Annual Report 2017

Key Figures in brief

384.0

M. CHF **SALES**. DECREASE OF –0.3 % TO PREVIOUS YEAR.

40.8

M. CHF **EBITDA.** THAT CORRESPONDS TO AN EBITDA-MARGIN OF 10.6 %.

25.6

M. CHF **EBIT**. DECREASE OF –10.4 % TO PREVIOUS YEAR (28.6 M. CHF).

20.2

M. CHF **GROUP NET PROFIT**. DECREASE OF –9.2 % TO PREVIOUS YEAR.

184.7

M. CHF **SHARE-HOLDERS' EQUITY**. THAT CORRESPONDS TO AN EQUITY RATIO OF 57.8 %.

72.8

M. CHF **NET DEPT**. THE NET DEPT IN THE PREVIOUS YEAR AMOUNTED TO 75.4 M. CHF.

17.0

M. CHF **INVESTMENTS** IN A MODERN AND COMPETITIVE MACHINERY IN ALL SITES.

57'983

TONS OF TOP-QUALITY **FOOD** SOLD.

1'506

EMPLOYEES (FTES). THAT MEANS AN INCREASE OF 10 FTES TO 2016.

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, liquid warm and cold sauces, "like meat" specialities and vegetarian bread spreads. Hügli caters to the kitchens of the professional out of home market, manufactures products for brand companies, food industry as well as for food retailers. With its flavouradding semi-finished products, Hügli partners with food manufacturers and sells own brands, mostly of organic quality, to consumers.

Content

One Group. One Goal ••• The Hügli Group

STRATEGIC OBJECTIVES

Group

GROWTH ABOVE MARKET LEVEL/ OVER-PROPORTIONAL **INCREASE OF EBITDA.**

Countries

DEVELOPMENT OF EXISTING MARKETS/ EVALUATION OF FURTHER DISTRI-BUTION COUNTRIES.

Divisions

BALANCED **GROWTH** THROUGHOUT **ALL SALES DIVISIONS.**

CORE COMPETENCES

Markets

SELECTED PRODUCTS IN **NICHE MARKETS.**

Cus-tomers

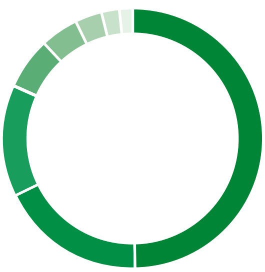
CUSTOMER-ORIENTED PRODUCTION AT SEV-EN LOCATIONS.

Employ-ees

MOTIVATING HÜGLI CULTURE: **THE EMPLOYEE AS ENTREPRENEUR.**

Personnel 2017

in %/Number of full-time positions



Germany	50 %	749
Eastern Europe	18 %	274
Switzerland	14 %	210
United Kingdom	6 %	94
Netherlands	5 %	71
Italy	3 %	50
Austria	3 %	37
Spain	1 %	21
Total:	**100 %**	**1’506**

OUR HISTORY

The principal firm was established in Arbon, Switzerland, in 1935 by the industrial entrepreneur Beat Stoffel. He was prompted by the future Group's name giver Otto Hügli, who was the company's first manager and a gifted product developer. The first steps of expansion took the firm in 1959 around Lake Constance to Hard in Austria and in 1964 to Radolfzell in Germany. Today, Hügli with its more than 900 employees is one of most important employers in the Lake Constance area. The expansion was taken further in 2000, when the Group acquired a new production site in Zásmuky, Czech Republic. From Zásmuky, Hügli has been developing the Group's sales and distribution business in other Eastern European countries, in Poland in 2002, in Slovakia in 2003 and in Hungary in 2005. Over the course of time, further geographical expansions occurred at the Southern foot of the Alps in Brivio, Italy, in 2007, and in 2008 in Redditch, in the heart of the United Kingdom, with specialised production sites at each location. As a result of an acquisition in 2015, Hügli took over a production site in La Vall d'Uixó in Spain and a sales organisation in Wellingborough, United Kingdom. In 2016, the Hügli Group acquired 80 % of the capital shares of Dutch Bresc B. V., Sleeuwijk as part of a successor solution. In the beginning of 2018, the Swiss Bell Food Group, one Europe's leading meat processing and convenience producing corporation, took over the majority of shares of Hügli Group. The Hügli Group is to be maintained as an independent corporate unit within the Bell Food Group.

OUR VISION

We want to work only in markets and production areas, in which we can excel in the performance of relevant services for our clients. The service to customers is the main focus of the thinking and conduct of all our employees.

OUR MISSION

Hügli specialises in the creative development and efficient production of foods in the convenience segment, primarily comprising of soups, sauces, bouillons, seasonings, instant meals, desserts and delicatessen. Sales and distribution concentrate on selected countries, in which Hügli can offer customers a higher quality than the competitors. A production located in the customers' vicinity and direct marketing addressed to professional customers form the core of the Group's strategy. Hügli aims to heighten the customer benefit with better products – and these are recognised not least by their flavour. It goes without saying that Hügli stands for the highest production quality, which is periodically confirmed through an external quality certification.

