

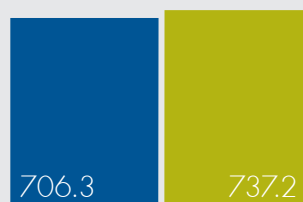
MANAGEMENT REPORT 2016

KEY FACTS AT A GLANCE

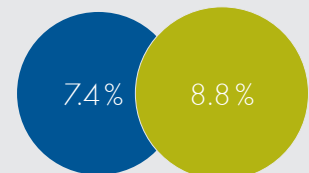
Significant rise in
order intake (+6.2 %)



Net sales increased
by 4.4 %

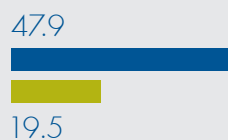


EBIT margin at the
upper end of the target
range of 6–9 %



Radio Frequency
and Fiber Optics
record dynamic
growth and double-
digit EBIT margins

Free operating
cash flow generated
despite acquisition



Successful
acquisitions: Astrolab
and Cube Optics
see very positive
development –
Polatis opens up
new opportunities

■ 2015 ■ 2016 in CHF million

Increase in net sales and profit



In 2016 business performance was characterised by three distinct phases: A very dynamic first half year was followed by a weaker third quarter. Demand picked up again from November onwards. 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 mid-term target range of 6–9 %. The net income of CHF 49.1 million almost doubled compared to the previous year (CHF 24.7 million). This corresponds to a return on sales of 6.7 %. The free operating cash flow (CHF 19.5 million) remained positive despite the acquisition of Polatis in June 2016.

The number of permanent employees worldwide increased by 382 to 4031 (an annual average of 3810 full-time positions). This development was the result of the expansion of production capacity in Poland and Tunisia and the acquisition of Polatis. In Switzerland the number of permanent employees decreased slightly by 21 to 1250. The appointment of three Executive Group Management members represented an important step forward. All three were recruited from our own ranks.

Communication market was the driver for growth, 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.

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 in Board of Directors and Executive Group Management

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 President. As of 1 April 2017, Urs Ryffel will become CEO of the HUBER+SUHNER Group. The Fiber Optics division, which he had headed since 2007, was divided into 'Mobile Communication & Industry' and 'Fixed Networks & Data Center' on 1 October 2016. The respective heads, Fritz Landolt and Martin Strasser, have been members of the Executive Group Management since 1 January 2017.

Risk management

At its meeting on 5 December 2016, the Board of Directors assessed entrepreneurial risks as part of its ongoing risk management and approved the 2016 risk report including the defined measures.

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 %.

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. Although trends in the global economy are difficult to evaluate because of the political and macro-economic risks, HUBER+SUHNER expects to remain on a course of growth and to keep the EBIT margin at the previous year's attractive level in 2017, assuming that exchange rates remain similar to those in 2016.

Thank you very much

HUBER+SUHNER would like to thank all employees for their great commitment and contribution to the business progress. Equally, we thank all shareholders, customers and suppliers for their trust and successful collaboration.



Dr. Beat Kälin
Chairman of the
Board of Directors

Urs Kaufmann
Delegate of the Board of Directors
and CEO

Milestones in 2016

Communication:

Data centers



HUBER+SUHNER acquires the US-American-British company Polatis

Transportation:

Infrastructure



Cooled charging cable wins the Bavarian State Prize for electromobility

Transportation:

Railway market



HUBER+SUHNER becomes the preferred cable supplier of Bombardier Transportation

Communication:

Mobile communication

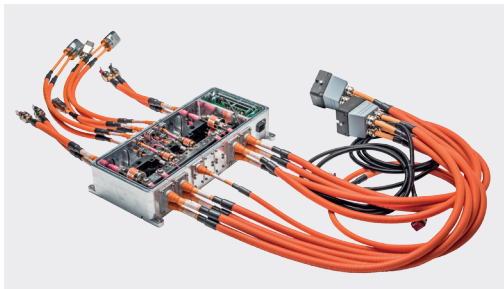


Huawei awards HUBER+SUHNER the 'Best Collaboration Award 2016'

Solutions for today and tomorrow

Our future will be characterised by technical developments: The manner in which we travel from one place to the next, how we inform ourselves, how we make and remain in contact with other people, and how and where we work. Tomorrow's cars will be electric and will travel in an environmentally friendly way. We will be able to journey in relaxed fashion as the car of the future will eventually travel our roads largely autonomously. In addition, we will always be connected to the Internet, no matter where we are at a particular time. In the process we will transmit even greater data volumes than today in an even shorter time. Not only will people communicate with each other via the Internet but they will also communicate with devices and machines – with devices and machines also communicating with each other. HUBER+SUHNER has the right connectivity solutions for the present and is working at full speed on developing solutions for the future. In 2016 the company invested CHF 30.3 million in research and development.

