

Agenda

# Business year 2011

## Overview

Business year 2011

Financial performance

Outlook

Questions and discussion

Buffet lunch

Dr. David W. Syz (VRP)

Urs Kaufmann (CEO)

Ivo Wechsler (CFO)

Urs Kaufmann (CEO)

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Overview



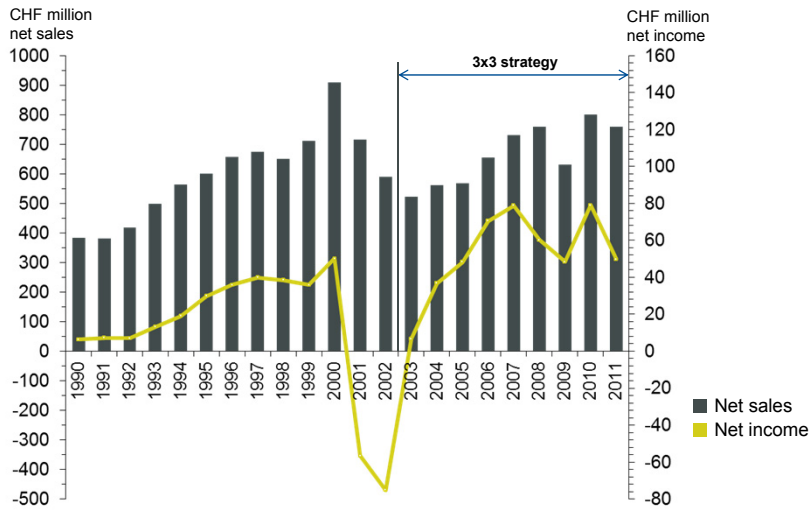
## 2011: Organic growth in net sales – currency, solar and Chinese railway market cause drop in net sales and income

- 5% organic growth in net sales – minus 5% in Swiss francs
- Currency and copper effects reduce group performance by around CHF 36 million!
- Solar sector moves straight from boom into crisis
- Chinese railway market – unexpected discontinuation of all high-speed projects
- Strong first, weaker second semester
- Measures initiated:
  - Adaptation of costs to the new market situation
  - Globalisation of value creation
- Rock-solid financial basis

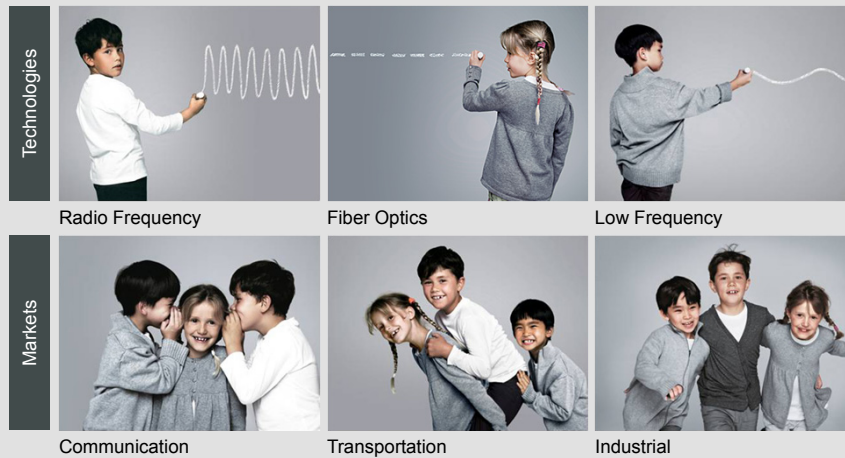
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## 3x3 strategy provides stability, even in the case of sizeable fluctuations in individual markets



## 3x3 Strategy



## Medium-term growth prospects unbroken, but boom phase in the solar sector is over

### Broadband communication

- Mobile communication networks are reaching the limits of their capacity – LTE (Long-Term Evolution) / Fiber to the Antenna / point-to-point links
- Fiber optics conquers fixed networks: Fiber to the Home / Fiber in the Home

