Hügli Holding AG

Bleichestrasse 31
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Media Release 17 August 2012, 07.30 a.m.

Half-Year Report as at 30 June 2012

- **Moderate organic sales growth of +1.0% below expectations**
- **Negative currency effect of -4.4% lowers revenues to CHF 164.4 million**
- **Gross margin drops due to higher raw materials prices in H1 2012 by 2.2% points and clearly depresses earnings**
- **Process optimisation and cost management show positive impact and lower personnel and operating costs in H1 2012**
- **EBIT falls by -26% to CHF 12.3 million in H1 2012 but still stands slightly above H2 2011**
- **Strategic targets confirmed**
- **Outlook 2012: organic sales growth of +2.0%, EBIT margin in the area of 7% to 8%**

In the first half of 2012, Hügli faced a number of differing conditions. The revenues with food retailers grew pleasingly in the Private Label division with +8.1% in local currencies. Some countries such as the UK, the Czech Republic and Poland even registered double-digit growth rates. The unit Health & Nutrition in the UK also saw a favourable development and made an essential contribution to the good increase in organic sales of +11.1% achieved by the Brand Solutions division. The Food Industry division, on the other hand, faced a difficult semester, in which several large customers in the food industry reduced the volume of orders due to sales problems. This led to a decline of revenues of -6.9%. The development in the seven Food Service countries, not counting Italy and the export business, was still depressed with +1.9% by stagnant sales in the gastronomy sector. Revenues in Italy dropped further due to the restructuring of sales structures, which lowered the entire Food Service division's income by -2.3%. In the brand business of the Consumer Brands division, the positive growth dynamic of the natural food trade could not fully compensate for the shrinking health food market, and thus revenues slowed down slightly by -0.7%.
As for the Group’s geographical segments, Eastern Europe attained the best organic sales development with +5.5%. Germany did not meet expectations with an increase of +2.9% in local currencies. The segment Switzerland / Rest of Western Europe saw an unsatisfactory development with -2.9%. Italy, in particular, but also Switzerland registered sales decreases. The solid development attained in Austria and the good growth in the UK could not offset these negative values.
Sales growth in local currencies of +1.0% overall was depressed by translation losses of CHF -7.5 million or -4.4%, respectively, due to the further aggravated foreign currency situation. The recorded revenues fell from CHF 170.1 million in the previous year to CHF 164.4 million in the first half of 2012.

To safeguard the Group’s long-term competitiveness and to increase productivity, Hügli has invested high amounts in the past two years in state-of-the-art automated production machinery. Moreover, cost management was further improved and processes were optimised. This helped to cut both personnel and other operating costs further in the first half of 2012. The headcount was reduced from 1'298 to 1'262 full time positions in this financial year.

Raw materials prices were distinctly higher when compared to the previous year. The fact that subsequent necessary sales price increases could be applied only to some extent and at a delay turned out to be the main factor to depress earnings, just like in the previous year. Gross margin dropped by a further 2.2% points in the first half of 2012, after having already declined by a comparable amount in the financial year 2011. At any rate, this negative dynamic seems to be bottoming out as the first half 2012 has already climbed 0.6% points above the second half of 2011.

EBIT fell by CHF 4.3 million, or -26%, respectively, from CHF 16.6 million to CHF 12.3 million in the first half of 2012. This drop in EBIT was caused mainly by the gross margin's decline by 2.2% points, which corresponds to a decrease by CHF 3.7 million. In addition, depreciation of tangible assets rose as expected, by CHF 0.6 million, due to higher investments.
Cost reductions that had been achieved by lower operating costs were eliminated entirely by foreign currency losses. Assuming that the EUR will remain at the level of CHF 1.20 in the second half of 2012, as has been envisioned by the Swiss National Bank and which would correspond to the rate in the second half of 2011, this would be the first half-year since 2007 without negative foreign currency effects. In the first semester of the previous year, the EUR was still at an average CHF 1.27, which affects these half-year statements 2012 by a negative EUR effect of -5%.
Group net profit of CHF 11.2 million dropped with a slightly improved financial result by -24% to CHF 8.5 million. This corresponds to a return on sales of 5.2%, which lies below the average of the last five years of 5.9%.