OUR OBJECTIVES

Hügli's strategy has a long-term focus on sustainable growth. The Group wants to grow over-proportionally and achieve sales growth of 5% including acquisitons on the long term. Company acquisitions round off the product line, and production technology, and serve the market development in a new country. The sale of own products is a main objective while the product line is supplemented with selected trade goods in line with customer needs. Growth is to be broadly achieved throughout all sales divisions. Hügli is committed to its economic and social responsibility towards its stakeholders – employees, business partners, shareholders and investors – and strives to achieve an adequate return on the invested capital through sustainable growth, continuous process improvement and consistent cost management. This is the best foundation for a steadily and solidly growing company that is rooted locally and active all across Europe.

OUR DIVISIONAL SALES AND DISTRIBUTION STRUCTURE

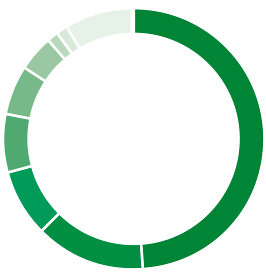
The Group consists of four specialised sales and distribution divisions which cater for differing customer needs.

Food Service

The largest division concentrates on the customer segments restaurants, hotels, canteens and similar institutions. Sales and distribution are effected through Hügli's sales offices. In this area of business depending on product segment and country Hügli is number 2 or 3 in Europe. A comprehensive sales organisation with over 250 vendors in 9 countries reaches more than 40'000 customers directly. Outstanding own products are combined with selected trade specialities, with which Hügli can supply customers with a well-balanced product line for a high standard cuisine.

Sales based on location of customers 2017

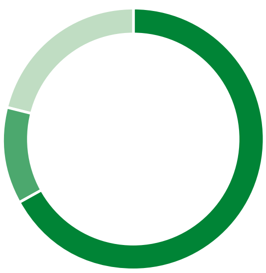
in %



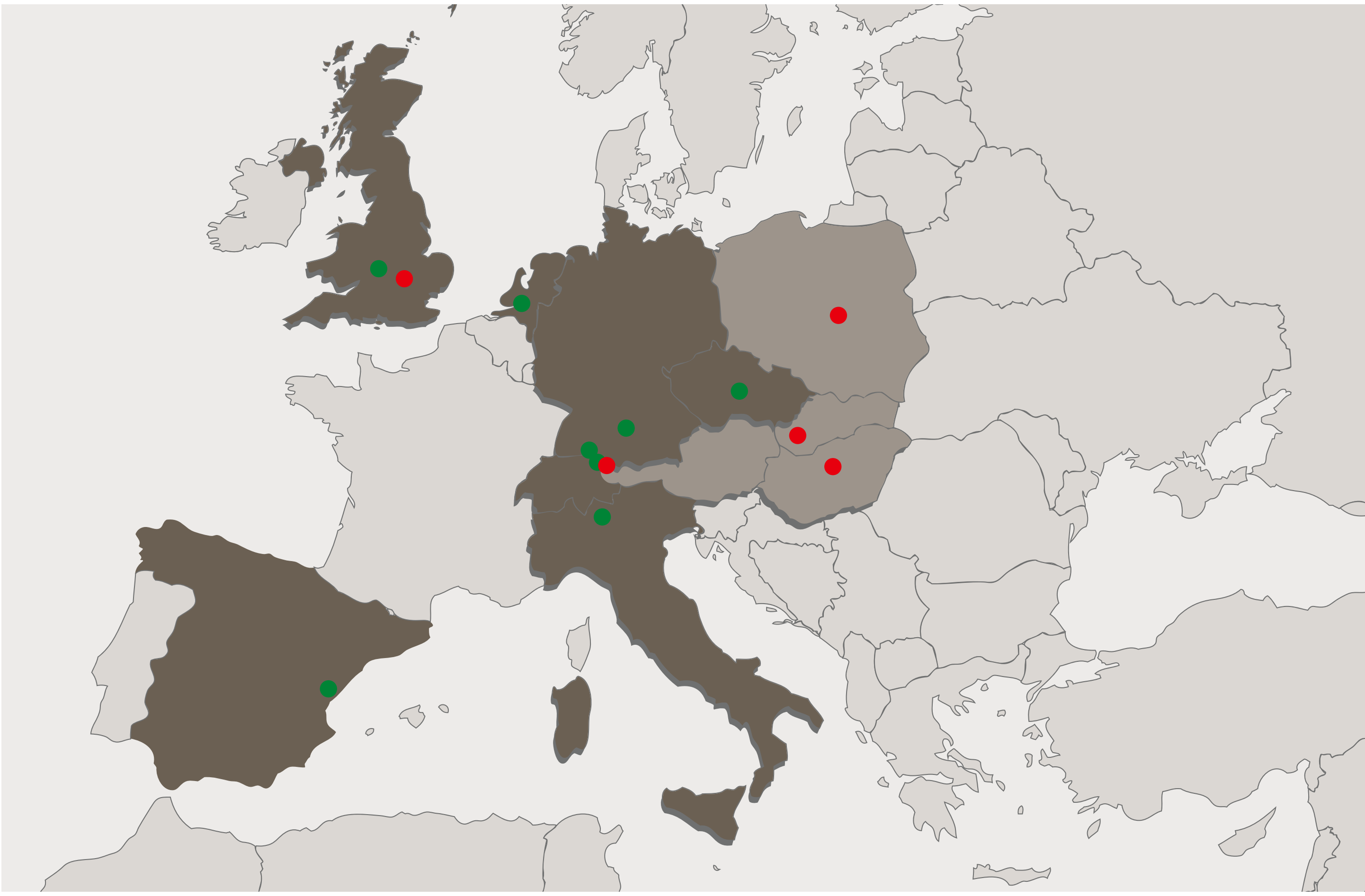
Germany	**49%**
Switzerland	**14%**
United Kingdom	**8%**
Eastern Europe	**7%**
Austria	**6%**
Netherlands	**5%**
Italy	**2%**
Spain	**1%**
Others	**8%**