Solutions for today



Power distribution for electric vehicles

In electric vehicles strong currents flow from the charging socket to the battery, from there to the engines and back to the battery again during braking. These are supplemented by less strong currents to other electrical loads such as air conditioning and headlights. Products and systems manufactured by HUBER+SUHNER ensure reliable and durable connections in engine compartments. High-voltage distribution boxes, RACS connectivity systems and extremely robust RADOX® power cables.



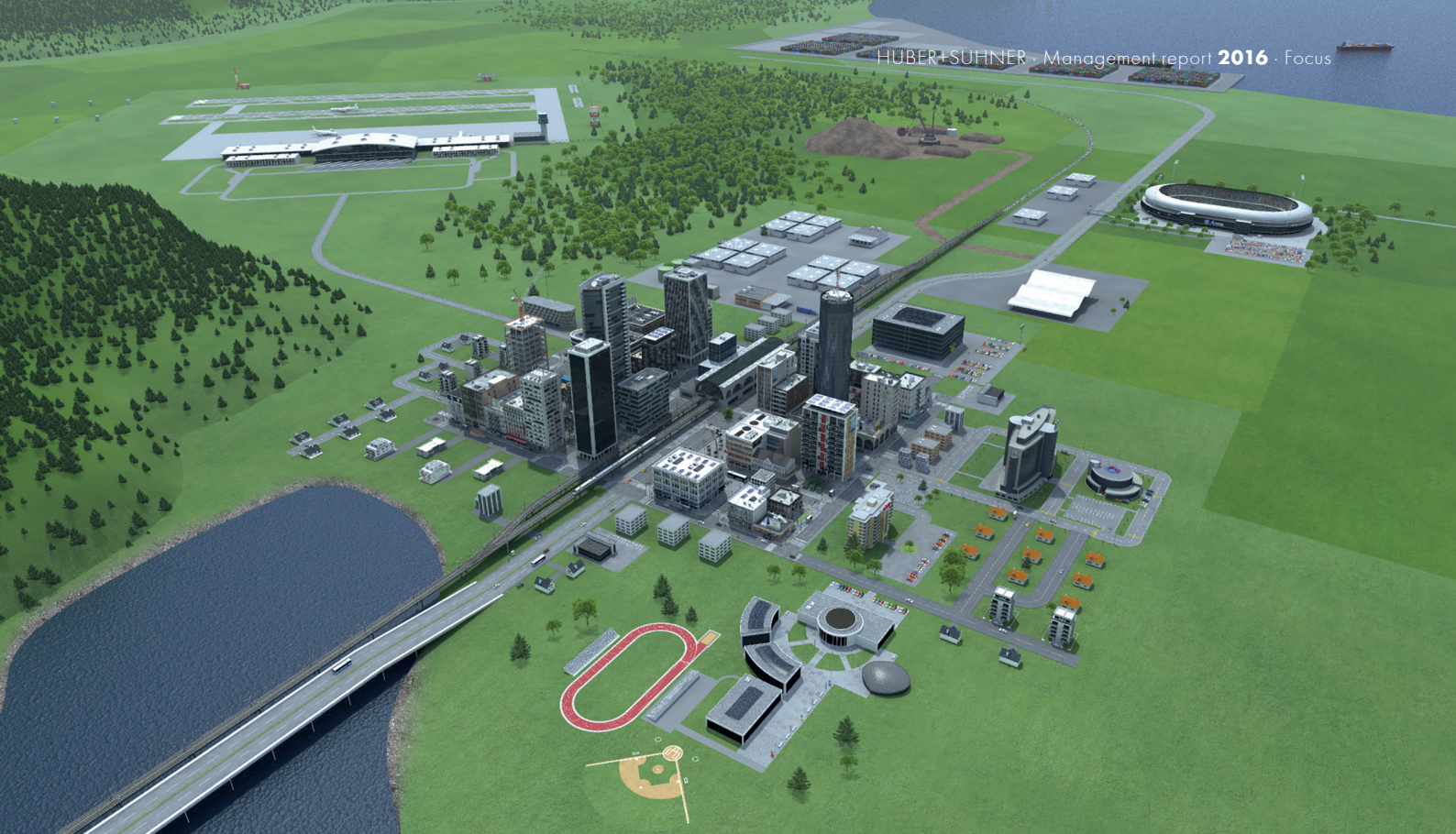
Cell sites and wireless access installed quickly in buildings

