Half-Year Report 2009

Hügli Holding AG, Steinach

Key figures in brief

million CHF

Key figures of the group	Jan.-June 2009	Variance in CHF	Variance in *local currency*	Jan.-June 2008
Sales	192.9	– 4.6%	*3.5%*	202.1
Operating profit before depreciation (EBITDA) as % of sales	22.4 11.6%	11.0%		20.2 10.0%
Operating profit (EBIT) as % of sales	16.8 8.7%	16.8%		14.4 7.1%
Net profit as % of sales	11.0 5.7%	28.7%		8.6 4.2%
Net profit per bearer share (CHF)	23.06	28.5%		17.94
Cash flow from operating activities as % of sales	18.9 9.8%	– 1.0%		19.1 9.5%
Investments (tangible and intangible assets)	5.3	38.2%		3.8
Cash flow from acquisitions, net	0.0	n.a.		8.5
	30.06.2009			**31.12.2008**
Invested capital (Net operating assets)	228.9	– 3.3%		236.7
Equity as % of total assets	125.4 45.0%	7.8%		116.3 41.4%
Net dept Gearing (Ratio to equity)	85.5 0.68	– 10.6%		95.6 0.82
Number of employees (full-time postitions)	1’331			1’350

Key figures of geographical segments		Jan.-June 2009	Variance in CHF	Variance in *local currency*	Jan.-June 2008
Germany	Sales	102.0	– 8.3%	*– 2.2%*	111.3
	EBIT as % of sales	11.2 11.0%	13.1%		9.9 8.9%
Switzerland / Rest of Western Europe	Sales	66.8	1.8%	*9.0%*	65.6
	EBIT as % of sales	5.1 7.7%	2.4%		5.0 7.6%
Eastern Europe	Sales	24.1	– 4.4%	*13.9%*	25.2
	EBIT as % of sales	0.5 1.9%	n.a.		– 0.5 – 2.1%

Sales of customer segments / divisions

Food Service	80.3	– 5.0%	*1.6%*	84.5
Private Label	39.6	– 9.0%	*0.6%*	43.5
Industrial Foods	36.2	2.7%	*14.4%*	35.3
Health & Natural Food	26.6	– 5.5%	*0.6%*	28.1
Other	10.2	– 5.1%	*1.2%*	10.7

Half-Year Report as per 30 June 2009

Strong development of earnings – substantial increase of EBIT and net profit
Sales slowed down by economic situation and currency effects

The Hügli Group increased EBIT by 16.8% to CHF 16.8 million and net profit by 28.7% to CHF 11.0 million in the first half of 2009. Sales in Swiss Francs were reduced by 4.6% to CHF 192.9 million due to currency effects; it rose by 3.5% in local currencies. The outlook is still positive.

Thanks to its established strategy and operational strength, the Hügli Group achieved an organic sales growth of 2.7% in spite of adverse economic conditions. Along with an additional 0.8% that was generated by an acquisition effect, sales growth totalled 3.5% in local currencies. Owing to the Swiss Francs' strength, exceeding that of the previous year – against the Euro, British Pound and the Eastern European currencies – we had to register currency-related losses of 8.1% and currently report a reduction of sales by 4.6% to CHF 192.9 million. Against the background of the unfavourable economic conditions, which have had differing impacts on our customer segments, we consider the achieved organic sales growth a good result.

We are pleased that we have been able to increase profits over-proportionally, not only in local currencies but also in Swiss Francs, notwithstanding the losses incurred through currency translation. The raw materials prices, after having soared in the second half of 2007 and first half of 2008, have abated slightly in the second half of 2008 and the first half of 2009 and stabilised on an elevated level. Our material expenses were favourably affected by this development, which brought our gross profits to an again acceptable level. Above all, we have further improved our internal business processes and accomplished considerable gains from rationalisation. We have also expanded the quota of self-manufactured products within our sales and lowered that of trade goods, which was as well a consequence of our product portfolio's enhancement through the acquisition of Contract Foods (UK) and Ali-Big (Italy). In conclusion, we have given profits our main attention in all our customer segments and discontinued the supply of less profitable domains.

All of this has resulted in an advantageous increase of EBIT by 16.8% to CHF 16.8 million and of net profit by 28.7% to CHF 11.0 million. Both results mark new first half-year records for Hügli. Rendered in percentage of sales, the EBIT standing at 8.7% (7.1% in the previous year) and profits at 5.7% (4.2% in the previous year) lie within our benchmarks.