Product groups 2017

in %



Dry blend products (dehydrated)	**67%**
Ready to Eat/ Ready to Use products (hydrated)	**12%**
Trading goods	**21%**



WELL POSITIONED IN EUROPE

Production sites
- Switzerland – sites Steinach and St. Gallen
- Germany – sites Radolfzell (2), Neuburg/Kammel and Ulm
- United Kingdom – site Redditch
- Italy – site Brivio
- Czech Republic – site Zásmuky
- Spain – site La Vall d'Uixó
- Netherlands – site Sleeuwijk

Sales companies
- Austria – Hard
- Slovakia – Trnava
- Poland – Lodz
- Hungary – Budapest
- United Kingdom – Wellingborough

Customer Solutions

The Customer Solutions division aggregates the group's key account business, is one of the largest Private Label producer of finished dry meals in Europe and manufactures retail packs for several leading companies of the retail food trade (LEH) under their own brands. The division produces consumer packs for marketing and sales organisations under their own brands, apart from the Hügli core product line also in the domain of dressings, liquid sauces, slimming and dietary products as well as sports nutrition. In addition to the manufacturing of brand products ready for sale, customers profit from a comprehensive range of product related services in culinary expertise, trends and technology.

Consumer Brands

The Consumer Brands Division sells Hügli's own brands such as Heirler, Cenovis, Natur Compagnie, Erntesegen, EDEN or granoVita to health food stores, natural food stores, as well as to the food retail trade. The product line comprises of products manufactured by Hügli within the product groups of soups, sauces, bouillons, seasonings and ready-to-serve meals, as well as a range of merchandise consisting mainly of dairy products, oils and delicatessen articles, mostly of organic quality. The Tellofix and Oscho brands are sold via various distribution channels directly to end customers.

Food Ingredients

The Food Ingredients Division supplies a large number of well-known customers of the food processing industry with semi-finished products and in the sense of outsourcing as well as with consumer packages. In the offered product segments of compounds, flavours and snack seasonings customers profit from Hügli's extensive know-how and innovative product development. The shortest possible reaction time and high flexibility are a must for our customers. Hügli Food Ingredients does not sell products only, it also sells solutions.

IN MEMORY OF DR ALEXANDER STOFFEL (†)

Success stories always have strong roots, and in some cases these form the basis for successful corporate growth over the course of several decades. Over the years these roots can fade into the background or even be perceived as being a matter of course - and the latter was the case for Hügli's employees. Hügli's history goes hand in hand with Dr Alexander Stoffel - they formed a successful symbiosis for more than half a century. Alexander Stoffel joined Hügli Schweiz in 1957 as the managing director of the family-run company formed in 1935. He held almost all of the executive positions with the company during his career with Hügli, and was Hügli Group's CEO through to 2004 and chairman of its Board of Directors until 2010. Being a responsible entrepreneur he then resigned from all of his executive positions, however he continued to be a highly dedicated member of the Board of the Directors and the Hügli Group's majority shareholder, supporting the company's successful growth. Even though he often abstained during voting, we were able to share his experience and, in particular, his independent mindset, which always cast light on the respective issues from different angles.
Driving forces in Alexander Stoffel's management of the company were his beliefs and views of people in the challenging world of business. In the mid-1960s he put people into focus in Hügli's mission statement, which still applies today. In so doing, he set out some of his central values, such as:

- The primary task for every manager is to create the best possible conditions for their employees to perform with excellence. This includes, in particular, undertaking not to focus on the employee's weaknesses, but to find out their strengths and to promote and use these.
- It is better to be disappointed with too much trust than to distrust without reason
- We want enabled, motivated and satisfied employees. Reaching this objective guarantees our economic success and also makes a key contribution in terms of social policy.

