Half-Year Report 2012

Half-Year Report 2012

H1 2012

Hügli Holding AG, Steinach

Key Figures in Brief

million CHF

Key figures of the group

	Jan.-June 2012	Variance in CHF	Variance in organic	Jan.-June 2011
Sales	164.4	– 3.4%	*1.0%*	170.1
Operating profit before depreciation (EBITDA)	18.4	– 16.7%		22.1
as % of sales	11.2%			13.0%
Operating profit (EBIT)	12.3	– 25.8%		16.6
as % of sales	7.5%			9.8%
Net Group profit	8.5	– 24.3%		11.2
as % of sales	5.2%			6.6%
Net profit per bearer share (CHF)	17.67	– 24.5%		23.40
Cash flow from operating activities	15.3	– 21.6%		19.5
as % of sales	9.3%			11.5%
Investments (tangible and intangible assets)	6.7	– 47.0%		12.6
	30.06.2012			**31.12.2011**
Invested capital (Net operating assets)	209.8	2.8%		204.0
Equity	119.6	– 0.1%		119.7
as % of total assets	48.7%			50.5%
Net dept	69.3	– 0.9%		69.9
Gearing (Ratio to equity)	0.58			0.58
Number of employees (full-time positions)	1’262	– 2.8%		1’298

Key figures of geographical segments

		Jan.-June 2012	Variance in CHF	Variance in organic	Jan.-June 2011
Germany	Sales	86.5	– 2.4%	*2.9%*	88.7
	EBIT	7.4	– 32.9%		11.0
	as % of sales	8.5%			12.4%
Switzerland / Rest of Western Europe	Sales	59.8	– 4.3%	*– 2.9%*	62.5
	EBIT	4.3	– 18.9%		5.2
	as % of sales	7.1%			8.4%
Eastern Europe	Sales	18.1	– 4.8%	*5.5%*	19.0
	EBIT	0.7	79.1%		0.4
	as % of sales	4.0%			2.1%

Sales by customer segments / divisions

Food Service	68.1	– 6.9%	*– 2.3%*	73.1
Private Label	34.7	2.1%	*8.1%*	34.0
Brand Solutions	22.1	7.5%	*11.1%*	20.6
Food Industry	19.0	– 7.9%	*– 6.9%*	20.6
Consumer Brands	20.4	– 5.8%	*– 0.7%*	21.7

Letter to Shareholders

- **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%.

Steinach, August 2012

Dr. Jean Gérard Villot
Chairman of the Board of Directors

Thomas Bodenmann
CEO, President of the Group Executive Management

Consolidated Income Statement

in CHF 1'000

	Jan.-June 2012	%	Jan.-June 2011	%	Jan.-Dec. 2011	%
Sales	**164'396**	**100.0**	**170'143**	**100.0**	**332'047**	**100.0**
Sales deductions	– 3'400	– 2.1	– 3'510	– 2.1	– 5'982	– 1.8
Net sales	**160'996**	**97.9**	**166'633**	**97.9**	**326'065**	**98.2**
Change in inventory of finished and unfinished goods	1'745	1.1	3'108	1.8	1'910	0.6
Operating revenue	**162'741**	**99.0**	**169'741**	**99.8**	**327'975**	**98.8**
Material expenses	– 77'928	– 47.4	– 77'437	– 45.5	– 154'021	– 46.4
Personnel expenses	– 40'321	– 24.5	– 42'738	– 25.1	– 80'216	– 24.2
Other operating expenses, net	– 26'065	– 15.9	– 27'446	– 16.1	– 53'890	– 16.2
Operating profit before depreciation and amortisation (EBITDA)	**18'427**	**11.2**	**22'120**	**13.0**	**39'848**	**12.0**
Depreciation	– 5'870	– 3.6	– 5'280	– 3.1	– 10'927	– 3.3
Amortisation	– 220	– 0.1	– 220	– 0.1	– 452	– 0.1
Operating profit (EBIT)	**12'337**	**7.5**	**16'620**	**9.8**	**28'469**	**8.6**
Non-operating result	0	0.0	– 203	– 0.1	– 203	– 0.1
Interest expenses	– 957	– 0.6	– 1'069	– 0.6	– 2'107	– 0.6
Interest income	40	0.0	28	0.0	73	0.0
Other financial result	– 106	– 0.1	– 326	– 0.2	– 278	– 0.1
Profit before taxes	**11'314**	**6.9**	**15'050**	**8.8**	**25'954**	**7.8**
Income taxes	– 2'808	– 1.7	– 3'808	– 2.2	– 6'487	– 2.0
Net Group profit	**8'506**	**5.2**	**11'242**	**6.6**	**19'467**	**5.9**
Earnings per bearer share (in CHF)	17.67		23.40		40.51	

