



#### Agenda

### Overview of first half year 2015

Financial results

Outlook

Questions

Focus Small Cells

Buffet lunch

Urs Kaufmann (CEO)

Ivo Wechsler (CFO)

Urs Kaufmann (CEO)

Urs Ryffel (COO Fiber Optics)

## Clear skid marks due to currency situation

- **Net sales slightly below previous year**
  - Modest start as expected due to low order intake in Q4/2014
  - Project delays in railway market – mixed picture in industrial applications
  - Communication grew considerably – successes with new LTE rollout programs
  - Fiber Optics with new net sales record – Cube Optics exceeds expectations
- **EBIT margin within target range 2015 – measures initiated show effect**
  - Gross margin under pressure
  - Immediate measures introduced – costs already at lower level
  - EBIT margin maintained within announced target range
- **Net income additionally reduced by non-cash-related one-off effects**
  - High losses on foreign currency loans
  - Above average tax rate

## Figures at a glance

CHF million

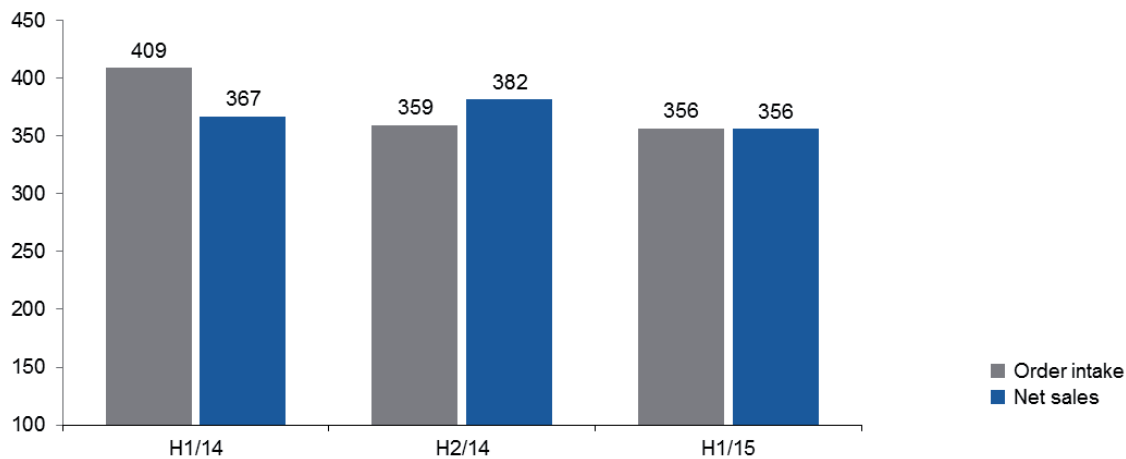
	H1/15	H1/14	Δ %
Order intake	356.3	408.9	-12.9
Net sales	356.1	366.8	-2.9
Operating profit (EBIT)	23.3	33.8	-31.3
• in % of net sales	6.5	9.2	
Net income	6.1	28.3	-78.5
• in % of net sales	1.7	7.7	

Overview of first half year 2015



## Half-year development: Stabilised order intake – net sales slightly below previous year

CHF million



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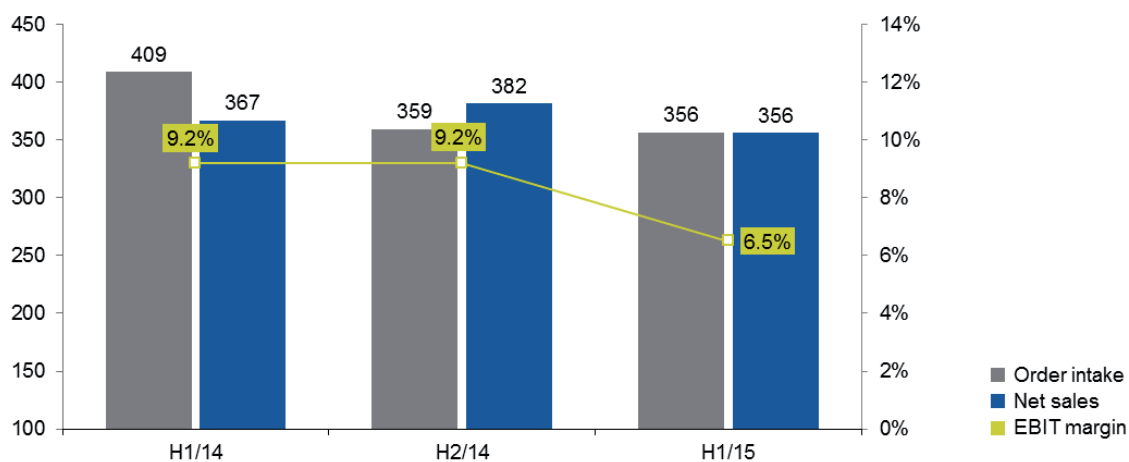
5