Geographic Segments

Germany, our still most relevant segment with regard to sales and profits suffered a decline of sales of 2.2% in local currencies. The first half of 2008 though yielded exceptionally strong sales with a plus of 18.1%, which was mainly due to high promotion sales in the Private Label customer segment. In 2009, sales will be spread more evenly throughout the entire year. Germany was, however, especially successful with regard to the rationalisation of processes and a consistent cost control. EBIT therefore rose from CHF 9.9 million to 11.2 million, which corresponds to 11.0% of sales (8.9% in the previous year). This performance is outstanding, in particular because we consider Germany to be the market with the fiercest competition.

The segment Switzerland / Rest of Western Europe attained a favourable growth of 9.0% in local currencies. But owing to the weakness of the Euro and expressly that of the British pound – by -6.2% and -18.8% (!) against the previous year, respectively – this increase was reduced to +1.8% in Swiss Francs. The good sales development was primarily driven by Switzerland, but also by a significant increase that was achieved by our acquisition Contract Foods (UK) starting in February 2008. With 7.7% of sales (7.6% in the previous year), the EBIT of this segment did not match our benchmark. The principal reasons are heavy currency-related profit losses affecting the crucial export from Switzerland to England as well as the still unsatisfactory revenue situation of our most recent acquisitions Contract Foods (UK) and Ali-Big (Italy). It nonetheless also means that this segment still holds profit reserves, especially so as we recognise very promising development potential for both companies.

The negative currency effects had an exceptionally severe impact on sales and profit in the segment Eastern Europe. The quite strong sales growth of 13.9% in local currencies, which had developed according to our expectations, turned into a minus of 4.4% in Swiss Francs. Besides that, the currency situation within

Eastern Europe generally evolved in a for us inopportune manner. From our production site Zasmuky in the Czech Republic, we supply Poland and Hungary, which constitute important markets for us. While the decline of the Hungarian Forint against the Czech Crown by -5.7% was still in line with expectations, we were faced with considerable problems due to the Polish Zloty's value loss of -15.9%. We are overall satisfied with the course of reorganisation we had introduced in 2008 in this geographic segment. The currency development, however, prevented a higher growth of EBIT. After all, we have been able to improve EBIT from a minus of 2.1% of sales to +1.9%. We still attribute sound potential to Eastern Europe and expect further improvements by the second half of 2009, also due to the gradual adjustment of prices to the altered currency situation.

Sales by Customer Segments / Sales Divisions

The Food Service Division, our largest division – sales to all out-of-home catering markets – had to withstand the strong counter currents of the unfavourable economic situation. Hotels and restaurants suffered a lessening of demand in the tourism sector and the canteens of large industrial firms had to reduce the amount of meals prepared because of a decline in employment, increase in short time and the loss of entire work shifts. Only the domain of hospitals/institutions was spared by the crisis. Under these circumstances, the increase by 1.6% in local currencies and sales of CHF 80.3 million constitute a hard-fought success.

The Private Label LEH Division – catering to big retail trade companies that sell our products under their own labels – achieved a growth in local currencies, when compared with the previous year, of only 0.6% and sales of 39.6 million in Swiss Francs. It must be noted, though, that this division had grown by 38.4% in the first half of 2008 and had therefore consolidated on a very high level. Moreover, we have already referred to specific shifts in sales in the segment Germany. Here, we expect a relatively strong second half of 2009 as the trend towards products with a good cost/value ratio is unbroken and bound to gain momentum specifically within adverse economic conditions.

The Industrial Foods Division – supply of finished and semi-finished products to the food industry – again achieved a strong organic growth of +9.9%. With CHF 36.2 million it was the only division to exceed the previous year's sales by +2.7% also in CHF. Our most recent acquisition Contract Foods made a significant contribution in spite of the already mentioned value loss of the British Pound against the Swiss Franc of 18.8%.

The Health and Natural Food Division – sales of biological / organic products to the specialised trade – registered a certain restraint towards its premium products, especially in its most important market Germany, which probably resulted from the unfavourable economic situation. The division notwithstanding attained an organic sales growth of 0.6% to CHF 26.6 million. It thereby maintained its leading position in its product domain with market shares between 50% and 80%.

Balance Sheet

Our consolidated balance sheet provides the accustomed solid results. The total assets remained practically unchanged when compared to 31.12.2008 as well as to 30.06.2008. We can report an advantageous decline of net debt by CHF 10.1 million to CHF 85.5 million and an increase of equity – after the debiting of the dividend / repayment of par value of CHF 5.3 million – to CHF 125.4 million, which corresponds to 45.0% of total assets (against 41.4% as per 31.12.2008). We have thereby attained our objective of strengthening our equity position in these uncertain times.