### Electric mobility

- Increasing mobility
- Expansion of public transport
- Hybrid and electric vehicles

### Renewable energies: Solar sector with new starting position

- Smaller volumes at lower margins and consolidation
- Much less attractive prospects for suppliers
- Niche applications in solar and wind still have potential

### High-tech niches

- Space and defence technology with higher data rates and miniaturisation
- Data integrity in test and measurement technology
- Minimally invasive tumour treatment with radio frequency

## Dividend payout ratio 37%

- Healthy balance sheet: net liquidity at year-end CHF 178 million
- Group performance CHF 49.8 million
  - One-off effect as the result of sale of industrial area in Pfäffikon: +CHF 16 million
- Constant dividend policy
  - Target band: 30% to 40% of net income

### Proposal to the General Assembly of Shareholders

- Dividend per share CHF 0.95 (PY CHF 1.50)
  - From business performance: CHF 0.60
  - From sale of part of industrial area: CHF 0.35
- Constant dividend payout ratio compared with the previous year

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## Business year 2011



**2011: A good business year...**

**...were it not for the strong Swiss franc!**

- All three divisions and all three main markets (Communication, Transportation, Industrial) grow in organic terms
- Currency and copper effects reduce net sales by 8.8% and the EBIT by around CHF 34 million
- Sale of part of industrial area in Pfäffikon backs up the result
- Shareholders' equity and equity ratio higher again
- Significantly changed market dynamics: solar sector, Chinese railway market
- Clear upward trend in Fiber Optics
- New production locations gradually reduce our dependence on the Swiss franc
- Cost base is adapted to new market conditions

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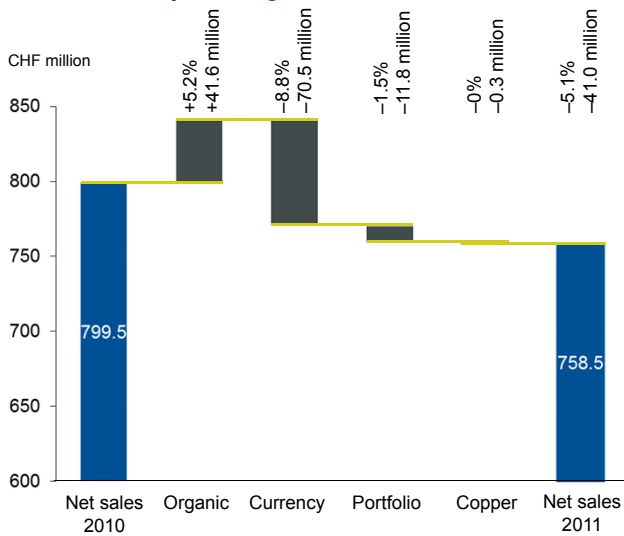
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## Figures at a glance