Overview of first half year 2015



## Half-year development: Stabilised order intake – net sales slightly below previous year – EBIT margin within target range 2015 of 6-7.5%

CHF million



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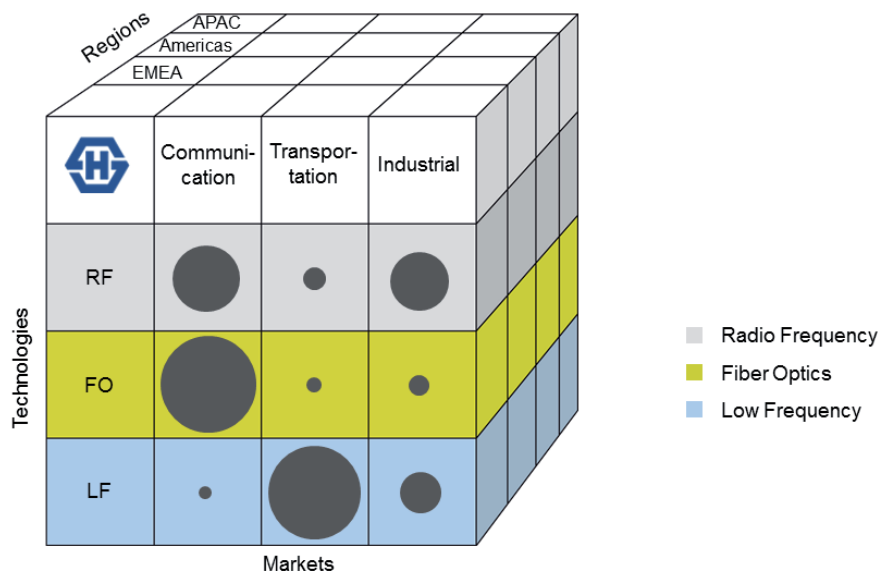
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6

Overview of first half year 2015



## The 3 dimensions of our business "Electrical and optical connectivity"



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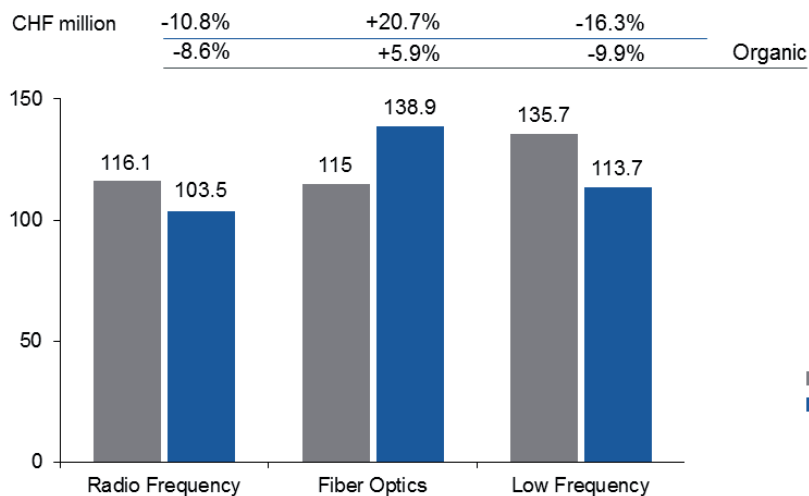
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Overview of first half year 2015



## Net sales development segments: New record sales FO – RF and LF clearly lower



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Overview of first half year 2015



## Radio Frequency: Lower business volume – reduced profitability

CHF million

	H1/15	H1/14	Δ %
Order intake	97.8	125.3	-21.9
Net sales	103.5	116.1	-10.8
Operating profit (EBIT)	8.8	15.7	-43.5
• in % of net sales	8.5	13.5	

### Most important aspects:

- Difficult OEM business with mobile communication manufacturers (Europe, Asia)
- Overall stable development of high tech niches
- Slight recovery in the market segment Aerospace+Defense – first results from investments into sales channels
- Temporary slip of EBIT margin into the single-digit range

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Overview of first half year 2015



