Hügli Holding AG

Bleichestrasse 31
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Media Release 15 April 2010, 07.30 a.m.: Annual Report 2009

Satisfactory increase in income / Stronger organic sales growth

Hügli placed a clear emphasis on *increasing income* in 2009. The strong prior-year sales growth in 2008 (+16%) now also needed to be converted into clear growth in income. We can testify that we did a good job of doing exactly that, with a 17.0% increase in EBIT and a 19.6% rise in consolidated earnings. This is all the more satisfying because the underlying conditions were anything but straightforward, with a poor economic climate and increasingly unfavorable currency relations, with a strong Swiss franc and weak European currencies.
In the first quarter 2010, a particularly dynamic organic sales growth of +9.5% could be achieved. The continuing negative currency impact reduced the sales increase in CHF to +8.5%. For the financial year 2010 we expect an organic sales growth of +5% and a higher increase of EBIT.

The company is reporting **consolidated sales** of CHF 390.4 million for 2009, 2.6% lower than the prior year. However, it must be remembered here that a full -6.6% is attributable to negative currency effects. In spite of everything, growth of +4.0% was achieved in local currency, 0.4% of which is attributable to an acquisition effect. This leaves organic growth of +3.6% and a finding that all geographic group segments and all multinational sales divisions have finished the year with positive figures. Taking a five-year view, the average organic sales growth is +6.6% per year, including acquisitions in Swiss francs of +10.8%, despite all of the currency losses. These figures testify to Hügli's successful strategic positioning and dynamic operational implementation.

Among the **geographic segments**, **Germany** achieved an outstanding EBIT result in spite of lackluster consumer sentiment with a +15.0% increase to CHF 23.5 million, corresponding to 11.3% of sales. This was down to highly efficient production and strict cost control, but most of all was also attributable to a concentration on profitable sales areas and an avoidance of certain sales with too low margins. Nevertheless, sales were held just above last year's record level, which is a powerful testament to the operational strength of the sales divisions in Germany.

The **Switzerland and Rest of Western Europe** segment achieved strong sales growth of 5.1% in local currency. Our acquisitions in 2007 and 2008 of Ali-Big in Italy and Contract Foods in the UK – merged with Huegli UK in 2009 – continued to make good progress but did not yet reach the income targets set for them. The very important exports from Switzerland to the UK again suffered badly from the weak pound. The average currency loss of 15% on the Swiss franc over the year had a massive detrimental effect on income margins. Thanks to excellent results from the remaining areas of Hügli Switzerland, EBIT nevertheless rose slightly in the segment as a whole and reached our lower benchmark with 8.1% of sales.

With +16.8% in local currency, the **Eastern Europe** country segment recorded very successful sales, given the even more pronounced economic crisis there. However, measured in CHF the increase in sales was only 1.2%, due to the strong exchange loss of all Eastern European currencies against the Swiss franc. An aggravating factor was the fact that above all the Polish zloty, and also the Hungarian forint, lost value against the Czech koruna. Our sales and particularly the income from our exports from the Czech Republic production site to our subsidiaries in Hungary and Poland were adversely impacted as a result. Under the circumstances, we consider the EBIT rise of CHF 2 million as a good performance. The currency situation in Eastern Europe seems to have stabilised in the meantime, so that the good position and strong operating performance of this segment will also feed down positively into comprehensive income in the future.

Business growth, which was already positive during the first half, gathered momentum in the second half. Despite a 2.6% fall in sales attributable to currency effects – organic sales growth, on the other hand, rose from 2.7% in the first half to 4.1% in the second half – the **consolidated income statement** shows a very noticeable increase on the prior year in all absolute and percentage key indicators. EBIT rose by CHF 5.1 million to CHF 35.3 million (+17.0% on the prior year) and reached our internal benchmark with 9.0% of sales. Finally, despite a CHF 2.2 million higher tax burden, profits reached CHF 23.2 million, CHF 3.8 million or 19.6% higher than the previous year. In absolute figures, both are clear record results for Hügli. In this way, we managed to clearly surpass the additional year-on-year receipts of 10% announced in our half-yearly financial statements.

The assets side of our **consolidated balance sheet** reflects the vigorous investment activity in the company's fixed assets and the higher sales in November and December from debtors under current assets. Total assets therefore fell only slightly, in spite of weak foreign currencies, to CHF 249.8 million. Borrowing was reduced by 11.3% under equity and liabilities, however equity increased by 19.0% to CHF 105.8 million. At 42.3% of the balance sheet total, this underscores the solid financing of the Hügli Group.

Since 2004 Hügli has prepared its accounts according to the IFRS **accounting standard**. These regulations have become more and more complex and comprehensive, and will continue to do so in future, because IFRS is moving ever-closer to the US-GAAP standard. IFRS is therefore becoming inappropriate as the accounting standard for a company of our size due to the associated effort and expense, and also due to the ever-increasing level of detail of the reporting. For this reason we decided to switch to the Swiss GAAP FER standard in 2009, which also involved changing to the **Domestic Standard** on the Swiss 'SIX Swiss Exchange' stock exchange, as published in the media release of 24 July 2009. This decision puts us in good company with other well-known listed companies. Needless to say, this in no way limits the value of the information conveyed by our consolidated accounts and we will continue to broadly adhere to our existing reporting system. The consolidated 2008 balance sheet and income statement were restated, in other words were also prepared pursuant to Swiss GAAP FER, which means that both years can be compared.
The only relevant difference between IFRS and Swiss GAAP FER in our financial statements is the omission of goodwill capitalisation and its netting against equity. This figure is therefore reduced as at the end of 2009 by a net figure of CHF 26.9 million. It is all the more remarkable that our equity ratio nevertheless accounts for a full 42.3% of the balance sheet total, although under IFRS this figure would be 47.6%.
With regard to **dividends** we have stuck to our income-dependent dividend policy with a payout rate to shareholders of 25% to 30% of profits. Given the excellent consolidated results, the Board of Directors will propose a dividend of CHF 13.50 (prior

year: CHF 11.00) per bearer share to the General Meeting, which corresponds to 28% of profits per share.