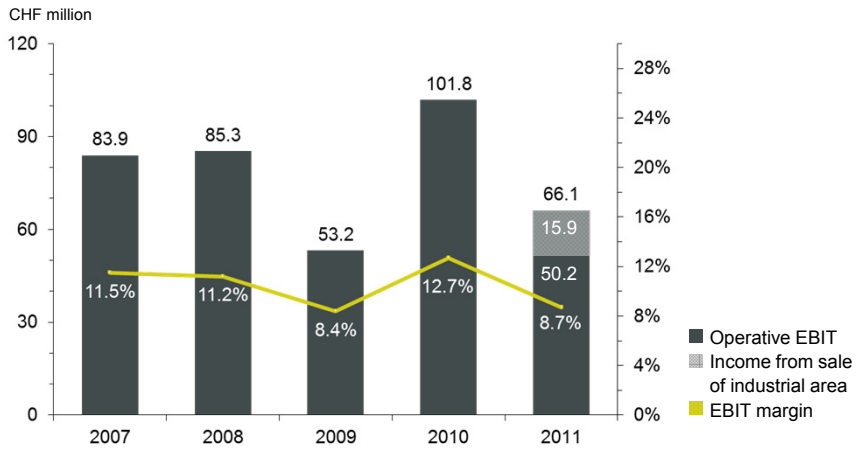
CHF million

	2011	2010	Δ %
Order intake	734.5	846.5	-13
Net sales	758.5	799.5	-5
Operating profit (EBIT)	66.1	101.8	-35
• as % of net sales	8.7	12.7	
Operating profit (EBIT) <i>(excluding income from sale of part of industrial area)</i>	50.2	101.8	-51
• as % of net sales	6.6	12.7	
Net income	49.8	79.0	-37
• as % of net sales	6.6	9.9	

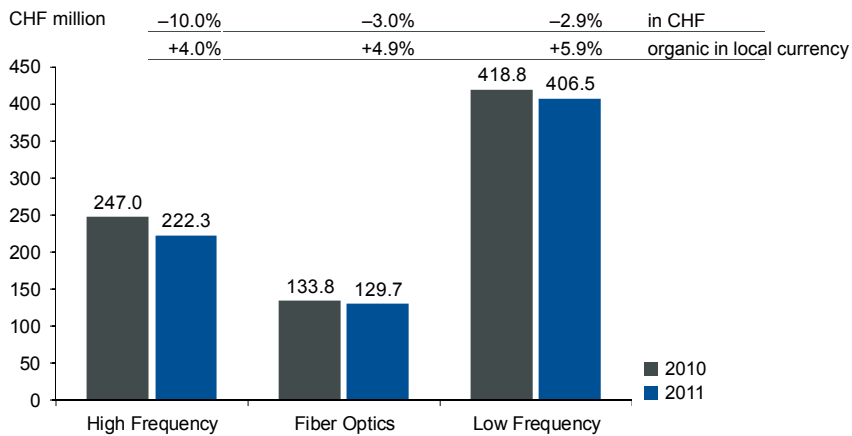
## Factors impacting on net sales



## EBIT development 2007 – 2011: One-off income supports EBIT margin



## Net sales development of the divisions: in organic terms all higher – in CHF all lower



## Radio Frequency division: 10% less net sales in CHF – investments in R+D

CHF million

	2011	2010	Δ %
Order intake	223.8	256.7	-12.8
Net sales	222.3	247.0	-10.0
Operating profit (EBIT)	12.6	27.0	-53.3
• in % of net sales	5.7	10.9	

### The most important aspects

- Net sales: In organic terms +4%, currency and sale of FAKRA
- Book-to-bill 1
- Margin: Continuing high price pressure and higher R+D costs (investment in new applications)
- Relocation of manual labour jobs from Switzerland to Poland
- Breakthrough "High Speed Digital Testing"
- MBX connector family leading in "board-to-board" applications

## Fiber Optics division: Higher order intake – investments in sales

CHF million

	2011	2010	Δ %
Order intake	139.2	132.8	4.8
Net sales	129.7	133.8	-3.0
Operating profit (EBIT)	12.0	20.1	-40.4
• as % of net sales	9.3	15.0	

### The most important aspects

- Net sales: in organic terms +4.9%, currency
- Book-to-bill > 1
- Margin: Under utilisation in first HY and investments in sales channels
- Most profitable division in percentage terms
- Relocation of manual labour jobs from Switzerland to Poland
- Leading market position with system solutions in the growing Fiber to the Antenna market (FTTA)
- Much better second semester and well filled project pipeline