## Fiber Optics: Record net sales – EBIT margin still double-digit

CHF million

	H1/15	H1/14	Δ %
Order intake	137.5	138.6	-0.8
Net sales	138.9	115.0	+20.7
Operating profit (EBIT)	14.4	12.4	+15.8
• in % of net sales	10.4	10.8	

### Most important aspects:

- Strong position in the Communication market further expanded
- US continues to be strong – very positive development in India – first successes in South-East Asia
- Cube Optics with strong growth and attractive development of profitability – ideal complement
- Higher EBIT and double-digit EBIT margin

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## Overview of first half year 2015



## Low Frequency: Business volume significantly below previous year – high currency exposure

CHF million

	H1/15	H1/14	Δ %
Order intake	121.0	145.0	-16.5
Net sales	113.7	135.7	-16.3
Operating profit (EBIT)	3.6	8.4	-56.5
• in % of net sales	3.2	6.2	

### Most important aspects

- Clear decline of Railway business – project delays in China and Europe
- Success with SBB Twindexx – first year tranche booked in order intake
- Successes in Automotive business not sales effective yet
- Above average currency impact: Europe as important sales market – high cost base in Switzerland
- EBIT margin level clearly too low – measures initiated

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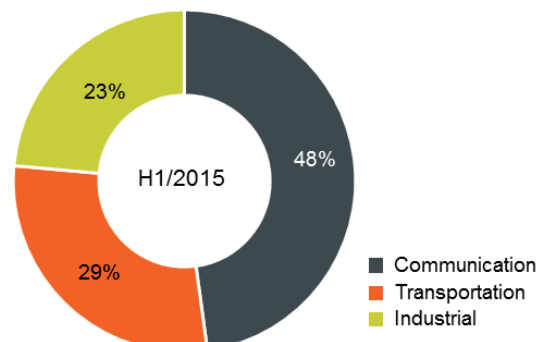
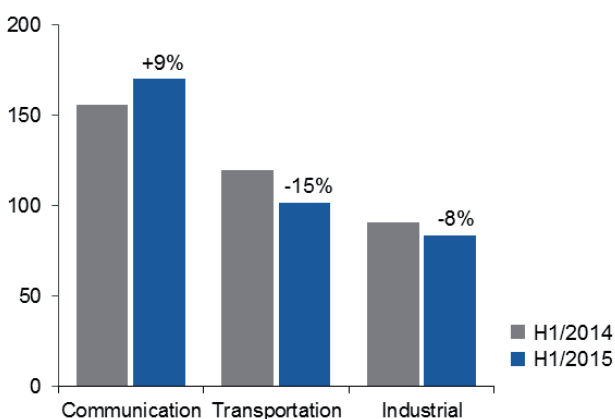
11

## Overview of first half year 2015



## Net sales by markets: Communication continues to grow – Transportation and Industrial have weakened

CHF million



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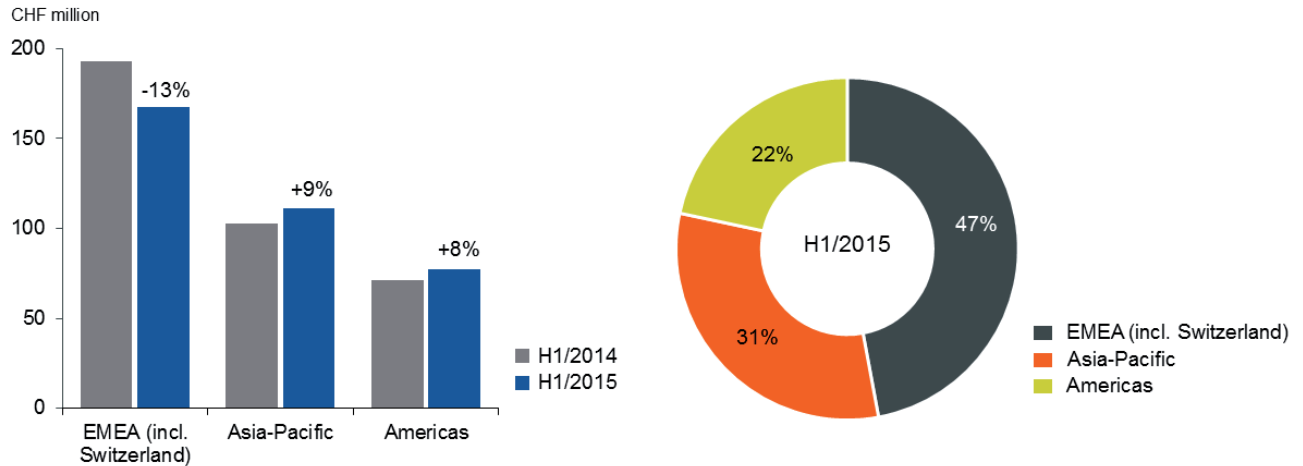
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12

