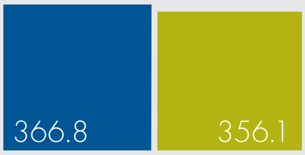
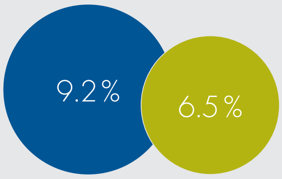
Half-year Report
2015

HUBER+SUHNER
Excellence in Connectivity Solutions

Net sales in the first half year slightly below previous year



EBIT margin within announced target range of 6–7.5 %



Lower net income due to currency effects

Strong appreciation of the Swiss franc has a clear impact – measures initiated show effect already

Order intake stabilised at the level of H2/2014

Record net sales and double-digit EBIT margin in Fiber Optics division

■ H1/2014 ■ H1/2015 CHF millions

Key figures

Group CHF millions	January–June 2015	January–June 2014	Change
Order intake	356.3	408.9	(12.9%)
Order backlog as of 30.6.	167.6	193.0	(13.1%)
Net sales	356.1	366.8	(2.9%)
Gross margin	34.0%	36.5%	
EBITDA	40.2	50.1	(19.8%)
in % of net sales	11.3%	13.7%	
EBIT[1]	23.3	33.8	(31.3%)
in % of net sales	6.5%	9.2%	
Net financial result	(13.1)	1.7	n/a
Net income	6.1	28.3	(78.5%)
in % of net sales	1.7%	7.7%	
Purchases of PP&E and intangible assets	10.5	27.2	(61.5%)
Free operating cash flow	12.1	(2.1)	n/a
Employees as of 30.6.	3 522	3 720	(5.3%)

[1] including Corporate

Data per share in CHF	January–June 2015	January–June 2014	Change
Stock market price as of 30.6.	41.00	46.50	(11.8%)
Net income	0.31	1.45	(78.5%)

Divisions CHF millions		January–June 2015	January–June 2014	Change
Radio Frequency	Order intake	97.8	125.3	(21.9%)
	Net sales	103.5	116.1	(10.8%)
	EBIT	8.8	15.7	(43.5%)
	in % of net sales	8.5%	13.5%	
Fiber Optics	Order intake	137.5	138.6	(0.8%)
	Net sales	138.9	115.0	20.7%
	EBIT	14.4	12.4	15.8%
	in % of net sales	10.4%	10.8%	
Low Frequency	Order intake	121.0	145.0	(16.5%)
	Net sales	113.7	135.7	(16.3%)
	EBIT	3.6	8.4	(56.5%)
	in % of net sales	3.2%	6.2%	

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Financial calendar

Net sales/Order intake (Q1–Q3)	27/10/2015
Net sales/Order intake (Q1–Q4)	26/01/2016
Annual report	08/03/2016
Media and analysts conference	08/03/2016
Annual General Meeting (Herisau)	06/04/2016

Net sales slightly below previous year – profitability suffers due to the Swiss franc appreciation

Despite the strong appreciation of the Swiss franc, net sales was only reduced by 2.9 % to CHF 356.1 million. The order intake of CHF 356.3 million (– 12.9 %) fell significantly compared to the same period in the previous year, but stabilised at the level of the second half year 2014. With an increase of 20.7 %, net sales in the Fiber Optics division rose to a new record level. Cube Optics, which was acquired in October last year, developed very dynamically.

At 6.5 %, HUBER+SUHNER achieved an EBIT margin within the announced target range of 6–7.5 %. On this level, the currency and copper impact was minus 1.5 percentage points in the first half year, not considering necessary pricing concessions. Net income fell to CHF 6.1 million due to non-cash-related, balance-sheet-based currency losses of CHF 12.8 million.

As a result of the low order intake in the fourth quarter of 2014, the start of the reporting year was as modest as expected. In organic terms, i.e. without currency and copper effects (–4 %) as well as portfolio effects (+5 %), net sales fell by 4 %. Since order intake and net sales were on the same level in the first half year 2015, the book-to-bill rate was exactly 1. Compared to the end of the year, the headcount in the first six months of 2015 fell by 369 to 3522 permanent employees worldwide.