## Low Frequency division: Net sales slightly lower, order intake significantly lower

CHF million

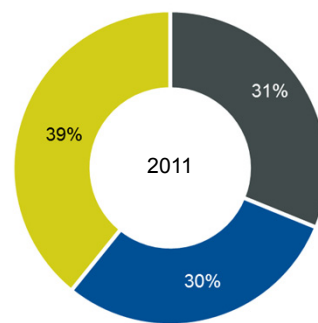
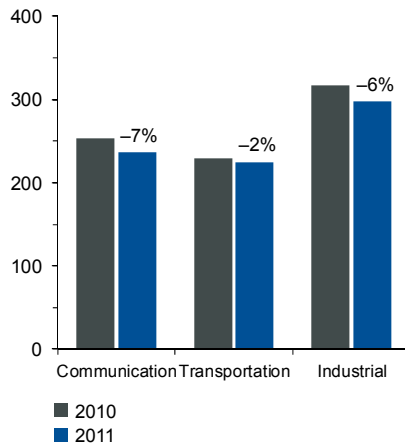
	2011	2010	Δ %
Order intake	371.5	457.0	-18.7
Net sales	406.5	418.8	-2.9
Operating profit (EBIT)	31.6	61.3	-48.5
• as % of net sales	7.8	14.6	

### The most important aspects

- Net sales: in organic terms +5.9%, currency, much weaker second HY
- Book-to-bill < 1
- Margin: higher costs (catch-up effect), price deterioration for solar, inventories too high
- Solar sector in crisis
- Project discontinuation in Chinese railway market
- Good prospects in the automotive systems business – concrete projects gradually being implemented
- Cable factory under construction in China

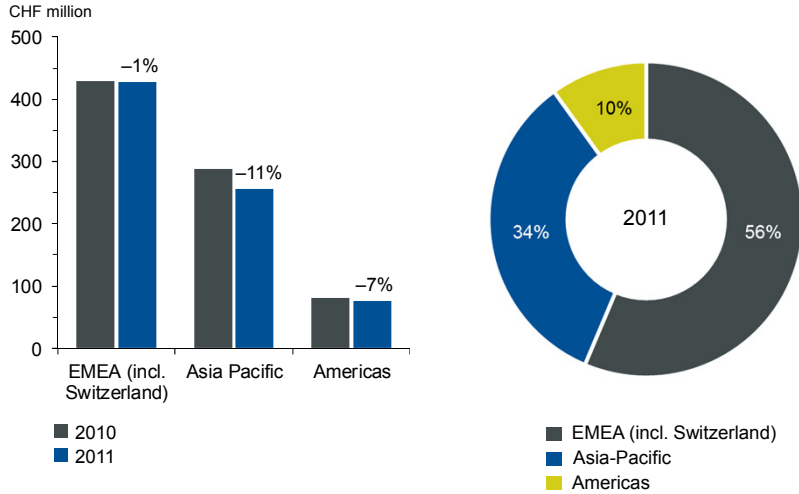
## Communication and Industrial grow slightly in organic terms, Transportation market achieves a clear plus

CHF million





## Net sales by regions: Europe holds its ground, Asia declines, positive trend in America towards year-end



## Further important aspects of 2011

<b>Breakthrough</b>	Board-to-board connectivity	Hybrid vehicles for India	Fiber + Power to the Antenna
<b>Value added</b>	Assembly plant, Tunisia	Assembly plant, Mexico	Cable plant, China
<b>Innovations</b>	Radox ACS	BLINK for FITH	PSM for ESA

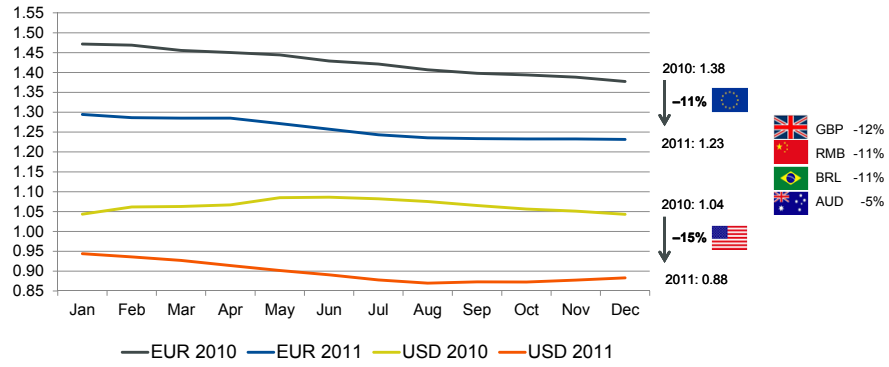
## Conclusion 2011

- As an export company with strong roots and high value added in Switzerland, H+S is particularly affected by the currency situation
- Different situation in the solar market and in the Chinese railway market
- Investments in the future despite the dip in demand
- Adaptation of cost structure to the new market conditions already underway