The consolidated balance sheet remains solid. After the dividend payment, equity totalled at an almost unaltered level of CHF 119.6 million, which corresponds to an equity ratio of 48.7%. Net debt with CHF 69.3 million also differed very slightly from the CHF 69.9 million at the end of 2011, which results in an unchanged gearing (net debt to equity) of 0.58.
Cash flow from operating activities fell by -22% to CHF 15.3 million, the expenditures from investment activities dropped by -47% to CHF 6.6 million. Free cash flow, defined as cash flow from operating activities after investments, thus rose from CHF 7.0 million in the previous year to CHF 8.7 million in the first semester of 2012.

Outlook
Hügli is sticking to its strategic target of recording solid organic sales growth of more than 5% over the long term, with an above average increase in income. Although the economic conditions prevailing in the past three years have prevented Hügli from attaining these goals, a look at the past ten years (2002 to 2011) reveals organic sales growth of an average +5.4% and an annual EBIT increase of +8.1%.

For the entire year 2012, we are forecasting organic sales growth in the range of +2%. The negative currency effect might remain at the same level, and recorded sales would therefore attain approximately the previous year's level. Earnings are depressed by the altogether higher raw materials prices for agricultural commodities, and additionally by the great drought ravaging certain areas in the USA in this summer. Thus, we anticipate an EBIT margin for 2012 in the range of 7% to 8%.

Key financial indicators *in million CHF*	**H1 2012**	**H1 2011**	**Change**
Sales	164.4	170.1	-3.4%
EBITDA	18.4	22.1	-16.7%
in % of sales	11.2%	13.0%	
EBIT	12.3	16.6	-25.8%
in % of sales	7.5%	9.8%	
Net profit	8.5	11.2	-24.3%
in % of sales	5.2%	6.6%	
Cash flow from operating activities	15.3	19.5	-21.6%
Capital expenditure	6.7	12.6	-47.0%
	30.06.2012	**31.12.2011**	
Net operating assets	209.8	204.0	+2.8%
Equity	119.6	119.7	-0.1%
in % of total assets	48.7%	50.5%	
Net debt	69.3	69.9	-0.9%
Gearing	0.58	0.58	

This and further financial information and the Annual Report, Corporate Governance information as well as information on the Hügli share can be retrieved from the Hügli Investor Relations website: http://ir.huegli.com
Hügli is listed on the Swiss Stock Exchange (SIX Swiss Exchange: HUE / ISIN: CH0004647951).

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Financial calendar

29 January 2013	7.30 a.m.	Media Release: Sales 2012
17 April 2013	7.30 a.m.	Media Release: Annual Report 2012, Sales Q1 2013
	10.30 a.m.	Media / Analysts' Conference, Widder Hotel, Zurich
15 May 2013	4.30 p.m.	Annual General Meeting, Seeparksaal, Arbon
20 August 2013	7.30 a.m.	Media Release: Half-Year Report 2013

Hügli – one group, many teams, one goal

Hügli was founded in Switzerland in 1935. Today it is one of the leading European companies for the development, production and marketing of dry blends in the convenience segment such as soups, sauces, bouillons, ready to serve meals, desserts, functional food as well as Italian specialities. Hügli caters to the kitchens of the professional out of home market (Food Service), manufactures products for brand companies (Brand Solutions) as well as for food retailers (Private Label). With its flavour-adding semi-finished products, Hügli partners with food manufacturers (Food Industry) and sells own brands, mostly of organic quality, to consumers (Consumer Brands). 1300 employees in 9 countries link Hügli directly with its customers, and generate annual sales of around CHF 330 million. ***www.huegli.com***

The original of this Media Release is written in German. The German version is binding.