## Overview of first half year 2015



## Net sales by regions: Asia and Americas with positive dynamic, decrease in Europe



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13

## Overview of first half year 2015



## Conclusion first half year 2015 A very demanding period

- First half year characterised by extreme Swiss franc appreciation and modest order intake in two divisions
- Cube Optics as a true highlight – Fiber Optics on record course
- Quickly initiated short-term measures and structural adjustments show effect already
- EBIT margin maintained within target range 2015
- Non-cash-related balance sheet effects „digested“ in first half year

► **2015 will be a transition year, but we are setting the foundation for an improved profitability in 2016**

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14



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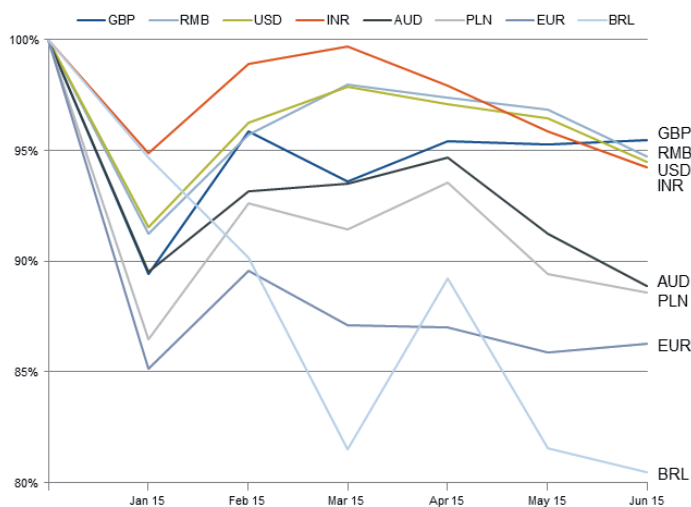
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## Financial results



**EUR-minimum rate abolition led to a massive appreciation of the Swiss franc**



### Development vs CHF

31.12.14 vs 30.6.15		Ø H1/14 vs Ø H1/15	
	GBP -4.5%		GBP -3.2%
	RMB -5.3%		RMB 5.2%
	USD -5.5%		USD 5.9%
	INR -5.7%		INR 2.4%
	AUD -11.1%		AUD -9.5%
	PLN -11.4%		PLN -13.5%
	EUR -13.7%		EUR -14.4%
	BRL -19.6%		BRL -18.2%

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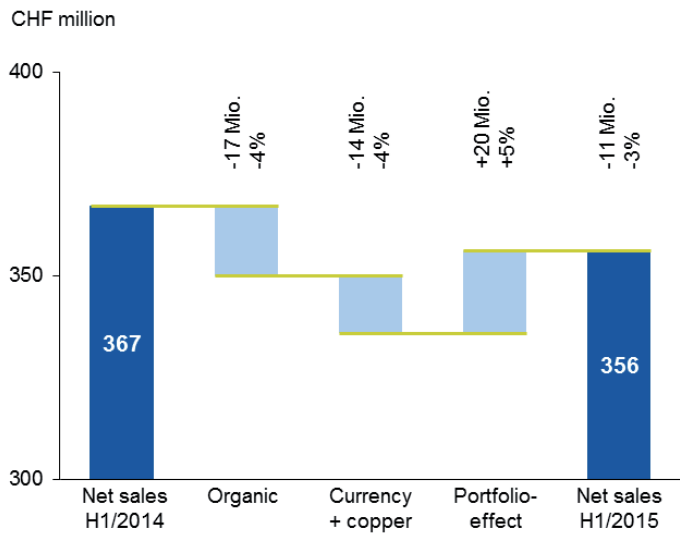
16



