Hügli Holding AG

Media Release 20 August 2014, 07.30 a.m.

Half-Year Report as at 30 June 2014

Hügli achieves significant earnings growth

- **Sales increase organically by +2.1% to CHF 185.0 million**
- **Gross margin stabilises, lean cost structures show positive effect**
- **EBIT climbs by +14.3% to CHF 16.0 million in H1 2014, EBIT margin: 8.7%**
- **Group net profit increases by +16.3% to CHF 11.7 million**
- **Outlook 2014: Organic sales growth at previous year's level (+2.4%), EBIT margin in the middle range of strategic target corridor of 8% - 9%**

Demanding European economic conditions affect most sales divisions

Hügli Group sales increased organically by +2.1%; they were depressed, however, by negative currency effects. Overall, sales grew by +1.5% to CHF 185.0 million, a result generated in Europe's slow food market that showed no growth in almost all of its segments. This applies in particular to sales on the out of home market of the largest division, Food Service. Only two small Eastern European sales countries were able to perform well in their markets and attain remarkable growth rates. The Food Service division increased organically overall by only +0.3% in the first half of the year. The Consumer Brands division’s business with products under Hügli’s owned brands temporarily suffered a drop of -1.1%.

The key accounts business of the Private Label division (retail food organisations) showed diverging developments across the various countries. All four Eastern European countries as well as the UK saw at least on top-line a perceptibly negative development due to non-executed customer orders. Nonetheless, new customers were won in Western Europe, generating considerable growth in the region. The division grew organically in the first half of the year by +1.4% for the time being and with a very good outlook on the second half.

After two difficult years, the Food Industry division succeeded in generating favourable growth rates of +3.1%. A particularly good sales development was recorded for seasonings for the food industry and dietary products.

The Brand Solutions division continued its dynamic sales growth with +10.2%. Products from organic farming again profited from a very high demand and clearly outperformed the market. With growth rates coming in at a high single digit percentage level, the European organic market constituted one of the few dynamic sales markets. Health & Nutrition, one of the newer segments, developed pleasingly with food supplements.

Positive earnings development in peripheral countries

The most important geographic segment Germany achieved organic sales growth of +3.3% to CHF 111.1 million, mainly generated by the Private Label and Brand Solutions divisions. Changes to the customer mix lowered the gross margin, which, along with rising personnel costs, depressed profitability. EBIT dropped by -5.2% to CHF 10.7 million, which nevertheless corresponds to a good 9.7% EBIT margin although standing below the previous year’s 10.5%.

The country segment Switzerland/Rest of Western Europe saw sales growth in local currencies of +1.2% overall. The restructuring of the production companies in the UK and Italy initiated the anticipated positive earnings trend and brought about significant EBIT increases. Switzerland also recorded a good capacity uptake and slightly improved its already good earnings level. This country segment’s overall EBIT increased by almost +90% to CHF 4.5 million. The EBIT margin climbed from 4.1% to 7.7%.

The segment Eastern Europe suffered from a considerable decline in sales, in particular sales to customers of the Private Label division. Nevertheless, an overall increase in production volume was achieved based on the good development of Food Service and the production activities for other Group companies. Rising from a low level, EBIT has doubled and gone from CHF 0.4 million to CHF 0.8 million. For 2014, this corresponds to an EBIT margin of 5.3%.

Over-proportional increase of Group EBIT and net profit

Gross margin stabilised at a level slightly above the previous year's value after a period of continuous increases of raw material prices which had lasted more than two years. Operating costs further decreased owing to lean management. In the first half of 2014, however, based on the currently good purchase order situation, staff resources were increased again by +3.9% to a total of 1'373 FTEs, mainly in production.

Group EBIT rose from CHF 14.0 million in the previous year to CHF 16.0 million, or by +14.3% respectively, in the first half of 2014. This corresponds to an EBIT margin of 8.7% compared to 7.7% in the previous year. Group net profit increased by +16.3% to CHF 11.7 million owing to the continuing decrease of interest expenses.

Robust balance sheet, continuously good cash flow

The solid consolidated balance sheet shows a further improved structure. While net current assets declined, non-current assets rose through investments in latest generation manufacturing plants.

Owing to the sustained good operating cash flow, and despite the expansion investments, net debt dropped by CHF -8.0 million to CHF 57.4 million. This corresponds to a net debt to EBITDA ratio (12 months rolling) of 1.3x, the lowest within the past ten years. Equity climbed further to CHF 139.9 million, corresponding to an equity ratio of 54.4% as at the end of June 2014.

Outlook – continued upswing

We anticipate sales growth to increase slightly in the second half of the year, and for the entire financial year 2014, an organic increase at the previous year's level (+2.4%). EBIT margin is expected in the middle range of the strategic target corridor of 8% - 9%.

We confirm our strategic growth objectives with mid-term sales growth of overall +5% annually based on organic growth and acquisitions rounding off the strategy.

Vote of thanks

We sincerely thank our customers, suppliers and business partners for their valuable cooperation, our employees for their great commitment and their ongoing effort in achieving the ambitious objectives, and our shareholders for the trust they put in us.

Key financial indicators *in million CHF*	**H1 2014**	**H1 2013**	**Variance**
Sales	185.0	182.4	+1.5%
EBITDA	22.9	20.8	+10.3%
in % of sales	12.4%	11.4%	
EBIT	16.0	14.0	+14.3%
in % of sales	8.7%	7.7%	
Net profit	11.7	10.0	+16.3%
in % of sales	6.3%	5.5%	
Cash flow from operating activities	24.4	25.0	-2.5%
Cash flow from investing activities	9.6	5.3	+80.9%
	30.06.2014	**31.12.2013**	
Net operating assets	218.1	220.7	-1.2%
Equity	139.9	136.9	+2.2%
in % of total assets	54.4%	53.4%	
Net debt	57.4	65.4	-12.2%
Net debt/EBITDA*	1.3x	1.5x	

* (12 months rolling)

Agenda

29 January 2015	07.30 a.m.	Media Release: Sales 2014
15 April 2015	07.30 a.m.	Media Release: Annual Report 2014, Sales Q1 2015
	10.30 a.m.	Media / Analysts' Conference, Widder Hotel, Zurich
20 May 2015	04.30 p.m.	Annual General Meeting, Seeparksaal, Arbon
19 August 2015	07.30 a.m.	Media Release: Half-Year Report 2015

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Hügli published the Half-Year Report 2014 today at 07.30 a.m. online at:
http://ir.huegli.com/en-us/investorrelations/reports.aspx
Further financial information, information on corporate governance and on the Hügli share listed on the SIX Swiss Exchange (HUE / security no. 464795) can be retrieved from our Investor Relations website:
http://ir.huegli.com/en-us/investorrelations.aspx

Hügli – one group, many teams, one goal
Hügli was founded in Switzerland in 1935. Today it is one of the leading European companies for the development, production and marketing of dry blends in the convenience segment such as soups, sauces, bouillons, ready to serve meals, desserts, functional food as well as Italian specialities. Hügli caters to the kitchens of the professional out of home market (Food Service), manufactures products for brand companies (Brand Solutions) as well as for food retailers (Private Label). With its flavour-adding semi-finished products, Hügli partners with food manufacturers (Food Industry) and sells own brands, mostly of organic quality, to consumers (Consumer Brands). More than 1'300 employees in 9 countries link Hügli directly with its customers, and generate annual sales of over CHF 370 million.
www.huegli.com