Industrial are intact within the well-established 3x3 strategy. The growth drivers continue to be the appetite for bandwidth, the exponential growth of transported and stored data, the need of the growing urban population for environmentally friendly mobility, and the sustained technology development and need for innovation in the high-tech niches. Against this background the midterm EBIT margin target range has been raised to 8–10 % (before 6–9 %).

Although trends in the global economy are difficult to evaluate because of the political and macroeconomic risks, HUBER+SUHNER expects in 2017 – assuming that exchange rates remain similar to those in 2016 – to be able to stay on the growth path and to reach an EBIT margin within the new midterm target range.

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This media release is also available on the website under Company/Media.

The annual report of HUBER+SUHNER is available at the following link:

<http://hubersuhner.com/en/Investors>

HUBER+SUHNER Group

HUBER+SUHNER is a global company with headquarters in Switzerland which develops and manufactures components and system solutions for electrical and optical connectivity. With cables, connectors and systems – developed from the three core technologies of radio frequency, fiber optics and low frequency – the company serves customers in the communication, transportation and industrial sectors. The products deliver high performance, quality, reliability and long life – even under harsh environment conditions. Our global production network, combined with group companies and agencies in over 60 countries, puts HUBER+SUHNER close to its customers. Further information on the company can be found at www.hubersuhner.com.