Consolidated Cash Flow Statement

in CHF 1'000	Jan.-June 2012	Jan.-June 2011	Jan.-Dec. 2011
Net Group profit	8'506	11'242	19'467
Depreciation / Amortisation	6'090	5'500	11'379
Increase / (Decrease) in provisions for employee benefits	– 93	64	62
Interest expenses, net	917	1'041	2'034
Income taxes	2'808	3'808	6'487
Loss / (Profit) from disposal of fixed assets	4	– 14	187
Other non-cash result	– 59	451	260
Operating cash flow before change of net working capital	**18'173**	**22'092**	**39'876**
Change in net working capital			
(Increase) / Decrease in receivables	– 746	– 196	– 1'066
(Increase) / Decrease in inventories	– 2'540	– 6'043	– 5'198
Increase / (Decrease) in liabilities	2'924	6'101	687
Income taxes paid	– 2'515	– 2'433	– 8'457
Cash flow from operating activities	**15'296**	**19'521**	**25'842**
Investments tangible fixed assets	– 6'690	– 12'596	– 20'692
Investments intangible assets	– 5	– 25	– 42
Disposals of tangible assets	11	44	1'417
Disposals of financial assets	0	0	2
Interest received	40	28	73
Cash flow from investing activities	**– 6'644**	**– 12'549**	**– 19'242**
Increase / (Repayment) of short-term financial liabilities	9'747	3'367	1'702
Increase / (Repayment) of long-term financial liabilities	– 3'672	– 90	0
Repayment of finance lease liabilities	0	– 32	– 32
Dividend payment	– 7'466	– 7'452	– 7'452
Interest paid	– 957	– 1'043	– 2'107
Purchase of own shares	0	0	– 95
Sale of own shares (Stock ownership plans)	276	287	460
Cash flow from financing activities	**– 2'072**	**– 4'963**	**– 7'524**
Total cash flow	**6'580**	**2'009**	**– 924**
Translation adjustment on cash and cash equivalents	– 58	– 208	– 174
Change in cash and cash equivalents	**6'522**	**1'801**	**– 1'098**
Cash and cash equivalents at 01.01.	5'688	6'786	6'786
Cash and cash equivalents at 30.06. / 31.12.	12'210	8'587	5'688

Consolidated Balance Sheet

in CHF 1'000

Assets	30.06.2012	%	31.12.2011	%	30.06.2011	%
Cash and cash equivalents	12'210		5'688		8'587	
Trade accounts receivable	45'309		48'474		45'223	
Other accounts receivable	8'026		3'797		6'944	
Accrued income and prepaid expenses	1'880		2'438		2'641	
Inventories	57'671		55'530		56'420	
Current assets	**125'096**	**50.9**	**115'927**	**48.9**	**119'815**	**49.7**
Land and buildings	68'197		69'707		71'254	
Technical equipment and machinery	42'700		41'061		39'505	
Other tangible assets	7'948		8'288		7'929	
Intangible assets	1'013		1'241		1'517	
Financial assets	38		36		37	
Deferred tax assets	754		749		977	
Non-current assets	**120'650**	**49.1**	**121'082**	**51.1**	**121'219**	**50.3**
Total assets	**245'746**	**100.0**	**237'009**	**100.0**	**241'034**	**100.0**

Liabilities and shareholders' equity	30.06.2012	%	31.12.2011	%	30.06.2011	%
Short-term financial liabilities	49'446		42'426		44'967	
Trade payables	16'540		17'710		19'347	
Other current liabilities	1'103		2'696		2'867	
Accrued expenses and deferred income	17'488		11'787		18'084	
Current liabilities	**84'577**	**34.4**	**74'619**	**31.5**	**85'265**	**35.4**
Long-term financial liabilities	32'094		33'200		33'095	
Deferred tax liabilities	8'226		8'093		8'275	
Provisions for employee benefits	1'286		1'393		1'387	
Non-current liabilities	**41'606**	**16.9**	**42'686**	**18.0**	**42'757**	**17.7**
Liabilities	**126'183**	**51.3**	**117'305**	**49.5**	**128'022**	**53.1**
Share capital	485		485		485	
Share premium	18'902		18'657		18'248	
Own shares	– 247		– 278		– 234	
Retained earnings	100'423		100'840		94'513	
Shareholders' equity	**119'563**	**48.7**	**119'704**	**50.5**	**113'012**	**46.9**
Total liabilities and shareholders' equity	**245'746**	**100.0**	**237'009**	**100.0**	**241'034**	**100.0**