For Alexander Stoffel these weren't just words on a sheet of paper that you need to have for a good mission statement - he lived these values. His mindset always focused on the employees as the most important part of the company. He regarded the employees as being entrepreneurs, strived to motivate them and placed his trust in them.
Alexander Stoffel will continue to be a major role model for us, and we will look back with pleasure on our friendly encounters with him. His values will continue to live on in our company. The long-term welfare of both Hügli and its employees was always of great importance to Dr Stoffel, and we will continue to pursue this objective.

Income grows in second half of 2017, partially compensating for shortfall

- 2017 revenues at previous year's level at CHF 384 million
- Moving out of the trough in Q4 2017 with positive dynamism
- One-off start-up costs for new production lines in Germany
- Lower operating costs partially compensate for lower gross profits
- EBITDA in 2017 down slightly by CHF 2.0 million to CHF 40.8 million, however with positive earnings growth of +5.7 % in H2
- Consolidated profits of CHF 20.2 million result in attractive profit margin of 5.3 %
- Unchanged solid balance sheet and growing free cash flow

DEAR READERS,

Key account business slowed temporarily, growth in second half of year

The organic revenue growth during the course of 2017 was impacted to a material extent by temporary lower revenues with some key accounts for whom deliveries have increased again since the autumn of 2017. Revenues in local currency per quarter show the positive sales growth in fiscal year 2017, which was reinforced by the regained key account business: Q1: –3.7 %, Q2: –3.2 %, Q3: –1.3 %, Q4: +1.6 %. This resulted in an overall organic revenue downturn of –1.7 % in 2017. Disclosed revenues amounted to CHF 384.0 million, also due to a positive currency translation effect of +1.4 %, and were thus at practically the previous year's level (CHF 385.2 million). This means the revenue shortfall from the first half of the year was almost fully compensated for. At an EBITDA level, we again recorded growth of +5.7 % in the second half of 2017, which was not able to totally compensate for the major shortfall in the first six months of –12.7 %.

Germany depressed by one-off expenses, EAST segment enjoys upswing

Revenue growth in 2017 was weak on the whole in Germany, the largest country segment, where revenues in local currency fell by –3.0 %. However, this is due to the lower first six months (–5.4 %), while the regained key account business again led to very positive growth from the fourth quarter. Despite excellent cost management with lower operating cost it was not possible to maintain the former profitability due to the nonrecurring start-up costs for the new production lines. The EBITDA margin on total revenues fell from 8.6 % in the previous year to 8.2 % in 2017. A new production standard for the future was set when one of the most state-of-the-art production lines for dry blended products went live in Radolfzell in September 2017. This investment of CHF 35 million substantially increased capacity, cut unit costs and meets the very highest quality requirements.

Organic revenues in the country segment Switzerland/Rest of Western Europe were at the prior year's level on the whole. Holland, Spain and Austria made positive contributions, however Switzerland recorded lower sales due to the continued downturn in the gastronomy sector. The EBITDA margin on total revenues in this segment fell from 12.0 % in the previous year to 10.8 % in 2017.

The Eastern Europe segment continued to enjoy pleasing growth (EAST: Czech Republic, Slovakia, Poland, Hungary) with organic revenue growth of +1.8 %. The better capacity uptake recorded as a result, together with the only slight increase in operating costs led to a substantial increase in EBITDA and an increase in the EBITDA margin on total revenues increased from 10.5 % to 11.6 %.

Thomas Bodenmann, CEO (left) and Dr Jean Gérard Villot, Chairman of the Board of Directors (right)

Gross margin stable, lower operating costs

The organic gross margin was at the previous year's level on the whole. The effect from the mix with a lower proportion of merchandise and individual price increases had a positive impact, however the slight increase in the price of raw materials had a negative impact. The Group succeeded in cutting its operating costs to below the previous year's level. Personnel expenses increased slightly by +0.5 % after adjustment for currency translation. This was impacted by overtime in production due to the new production lines going live and salary increases under collective agreements in Germany. However, other operating expenses fell significantly after adjustment for currency translation, in particular with regard to marketing, IT and administration expenses. Extraordinary expenses were also incurred in 2017. This relates to project expenses, in particular for legal advice, for the public purchase offer by Bell Food Group. On the whole, consolidated profits fell by CHF –2.1 million to CHF 20.2 million. The profit margin is thus 5.3 % of revenues.

Unchanged solid balance sheet, excellent equity ratio, higher free cash flow

The consolidated balance sheet does not show any material organic changes, however it does include a positive currency translation effect of +8 % due to the substantial increase in exchange rates on the balance sheet date. The equity ratio recorded an excellent increase from 53.7 % in the previous year to 57.8 % at the end of 2017. The debt factor (net debt/EBITDA) remained constant at 1.8. The return on equity totaled 12.1 % in 2017. Despite the lower cash flow from operating activities, the substantially lower level of capital expenditure meant that the free cash flow increased in fiscal year 2017 to CHF 13.4 million.

General meeting on 16 May 2018

The Ordinary General Meeting will be held on 16 May 2018. All holders of Hügli shares can participate at the general meeting and have voting rights, irrespective of whether they have already vested their shares to Bell Food Group.