## Financial results



## Factors impacting «top line»



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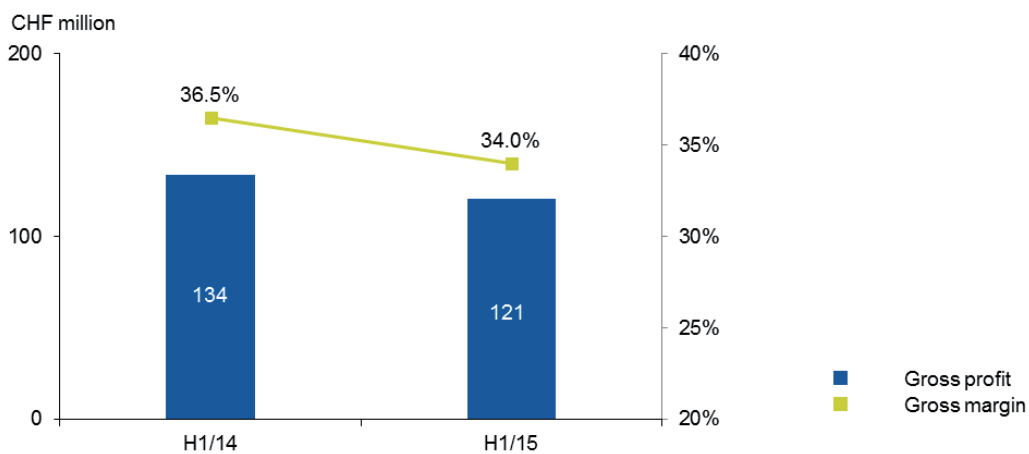
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## Financial results



## Gross margin under pressure



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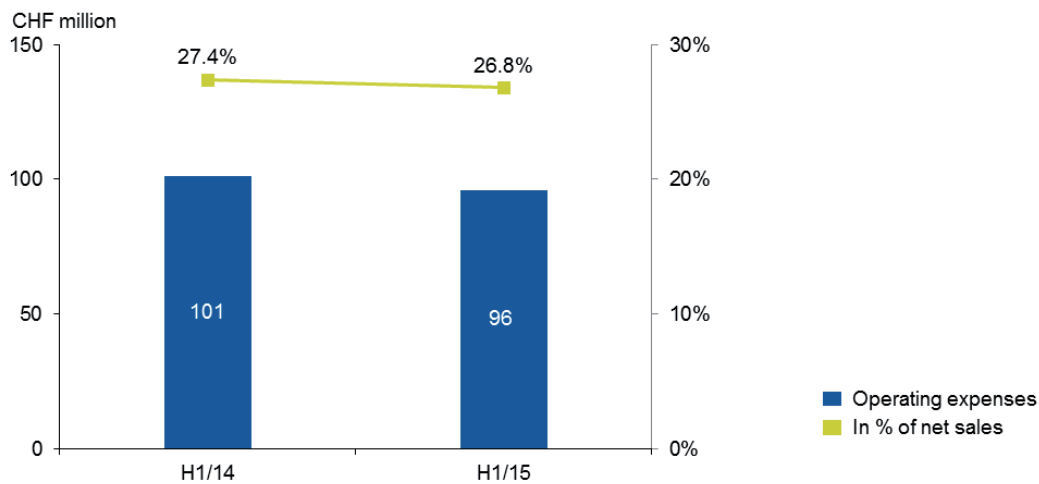
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18

Financial results



## Measures taken already show effect



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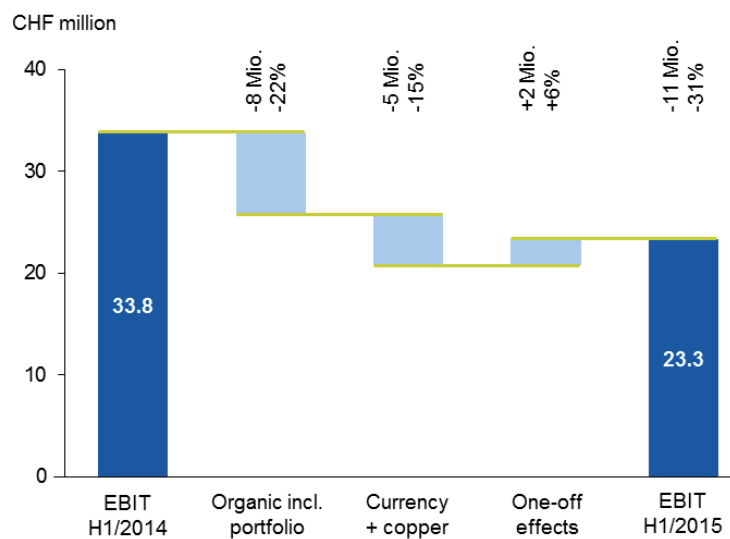
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19