Consolidated Statement of Comprehensive Income

in CHF 1'000	Jan.-June 2012	%	Jan.-June 2011	%	Jan.-Dec. 2011	%
Net Group profit	**8'506**	**5.2**	**11'242**	**6.6**	**19'467**	**5.9**
Other comprehensive income						
Translation gains/(losses) recorded in equity						
Translation gains/(losses) of net investments	– 798	– 0.5	– 68	0.0	– 398	– 0.1
Translation gains/(losses) of corporate loans, net	– 652	– 0.4	– 2'372	– 1.4	– 2'347	– 0.7
Fair value changes of cashflow hedges						
Withdrawal from reserve: Transferred to income statement	9	0.0	– 779	– 0.5	– 1'420	– 0.4
Appropriation to reserve: Fair value adjustments	– 76	0.0	316	0.2	– 10	0.0
Deferred taxes on cash flow hedges	10	0.0	50	0.0	214	0.1
Acquired goodwill recognised in equity	0	0.0	0	0.0	– 533	– 0.2
Total other comprehensive income	**– 1'507**	**– 0.9**	**– 2'853**	**– 1.7**	**– 4'494**	**– 1.4**
Comprehensive income	**6'999**	**4.3**	**8'389**	**4.9**	**14'973**	**4.5**

Consolidated Statement of Changes in Equity

in CHF 1'000	Share capital	Share premium	Own shares	Other retained earnings	Cashflow Hedging	Translation differences	Total
Balance at 31.12.2010	485	18'248	– 234	109'107	1'208	– 17'112	**111'702**
Net Group profit				11'242			11'242
Total other comprehensive income					– 413	– 2'440	– 2'853
Comprehensive income				11'242	– 413	– 2'440	**8'389**
Dividend				– 7'452			– 7'452
Stock ownership plans							
Sale of own shares		256	31				287
Recognition of share-based payments				86			86
Balance at 30.06.2011	485	18'504	– 203	112'983	795	– 19'552	**113'012**
Balance at 31.12.2011	485	18'657	– 278	120'705	– 8	– 19'857	**119'704**
Net Group profit				8'506			8'506
Total other comprehensive income					– 57	– 1'450	– 1'507
Comprehensive income				8'506	– 57	– 1'450	**6'999**
Dividend				– 7'466			– 7'466
Stock ownership plans							
Sale of own shares		245	31				276
Recognition of share-based payments				50			50
Balance at 30.06.2012	485	18'902	– 247	121'795	– 65	– 21'307	**119'563**

Foreign exchanges rates

	Balance Sheet			Income Statement		
	30.06.2012	31.12.2011	30.06.2011	Jan.-June 2012	Jan.-June 2011	Jan.-Dec. 2011
EUR (1)	1.201	1.217	1.219	1.205	1.270	1.233
GBP (1)	1.489	1.459	1.349	1.464	1.464	1.422
CZK (100)	4.680	4.750	5.010	4.780	5.220	5.020
PLN (100)	28.240	27.500	30.570	28.350	32.160	30.030
HUF (100)	0.417	0.390	0.459	0.407	0.472	0.443

Segment-Information

in CHF 1'000

1st Half-Year

2012	Germany	Switzerland / Rest Western Europe	Eastern Europe	Elimination / not allocated	Total Group
Consolidated sales	**86'547**	**59'786**	**18'063**		**164'396**
Inter-segment sales	4'188	7'299	325		
Total sales	90'735	67'085	18'388	– 11'812	
EBITDA	**10'059**	**6'946**	**1'422**		**18'427**
Depreciation	– 2'534	– 2'645	– 691		– 5'870
Amortisation	– 169	– 48	– 3		– 220
EBIT	**7'356**	**4'253**	**728**		**12'337**
EBIT-Margin	*8.5%*	*7.1%*	*4.0%*		*7.5%*
Financial result, net					– 1'023
Income taxes					– 2'808
Net Group profit					**8'506**
Investments	3'227	3'196	272		6'695
Assets	117'433	104'085	29'693	– 5'465	245'746
Liabilities	15'398	20'720	6'389	83'676	126'183
Personnel (full-time positions)	581	398	283		1'262

