Hügli Holding AG

Media Release 17 April 2013, 7.30 a.m.

2012 was a year of transition for Hügli, bringing lower income but a positive outlook

- **Revenues in 2012 lower in local currencies by -0.6% in demanding environment**
- **Loss of gross margin due to increase in prices for raw materials weakens earnings**
- **EBIT margin of 6.6% lower than forecast target corridor of 7% to 8%**
- **2012 profits of CHF 15.0 million down 23% year-on-year**
- **Proposed disbursement of CHF 12.00 per share (previous year: CHF 15.50)**
- **Considerable sales growth of +10.9% to CHF 97.6 million year-on-year in first quarter of 2013**
- **Outlook 2013: Revenue growth of +10% and above-average EBIT growth**

Demanding underlying conditions on the European foodstuffs market
In the first half of 2012, Hügli was already confronted with a slowdown in sales growth, which culminated in an unexpectedly poor Q3, which was significantly lower than the previous year. However, the fourth quarter brought positive growth rates again, which means that we believe the downturn in summer to be a one-off factor. Revenue growth in local currency of -0.6% was due to the continued deterioration in the CHF exchange rate of -1.6% was mostly caused by the Euro (-2.2% year-on-year). The sales disclosed fell from CHF 332.0 million in the previous year to CHF 324.8 million in financial year 2012.
In Switzerland, the strong Franc left deep scars in our customers' order books. As a supplier, we had to accept their lower export sales. In the Euro zone, growth in demand was generally weak, which caused individual yet key providers to engage in more intense price competition. There are often opportunities to make purchases in this type of environment. Hügli used this type of purchase opportunity by acquiring the Vogeley Group's sales activities in Germany. This acquisition reinforces Hügli's already excellent position on the German Food Service market.
In the UK we are enjoying double-digit percentage growth, however with unsatisfactory profitability, which we are concertedly rectifying.
In Eastern Europe, the current situation is similar to that in the Euro zone, i.e., a mix of weak demand, insecure underlying government conditions and more intense price competition.

Varied growth in the sales divisions
Growth in the sales divisions was highly varied. Revenues with food retail in the Private Label division were up by +4.1% in local currency, and this growth was primarily driven by the sales organisations in Germany and the UK. Revenues with products for branded goods companies in the Brand Solutions division enjoyed even better growth, up 8.0%. We were able to further expand market shares, in particular in the Health & Nutrition segment in the UK, and we recorded a leap in sales. At the same time, sales of organic products to major organic food distribution companies using their brands enjoyed pleasing growth.

The year was negative in the Food Industry division, where some major customers in the foodstuffs industry cut their order quantities significantly as a result of their own sales problems, which led to sales falling by -9.2%.

The Consumer Brands division also lost -2.0% of its sales, and was impacted by the slumping natural food store market. On the other hand, the organic brands that we have successfully launched ("Natur Compagnie" and "Erntesegen") have continued their successful on-track growth that they have been enjoying for several years.

The Food Service division, which operates in eight countries, suffered a downturn in sales in local currency of -2.8%. The slump in sales had a particularly major impact in Italy as a result of the reorganisation of the sales structure. In addition, the changed underlying government conditions for institutional out-of-home catering (including school catering) in Eastern Europe also slowed further growth for the time being. The three largest sales countries, Germany, Switzerland and Austria have succeeded in recording slight growth on the whole despite a downturn in the markets for catering and the hotel sector.

Earnings depressed by increases in prices for raw materials

Germany is the largest segment and recorded slight sales growth in local currency of +1.0% (previous year: +1.2%). This reflects the continued demanding economic environment in the foodstuffs industry and the general cool-down on the markets. The EBIT margin fell from 10.6% in the previous year to 8.5%. This was primarily depressed by increases in the prices for raw materials, which we were only partially able to pass on as a result of the intense price competition.

In the country segment for Switzerland/Rest of Western Europe, where sales were down in local currency by -2.8%, in particular the massive slump in revenues in Italy depressed figures, whereas the UK once again recorded strong revenue growth. Switzerland suffered from the strong Franc, which impacted both exporting industrial customers as well as gastronomy in tourist regions. EBIT margin fell in all countries, mostly due to the lower gross margin, and totalled 5.0% on the whole, compared to 8.3% in the previous year.

The Eastern Europe segment suffered lower sales in the second half of the year as a result of the removal of major private label orders, which means that sales were -1.2% lower over the year as a whole. However, the EBIT margin increased from -0.2% to 2.9% as a result of excellent cost management. This is the first step on the path to constant profitability increases.