Conversion from IFRS to Swiss GAAP FER

Since 2004, we have been preparing our financial statements in accordance with the financial reporting standards IFRS, which has been the norm prescribed by the Main Standard (formerly Main Market Segment) of SIX Swiss Exchange (Swiss Stock Exchange). The regulation complexity of IFRS has massively increased since then; the manual with all standards now incorporates approximately 3'000 pages! The internal and external work load it entails has significantly risen but in our opinion has not resulted in a comparable increase of comprehensible information for our shareholders, analysts, banks, etc. Furthermore, the consistently more detailed disclosure requirements increasingly lead to the disclosure of business secrets, which create advantages for our competitors, among which some are unlisted and not bound by these regulations. This particularly affects a medium size company like Hügli while the information disclosed by large companies is well diluted by the sheer amount and diversity of aggregated figures.

We have therefore decided to adopt the financial reporting standard Swiss GAAP FER as per the financial statement of 31.12.2009. This new financial reporting standard also complies with the true and fair view principle and provides comprehensive information to all those interested in Hügli. This standard still encompasses 200 pages but has been tailored to fit medium size companies. With this change of standards we find ourselves in good company with firms like Emmi, Bell and Conzzeta. For the same reasons, the companies Bossard, Gurit and Cham Paper Group have also performed the change in this year. Further companies are expected to follow.

With the adoption of Swiss GAAP FER, Hügli changes from the Main Standard (formerly Main Market Segment) to the Domestic Standard (formerly Local Caps Segment). You can already find all information about the effects of this conversion in the Notes to the Half-Year Report 2009. Hügli has always maintained a policy of open information and will hold it up.

Outlook

Our over-all strategy – our core customer segments, product portfolio and not least our corporate culture – has again shown its strength under the prevailing difficult market conditions. We can still count on an outstanding and highly motivated staff. Consequently, we anticipate a very promising medium-term and long-term development.

From a short-term view, we do not expect any major changes with regard to the basic conditions for the second half of 2009. The economic downward trend appears to be slowly breaking off; consumption may nevertheless still slightly decline. Otherwise, raw materials prices remain stable, interests and inflation stay low – we do not believe in the ghost of deflation and on a long-term basis rather see a danger in inflation.

The currency conditions have also stabilised on their current level. We support without reservation the Swiss National Bank's policy of holding the CHF/EUR rate above the limit of 1.50 – this may be the most important measure to support the economic boom and more effective than any economic stimulus programme. We have learned to accommodate ourselves to the Eastern European currency conditions – at least we do not anticipate any further aggravation.

We expect for Hügli a still hard-won sales development against this background in the second half of 2009, and nevertheless an overall considerably good course of business. However, the growth rates of EBIT and earnings will slow down significantly as the first half of 2008 saw weak earnings while they were markedly stronger in the second half. We confirm our sales expectations with a targeted organic growth of +3.0% to CHF 385 million for the running financial year and raise our objectives for EBIT and net profit to a plus of approximately 10%.

Steinach, August 2009

Dr. Alexander Stoffel
Chairman of the Board of Directors

Dr. Jean Gérard Villot
CEO, Vice President of the Board of Directors

Consolidated Balance Sheet

in CHF 1'000

Assets	30.06.2009	%	31.12.2008	%	30.06.2008	%
Cash and cash equivalents	7'124		14'328		6'901	
Trade receivables	54'296		54'774		50'777	
Other receivables	6'617		6'808		7'111	
Inventories	61'537		59'518		61'337	
Current assets	**129'574**	**46.5**	**135'428**	**48.2**	**126'126**	**44.6**
Land and buildings	74'416		73'984		79'184	
Technical equipment and machinery	31'277		29'340		31'672	
Other tangible assets	9'435		8'998		8'471	
Intangible assets	33'297		32'452		36'669	
Financial assets	37		37		40	
Deferred tax assets	527		564		883	
Fixed assets	**148'989**	**53.5**	**145'375**	**51.8**	**156'919**	**55.4**
Total assets	**278'563**	**100.0**	**280'803**	**100.0**	**283'045**	**100.0**
Liabilities and shareholders' equity						
Borrowings	36'458		52'505		53'517	
Trade payables	21'731		25'752		19'781	
Tax liabilities	4'093		3'973		4'915	
Other current liabilities	23'234		13'757		25'518	
Current liabilities	**85'516**	**30.7**	**95'987**	**34.2**	**103'731**	**36.6**
Borrowings	56'173		57'472		51'437	
Deferred tax liabilities	9'838		9'453		10'463	
Provisions for employee benefits	1'678		1'615		1'895	
Non-current liabilities	**67'689**	**24.3**	**68'540**	**24.4**	**63'795**	**22.5**
Liabilities	**153'205**	**55.0**	**164'527**	**58.6**	**167'526**	**59.2**
Share capital	485		4'608		4'608	
Reserves	124'873		111'668		110'911	
Shareholders' equity	**125'358**	**45.0**	**116'276**	**41.4**	**115'519**	**40.8**
Total liabilities and shareholders' equity	**278'563**	**100.0**	**280'803**	**100.0**	**283'045**	**100.0**