Radio communication signals are weakened by ceilings and walls in large buildings such as office complexes and shopping centres, resulting in poor reception. A system consisting of signal amplifiers and interior antennas eliminates this problem. The latest development by HUBER+SUHNER in this field is the Quick-Fit Plus connector family and the appropriate tool set. This enables a connector to be mounted on a radio frequency cable in less than two minutes. The installation time of entire in-building coverage systems is reduced considerably.



IANOS: A system grows with the demands placed on it

The vast streams of data which we produce day by day in our work and private lives have to be processed in data centers. The increasing data volumes place ever-increasing demands on the capacity and data transmission speed. The cabling also has to be customised and this has to be done as quickly as possible, in a cost-effective fashion, and without interruptions. The new IANOS® product family developed by HUBER+SUHNER offers data centers a flexible and future-proof system that fulfils all requirements.

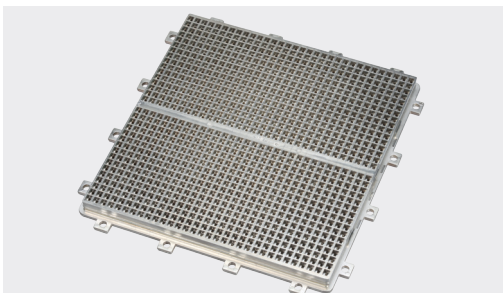


Developed for tomorrow



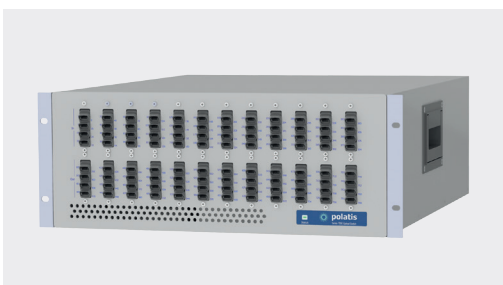
Cooled charging cable: 'Fill up' in minutes

To date, their limited range and long charging times have prevented electric vehicles from becoming broadly accepted. The solution is high-power charging stations with charging times under 15 minutes, which are currently at the development stage. They are designed to work with charging currents of over 400 amperes. HUBER+SUHNER has already developed a cable and connector system which makes this possible and which is flexible and easy to use thanks to integrated cooling slimmer than a fuel feed pipe.



Autonomous driving with eagle eye radar

Today's distance radar systems in cars work with a frequency of 24 gigahertz (GHz). They are not able to detect details and only work two dimensionally, rendering them unsuitable for autonomous driving. Future systems work with 77 GHz and provide a detailed and three-dimensional picture of the vehicle's environment. HUBER+SUHNER possesses the expertise for the required new antenna technology and is working with leading car manufacturers and their suppliers on the radar of the future.



Remote-controlled connecting and switching

Currently, fiber-optic data connections are established and switched manually. Changes are time-consuming and prone to error. With the acquisition of Polatis, HUBER+SUHNER has gained a promising technology which makes it possible to change connections in seconds with the aid of software control: The so-called all-optical switch has a broad application potential, for example in telecommunication, in data centers or for automated testing of optical network components.

Radio Frequency division

Return to a path of growth – double-digit EBIT margin – important orders acquired in the Aerospace+Defense segment

In the Radio Frequency division order intake developed even more pleasingly than net sales. This positive development was largely due to the increased market share in business with large-scale communication equipment manufacturers and the expansion of market leadership in the field of board connectors. HUBER+SUHNER Astrolab also developed pleasingly. The subsidiary is increasingly benefiting from the company's global sales network.