The previous members of the Board of Directors are standing for re-election through to execution of the public purchase offer, which is expected to be on 25 May 2018. The former members, with the exception of the bearer shareholder representative, will resign when the public purchase offer is executed. The bearer shareholder representative will resign after execution of the court annulment (squeeze-out suit) or the deletion of the company as a result of the cash compensation merger (squeeze-out merger) or the absorption merger (Bell merger). Three representatives of the majority shareholder Bell Food Group have been proposed as new members of the Board of Directors: Hansueli Loosli, Lorenz Wyss and Marco Tschanz. Bell Food Group AG currently holds more than 67 % of voting rights.

The purchase price of CHF 915 offered per bearer share already includes the dividend, and as a result no dividend payment will be applied for at the General Meeting. Bell Food Group intends to delist Hügli's shares from SIX Swiss Exchange if it controls more than 75 % of voting rights in Hügli.

Steinach, March 2018

Dr Jean Gérard Villot
Chairman of the Board of Directors

Thomas Bodenmann
CEO, President of the Group Executive Management

Many Teams ••• Divisions and Production

160

m. CHF **Sales**
Division
Food Service

139

m. CHF **Sales**
Division
Customer Solutions

54

m. CHF **Sales**
Division
Consumer Brands

31

m. CHF **Sales**
Division **Food Ingredients**

Division Food Service

40’000

Customers such as Restaurants/ Hotels/Canteens/ hospitals/ Caterer

MARKET PRESENCE

under the brands **Hügli, Supro, Tutto Gusto, Vogeley**

SALES ORGANISATION

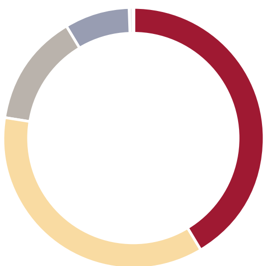
To **bulk consumers** and customers in **gastronomy**

OWN PRODUCTS

and **trading goods** as completion

Share of sales 2017

in million CHF

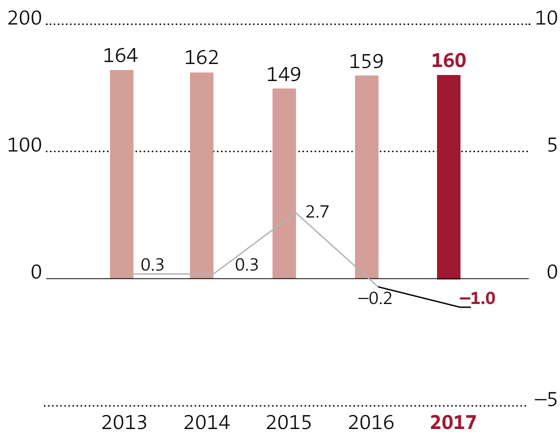


Food Service	**159.9**
Customer Solutions	139.0
Consumer Brands	53.9
Food Ingredients	30.8
Others	0.4

Development of sales/ organic growth 2013–2017

in million CHF/in %

(Development of sales/—organic growth)



THE FOOD SERVICE DIVISION EXCLUSIVELY SERVES THE 'OUT OF HOME' MARKET. OUR CUSTOMER SEGMENTS HERE INCLUDE GASTRONOMY, CANTEENS, HOSPITALS, INSTITUTES AND INSTITUTIONS, CATERERS, THE ARMED FORCES AND OTHERS. IN ADDITION TO OUR CORE PRODUCT LINES OF SAUCES, BOUILLONS AND SOUPS, WE ALSO OFFER OUR CUSTOMERS ADDITIONAL PRODUCTS FROM OUR OWN PRODUCTION INCLUDING DESSERTS, BASIC PRODUCTS, DRESSINGS AND ITALIAN SPECIALITIES. WE HAVE ALSO STRENGTHENED OUR PRODUCT PORTFOLIO IN THE VARIOUS COUNTRIES WITH SELECTED EXCLUSIVE AND COMMERCIAL PRODUCT RANGES.

Manfred Jablowski
Head of Food Service/
Member of the Group
Executive Management

Extraordinary factors and a market in transition

The Food Service market is increasingly being driven by consumers' changing nutritional habits. This can be seen, in particular, in the shift in business from traditional channels, such as restaurants, canteens and the well-known fast food formats through to fast casual concepts, as well bakeries and to-go formats. A further challenge for the entire industry is the increasing lack of specialist staff, which is making itself felt in kitchens in particular, and which is thus also having a significant impact on our activities, facing us with new challenges. However, at the same time, this constitutes a forward-looking opportunity.

In Germany we recorded one extraordinary factor, as we lost a major customer. This led to us not being able to reach our revenue targets. We were able to successfully implement our objective of sustainably improving earnings once again this year. We were not able to reach our revenue target in Switzerland once again, as business with our hotel and restaurant customers is suffering due to the strong Swiss Franc and we lost some of our sales team employees due to old age. In Austria we recorded positive revenue growth, and our profitability also increased at the same time.