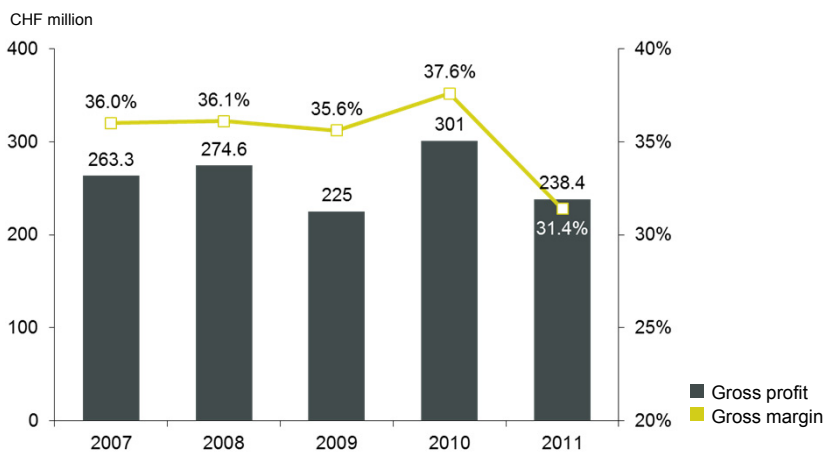
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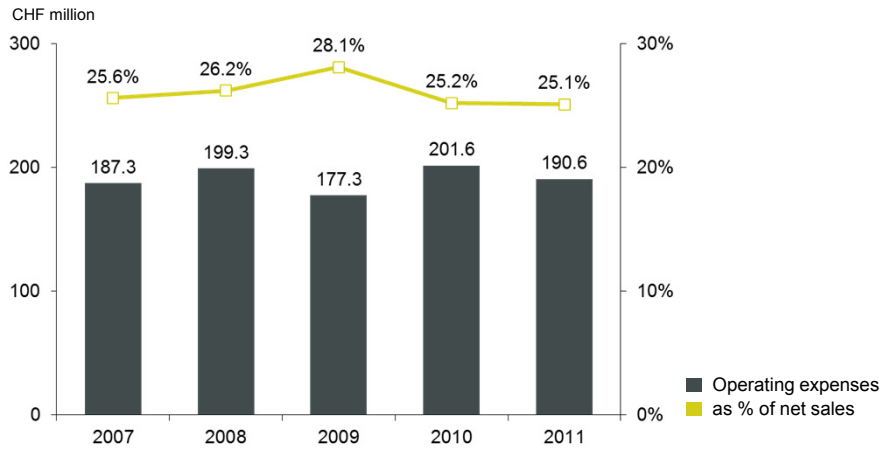
### Average exchange rates 2010/11 CHF



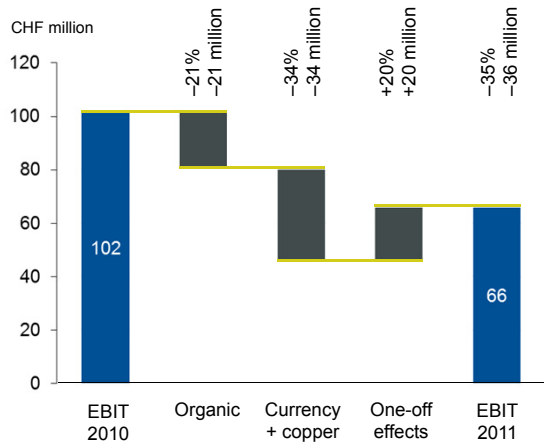
### Strong Swiss franc and high price pressure significantly reduce gross margin