Financial results



## Factors impacting EBIT



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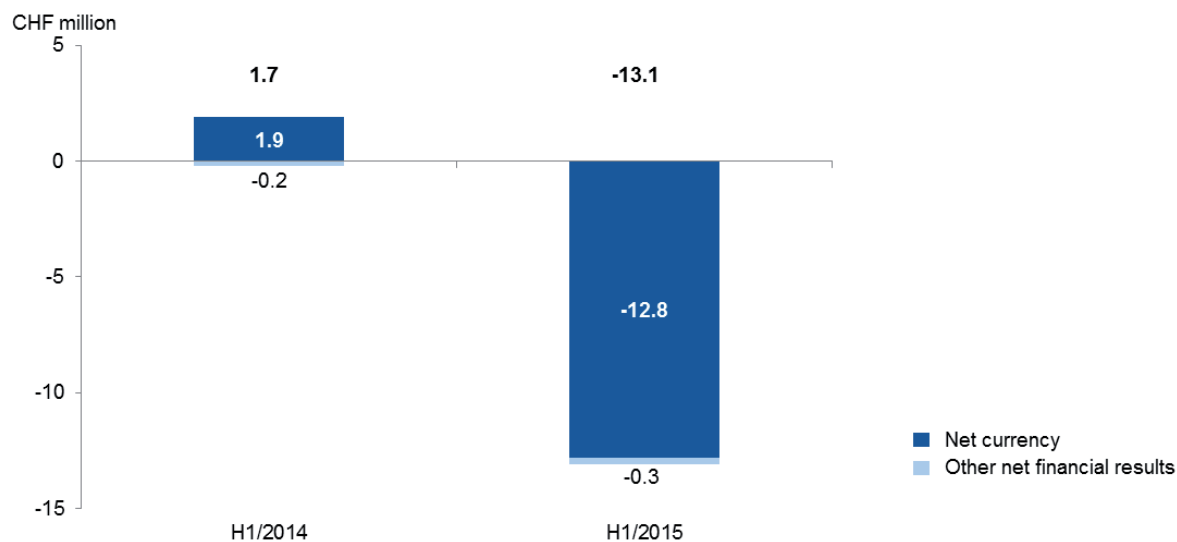
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20

## Financial results



## Distinctive currency impact on net financial results



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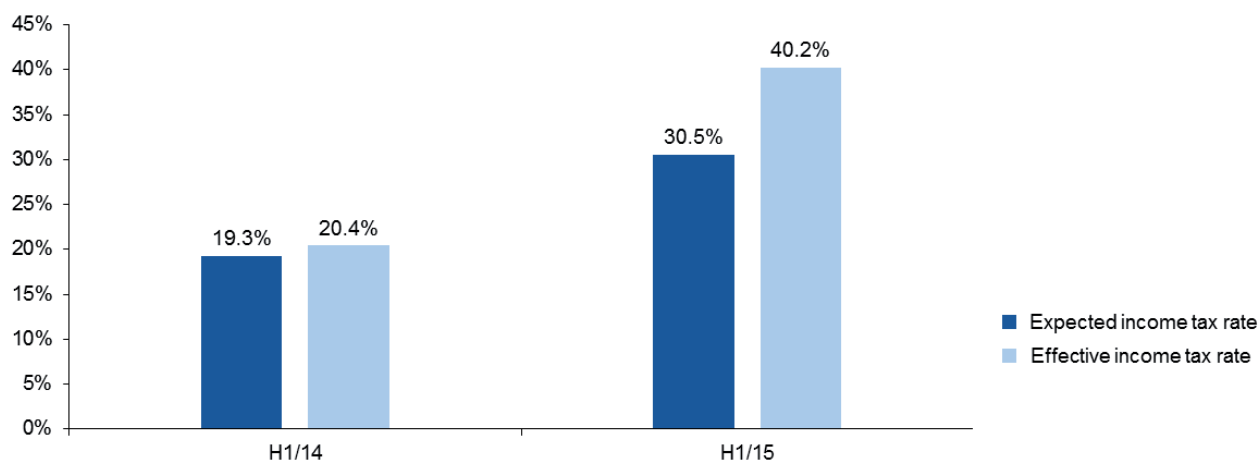
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21