Consolidated Income Statement

in CHF 1'000

	Jan.-June 2009	%	Jan.-June 2008	%
Sales	**192'855**	**100.0**	**202'092**	**100.0**
Sales deductions	– 3'990	– 2.1	– 4'708	– 2.3
Net sales	**188'865**	**97.9**	**197'384**	**97.7**
Change in inventories	1'220	0.6	2'784	1.4
Operating revenue	**190'085**	**98.6**	**200'168**	**99.0**
Material expenses	– 92'437	– 47.9	– 100'940	– 49.9
Personnel expenses	– 44'170	– 22.9	– 46'346	– 22.9
Other operating expenses, net	– 31'067	– 16.1	– 32'684	– 16.2
Operating profit before depreciation and amortisation (EBITDA)	**22'411**	**11.6**	**20'198**	**10.0**
Depreciation	– 5'036	– 2.6	– 5'179	– 2.6
Amortisation	– 607	– 0.3	– 667	– 0.3
Operating profit (EBIT)	**16'768**	**8.7**	**14'352**	**7.1**
Interest expenses	– 1'803	– 0.9	– 2'664	– 1.3
Interest income	16	0.0	41	0.0
Other financial result	– 64	0.0	– 36	0.0
Profit before taxes	**14'917**	**7.7**	**11'693**	**5.8**
Income taxes	– 3'889	– 2.0	– 3'125	– 1.5
Net profit	**11'028**	**5.7**	**8'568**	**4.2**
Earnings per share (in CHF)	23.06		17.94	

Consolidated Cash Flow Statement

in CHF 1'000

	Jan.-June 2009	Jan.-June 2008
Net profit	11'028	8'568
Depreciation / Amortisation	5'643	5'846
Increase / (Decrease) in provisions	26	63
Interest expenses, net	1'787	2'623
Income taxes	3'889	3'125
Other non-cash result	– 256	451
Change in net working capital		
(Increase) / Decrease in receivables	2'419	2'048
(Increase) / Decrease in inventories	– 271	– 5'680
Increase / (Decrease) in liabilities	– 1'228	4'282
Income taxes paid	– 4'134	– 2'225
Cash flow from operating activities	**18'903**	**19'101**
Investments in tangible fixed assets	– 5'292	– 3'830
Cash flow from acquisitions, net	0	– 8'529
Disposales of tangible assets	0	6
Disposales of financial assets	0	507
Interest received	16	41
Cash flow from investing activities	**– 5'276**	**– 11'805**
Proceeds / (Repayment) short-term borrowings	– 17'505	– 188
Proceeds / (Repayment) long-term borrowings	– 1'997	– 3'012
Repayment of finance lease liabilities	– 137	– 279
Repayment of par value / Dividend	0	0
Interest paid	– 1'732	– 2'682
Sale of own shares	235	332
Cash flow from financing activities	**– 21'136**	**– 5'829**
Total cash flow	**– 7'509**	**1'467**
Translation adjustment on cash and cash equivalents	305	– 104
Change in cash and cash equivalents	**– 7'204**	**1'363**
Cash and cash equivalents at 01.01.	14'328	5'538
Cash and cash equivalents at 30.06.	7'124	6'901

Consolidated Statement of Comprehensive Income

in CHF 1'000	Jan.-June 2009	%	Jan.-June 2008	%
Net profit	**11'028**	**5.7**	**8'568**	**4.2**
Other comprehensive income				
Translation adjustments	3'610	1.9	– 1'387	– 0.7
Valuation of cash flow hedges, net	– 541	– 0.3	33	0.0
Total other comprehensive income	**3'069**	**1.6**	**– 1'354**	**– 0.7**
Comprehensive income	**14'097**	**7.3**	**7'214**	**3.6**

