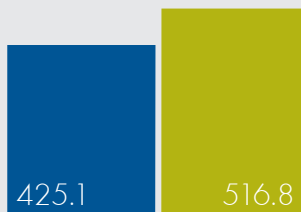


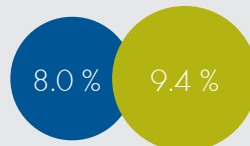
# Letter to shareholders

## H1/2018

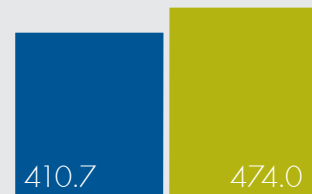
Order intake up  
by 21.6 %



EBIT margin in the up-  
per half of the medium-  
term target range



Increase in net sales  
of 15.4 %



Double-digit growth  
rates in all three  
main regions testify  
to geographically  
broad-based growth

New customer  
projects in strategic  
growth initiatives  
make a considerable  
contribution to the  
positive development

In Switzerland,  
Low Frequency  
is concentrating  
its cable production  
in Pfäffikon ZH  
and investing in  
the Witzberg site

■ H1/2017 ■ H1/2018 in CHF million

## Broad-based double-digit growth in the first half of the year – higher profitability – growth initiatives make a considerable contribution



Urs Kaufmann (Chairman) and Urs Ryffel (CEO)

HUBER+SUHNER had a strong first half of the year. The Group's net sales and profitability improved significantly. The order intake of CHF 516.8 million was up 21.6 % on the same period in the previous year. Net sales also followed this positive development, up 15.4 % to CHF 474.0 million. This resulted in an EBIT of CHF 44.3 million, 35.1 % higher than in the previous year. The EBIT margin of 9.4 % was thus in the upper half of the medium-term target range of 8–10 %. Net income rose by 32.2 % to CHF 31.6 million, and the return on sales reached 6.7 %.

The first half of 2018 was characterised by above-average growth in order intake and net sales. All three main markets contributed to the increase in net sales, albeit to varying degrees. The communication market was slightly above the strong first half of 2017. The transportation market grew significantly thanks to a regained strength in the railway market. And the strong development in the industrial market was driven by significant increases in all submarkets. The broad support for this positive momentum was reflected in double-digit growth rates in both order intake and net sales in all three main regions. The shares of total sales remained virtually unchanged at 42 % in EMEA (including Switzerland), 40 % in APAC and 18 % in the Americas.

Organically, i.e. excluding the positive effect of currency and copper of 3.9 %, growth in net sales was still 11.5 %. Thanks to the above-average increase in order intake, the book-to-bill rate went up to 1.09 from 1.04 in the previous year. The positive development in demand in the Low Frequency technology segment, where the order backlog is traditionally larger than in the other two technology segments, reinforced this effect. Higher order volumes led to an increase in the workforce from 4 241 to 4 348, particularly at the production plants.

### Transportation market and industrial high-tech niches drive growth; communication market holds its own at a high level

With an increase of 2.4 %, net sales in the communication market were slightly higher than the high figure for the same period in the previous year.

The transportation market confirmed the upward trend with a plus in net sales of 44.3 %. The railway and automotive submarkets both contributed significantly to the dynamic growth, with the positive development in the Asian railway market being particularly pronounced.

In the industrial high-tech niches, growth was recorded in all submarkets, which resulted in overall growth in net sales of 14.9 % in the industrial market, with a substantial contribution also from the aerospace and defense growth initiative.

### Impressive renewed growth in Radio Frequency – attractive profitability increased further

The Radio Frequency technology segment has remained on a path of growth and continued the positive development of recent years. Order intake rose by 16.8 % to CHF 143.7 million compared to the same period of the last year. Net sales were also well up by 10.7 % to CHF 130.7 million. EBIT stood at CHF 19.9 million, equating to an EBIT margin of 15.2 %, which is 2.1 percentage points higher than in the same period last year. The strongest sales growth was recorded in the two submarkets of test and measurement, and aerospace and defense. The latter reflected the stronger demand for radio frequency components for private satellite projects. Thanks to the dynamic development in the railway market, the business with radio frequency solutions for fast data connections in trains made a significant contribution to sales growth.

### Fiber Optics growing compared to a strong prior-year period – below-average profitability

With an order intake of CHF 203.6 million (+12.0 %) and net sales of CHF 190.1 million (+2.0 %) in the first half of 2018, the Fiber Optics technology segment exceeded the high levels of the previous year. Significant volumes were generated by major projects to expand mobile networks to the 4G/LTE standard in price-sensitive emerging markets, while sales to communications equipment suppliers declined. Business in the data centers growth initiative, where higher margins can be achieved, made further progress and recorded double-digit growth. EBIT stood at CHF 12.1 million, equating to an EBIT margin of 6.4 %. It was thus below the 8.7 % of the same period of the previous year, but recovered slightly compared to the weak second half of 2017.