Continued growth of Communication market, decrease in Transportation and Industrial markets

With a net sales increase of 9 %, the Communication market continued to grow pleasantly. This positive dynamic was primarily driven by the expansion of the leading position in the market for mobile phone infrastructure. HUBER+SUHNER also gained a foothold in India as part of the LTE (long-term evolution) roll-out and has already recorded initial successes in South-East Asia. Furthermore, Cube Optics, which was acquired in 2014, has had a very successful half year, achieving clearly above average growth. Developments in China, on the other hand, were modest due to delayed investments in communication networks.

The Transportation market saw a major downturn, with net sales reduced by 15 %. The main reason for this was again the situation in China, where the merger of national rail manufacturers China Southern Rail (CSR) and China Northern Rail (CNR) resulted in project delays. Various delays in the railway market also impacted on projects in Europe. However, the major SBB Twindexx project, that was recently awarded, will have a positive gradual effect on the railway segment. The automotive business enjoyed high demand for the newly developed anti-capillary cable product family. These cables stop liquids, such as oil or water, from being passed in the vehicle through the cable and damaging electronic components at the other end.

Net sales in the Industrial market decreased by 8 %. The main factors were the difficult currency situation and a further base effect in the solar business. After a subdued situation in the previous year, the Aerospace+Defense market segment is developing positively again. The investments made in the sales channels are taking effect gradually. The decline in the Test+Measurement segment was mainly due to weak demand in the test systems market for telecommunication networks.

Radio Frequency with significant reduction

Net sales (CHF 103.5 million) in the Radio Frequency division turned out to be clearly below previous year (–11%) as the OEM business with European and Asian communication equipment manufacturers was weak in the first six months of 2015.

The industrial high-tech niches remained steady and confirmed the level achieved in the previous year. Order intake amounted to CHF 97.8 million (–22 %). Despite the negative currency effects and lower volumes, the EBIT margin remained at a pleasing 8.5 %, with an EBIT of CHF 8.8 million.

New net sales record in Fiber Optics

Net sales in the Fiber Optics division achieved a new record level in the first half of 2015 (+21 % to CHF 138.9 million). The successful organic development was further accelerated by the acquisition of Cube Optics. Both, the net sales development and profit contribution of this ideal complement to the product portfolio significantly exceeded expectations. Important progress was made in the market for data centers. The order intake in Fiber Optics was approximately the same level as the previous year at CHF 137.5 million (–1 %). With an EBIT of CHF 14.4 million, the EBIT margin remained double digit at 10.4 %.

Low Frequency heavily exposed

The Low Frequency division faced a difficult six months. Due to the high cost base in Switzerland and above-average net sales share in Europe, this division was particularly affected by currency distortions. In addition, delays impacted the railway market segment, which is typically dominated by large projects and the associated volatility. Overall net sales in the first half year 2015 (CHF 113.7 million) decreased by 16 % compared to the previous year. The EBIT margin declined to 3.2 %, with an EBIT of CHF 3.6 million. The order intake of CHF 121.0 million was higher than net sales. Only the first year related part of the large-scale SBB Twindexx order for a total of EUR 26 million has been recorded in the order intake to date.

Outlook

Based on the average exchange rates in the first six months, HUBER+SUHNER expects net sales in the second half of the year to remain at similar levels as in the first six months of 2015. If the announced major roll-outs of rail and communication infrastructure projects in China will go ahead over the next few months, the order intake could catch momentum in the second half of the year. For the EBIT margin, we confirm the target range of 6 – 7.5 % for the current financial year.

Dr Beat Kälin
Chairman of the
Board of Directors

Urs Kaufmann
Delegate of the Board of Directors
and CEO

Milestones in the first half year 2015

Transportation:
Railway market

Large-scale order from Bombardier for 59 SBB Twindexx double-deck trains

Communication:
WAN and access networks

Second project with Three OPP for Fiber to the Home (FTTH) roll-out by Telekom Malaysia

Communication:
Mobile communication

Samsung India awards additional large-scale order for cell site business

Consolidated income statement

in CHF 1000	Notes	January – June 2015	%	January – June 2014	%
Net sales	6	356 057	100.0	366 775	100.0
Cost of goods sold		(235 052)		(232 879)	
Gross profit		121 005	34.0	133 896	36.5
Marketing and selling expenses		(54 910)		(56 200)	
General and administrative expenses		(26 365)		(30 063)	
Research and development expenses		(14 252)		(14 382)	
Other operating expenses	7	(3 399)		(1 236)	
Other operating income	7	1 173		1 815	
Operating profit (EBIT)	6	23 252	6.5	33 830	9.2
Financial income		11 666		3 268	
Financial expense		(24 754)		(1 558)	
Income before taxes		10 164	2.9	35 540	9.7
Income tax expense		(4 081)		(7 235)	
Net income		6 083	1.7	28 305	7.7