2012	Food Service	Private Label	Brand Solutions	Food Industry	Consumer Brands	Others	Total Group
Sales	68'097	34'705	22'128	18'980	20'398	88	164'396

1st Half-Year

2011	Germany	Switzerland / Rest Western Europe	Eastern Europe	Elimination / not allocated	Total Group
Consolidated sales	**88'673**	**62'493**	**18'977**		**170'143**
Inter-segment sales	4'961	6'910	91		
Total sales	93'634	69'403	19'068	– 11'962	
EBITDA	**13'373**	**7'687**	**1'060**		**22'120**
Depreciation	– 2'224	– 2'405	– 651		– 5'280
Amortisation	– 178	– 38	– 3		– 220
EBIT	**10'970**	**5'244**	**406**		**16'620**
EBIT-Margin	*12.4%*	*8.4%*	*2.1%*		*9.8%*
Non-operating result					– 203
Financial result, net					– 1'367
Income taxes					– 3'808
Net Group profit					**11'242**
Investments	8'802	2'770	1'049		12'621
Assets	115'319	98'569	32'260	– 5'114	241'034
Liabilities	20'582	19'590	7'605	80'245	128'022
Personnel (full-time positions)	575	418	309		1'302

2011	Food Service	Private Label	Brand Solutions	Food Industry	Consumer Brands	Others	Total Group
Sales	73'121	33'999	20'579	20'615	21'659	170	170'143

Explanatory Notes to the Consolidated Interim Financial Statements

Corporate Accounting Principles

The consolidated interim financial statements are the unaudited, interim consolidated statements of Hügli Holding AG and its Swiss and foreign subsidiaries for the period from 1 January 2012 to 30 June 2012 (hereafter "the interim period"). They are prepared in accordance with Swiss GAAP FER 12 "Interim Financial Reporting". The accounting policies and methods of computation followed in these consolidated interim financial statements are consistent with the policies and methods presented in the consolidated annual financial statements 2011. The consolidated interim financial statements do not include all information when compared with the annual financial statements. They should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011 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 preparation of the interim financial statements is based on the same essential estimates and assumptions used in the consolidated financial statements 2011. Income tax expense is recognised based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

Changes in Scope of Consolidation

The scope of consolidation has not changed within the interim reporting periods 2012 and 2011. All presented balance sheets – as per 30.06.2012, 31.12.2011 and 30.06.2011 – as well as the presented consolidated income statements for the interim periods therefore contain the same scope of consolidation.

Seasonality

The Group's activities are not subject to any regularly occurring bi-annual seasonal influences. Fluctuations of raw materials prices and exchange rates along with periodic changes in demand from major customers may still exert some influence on the amount of sales and the operating profit.

Dividend

The Annual General Meeting held on 23 May 2012 approved a gross dividend of CHF 15.50 per bearer share. The distribution of altogether CHF 7.5 million was effectuated on 31 May 2012 and recognised in retained earnings. The previous year's gross dividend amounted also to CHF 15.50 per bearer share.

Income Statement

In the first half of 2012, the Hügli Group achieved organic sales growth of 1.0%. The price effect stood at +1.1% while the volume effect (including mix effect) totalled –0.1%. The sales divisions Brand Solutions with

+ 11.1%, and Private Label with + 8.1% in local currencies registered relevant increases. Having gone through a difficult first half of the year, the other divisions faced negative growth rates (Food Service –2.3%, Food Industry –6.9%, Consumer Brands –0.7%).

The currency effect was again negative with –4.4% and caused sales effectuated in Swiss Francs to drop by –3.4% to CHF 164.4 million.

In H1 2012, the gross margin decreased by –2.2% points when compared to the previous year's period (H1 2011: –0.5% points, year 2011: –2.2% points). Due to the still difficult market situation of most sales channels, passing on the still climbing raw materials prices to customers was possible only to some extent and/or at a delay. This effect could be offset by the continuous internal procurement marketing efforts in part only.

The individual Hügli sites achieved pleasing cost reductions, particularly with regard to production costs. The sites in the Czech Republic as well as in the UK were especially successful in reducing costs, profiting from lower unit labour costs attained by process optimisation. Adjusted for currency translation, personnel costs were down altogether by –1.6% in CHF. Since the beginning of 2012, headcount continued to drop from 1'298 to 1'262 full time postitions due to current projects. On the other hand, the development, quality management and IT departments were expanded to some degree. Other operating expenses were decreased by –0.9% (currency-adjusted) when compared to the previous year's period. Depreciation saw the expected increase based on high investments made in the previous periods and grew currency-adjusted by +15%.