Consolidated Statement of Changes in Equity

in CHF 1'000	Share capital	Share premium	Own shares	Retained earnings	Changes in value hedge accounting	Translation differences	**Total**
Balance at 31.12.2007	9'943	17'055	– 380	77'994	0	8'597	**113'209**
Net profit				8'568			8'568
Total other comprehensive income					33	– 1'387	– 1'354
Comprehensive income							**7'214**
Reduction in par value	– 5'335	79					– 5'256
Sale of own shares		297	35				332
Recognition of share-based payments				20			20
Balance at 30.06.2008	4'608	17'431	– 345	86'582	33	7'210	**115'519**
Balance at 31.12.2008	4'608	17'429	– 345	96'856	657	– 2'929	**116'276**
Net profit				11'028			11'028
Total other comprehensive income					– 541	3'610	3'069
Comprehensive income							**14'097**
Reduction in par value / Dividend	– 4'123	71		– 1'212			– 5'264
Sale of own shares		202	33				235
Recognition of share-based payments				14			14
Balance at 30.06.2009	485	17'702	– 312	106'686	116	681	**125'358**

Foreign exchanges rates

	Balance Sheet			Income Statement	
	30.06.2009	**31.12.2008**	**30.06.2008**	**Jan.-June 2009**	**Jan.-June 2008**
EUR (1)	1.525	1.491	1.609	1.506	1.606
GBP (1)	1.794	1.539	2.033	1.684	2.075
CZK (100)	5.882	5.576	6.761	5.570	6.388
PLN (100)	34.190	36.160	47.990	33.820	46.100
HUF (100)	0.559	0.564	0.679	0.522	0.635

Segment Information

in CHF 1'000

1st Half-Year

2009	Germany	Switzerland / Rest of Western Europe	Eastern Europe	Eliminations / not allocated	Total Group
Consolidated sales	102'003	66'751	24'101		192'855
Inter-segment sales	3'565	6'167	105		
Total sales	105'568	72'918	24'205	– 9'837	
EBITDA	14'034	7'060	1'317		22'411
Depreciation	– 2'372	– 1'812	– 852		– 5'036
Amortisation	– 473	– 130	– 4		– 607
EBIT	11'190	5'117	461		16'768
EBIT-Margin	*11.0%*	*7.7%*	*1.9%*		*8.7%*
Financial results, net					– 1'851
Income taxes					– 3'889
Net profit					11'028
Investments in tangible fixed assets	2'137	2'070	1'085		5'292
Acquisitions (at costs)	0	0	0		0
Assets	122'730	120'289	40'820	– 5'276	278'563
Liabilities	17'910	24'300	9'068	101'927	153'205
Personnel (full-time positions)	542	441	348		1'331

2009	Food Service	Private Label	Industrial Foods	Health & Natural Food	Other	Total Group
Sales	80'339	39'558	36'226	26'559	10'173	192'855

1st Half-Year

2008	Germany	Switzerland / Rest of Western Europe	Eastern Europe	Eliminations / not allocated	Total Group
Consolidated sales	111'275	65'597	25'220		202'092
Inter-segment sales	2'518	5'446	95		
Total sales	113'793	71'043	25'315	– 8'059	
EBITDA	12'866	6'929	403		20'198
Depreciation	– 2'464	– 1'773	– 942		– 5'179
Amortisation	– 504	– 161	– 2		– 667
EBIT	9'898	4'996	– 542		14'352
EBIT-Margin	*8.9%*	*7.6%*	*– 2.1%*		*7.1%*
Financial results, net					– 2'659
Income taxes					– 3'125
Net profit					8'568
Investments in tangible fixed assets	1'686	1'575	569		3'830
Acquisitions (at costs)	0	10'524	0		10'524
Assets	127'724	112'453	44'303	–1'435	283'045
Liabilities	15'966	26'830	6'758	117'972	167'526
Personnel (full-time positions)	556	434	320		1'310

2008	Food Service	Private Label	Industrial Foods	Health & Natural Food	Other	Total Group
Sales	84'536	43'455	35'280	28'100	10'721	202'092

Explanatory Notes to the Consolidated Interim Financial Statements

Accounting Principles

The consolidated interim financial statements are the unaudited, interim consolidated financial statements of Hügli Holding AG and its Swiss and foreign subsidiaries for the period from 01.01. to 30.06.2009 (hereafter "the interim period"). They are prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". The accounting policies and methods of computation followed in these consolidated interim financial statements are consistent with the consolidated annual financial statements 2008. The consolidated interim financial statements do not include all information as compared with the annual financial statements 2008. They should be read in conjunction with the consolidated financial statements for the year ended 31 December 2008 as they provide an update of the previously reported information for the interim period.