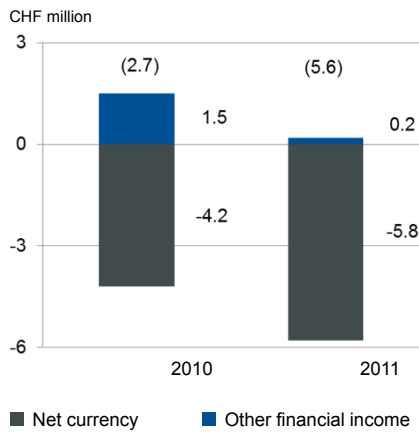
### Operating expenses under control



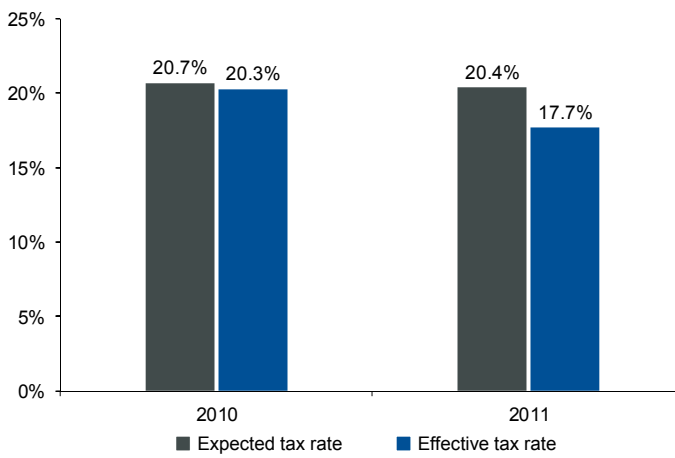
### Factors impacting on the EBIT



## Financial result: Negative currency effects limited



## Lower tax rate as the result of positive one-off effects



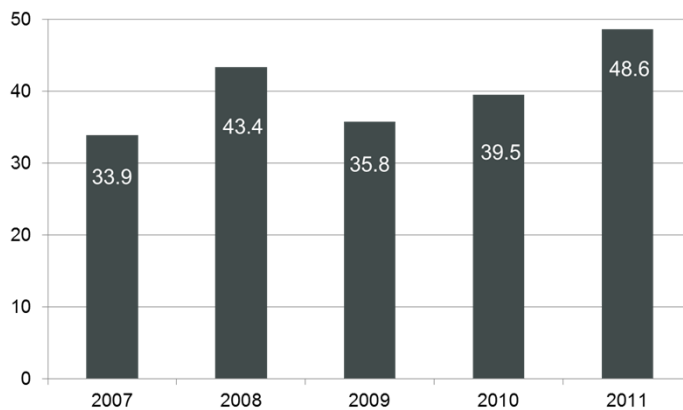
## Lower net income after record year

CHF million

	2011	2010
Operating profit (EBIT)	66.1	101.8
• Financial result	(5.6)	(2.7)
Net income before tax	60.5	99.2
• Income tax	(10.7)	(20.2)
• as % of EBT	17.7	20.3
Net income	49.8	79.0
• as % of net sales	6.6	9.9
Earnings per share (in CHF)	2.56	4.10

## Capacity expansion and new ERP result in higher investments

CHF million



## Strong consolidated balance sheet with entrepreneurial leeway

CHF million

	2011	in %	2010	in %
Cash and cash equivalents	178	24.5	206	28.8
Other current assets	341	47.0	323	45.3
Fixed assets	207	28.5	185	25.9
Debt	0	n/a	0	n/a
Various liabilities	153	21.0	164	23.0
Shareholders' equity	573	79.0	550	77.0
<b>Balance sheet total</b>	<b>726</b>	<b>100</b>	<b>714</b>	<b>100</b>