Data per share in CHF	January – June 2015		January – June 2014	
Earnings per share	0.31		1.45	
Diluted earnings per share	0.31		1.45	

Statement of comprehensive income

in CHF 1000	January – June 2015		January – June 2014	
Net income	6 083		28 305	
Items that may be transferred subsequently to the income statement:				
Currency translation differences	(18 764)		(689)	
Items that will not be transferred subsequently to the income statement:				
Remeasurement of post-employment benefit obligations	(38 554)		(6 876)	
Income taxes	5 879		1 031	
Total other comprehensive income	(51 439)		(6 534)	
Total comprehensive income	(45 356)		21 771	

The notes are an integral part of the consolidated financial statements.

Consolidated balance sheet

(condensed)

in CHF 1000	Notes	30.6.2015	%	31.12.2014	%
Assets					
Cash and cash equivalents		124 159		133 286	
Marketable securities		–		10 000	
Trade receivables		129 296		131 299	
Other current assets		33 753		24 979	
Inventories		143 894		166 824	
Total current assets		431 102	58.0	466 388	55.7
Property, plant and equipment		188 427		199 003	
Investment property		2 080		2 080	
Intangible assets		97 267		107 519	
Financial assets		9 245		48 373	
Other non-current assets		15 213		13 632	
Total non-current assets		312 232	42.0	370 607	44.3
Total assets	6	743 334	100.0	836 995	100.0
Liabilities and shareholders' equity					
Short-term debt		–		–	
Other current liabilities		100 674		117 376	
Total current liabilities		100 674	13.5	117 376	14.0
Other non-current liabilities		40 556		45 996	
Total non-current liabilities		40 556	5.5	45 996	5.5
Total liabilities		141 230	19.0	163 372	19.5
Share capital		4 867		4 861	
Share premium		32 425		31 300	
Retained earnings		564 812		637 462	
Total shareholders' equity		602 104	81.0	673 623	80.5
Total liabilities and shareholders' equity		743 334	100.0	836 995	100.0

The notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

(condensed)

in CHF 1000	January – June 2015	January – June 2014
Net income	6 083	28 305
Income tax expense	4 081	7 235
Net income before taxes	10 164	35 540
Depreciation and impairment of property, plant and equipment and investment property	12 884	12 834
Amortisation and impairment of intangible and financial assets	4 087	3 473
Other non-cash items	9 828	(2 233)
Loss / (gain) on disposal of property, plant and equipment	(44)	(377)
Changes in net working capital	(759)	(16 624)
Income tax paid	(11 761)	(7 978)
Net cash from operating activities	24 399	24 635
Purchases of property, plant and equipment	(9 885)	(26 146)
Purchases of intangible assets	(2 018)	(1 256)
Other cash from investing activities	8 525	1 880
Net cash from investing activities	(3 378)	(25 522)
Payment of dividend	(27 263)	(15 578)
(Purchase) / sale of treasury shares	(277)	(1 407)
Other cash from financing activities	–	–
Net cash from financing activities	(27 540)	(16 985)
Effect of exchange rate changes on cash and cash equivalents	(2 608)	(4)
Net change in cash and cash equivalents	(9 127)	(17 876)
Cash and cash equivalents at 1.1.	133 286	144 789
Cash and cash equivalents at 30.6.	124 159	126 913
Net change in cash and cash equivalents	(9 127)	(17 876)

The notes are an integral part of the consolidated financial statements.

Consolidated statement of shareholders' equity

in CHF 1000	Share capital	Share premium	Retained earnings	Translation differences	Total retained earnings	Total shareholders' equity
Balance at 31.12.2013	4 865	32 194	608 700	(22 949)	585 751	622 810
Net income	–	–	28 305	–	28 305	28 305
Other comprehensive income	–	–	(5 845)	(689)	(6 534)	(6 534)
Dividend paid	–	–	(15 578)	–	(15 578)	(15 578)
Change in treasury shares	(4)	(894)	60	–	60	(838)
Balance at 30.6.2014	4 861	31 300	615 642	(23 638)	592 004	628 165
Balance at 31.12.2014	4 861	31 300	648 908	(11 446)	637 462	673 623
Net income	–	–	6 083	–	6 083	6 083
Other comprehensive income	–	–	(32 675)	(18 764)	(51 439)	(51 439)
Dividend paid	–	–	(27 263)	–	(27 263)	(27 263)
Change in treasury shares	6	1 125	(31)	–	(31)	1 100
Balance at 30.6.2015	4 867	32 425	595 022	(30 210)	564 812	602 104

The notes are an integral part of the consolidated financial statements.