A number of important changes were resolved for the **Board of Directors and corporate management**. Dr. Alexander Stoffel, who has held leading positions at Hügli since 1956, retires as President of the Board of Directors with effect from December 31, 2010. Provided he is reelected at the General Meeting on May 19, 2010, he will nevertheless remain a member of the Board. The Board of Directors appointed Dr. Jean Gérard Villot as its new president from January 1, 2011. At Hügli since 1990, from January 1, 2003 he worked very successfully as Dr. Alexander Stoffel's successor and led the group management as a Board of Directors delegate and CEO. Thomas Bodenmann was appointed new Chairman of the group's management and thus CEO of Hügli with effect from January 1, 2011. Bodenmann, who has been at Hügli since 1995, is a member of group management since 2001 and has also been very successful as head of the Food Service division and as the country manager for Switzerland and Austria. These appointments from within the ranks represent both renewal and continuity and put the best prerequisites in place for Hügli's continued growth.

How do we rate our **short- and medium-term business prospects?** We are confident overall. Hügli's strategy has also proven to be successful and resilient even when times are tough. With our four divisions we are active in customer segments showing strong medium and even long-term trends – out of home market (Food Service division), outsourcing for the food industry (Industrial Foods division), organic products (Health and Natural Food), private label for food retail (Private Label division). With our production facilities in Switzerland, Germany, Italy, the UK and the Czech Republic we are close to our markets and well-diversified across various currency regions. Most of all, everywhere we have employees who have proven themselves under difficult conditions and who are capable of successfully implementing our strategy at the operational level. For these reasons we can confirm our previous objective of organic sales growth of at least 5% in the medium term, with slightly higher earnings growth.
The underlying environment remains difficult for 2010. While the economy seems to be recovering more quickly than expected, unemployment remains high and is acting as a brake on consumption. The growth of the currencies relevant to our business remains a concern for us. The enormous national debt practically everywhere in Europe, and Switzerland's considerably better position in this regard ("in the land of the blind, the one-eyed man is king") is strengthening the Swiss franc and weakening the euro and the British pound. We anticipate that the Swiss National Bank, in line with its declared intention, will prevent our currency being too strongly revalued. A euro price below CHF 1.50 will hurt, while a price lower than CHF 1.45 will weaken Switzerland as a production location, and not only for us. On the positive side we can look to the low rate of inflation and the even more stable prices for raw materials on a higher level. Nonetheless, there could be increases here as early as the second half of the year.
Despite all of the uncertainty, given Hügli's potential, its growth in the second half of 2009 and initial results in the new financial year, we remain very positive for 2010. We expect an organic sales growth of +5% and a higher increase of EBIT and net profit.

Financial key figures *in million CHF*	**2009**	**2008***	**Variance**
Sales	390.4	400.8	-2.6%
EBITDA	46.1	41.1	+12.1%
as % of sales	11.8%	10.3%	
EBIT	35.3	30.2	+17.0%
as % of sales	9.0%	7.5%	
Net profit	23.2	19.4	+19.6%
as % of sales	5.9%	4.8%	
Cash flow from operations	33.9	26.1	+29.9%
Capital expenditure	15.0	11.0	+36.8%
	31.12.2009	**31.12.2008***	
Net operating assets	209.0	207.2	+0.9%
Equity	105.8	88.9	+19.0%
as % of total assets	42.3%	35.4%	
Net debt	86.8	95.6	-9.3%
Gearing	0.82	1.08	
Return on invest. capital ROIC	12.6%	10.9%	
Earnings per share (CHF)	48.44	40.55	+19.4%
Dividend (in CHF)	13.50	11.00	+22.7%

* 2008 restated according to Swiss GAAP FER for comparability

Agenda

15 April 2010	07:30 a.m.	Media Release: Annual Report 2009 / Sales Q1 2010
	10:30 a.m.	Media/Analysts' Conference, Widder Hotel, Zurich
19 May 2010	04:30 p.m.	Shareholders' Meeting, Seeparksaal, Arbon
21 May 2010		ex dividend date
27 May 2010		Dividend payment
13 August 2010	07:30 a.m.	Media Release: Half-Year Report 2010

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www.huegli.com
The Hügli Group is one of the leading European groups that operate in development, production and marketing of dry blends such as soups, sauces, bouillons, dry ready meals, desserts and functional foods. More than 1400 employees in 9 countries connect Hügli directly with the customers, and achieve annual sales of about CHF 400 million (GBP 250 million). Hügli is headquartered in Steinach, Switzerland and generates more than 85% of its sales outside of its home country.

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