## New accounting of pension plans in accordance with IAS 19

### First-time application for the reporting year 2013 (incl. restatement 2012)

#### Initial situation

- H+S has a very robust autonomous pension funds/employer foundations in Switzerland

#### Consequences for HUBER+SUHNER

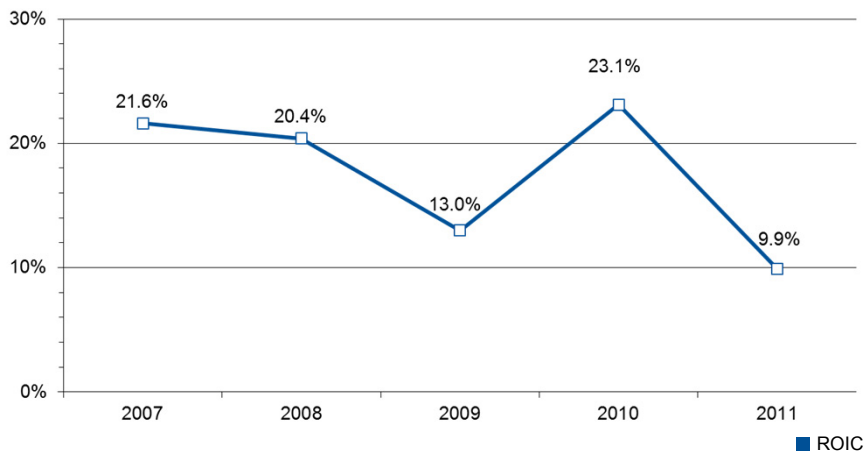
- Developments in the pension fund have a direct impact on the consolidated financial statements
- Generally increasing volatility in the consolidated financial statement (shareholders' equity/consolidated income statement)
- Estimated financial effects (as of end of 2011)
  - Reduction in shareholders' equity/financial assets by around 25 CHF million
  - Increased personnel expenses

## Negative free cash flow: higher dividend, increase in current assets

CHF million

	2007	2008	2009	2010	2011
Net cash from operating activities	59.6	75.4	94.7	58.4	29.2
<b>Free operating cash flow</b>	<b>32.9</b>	<b>44.5</b>	<b>64.0</b>	<b>34.6</b>	<b>2.0</b>
Payment of dividend/ nominal value repayment	(36.0)	(24.4)	(19.3)	(15.2)	(29.2)
Sale/(purchase) of treasury shares		(3.8)	(9.2)	13.5	1.1
<b>Free cash flow</b>	<b>(3.1)</b>	<b>16.3</b>	<b>35.5</b>	<b>32.8</b>	<b>(26.0)</b>

## Lower return on operatively invested capital





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## Outlook



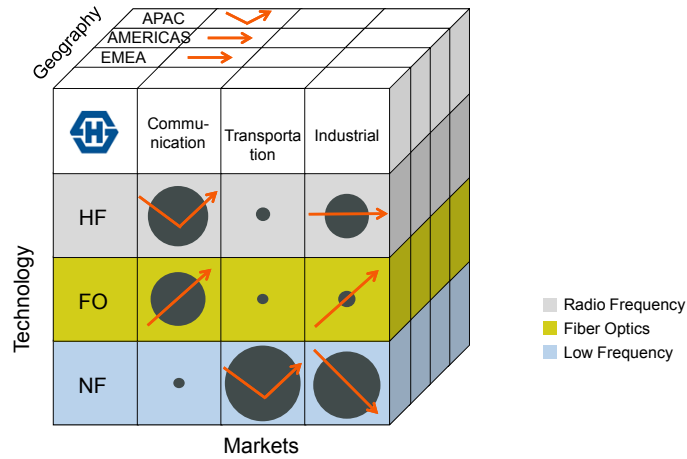
### Important factors in 2012

- Low **order intake** in **Q4/2011** ▶ Restrained start in Q1/2012
- Overall **attractive level of investment in the railway market**  
**China:** When will the discontinued projects be reinstated and implemented?
- **Solar market** continues to remain under pressure – prices in the OEM business are becoming increasingly unattractive
- **LTE rollouts** developing momentum ▶ Opportunities for Fiber Optics and Radio Frequency
- Very good **project pipeline** in **Fiber Optics**, including in the applications Fiber to the Home and Data Centers
- **Strong Swiss franc** remains a great strain in the present currency situation
- **Economic situation** difficult to assess