Notes to group financial statements

1 General

The worldwide active HUBER+SUHNER Group develops and manufactures components and system solutions for electrical and optical connectivity. The company serves customers in the communication, transportation and industrial markets with cables, connectors and systems in the three key technologies: radio frequency, fiber optics and low frequency. The products stand out due to their exceptional quality, reliability and durability – even under harsh conditions.

2 Accounting policies

This unaudited Report, presented in a condensed form, was approved for publication by the Board of Directors on 24 August 2015.

The consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and the accounting policies set out in the 2014 Annual report.

Preparation of the consolidated half year financial statements requires the Board of Directors and Executive Group Management to make estimates and assumptions, whereby such estimates and assumptions have an effect on the amounts stated under assets, liabilities, income and expenses. At a later stage actual results may differ from these estimates and assumptions that management took at the time of interim financial reporting to the best of their knowledge and therefore the original assumptions and estimates will be adjusted accordingly in the period under review in which the actual results have changed.

Income tax expense is recognised based on the best estimate of the weighted average income tax rate expected for the fiscal year 2015.

The accounting principles applied for the consolidated half-year report 2015 are identical with the published and described standards in the Annual Report 2014, with the exception of the annual improvements 2012–2014 that were applied for financial year starting 1 January 2015. The annual improvements have no material effect on the consolidated financial statements.

3 Financial instruments

Financial assets and liabilities measured at fair value, amounted as of 30 June 2015, to CHF 1.6 million and CHF 0.5 million (as of 31 December 2014: CHF 0.1 million and CHF 2.3 million). The market value of these derivative financial instruments that are not traded in an active market is determined by using valuation techniques (fair value hierarchy level 2). On the fair value hierarchy levels 1 and 3 there are still no financial assets and liabilities.

4 Changes in the scope of consolidation and other changes

On 5 February 2015 the Danish subsidiary HUBER+SUHNER A/S was liquidated. The company was wholly owned by HUBER+SUHNER AG and was deconsolidated. The financial impact of the liquidation was immaterial.

On 24 March 2015 the Chinese subsidiary HUBER+SUHNER Electrical Equipment Manufacture (Shanghai) Co. Ltd, was liquidated. The company was wholly owned by HUBER+SUHNER (Hong Kong) Ltd and was deconsolidated. The financial impact of the liquidation was immaterial.

On 31 October 2014 HUBER+SUHNER acquired the Mainz-based German company Cube Optics AG. The purchase price was CHF 53.4 million (EUR 44.3 million). Established in 2000, Cube Optics employs around 140 people in Mainz. In addition to its headquarters and research centre in Mainz, Cube Optics has at its disposal local sales partners in various markets.

From the acquisition a goodwill results of CHF 27.3 million, which represents the strategic benefits out of the business combination. These include future growth potential of the complementary product portfolios and synergies for example in the area of research and development. The acquired intangible assets of CHF 15.7 million include trademark and technology of Cube Optics. They are amortised over a period of seven (trademark) and eight years (technology) and will lead to an additional amortisation of CHF 2.0 million per annum.

5 Exchange rates for currency translation

The following exchange rates were used for the most important currencies of the HUBER+SUHNER Group:

Spot rates for the consolidated balance sheet	30.6.2015	31.12.2014
1 EUR	1.04	1.20
1 USD	0.93	0.99
100 CNY	15.01	15.84
1 GBP	1.46	1.53
1 AUD	0.71	0.80
1 BRL	0.30	0.37
100 INR	1.46	1.55

Average rates for the consolidated income and cash flow statement	January – June 2015	January – June 2014
1 EUR	1.04	1.22
1 USD	0.94	0.89
100 CNY	15.16	14.40
1 GBP	1.44	1.49
1 AUD	0.74	0.82
1 BRL	0.32	0.39
100 INR	1.50	1.47

6 Segment information

The segment reporting of HUBER+SUHNER consists of three operational Divisions and Corporate.