## Financial results



## Very high income tax rate



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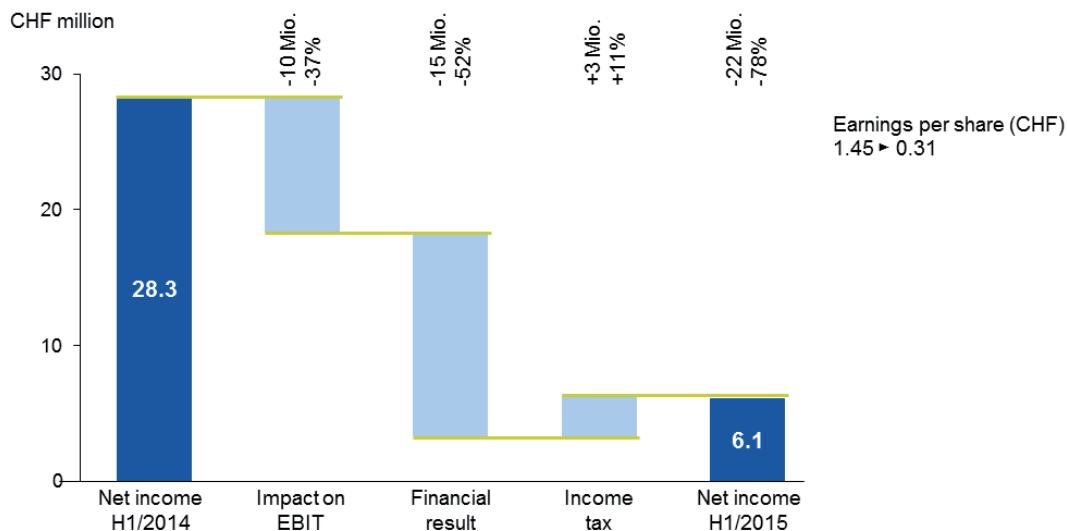
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## Factors impacting «bottom line»



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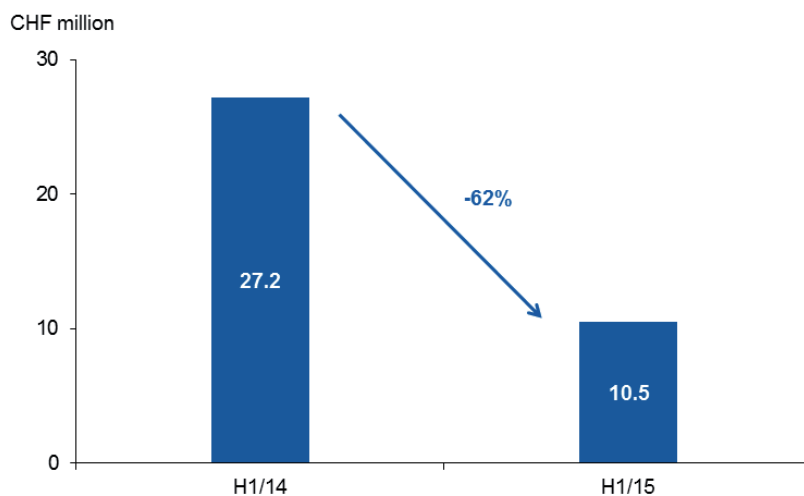
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23

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## Less investments



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## Financial results



## Solid balance sheet

CHF million	30.06.2015	31.12.2014	▲	30.06.2014
Cash and cash equivalents	124	143	-13%	152
Current assets	307	323	-5%	336
Non-current assets	312	371	-16%	314
Financial liabilities	0	0		0
Various liabilities	141	163	-14%	174
Shareholders' equity	602	674	-11%	628
in %	81%	80%		78%
<b>Balance sheet total</b>	<b>743</b>	<b>837</b>	<b>-11%</b>	<b>802</b>
<b>Net liquidity</b>	<b>124</b>	<b>143</b>	<b>-13%</b>	<b>152</b>

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## Financial results



## Positive free operating cash flow

CHF million	H1/15	H1/14
Cash flow from operating activities	24.4	24.6
Cash flow from investing activities*	(12.3)	(26.8)
<b>Free operating cash flow</b>	<b>12.1</b>	<b>(2.1)</b>
Dividend paid	(27.3)	(15.6)
Change in treasury shares	(0.3)	(1.4)
<b>Free cash flow</b>	<b>(15.5)</b>	<b>(19.1)</b>

\*without securities

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26

Financial results



## Financial assessment H1/2015

- ✓ **Immediate measures allow EBIT margin within target range**
- ✓ **Acquired Cube Optics above expectations**
- ✓ **Intact operating cash flow generation**
  
- ✗ **Reduced top line**
- ✗ **Significant currency losses and high income tax rate**

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27

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Financial results

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**Outlook**

Urs Kaufmann (CEO)