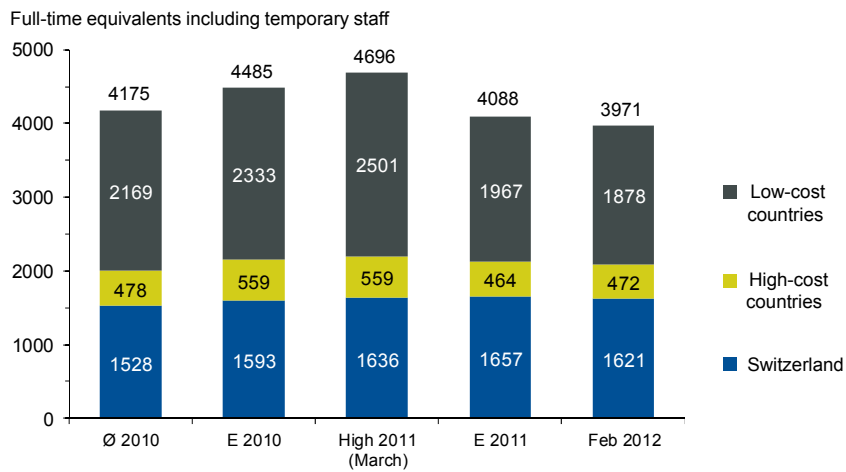
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## Anticipated business development 2012: Restrained start overall with successive improvement



## Measures initiated in good time – Development of full-time equivalents incl. temporary staff



# Outlook 2012

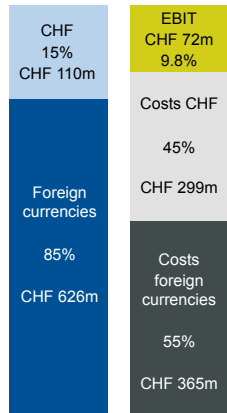
- Restrained start, but book-to-bill >1
- Anticipated decline in net sales compared with 2011 (most important factor: strong drop in solar business)
- Successive impact of the lower cost base
- Current evaluation: Operative EBIT margin in 2012 will be lower again than in 2011

2012 will be a year of transition:  
 After the solar and currency crisis...  
 ...adaptation to the new market conditions follows.  
 Continued consistent implementation of our strategy...  
 ...will gradually lead us back onto a path of growth.

## Medium-term earnings situation: impact of currency on the EBIT (evaluation of averages 2007–2011)

### Result Ø 2007–2011

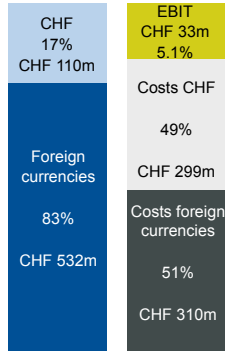
Net sales: CHF 736m  
 Costs: CHF 664m  
 EBIT: CHF 72m



### Currency impact -15% (Ø 2011)

(€ 1.47 – 1.23 / \$ 1.06 – 0.88)

Net sales: CHF 642m  
 Costs: CHF 609m  
 EBIT: CHF 33m



- Currency basket ▶ -15%
- EBIT ▶ CHF -39m (-54%)
- EBIT margin ▶ -4.7 % points!

## Medium-term earnings situation

Before the backdrop of the current currency situation, we aim to achieve an EBIT margin of 6-9% in the medium term.

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