**Low Frequency continues impressive upward trend in net sales and EBIT – successful design-ins for electric vehicles**

In the Low Frequency technology segment, the momentum gained in the second half of 2017 was stepped up further in the first half of the current year. Order intake rose by 40.8 % compared to last year to CHF 169.5 million; net sales were up by 44.2 % to CHF 153.2 million. This resulted in an EBIT of CHF 15.4 million or an EBIT margin of 10.1 %. There were several reasons for the high growth rates: the solid order backlog from customer projects in the railway market enabled the current year to get off to a dynamic start. Customer projects with both Asian and European manufacturers made a significant contribution towards the increase, which was widespread geographically. With its electric vehicles growth initiative in the automotive market, the company succeeded in designing in high-voltage systems in new platforms of some manufacturers of passenger and commercial vehicles. This will mainly have an impact on sales in the medium term. A significant portion of the marked improvement in earnings in the Low Frequency technology segment was due to the more favourable cost structure, which had a full impact following the strategic alignment of the previous year. In June, the Board of Directors took the decision to concentrate the two Swiss production sites in the Low Frequency technology segment at the Witzberg plant in Pfäffikon ZH from 2021. The area thus liberated in the village can be diverted to a different use. The aim is to align the Low Frequency technology segment even better to the challenges of the future.

**Outlook**

Compared with the previous year, HUBER+SUHNER expects the positive development to continue in the second half of 2018. Although the momentum is likely to be lower in the second half of the year due to project-related influences, the company expects growth in net sales of at least 10 % in 2018 compared to the previous year, provided that there is a comparable currency situation. The EBIT margin for 2018 as a whole should be in the middle of the medium-term target range of 8–10 %.



Urs Kaufmann  
Chairman of the Board of Directors

Urs Ryffel  
CEO

Milestones in the first half year 2018

**Communication**

Data Centers growth initiative



Significantly more data center orders in Asia and new customer projects for major American media corporations

**Transportation**

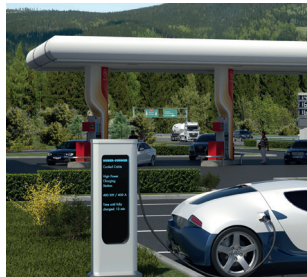
EV Automotive growth initiative



Customer projects worldwide to supply RACS solutions (RADOX® Automotive Connection System) for commercial and passenger vehicle platforms

**Transportation**

Opportunity with growth potential



With the RADOX® HPC High power charging system, the Group is to become the most important subcontractor for establishing the charging infrastructure in the USA by Electrify America

**Industrial**

Aerospace & Defense growth initiative



Capable solution for communication and entertainment on board the fleets of two American airlines

# Key figures H1/2018

<b>Group</b> CHF million	January-June 2018	January-June 2017	Change
Order intake	516.8	425.1	21.6 %
Order backlog as of 30.6.	268.0	186.5	43.7 %
Net sales	474.0	410.7	15.4 %
Gross margin	33.6 %	33.9 %	
EBITDA	61.2	48.3	26.7 %
as % of net sales	12.9 %	11.8 %	
EBIT	44.3	32.8	35.1 %
as % of net sales	9.4 %	8.0 %	
Financial result	(2.4)	(0.4)	n/m
Net income	31.6	23.9	32.2 %
as % of net sales	6.7 %	5.8 %	

Purchases of PP&E and intangible assets	11.4	18.1	(37.2 %)
Cash flow from operating activities	34.8	23.1	50.9 %
Free operating cash flow	21.5	8.9	141.1 %
Net liquidity as of 30.6.	150.5	140.5	7.1 %
Equity as of 30.6.	598.7	565.3	5.9 %
as % of balance sheet total	77.6 %	77.6 %	

Employees as of 30.6.	4 348	4 241	2.5 %
-----------------------	-------	-------	-------

<b>Data per share</b> in CHF	January-June 2018	January-June 2017	Change
Stock market price as of 30.6.	60.50	71.70	(15.6 %)
Net income	1.62	1.23	32.2 %

<b>Segment information</b> CHF million		January-June 2018	January-June 2017	Change
Radio Frequency	Order intake	143.7	123.1	16.8 %
	Net sales	130.7	118.1	10.7 %
	EBIT	19.9	15.5	28.6 %
	as % of net sales	15.2 %	13.1 %	
Fiber Optics	Order intake	203.6	181.7	12.0 %
	Net sales	190.1	186.4	2.0 %
	EBIT	12.1	16.2	(25.2 %)
	as % of net sales	6.4 %	8.7 %	
Low Frequency	Order intake	169.5	120.3	40.8 %
	Net sales	153.2	106.2	44.2 %
	EBIT	15.4	0.5	n/m
	as % of net sales	10.1 %	0.4 %	

n/m = not meaningful

## Financial calendar

Net sales/Order intake (9 months)	25.10.2018	Annual report 2018	19.03.2019
Net sales/Order intake 2018	24.01.2019	Media and analysts' conference	19.03.2019
		Annual General Meeting	10.04.2019

Detailed figures are available online at [www.hubersuhner.com](http://www.hubersuhner.com)

This letter to shareholders is also available in German. The German version is binding.