Due to the above-described loss of gross margin, EBIT suffered a considerable decline. EBIT dropped in the first half of 2012 by –25.8%, or by CHF –4.3 million to CHF 12.3 million. Within the Group's geographical segments, earnings achieved in Germany registered the greatest loss, having dropped from a very high level. The segment Switzerland / Rest of Europe also saw a decline in earnings, mostly due the restructuring in Italy. Starting from a low level, however, the segment Eastern Europe attained an improvement.

In H1 2012, no non-operating loss was registered. The previous year's non-operating result of CHF –0.2 million was caused by the sale of a non-operating building in Germany. The financial expenses could be cut again owing to the still favourable interest rates. The other financial result predominantly comprises non-operating foreign exchange losses due to valuation at balance sheet date. These were lower than in the previous year, and losses were thus reduced. The reported tax rate of approximately 24.8% was slightly lower than in 2011, when it stood at 25.0%. Group profits were thereby reduced by 24.3% to CHF 8.5 million.

Balance sheet / Cash flow statement

The key financial figures of the consolidated balance sheet are practically unchanged when compared to 31.12.2011. The operating net capital increased by +2.8% despite a currency effect on the balance sheet of –1%, in particular due to the increase in net working capital. Owing to the dividend payment and negative foreign currency effects, equity stood practically unchanged at CHF 119.6 million, despite a group net profit of CHF 8.5 million. Net debt was reduced slightly to CHF 69.3 million, and gearing, the interest bearing net debt to equity, remained at a good 0.58. Due to the lower operating profit, the ratio of net debt to annualised EBITDA, standing at 1.6 in 2011, increased to 1.9.

Cash flow from operating activities dropped by –4.2 to CHF 15.3 million. Because investment activities had slowed down, cash flow from investments declined from CHF –12.5 million to CHF –6.6 million, free cash flow was altogether higher in H1 2012. Borrowings nevertheless grew by CHF 6.1 million overall, which was caused only by transaction cash standing higher at balance sheet date.

Financial Instruments and Financial Risk Management

To hedge the foreign currency and interest risks, Hügli occasionally makes use of forward currency contracts, option contracts and swaps, and thereby aims to reduce volatility in the income statement. The basic transactions that are hedged to some extent mainly comprise highly probable future cash flows from foreign currency revenues as well as interests on borrowings (FX and interest cash flow hedges).

Changes of fair values of these cash flow hedges are recognised directly in equity after deferred taxes have been recognised.

In the first half of 2012, forward interest rate swaps with nominal values above TCHF 20’000 were concluded. They are used to convert floating interest rate payments into fixed future interest rate payments. These contracts’ maturities start from 2014 and run at maximum until 2022. The average interest rate stands at 1.02%. As per balance sheet date the positive fair values totals TCHF 68 (assets) and the negative fair values amounts to TCHF –84 (liabilities).

In addition, there are forward currency contracts with maturities from 1 to 6 months that will hedge future accruals of foreign currencies in GBP, PLN and HUF. The open contract values stand at TCHF 1’923 and the negative fair values amounts to TCHF –60 (liabilities).

All fair values of cash flow hedging recognised in equity sum up to a total of net TCHF –76 (net liability) or TCHF –65 after taxes, respectively (31.12.2011: TCHF –10, or TCHF –8 after taxes).

Subsequent Events after Balance Sheet Date

No further events occurred between 30 June 2012 and the approval of the consolidated financial statements by the Board of Directors on 15 August 2012 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 position.