We attained our sales and earnings targets in all of the EAST countries (Czech Republic, Slovakia, Hungary, Poland), and in some cases we even surpassed these targets. In particular the launch of our new ready-to-eat products has allowed us to acquire new customers and penetrate new market segments. In addition the high stability in our sales team had a very positive impact on our traditional business.

We also succeeded in surpassing our targets in our ITEX cluster (Italy and export). We recorded a particularly fast pace of growth in our export business, driven by the launch of new products for our regular customers, and also by focussing on markets in which we have been able to record initial successes.

New perspectives

We have opened the door to new customer segments with the launch of our ready to eat range, and were already able to acquire several new customers in 2017. We have put a series of activities in place to further develop this segment, and want to offer our customers new solutions, in particular in view of the lack of specialist staff. In addition we are planning to develop additional new market segments. We believe that there is further growth potential in strategic alliances with companies which belong to our new owner, Bell Food Group.

Division Customer Solutions

139

M. CHF **sales** in 2017

IN 30

countries Hügli Customer Solutions products are **available**

300

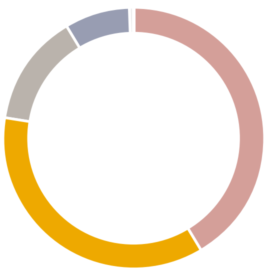
mostly **long-standing customers** are **served** by Customer Solutions

1 CLEAR TASK

We want to **solve** the **problems** of our customers

Share of sales 2017

in million CHF



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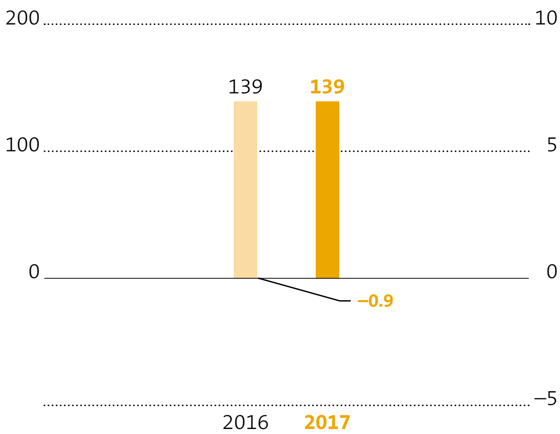


THE CUSTOMER SOLUTIONS DIVISION SUPPLIES RETAIL ORGANISATIONS, BRAND OWNERS AND FOOD PRODUCERS THROUGHOUT THE WHOLE OF EUROPE WITH TOP-QUALITY PRODUCT RANGES IN CONSUMER PACKAGING. THE PRIVATE LABEL CUSTOMER'S SPECIFIC COMPETITIVE SITUATION AND HIS STRATEGIC ORIENTATION DEFINE WHAT IS, AT THE END OF THE DAY, A CUSTOMISED PRODUCT RANGE. THIS IS REALISED BY USING OUR DEVELOPMENT EXPERTISE, OUR END-TO-END KNOWLEDGE OF THE MARKET AND OUR DIVISION'S IN-DEPTH UNDERSTANDING OF THE MARKET. THE CUSTOMER SOLUTIONS DIVISION USES THE HÜGLI GROUP'S EXTENSIVE EXPERTISE IN DRIED PRODUCTS TO CREATE INDIVIDUAL SOLUTIONS IN THE LARGER SEGMENTS SUCH AS SOUPS, SAUCES, BOUILLONS, MIXES AND OVEN-READY MEALS. IN ADDITION, THE DIVISION HAS ALSO BECOME ESTABLISHED IN THE WET PRODUCTS SECTOR, AND SAUCES IN PARTICULAR, AS A FLEXIBLE AND RELIABLE PARTNER FOR THE EUROPEAN RETAIL TRADE, AND NOW SUPPLIES CUSTOMERS THROUGHOUT EUROPE, FROM SWEDEN TO BULGARIA.

Jörg Meyer
Head of Customer Solutions/Member of the Group Executive Management

Ambitious targets not met

In its first year after the merger of the Private Label Retail and Brand Solutions/Food Manufacturer divisons the Customer Solutions division was not able to reach its ambitious revenue targets in 2017. Lower revenues from two major clients had a negative impact on growth, causing earnings to be at just around the previous year's level.

After adjustment for these two clients the division recorded clear growth – allowing it to acquire significant market shares in market segments which show a declining trend. The division made advances, in particular with regard to reaching its strategic objectives. The market position in France was expanded substantially, we recorded double-digit growth in the Dutch retail segment, and although one of the customers referred to above is a Health & Nutrition client, Customer Solutions also grew in this key product category.

In addition to this mixture of positive and negative developments, 2017 was characterised by the merger of what had until then been two separate organisations. In particular our Customer Solutions organisation, based in Radolfzell, was restructured in 2017. Small business units work as teams to process the customers allocated to them, and they are supported by both the newly created Marketing organisation as well as the new Project & Services department, allowing the teams to fully focus on customer business.