The preparation of the interim financial statements requires management to make estimates and assumptions to the best judgment that affect the reported amounts of revenues, expenses, assets, liabilities and contingent liabilities at the date of the interim financial statements. Actual results may differ from these estimates. The original estimates and assumptions will be modified as appropriate in the reporting period, in which circumstances change. The preparation of the interim financial statements is based on the same essential estimates and assumptions used in the consolidated financial statements 2008. Income tax expense is recognised based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

The following new and revised standards and interpretations of the International Financial Reporting Standards (IFRS) have been issued at 1 January 2009:
- IFRS 2 revised – Share-based Payment
- IFRS 7 revised – Financial Instruments: Disclosures
- IFRS 8 – Operating Segments
- IAS 1 revised – Presentation of Financial Statements
- IAS 23 revised – Borrowing Costs
- IAS 32 revised – Financial Instruments: Presentation
- IFRIC 9 revised – Reassessment of Embedded Derivatives
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

Except for IFRS 8 and IAS 1, these new standards have no impact on these interim financial statements. IFRS 8 specifies that information on the operating segments should be disclosed according to the management approach, which requires external financial information to be reported on the same basis as it is used internally to report to the company's chief operating decision maker. The internal reporting to the Board of Directors and Group Management Committee can be prepared along the lines of Hügli's geographical segments, in which sales revenues and expenses are clearly attributable to areas of responsibility. The operating profit is evaluated regularly as a basis for the allocation of resources. Therefore, the reporting relies on the same basis as the consolidated financial statements and the adoption of IFRS 8 does not have any effect on the way the operating segments were determined. For the entire financial year, however, additional disclosures are foreseen. IAS 1 distinguishes more distinctly between changes in equity with comprehensive income and those resulting from equity transactions with shareholders. Components of comprehensive income must be presented in a statement of comprehensive income and rendered separately in the total recognised income and expenses. Share transactions with shareholders continue to be presented in the statement of changes in equity.

The following approved and revised standards and interpretations will take effect at a later date and have not been adopted early: IFRS 1 – First-time Adoption of IFRS, IFRS 3 – Business Combinations, IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IAS 27 – Consolidated and Separate Financial Statements According to IFRS, IAS 39 – Financial Instruments: Recognition and Measurement, Eligible Hedged Items, IFRIC

17 – Distributions of Non-cash Assets to Owners, IFRIC 18 – Transfers of Assets from Customers, as well as various amendments to IFRS (improvements as per 1 July 2009 and 1 January 2010, respectively). The potential effects on the consolidated financial statements were not analyzed as Hügli will adopt the financial reporting standard Swiss GAAP FER already for the financial year 2009 and will not be affected by these changes as of the financial year 2010.

Changes in the Scope of Consolidation

The scope of consolidation has not changed within the reporting period 2009. In the previous year, the Group acquired the share capital of Contract Foods Ltd, Redditch, UK, as of 31.01.2008. All presented balance sheets – as per 30.06.2009, 31.12.2008 and 30.06.2008 – therefore contain the same scope of consolidation. The consolidated income statement for the interim period of the previous year includes only 5 months of Contract Foods and the interim financial statements 2009 comprises 6 months. This acquisition effect, in comparison with the previous year, amounts to only 0.8% of Group sales and is not material within the remaining positions of the consolidated financial statements.

Seasonality

The Group's activities are not subject to any regularly occurring seasonal influences. New introductions of products, changes in prices as well as periodic changes in demand from major customers may still exert some influence on the amount of sales and the operating profit.

Distribution of Profits

The Annual General Meeting held on 13 May 2009 approved a reduction of corporate capital for the purpose of a par value repayment to shareholders. The new articles of incorporation specifically provide for a reduction of par value per bearer share of CHF 1.00 (previously CHF 9.50). The par value repayment of CHF 8.50 in connection with a gross dividend of CHF 2.50 per bearer share was paid on 7 August 2009. The share capital reduction of CHF 4.1 million as well as the reduction of retained earnings of CHF 1.2 million, in total CHF 5.3 million, has already been charged to equity in the interim financial statements as per 30 June 2009.

Income Statement

The organic sales growth of +2.7% in the first half of 2009 mainly stems from a price effect of 3.4% and a reduction in volume by -0.7%. While the volume of self-manufactured products, approximately 80% of Group sales, remained slightly positive, the volume of trade goods was significantly decreased by adjustments of the product assortment. This growth must nevertheless be viewed in the light of the very high basis in the first half of 2008. In that period, the organic sales increase stood at an extraordinary high of +15.3% for the first half of 2008. Together with the growth rate for the second half of 2008, which amounted to a regular +6.8% (the organic growth rate averaged +7.7% per annum in the previous five years), the rate totalled +11.1% in the financial year 2008. Rendered cross-divisionally, the asymmetry of the growth rate was even more striking for the past two years. Considering the jump in sales of +38.4% achieved by Private Label in the first half of 2008, the growth rate of +0.6% in this interim period may be regarded as a rate held at a high level. The currency effect of -8.1% was related above all to the EUR (-6.2%), and the even heavier currency losses of the GBP -18.8%, CZK -12.8% and PLN -26.6% had an additional negative effect.