Downturn in operating results and profits

The Hügli Group's operating result (EBIT) fell in 2012 by -24.3% to CHF 21.5 million. More than half of this downturn in EBIT was due to the loss of gross margins, and also to the downturn in sales and negative exchange rate differences. This was the case although it was possible to further reduce personnel and other operating expenses in fiscal year 2012 as a result of consistent cost management.
The downturn in the EBIT margin to 6.6% is clearly lower than expectations and also lower than the long-term average of 8.0% recorded in the last ten years.
Consolidated profits fell correspondingly by -22.9% to CHF 15.0 million, which corresponds to a profit margin of 4.6%.

Continued solid financial ratios despite acquisition

Hügli acquired intangible assets on 1 January 2013 – namely brand rights, recipes and the sales operations of the Vogeley Group in Germany. Net debt increased from CHF 69.9 million in the previous year to CHF 86.8 million. Equity increased by CHF 5.8 million to CHF 125.5 million; however, the equity ratio fell as a result of the shift on the balance sheet from 50.5% in the previous year to a still very solid 48.0%. The temporary slight deterioration in financial indicators will improve again substantially in 2013 as a result of the forecast excellent cash flow situation.

Lower dividends

The Board of Directors is proposing a dividend of CHF 12.00 (previous year: CHF 15.50) to the General Meeting on 15 May 2013. This corresponds to a disbursement ratio of 38%. This disbursement rate, which is in excess of the long-term corridor of 25% to 30%, shows Hügli's confidence that it will be able to reinforce its earnings strength again in the coming years.

Outlook 2013:
Revenue growth of +10% and above-average EBIT growth

The first quarter 2013 with an organic growth of -0.2% was in line with forecast. Benefiting from a positive currency effect of +1.1%, total sales increased by +10.9% from CHF 88.0 million to 97.6 million. The Brand Solutions division again developed dynamically (organic increase +7.7%). At the same time, the Private Label (+1.0%) and Consumer Brands (+6.7%) divisions also recorded organic growth. The Food Industry division's key account business was further depressed (-8.7%). Nevertheless, it is expected to return to a growth path in the course of this year. Due to fewer sales days in Q1, the Food Service division fell year-on-year as expected (organic growth -3.4%). Including the acquisition, however, it grew by +20.7% in CHF.

Hügli enjoys an excellent position to avail of all of the opportunities that present themselves and to record profitable growth. This is the case even though the underlying economic conditions continue to be very demanding and the increasing savings efforts in European countries are also impacting our sales markets.

For 2013 as a whole, we are forecasting sales to grow by around +10% in total. Prices for raw materials have stabilised at a high level, and this fact, coupled with further advances in process optimisation and tight cost management form additional foundations to increase our earnings strength and to increase EBIT by a substantially above-average amount compared to sales.

Key financial indicators *in CHF million*	**2012**	**2011**	**Change**
Sales	324.8	332.0	-2.2%
EBITDA	33.6	39.8	-15.8%
as % of sales	10.3%	12.0%	
EBIT	21.5	28.5	-24.3%
as % of sales	6.6%	8.6%	
Net Group profit	15.0	19.5	-22.9%
as % of sales	4.6%	5.9%	
Cash flow from operations	23.6	25.8	-8.5%
Capital expenditure	13.8	20.7	-33.7%
	31 Dec. 2012	**31 Dec. 2011**	
Net operating assets	230.9	204.0	+13.2%
Equity	125.5	119.7	+4.8%
as % of total assets	48.0%	50.5%	
Net debt	86.8	69.9	+24.2%
Gearing	0.69	0.58	
Return on invest. capital ROIC	7.8%	10.6%	
Earnings per share (CHF)	31.18	40.51	-23.0%
Gross dividend (CHF)	12.00	15.50	-22.6%

Financial calendar

17 April 2013	7.30 a.m.	Media release: 2012 Annual Report 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
17 May 2013		Ex-dividend date
23 May 2013		Dividend payment (coupon no. 18)
20 August 2013	7.30 a.m.	Media release: 2013 Half-Year Report

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Hügli published its 2012 annual report at 7.30 am today online at:
http://ir.huegli.com/InvestorRelations/Medien/tabid/328/language/en-US/Default.aspx
Additional financial details and information on corporate governance and Hügli shares can be found at our Investor Relations website: http://ir.huegli.com
Hügli is listed on the SIX Swiss Stock Exchange (HUE / Security number 464795).

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 specialties. 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). More than 1'200 employees in 9 countries link Hügli directly with its customers, and generate annual sales of more than CHF 350 million.

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