Synergy potential

It is now clear to see the synergy potential released by merging two divisions and the successful change to our organisational structure. We have boosted our efficiency and combined specific knowledge which we can now contribute to our work with all of our key accounts – and this has brought with it major advantages, not only for our customers. It has resulted in a wide variety of new opportunities which will lead to further growth coupled with lower costs.

Division Consumer Brands

53.9

M. CHF **sales** in 2017

BRANDS

EDEN, granoVita, Natur Compagnie, Heirler, Cenovis, Erntesegen, Tellofix and **Oscho**

MARKETS

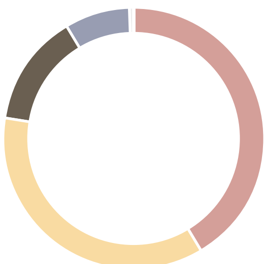
natural food stores, **organic food stores**, **retail trade organisations**, direct sales

ANSWERS TO NUTRITION TRENDS

"Free From" products, substitutes to meat products, mostly of **organic quality**

Share of sales 2017

in million CHF



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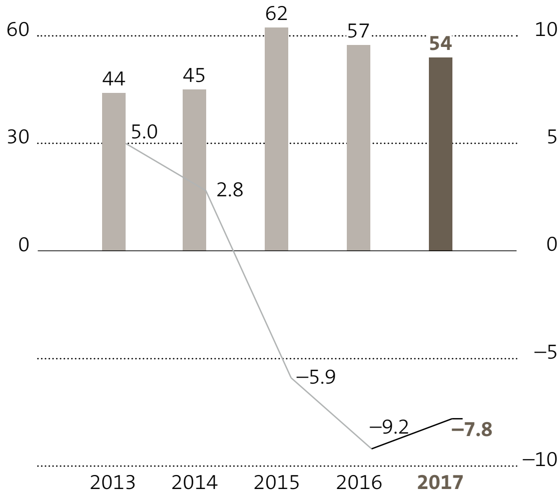


THE CONSUMER BRANDS DIVISION SELLS OUR END-CONSUMER BRANDS VIA VARIOUS SALES CHANNELS IN EUROPE, FOCUSING ON GERMANY. WE MOSTLY SERVE THE SPECIALIST TRADE SEGMENT WITH BRANDS SUCH AS EDEN AND GRANOVITA IN THE REFORMHAUS CHAIN, AND ERNTESEGEN AND NATUR COMPAGNIE IN ORGANIC STORES. WE ARE ALSO INCREASINGLY DISTRIBUTING OUR PRODUCTS IN TRADITIONAL GROCERY STORES, FOR EXAMPLE WITH OUR HEIRLER AND CENOVIS BRANDS. THE TELLOFIX AND OSCHO BRANDS HOLD A SPECIAL POSITION – THESE ARE MOSTLY OFFERED VIA DIRECT-SALES MERCHANTS AND ALSO VIA MAIL ORDER.

Frank von Glan
Head of Consumer Brands/Member of the Group Executive Management

Stable gross margin despite lower revenues

The Consumer Brands division recorded a –7.8 % reduction in revenues in 2017. This downturn totaled –9.2 % in 2016, which shows that it has slowed slightly. This is particularly visible in the second half of the year and in particular in Germany, a major region for this division's business. Our significantly improved product range means that our absolute gross margin has remained stable, as forecast, and we were also able to increase our profitability. As was also the case in the previous year the revenue problems were exclusively in the retail goods sector. In contrast, own production has increased, in particular for dry mixed products.

Market dynamism makes growth more difficult

The market for organic and healthfood products has undergone a significant change in Germany, our largest market. Organic products are continuing to enjoy strong growth, however as a result of the substantial increase in their availability, for example in drug stores and in the retail trade, coupled with a tendency to go shopping less frequently, the pace of growth in the specialist retail sector is falling. The natural food store channel is key for our sales, and this segment is falling slightly, for foodstuffs even substantially, and organic and healthfood stores are stagnating. In contrast, sales of organic goods are increasing significantly in drug stores and in the retail trade.

Market with light and shade

The pace of growth on the German market is having an negative impact in particular on our traditional natural food store brands EDEN and granoVita. In addition the Heirler brand is continuing to suffer from the pressure from competition for replacement meat products from conventional providers. On the positive side, the profitable brands in the dry mixed goods segment Tellofix and Cenovis are highly profitable. They were both able to compensate for losses in their traditional sales channels with growth in the retail trade. We have thus reached our target of growing with our brand business outside the specialist trade. Natur Compagnie is growing with well-accepted new products in the healthfood sector and, in particular, in companies outside Germany. Brexit-related insecurities and cost increases have slowed our business in the UK. In total, we were thus not able to achieve our strategic objective of increasing the proportion of our sales recorded outside Germany.

Outlook: Focus on strategic brands

The last few years have been characterised by integrating the EDEN/granoVita acquisition, and in 2017 we dealt in detail with our brand positioning. In 2018 we will reposition our strategic brands EDEN, granoVita, Natur Compagnie, Tellofix and Cenovis, in some cases totally, we will hone the profile for some of these brands, and they will all be positioned closer to consumer issues and implemented more consistently on the market. We believe that this will boost revenues substantially over the medium term.