Whereas the contribution margin had not been notably affected by the increasing raw material prices until mid 2007 (reduction of contributing margin as per 30.06.2007: -0.2%), the soaring raw material prices massively decreased the contributing margin of the first half of 2008, which stood at 2.9% points down on the previous year's interim period. The easing of raw material prices started to show their effects in the first half of 2009 and has increased the contributing margin by 2.0% points. The contributing margin nonetheless stands about 1% below the previous years'

average. In this context, the exposure to transaction currencies through differing currencies for sale and purchase, in particular GBP to CHF/EUR and CZK to PLN/HUF, continues to exert negative impacts.

Personnel expenses declined by -4.7%, and adjusted for currency translation and acquisition rose by +1.5%. This development essentially mirrors the regular salary increases in the Group; the number of employees overall remained more or less constant except for the loss of several temporary staff. The other operating expenses rose in this interim period adjusted for currency translation and acquisition by +2.6%, based on the expansion of operating structures – namely production, logistics, and quality management – particularly at the acquisitions of the past two years, Contract Foods and Ali-Big. Depreciation increased adjusted by +3.8% and amortisation was kept almost constant.

The money market interest on short-term financial liabilities in this interim period stood clearly below the first half of 2008; depending on the currency, it was between 2% and 3% points down. It thereby lowered the average interest rate on the total financial liabilities from 4.9% in the previous year's period to 3.7% in the first half of 2009. This constituted the most decisive influence on the decrease of the interest expenses, which amounted, adjusted for currency translation to -24%. The reported tax rate matched with approximately 26% the expected range.

Balance Sheet

The ratio of equity and borrowed capital has overall improved when compared with the status as of 31.12.2008. The net operating assets decreased by -3.3% although the revaluation effect was circa +3% at the year-end rate. By this way, the net working capital was reduced by CHF -0.9 million and fixed assets remained constant due to the practically equivalent amount of investments and depreciation. Net debt was decreased by CHF 10.1 million to 85.5 million; not considering the revaluation effect, definancing totalled above CHF 12 million. The high free cash flow led to a considerable decrease of short-term financial liabilities by CHF 16.0 million while the long-term financial liabilities were reduced only by a few smaller depreciation payments and have otherwise remained unchanged.

Equity was strengthened by an increase of CHF 9.1 million to CHF 125.4 million. Equity ratio therewith rose in the interim period from 41.4% to 45.0%, even after the agreed reduction of the approved reduction of par value / dividend, which was paid in the second half of 2009. Connected with this development, the financial operating figures also indicate a positive trend: gearing dropped from 0.82 to 0.68, the net debt to EBITDA ratio fell from an annualised 2.3 to 1.9.

Cash Flow

The cash flow from operating activities before the change of net working capital decreased slightly from CHF 18.5 million to CHF 18.0 million due to higher aperiodic tax payments in the interim period. Net working capital declined in particular with respect to receivables, overall by CHF -0.9 million, while inventories remained unchanged at a high level. Investments in fixed tangible assets stood at the level of regular value decreases. As the interest payments to creditors were significantly lower than in the previous year, and the payment to shareholders (reduction of par value / dividend) of CHF 5.3 million can only be transacted in the second half of 2009, repayment of borrowings amounted to a total of CHF 19.5 million. CHF 7 million thereof can be attributed to a reduction in the holding of liquidity reserves.

Earnings per Share / Stock Ownership Programme

The number of outstanding bearer shares was affected by the stock ownership program carried out in April 2009. 688 shares were bought by executive staff at a preferential price of CHF 345 per share, or at 75% of the market value respectively (previous year: 721 shares). The average number of outstanding bearer shares rose in the interim period to 478'212 bearer share equivalents (previous interim period: 477'508). Since neither conversion nor option rights are outstanding, the earnings per share are not diluted.