Key figures		2016	2015	%
Order intake	CHF million	226.4	201.2	+12.5
Net sales	CHF million	219.7	206.6	+6.3
Operating profit (EBIT)	CHF million	27.5	21.7	+26.7
EBIT margin	%	12.5	10.5	

Fiber Optics division

Highest net sales and highest EBIT since the division was founded – order intake surpassed net sales – Cube Optics experienced strong growth and made an important profit contribution

Increased market shares in business with large-scale communication equipment manufacturers also contributed to the positive result in Fiber Optics. Cube Optics again proved to be a guarantee for success in 2016. The division secured the 'all-optical switches' technology as a result of acquiring Polatis. The organisational split into two divisions will ensure an even stronger market focus, a reduction in complexity, and even greater flexibility and agility.

Key figures		2016	2015	%
Order intake	CHF million	322.3	270.8	+19.0
Net sales	CHF million	305.7	280.7	+8.9
Operating profit (EBIT)	CHF million	38.4	34.4	+11.4
EBIT margin	%	12.6	12.3	

Low Frequency division

Slight drop in net sales – sharp fall in order intake – unsatisfactory EBIT margin

The railway business had a negative impact on Low Frequency as the result of both weak demand for cable systems in Europe and long-expected orders from Chinese customers not being placed until very late in the year. The strong growth in net sales in the automotive segment was not able to compensate fully in this respect. There are interesting growth options in the medium term thanks to a large number of interesting customer projects in this segment and to the newly developed cooled charging cable system.

Key figures		2016	2015	%
Order intake	CHF million	198.0	230.8	-14.2
Net sales	CHF million	211.8	219.0	-3.3
Operating profit (EBIT)	CHF million	3.8	2.4	+57.7
EBIT margin	%	1.8	1.1	



Reto Bolt, COO Radio Frequency

"2016 was a year with many positive aspects for the division: The EBIT margin was once again in the double-digit range. Astrolab made an important contribution to the comprehensive income. The markets developed positively and we were able to acquire large-scale orders and further expand our position in key areas."



Urs Ryffel, COO Fiber Optics

"Above all, the successful business with large-scale mobile communication equipment manufacturers generated growth in net sales of 8.9% and a double-digit EBIT margin. Cube Optics achieved a record result. With the acquisition of Polatis, we now have at our disposal ground-breaking technology for data centers and other applications."



Patrick Riederer, COO Low Frequency

"The global framework contract between Bombardier Transportation and HUBER+SUHNER as preferred cable supplier opens up new opportunities. Although important investments in our automotive business had a negative impact on our profitability, they will enable us to exploit the potential in this market."

Key figures 2016 and Financial calendar

Group in CHF million	2016	2015	Change
Order intake	746.6	702.8	6.2 %
Order backlog as of 31.12.	177.2	169.7	4.4 %
Net sales	737.2	706.3	4.4 %
Gross margin	36.7 %	34.6 %	
EBITDA	101.1	86.5	16.9 %
as % of net sales	13.7 %	12.2 %	
EBIT	65.1	52.3	24.4 %
as % of net sales	8.8 %	7.4 %	
Net financial result	2.7	(15.4)	n/a
Net income	49.1	24.7	98.7 %
as % of net sales	6.7 %	3.5 %	
Purchases of PP&E and intangible assets	32.2	23.5	37.0 %
Net cash from operating activities	76.9	69.7	10.9 %
Free operating cash flow	19.5	47.9	(59.4 %)
Net liquidity	157.5	160.0	(1.5 %)
Shareholders' equity	658.4	649.6	1.3 %
as % of balance sheet total	82.8 %	83.5 %	
Employees as of 31.12.	4 031	3 649	10.5 %
Market capitalisation as of 31.12.	1 099.0	901.6	21.9 %
Data per Share (in CHF)			
Stock market price as of 31.12.	56.50	46.35	21.9 %
Net income	2.52	1.27	98.7 %
Dividend	1.25 ¹⁾	1.00	25.0 %

¹⁾ proposed dividend

Company information

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Financial calendar

Annual General Meeting (Pfäffikon)	5 April 2017
Half-year report	22 August 2017
Media and analysts' conference	22 August 2017
Sales and order intake (Q1–Q3)	24 October 2017

Detailed figures are available online at
www.hubersuhner.com