Radio Frequency: Based on well-founded knowledge and many years of experience, HUBER+SUHNER develops and produces radio frequency and microwave products for the global market. The product portfolio is extremely comprehensive and meets the different requirements of data transmission components in the communication, industrial and transport sectors. The product range includes all passive components: cables, connectors, cable assemblies, antennas, lightning protection components and resistive components.

Fiber Optics: From a basis of high-quality standard and special components, the Fiber Optics Division develops and manufactures innovative customized connectivity solutions. The division focuses primarily on mobile communication, access networks and data centers. It also focusses on solutions for the energy sector (smart grid and wind turbines), gigabit networks in trains and more recently for the wiring of "small cells" in mobile communications. Thanks to the acquisition of Cube Optics, HUBER+SUHNER also now offers components and systems allowing the transfer of greater amounts of data through existing optical fibers.

Low Frequency: High-quality wires and cables for the transmission of data or energy are core to the Low Frequency Division's offer. They build on their special expertise in plastic compounds for insulation materials as well as in electron-beam cross-linking. These elements provide the RADOX® products with their special properties, such as durability and long-life, which are essential mainly in the transportation market. The Cable Systems business units develop complex customer-specific solutions – for example complete cable harnesses for trains and inter-vehicle jumpers. The service in customer projects covers design, development and production as well as the entire logistics support. Also part of this division is the business unit Composites.

Corporate: Includes all activities that cannot be allocated to one of the three operating segments including corporate functions.

Net sales	January – June 2015	January – June 2014
Radio Frequency	103 532	116 040
Fiber Optics	138 884	115 037
Low Frequency	113 641	135 698
Total net sales	356 057	366 775

Operating profit (EBIT)	January – June 2015	January – June 2014
Radio Frequency	8 847	15 669
Fiber Optics	14 411	12 449
Low Frequency	3 647	8 377
Corporate	(3 653)	(2 665)
Total operating profit (EBIT)	23 252	33 830
Financial income	11 666	3 268
Financial expense	(24 754)	(1 558)
Net income before taxes	10 164	35 540

The decision of the Swiss National Bank on 15 January 2015, to abandon the Euro-minimum foreign exchange rate, has significantly strengthened the Swiss franc. This led to currency losses mainly on balance sheet positions, which have been recognised in the financial result, for a net amount of CHF –12.8 million (prior year, a net gain of CHF 1.9 million).

Assets	30.6.2015	31.12.2014
Radio Frequency	169 322	180 437
Fiber Optics	170 747	196 543
Low Frequency	244 113	250 194
Corporate	159 152	209 821
Total assets	743 334	836 995

All amounts are in CHF 1000

7 Other operating expenses and income

	January – June 2015	January – June 2014
Other operating expenses	(3 399)	(1 236)
Other operating income	1 173	1 815
Total other operating expenses and income	(2 226)	579

Other operating expenses include the amortisation of acquired intangible assets for trademarks, technology and customer relations as well as the result impact of IAS 19 (revised). Other operating income includes amongst others license fee income from third parties, rental income from third parties, refunds of withholding tax as well as gains on the sale of items of plant and equipment.

8 Purchases of PP&E and intangible assets

Capital expenditure (PP&E and intangible assets) in the first half of 2015 was CHF 10.5 million (first half 2014, CHF 27.2 million).

9 Dividend

According to the resolution of the Annual General Meeting of 31 March 2015, a gross dividend of CHF 1.40 per share (previous year, CHF 0.80) was paid on 8 April 2015.

10 Free cash flow

Free cash flow is calculated based on net cash from operating activities, net cash from investing activities (excluding changes of marketable securities and derivative financial instruments), less payments to shareholders and considering purchase or sale of treasury shares.

	January – June 2015	January – June 2014
Net cash from operating activities	24 399	24 635
Net cash from investing activities (excluding changes of marketable securities and derivative financial instruments)	(12 315)	(26 755)
Free operating cash flow	12 084	(2 120)
Dividend paid	(27 263)	(15 578)
Sale / (purchase) of treasury shares	(277)	(1 407)
Free cash flow	(15 456)	(19 105)

11 Events after the balance sheet date

There were no events after the balance-sheet date which affect the half-year results or require any adjustments to the Group's assets and liabilities.

For further information on the
HUBER+SUHNER Group please visit
www.hubersuhner.com.

This half-year report is also
available in German.
The German version is binding.

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