Conversion to Swiss GAAP FER as per 31.12.2009

Hügli decided to convert from the financial reporting standard IFRS (International Financial Reporting Standards) to Swiss GAAP FER (Swiss Accounting and Reporting Recommendations) as per the financial year 2009. The corresponding media release was published on 24 July 2009. Both financial reporting standards apply the same conceptual framework and the Hügli Group will continue to publish its consolidated financial statements according to the true and fair view principle. The change of the financial reporting standard will entail only very few modifications in the financial reporting. Wherever they conform to Swiss GAAP FER, the principal accounting and valuations methods as well as disclosures will still be used. The main modification required by the new standard is the valuation of goodwill and intangible assets gained through acquisitions. Swiss GAAP FER requires that goodwill is either depreciated over generally 5 years or offset against equity at the date of acquisition. In order to allow comparability of the Group s income statement Hügli will net goodwill retroactively with equity while disclosing all information on a theoretical recognition in the notes to the consolidated financial statement (acquisition value, book value, depreciation and impairments, if any). All basic reporting information will therefore be preserved.

At the change to Swiss GAAP FER as per 2009, the financial statements 2008 will be presented as adjusted to the new goodwill perspective for reasons of comparability (restatement). This restatement mainly includes the retroactive utilisation of intangible assets of overall CHF 29.5 million against equity. This requires an adjustment of deferred taxes on these positions of CHF 2.1 million, which reduces equity by CHF 27.4 million. Because of these new balance sheet ratios, equity ratio therefore stands at 35.4% (previously according to IFRS 41.4%) as per 31.12.2008. Furthermore, the retroactive utilisation eliminates amortisation of intangible assets of CHF 0.7 million in the financial year 2008, which increases EBIT 2008 to CHF 30.2 million (+2.4%). After the deduction of the modifications of deferred taxes, net profit 2008 rises by CHF 0.6 million to the new total of CHF 19.4 million (+2.9%). As the change of financial reporting standards solely constitutes a so-called non-cash item, it does not affect any of the operating cash flows. The effect of the change on this income statement for the first half of 2009 would stand within the same relative range: EBIT would rise to CHF 17.1 million (+2.0%), net profit to CHF 11.3 million (+2.3%). Equity ratio as per 30.06.2009 would be recognised with 39.2% according to the Swiss GAAP FER. Besides that, the annual report 2009 will present the netted goodwills individually in the notes to the financial statements and show their effects of a theoretical recognition at acquisition date with subsequent amortisation over 5 years.

Subsequent Events after Balance Sheet Date / Change of the Regulatory Standard of Listing at SIX Swiss Exchange

The Board of Directors, by way of circular resolution of 23 July 2009 and based on the intended conversion of financial reporting standard to Swiss GAAP FER as per the financial year 2009, decided to request the change of regulatory standard of listing from Main Standard to Domestic Standard at SIX Swiss Exchange as per 17 August 2009. SIX Swiss Exchange, with its decision of 29 July 2009 approved the application under the condition of compliance with all publication obligations. Thereby, the 280’000 bearer shares of Hügli Holding AG, registered office in Steinach (HUE, securities no. 464795, ISIN CH0004647951), with a nominal value of CHF 1.00 per share will be listed according to the Domestic Standard as per Monday, 17 August 2009 (first trading day). The last trading day according to the Main Standard is Friday, 14 August 2009. The change of regulatory standards provides Hügli with the option to adopt the financial reporting standard Swiss GAAP FER but has no other effect on SIX Swiss Exchange rules and regulations that Hügli must comply with; the shares will be traded as before.

The consolidated interim financial statements were approved for publication by the Board of Directors on 11 August 2009. No further events occurred between the end of the interim period and 11 August 2009 that would have caused an adjustment of the book values of assets and liabilities of the Group or which would have to be disclosed in this report.

Disclaimer

All statements in this report that do not relate to historical facts are forward-looking statements and no guarantees of future performance. Forward-looking statements involve risks and uncertainties, namely in reference to basic macroeconomic conditions, consumption behaviour, foreign exchange rates, financing opportunities, changes of legal provisions or in the political and social environment, the actions of competitors, availability of raw material, and general market conditions. Such circumstances can lead to variance between anticipated and actual results.

Translation: The original of this Half-Year Report is written in German. In the case of inconsistencies between the German original and this English translation, the German version shall prevail.

Hügli on the Internet

Reports, Media Releases and Share Information:
www.huegli.com → Investor Relations

Investor Relations

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Agenda

27.01.2010

- 07.30 a.m.
  Media Release: Sales 2009

15.04.2010

- 07.30 a.m.
  Media Release: Annual Report 2009
- 10.30 a.m.
  Media/Analysts' Conference,
  Widder Hotel, Zürich

19.05.2010

- 04.30 p.m.
  Annual General Meeting of Shareholders,
  Seeparksaal, Arbon

13.08.2010

- 07.30 a.m
  Media Release: Half-Year Report 2010

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