

HUBER+SUHNER remains on a path of growth

All three technology segments recorded an increase in both order intake and net sales – EBIT margin slightly below medium-term target range – turnaround for Low Frequency – lower profitability in Fiber Optics – minor acquisition specifically to strengthen expertise in the radio frequency systems business

Key figures

in CHF million	2017	2016 ¹	Change in %
Group			
Order intake	826.3	746.6	10.7
Net sales	774.0	737.2	5.0
EBIT	58.1	69.7	-16.6
in % of net sales	7.5	9.5	
Net income	42.1	53.2	-20.8
in % of net sales	5.4	7.2	
Free operating cash flow	20.0	22.1	-9.7
Radio Frequency technology segment			
Order intake	239.9	226.4	6.0
Net sales	231.2	219.7	5.2
EBIT	31.5	29.5	7.0
in % of net sales	13.6	13.4	
Fiber Optics technology segment			
Order intake	329.2	322.3	2.1
Net sales	316.2	305.7	3.4
EBIT	17.7	40.9	-56.7
in % of net sales	5.6	13.4	
Low Frequency technology segment			
Order intake	257.2	198.0	29.9
Net sales	226.6	211.8	7.0
EBIT	11.6	3.5	231.8
in % of net sales	5.1	1.6	

¹ Swiss GAAP FER restated

In the 2017 financial year, all technology segments reported growth in both order intake and net sales. Year-on-year, overall order intake increased by 10.7 % to CHF 826.3 million. Low Frequency experienced a growth spurt (+29.9 %), driven by significant increase in demand from both the railway and automotive markets, while growth in the Radio Frequency and Fiber Optics technology segments was in the single-digit percentage range (+6.0 % and +2.1 % respectively). Net sales across all of the technology segments grew by 5.0 % to CHF 774.0 million. Adjusted for currency, copper and portfolio effects, organic growth was 2.2 %. By region, EMEA accounted for 45 % (previous year: 46 %) of net sales, APAC's share increased to 36 % (PY: 34 %), while that of the Americas fell to 19 % (PY: 20 %). Year-on-year, the EBIT margin declined by 2.0 percentage points to 7.5 %, thus slightly below the medium-term target range of 8–10 %. The decline in profitability was largely attributable to high price

Date 13 March 2018
Place Herisau / Pfäffikon ZH
Page 2 of 4

pressure in large-scale projects in the communication market, changes in the business mix, and higher investments in both sales and research and development. The latter rose by CHF 4 million to CHF 34 million. As a consequence, net income fell from CHF 53.2 million in the previous year to CHF 42.1 million, representing a return on sales of 5.4 %. The number of permanent employees increased by 169 to 4200, as a result of production capacity expansions in rapidly growing regions such as China. In Switzerland, the number of permanent employees fell slightly to 1237.

Communication market at previous year's level, strong growth in transportation and industrial markets

The communication market experienced an inconsistent year 2017. After significant growth in the first six months, the situation then reversed, resulting in net sales of CHF 375.7 million (+0.8 %) and order intake of CHF 391.1 million (+0.2 %) for the year as a whole, marginally above previous year levels. A waning of business with communication equipment manufacturers was offset by brisker business with mobile network operators and customers in the data center market segment. Net sales in the transportation market grew by 8.9 % to CHF 216.1 million. An even stronger increase of 30.3 % to CHF 244.3 million was recorded in order intake. Thanks to increasing momentum in the Asian railway market over the course of the year, the Group was able to win large customer orders for both cable and system solutions. The growth initiative in the automotive submarket is making good progress and was further bolstered by a generally favourable market environment. Sales and order intake in the industrial high-tech niches also developed positively, with net sales increasing to CHF 182.2 million (+9.7 %), while order intake even rose to CHF 190.9 million (+13.1 %). In the aerospace and defense market segment, new areas of application, such as RF-over-fiber, where radio frequency signals are transmitted over fiber optics, and complete radio frequency solutions open up further promising new avenues.

Radio Frequency technology segment: strong result and acquisition for the targeted strengthening of expertise

In the Radio Frequency technology segment, both order intake, at CHF 239.9 million (+6.0 %), and net sales, at CHF 231.2 million (+5.2 %), were up on the previous year. With an EBIT margin of 13.6 %, this technology segment made a strong contribution to earnings. Although the pressure from the communication market was also felt here, Radio Frequency was able to achieve a good level of growth overall thanks to gains in market share in both the aerospace and defense and test and measurement segments. With the acquisition of Inwave Elektronik AG in Switzerland, a targeted investment was made in know-how in both radio frequency and RF-over-fiber solutions.

Fiber Optics technology segment: marginal growth with lower profitability

The Fiber Optics technology segment as a whole experienced a decline in momentum over the course of the financial year, but nevertheless closed 3.4 % up on the previous year in net sales, at CHF 316.2 million, and 2.1 % up in order intake, at CHF 329.2 million. The EBIT margin was unusually low at 5.6 %, which was mainly due to two reasons: the upgrading of mobile communication networks to the 4G/LTE standard gave rise to a gain in market share; however, since the expansions took place in price-sensitive emerging economies with correspondingly high pressure on margins, this reduced average margin. In addition, the Fiber Optics technology segment experienced a significant

Date 13 March 2018
Place Herisau / Pfäffikon ZH
Page 3 of 4

drop in net sales of profitable wavelength-division multiplexer products (WDM) in the second half of the year. Business in the data center market segment developed positively. New customer projects in all regions underline the opportunities offered by this strategic growth initiative.

Low Frequency technology segment: successful turnaround and high order backlog

Driven by an impressive turnaround in the second half of the year, net sales in the Low Frequency technology segment increased substantially by 7.0 % to CHF 226.6 million. The development of order intake was even more impressive: at CHF 257.2 million, an increase of 29.9 % over the previous year was recorded. The EBIT margin also improved significantly, reaching 5.1 %. There are several reasons for this positive development: On the one hand, growth in the Asian railway market had a positive impact on the earning power of this technology segment. On the other hand, the strategic alignment considerably eased the burden on costs. As part of this adjustment, the build-to-print railway cable systems business operated from Poland was sold and the Derby (UK) site was closed. Pre-investments made in the electric vehicles growth initiative began to bear fruit in the form of orders for RADOX® HPC high-power charging systems and in-vehicle high-voltage distribution systems.

Dividend

The Board of Directors proposes to the Annual General Meeting a payout of CHF 1.10 per share. That corresponds to a payout ratio of 51 %.

Outlook

Thanks to a solid order backlog and strong demand in the main markets, HUBER+SUHNER has started the 2018 financial year on a positive note. The target market Communication looks set to continue generating high volumes in the emerging economies albeit with sustained price pressure. At the same time, demand for fast Internet connections remains high, creating opportunities in the application Fiber-to-the-home. The worldwide increase in data volume is driving demand for new data centers. In the target market Transportation, the positive momentum in the Asian railway market is expected to continue while in the automotive market, all major manufacturers supplement their product lines by electric vehicles. In the target market Industrial, positive stimuli are expected from the aerospace and defense submarket in particular.

From today's perspective, due to the currently good order situation and provided that exchange rates remain comparable to 2017, HUBER+SUHNER expects to remain on a growth path and the EBIT margin in the current year to return to the medium-term target range of 8 –10 %.

Media release



Date 13 March 2018
Place Herisau / Pfäffikon ZH
Page 4 of 4

This media release is also available on the website under Company/Media. The German version is binding.

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

<http://www.hubersuhner.com/en/company/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 [.hubersuhner.com](http://www.hubersuhner.com).