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Focus Small Cells

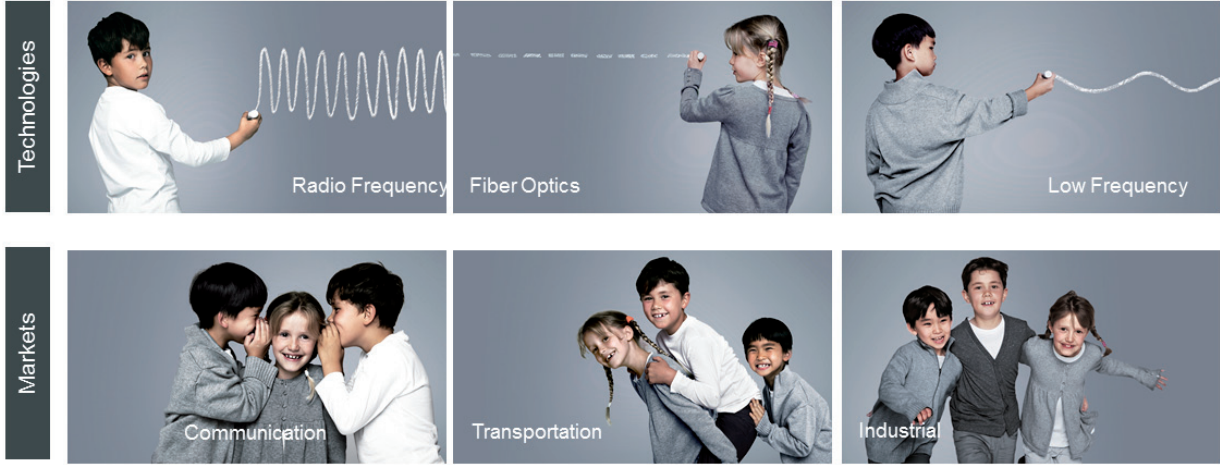
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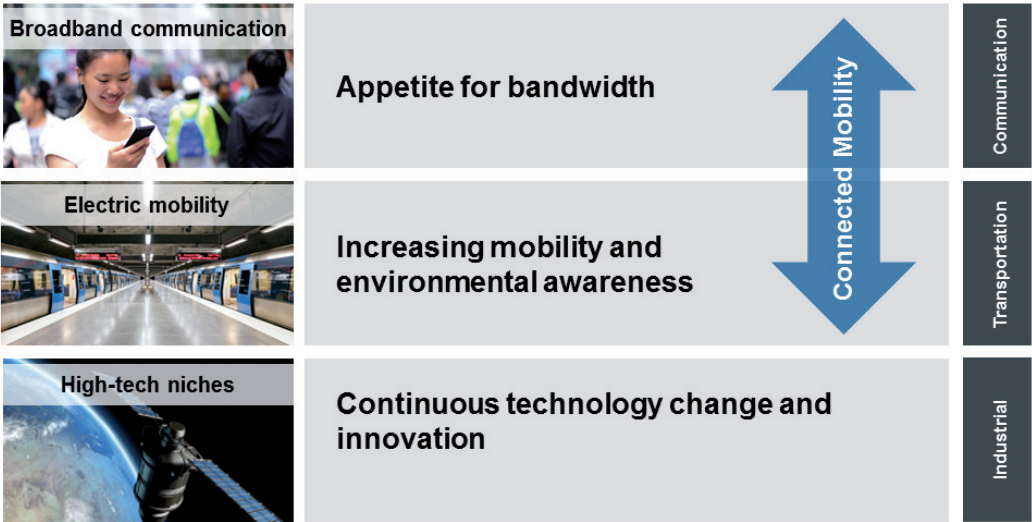
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### 3x3 strategy



### Our growth drivers – strategy is right!





## Expected market development in second half year 2015 **Straight ahead....with a chance of a starting upswing**

### **Communication**

- Ongoing good situation «Fiber to the Antenna» and FO in general
- Slight recovery in mobile OEM business expected towards the year end

### **Transportation**

- Railway stable at current level – will the brakes be released in China?
- Automotive with a slight upside trend

### **Industrial**

- No major change expected compared to the first half year

## Outlook for the full year 2015

- *Assumption: Currency situation remains as in first half year*
- Net sales in second half year at a similar level as in the first six months
- Order intake may accelerate somewhat in the course of the second semester
- Cost reduction measures will take further effect

### **Expected result 2015:**

- Net sales full year slightly below previous year
- Certain improvement of the EBIT margin in second half year – full year within target range 2015 of 6-7.5%
- Significantly higher net income in the second half year, also thanks to omitted one-off FX effects

# Thank you

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