Key Figures Half-Year Summary

		H1 2012	H1 2011	H1 2010	H1 2009	H1 2008
Sales	m. CHF	164.4	170.1	196.0	192.9	202.1
Change relative to previous year	%	*– 3.4*	*– 13.2*	*1.6*	*– 4.6*	*24.7*
Organic	%	*1.0*	*0.1*	*4.6*	*2.7*	*15.3*
Operating profit before depreciation (EBITDA)	m. CHF	18.4	22.1	26.4	22.4	20.2
As % of sales	%	11.2	13.0	13.5	11.6	10.0
Change relative to previous year	%	*– 16.7*	*– 16.2*	*17.7*	*11.0*	*6.8*
Operating profit (EBIT)	m. CHF	12.3	16.6	20.8	17.1	14.7
As % of sales	%	7.5	9.8	10.6	8.9	7.3
Change relative to previous year	%	*– 25.8*	*– 20.0*	*21.5*	*16.3*	*2.2*
Net Group profit	m. CHF	8.5	11.2	15.4	11.3	8.9
As % of sales	%	5.2	6.6	7.9	5.8	4.4
Change relative to previous year	%	*– 24.3*	*– 27.2*	*36.8*	*27.5*	*0.8*
Cash flow from operating activities	m. CHF	15.3	19.5	31.8	18.9	19.1
As % of sales	%	9.3	11.5	16.2	9.8	9.5
Investments (tangible and intangible assets)	m. CHF	6.7	12.6	11.7	5.3	3.8
Number of employees at balance sheet date	full-time positions	1’262	1’302	1’421	1’331	1’310
Invested capital (Net operating assets)	m. CHF	209.8	199.7	188.8	200.2	205.2
Net working capital	m. CHF	90.0	79.5	77.4	80.5	75.9
Tangible and intangible assets	m. CHF	119.9	120.2	111.4	119.7	129.3
Equity	m. CHF	119.6	113.0	104.5	98.6	91.2
As % of total assets	%	48.7	46.9	44.5	39.1	35.3
Net debt	m. CHF	69.3	69.5	63.1	85.5	98.1
Gearing (Ratio to equity)		0.58	0.61	0.60	0.87	1.08

Key figures of geographical segments

			H1 2012	H1 2011	H1 2010	H1 2009	H1 2008
Sales	Germany	m. CHF	86.5	88.7	102.5	102.0	111.3
Change relative to previous year		%	*– 2.4*	*– 13.5*	*0.4*	*– 8.3*	*16.2*
Organic		%	*2.9*	*– 2.1*	*5.3*	*– 2.2*	*18.1*
EBIT	Germany	m. CHF	7.4	11.0	14.4	11.7	10.5
As % of sales		%	8.5	12.4	14.0	11.5	9.4
Sales	Switzerland / Rest of Western Europe	m. CHF	59.8	62.5	65.6	66.8	65.6
Change relative to previous year		%	*– 4.3*	*– 4.7*	*– 1.8*	*1.8*	*44.4*
Organic		%	*– 2.9*	*1.5*	*– 0.1*	*6.6*	*10.7*
EBIT	Switzerland / Rest of Western Europe	m. CHF	4.3	5.2	5.3	5.3	5.1
As % of sales		%	7.1	8.4	8.0	7.9	7.8
Sales	Eastern Europe	m. CHF	18.1	19.0	27.9	24.1	25.2
Change relative to previous year		%	*– 4.8*	*– 32.1*	*15.9*	*– 4.4*	*20.7*
Organic		%	*5.5*	*6.8*	*14.1*	*13.9*	*12.8*
EBIT	Eastern Europe	m. CHF	0.7	0.4	1.2	0.5	– 0.5
As % of sales		%	4.0	2.1	4.2	1.9	– 2.1

Sales by customer segments / divisions

		H1 2012	H1 2011	H1 2010	H1 2009	H1 2008
Food Service	m. CHF	68.1	73.1	80.0	80.3	84.5
Change relative to previous yearr	%	*– 6.9*	*– 8.6*	*– 0.4*	*– 5.0*	*20.3*
Organic	%	*– 2.3*	*0.1*	*2.4*	*1.6*	*7.2*
Private Label	m. CHF	34.7	34.0	42.8	39.6	43.5
Change relative to previous year	%	*2.1*	*– 20.6*	*8.3*	*– 9.0*	*39.1*
Organic	%	*8.1*	*3.3*	*11.7*	*0.6*	*38.4*
Brand Solutions / Food Industry / Consumer Brands	m. CHF	61.6	63.0	73.1	73.0	74.1
Change relative to previous year	%	*– 2.3*	*– 13.8*	*0.2*	*– 1.5*	*22.3*
Organic	%	*1.1*	*– 1.4*	*3.0*	*5.1*	*12.7*

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Agenda

29.01.2013

- 07.30 a.m
  Media Release: Sales 2012

17.04.2013

07.30 a.m
Media Release: Annual Report 2012

- 10.30 a.m.
  Media/Analysts' Conference,
  Widder Hotel, Zurich

15.05.2013

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

20.08.2013

- 07.30 a.m
  Media Release: Half-Year Report 2013

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.

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