Division Food Ingredients

3.3
Percentage **organic growth** in 2017

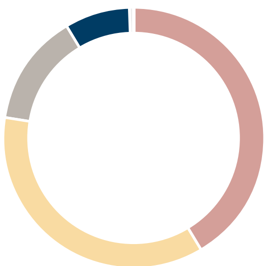
30.8
M. CHF **sales** in 2017

CUSTOMER GROUPS
global groups in the **foodstuffs industry**/small and medium-sized manufacturers

OUT-SOURCING SERVICES
Reliable partner for **outsourced mixing services**

Share of sales 2017

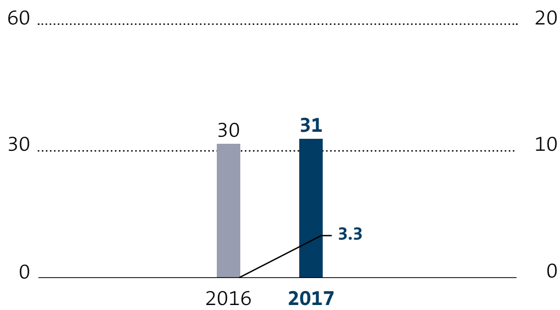
in million CHF



Food Service	159.9
Customer Solutions	139.0
Consumer Brands	53.9
Food Ingredients	**30.8**
Others	0.4

Development of sales/ organic growth 2016–2017

in million CHF/in %
(● Development of sales/—organic growth)



CUSTOMERS IN THE FOOD INGREDIENTS DIVISION ARE GLOBAL GROUPS IN THE FOODSTUFFS INDUSTRY AS WELL AS SMALL AND MEDIUM-SIZED MANUFACTURERS IN OUR INDUSTRY. WE SUPPLY OUR CLIENTS WITH TOP-QUALITY FLAVOUR ENHANCING AND FUNCTIONAL COMPONENTS FOR FURTHER PROCESSING (INGREDIENTS) AND ARE A RELIABLE PARTNER FOR OUTSOURCING BLENDING WORK.

Endrik Dallmann
Head of Food Ingredients/ Member of the Group Executive Management

The Food Ingredients division was able to continue the excellent growth it recorded in the previous year, growing by +3.3 % in 2017.

Snack Seasonings

We are particularly pleased that the strategic impetus in the Snack Seasonings product group has once again contributed to this growth, in particular on the largest European snack market in the United Kingdom.

Hügli's expertise

Our customers always benefit from the Hügli Group's broad expertise in dry mixes and the liquid products we offer such as sauces, dressings and marinades. We ourselves use a wide variety of ingredients that we supply, which means that we know exactly what we're talking about. In addition, our Food Service division means that we have very extensive culinary expertise, which our industrial clients always benefit from.

In the snacks segment the largest growth trend in Europe is currently healthy snacks, and here too we can quickly and competently provide innovative product ideas with our seasonings thanks to our experts' excellent specialist health and nutrition expertise in development and quality management.

We blend it

Our new, digitalised blending plant in Radolfzell has successfully been taken into operation, making Hügli the quality and cost leader for outsourcing projects in the foodstuffs industry. We develop and blend our customers' products quickly, efficiently and with excellent quality thanks to our superior quality standards.

The Food Ingredients division is thus even better positioned for our customers than ever before.

State-of-the-art blending technology

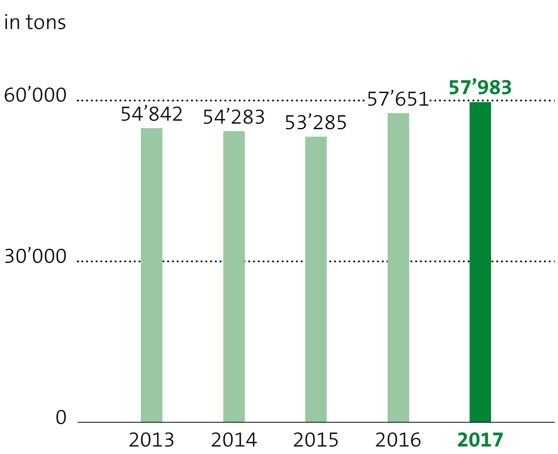
NEW BLENDING PLANT IN RADOLFZELL (GERMANY) WITH INTEGRATED AUTOMATED HIGH-BAY WAREHOUSE SUCCESSFULLY GOES LIVE.
NEW PLANT IN SLEEUWIJK (NETHERLANDS) UNDER CONSTRUCTION. FURTHER IMPROVEMENTS TO EFFICIENCY THANKS TO THE OPTIMISATION OF AND COOPERATION BETWEEN THE POWDER FACILITIES. STRONG GROWTH IN LIQUID CONVENIENCE PRODUCTS AT OUR PLANT IN BRIVIO (ITALY).

Dirk Balzer
Head of Operations/
Member of the Group Executive Management

Putting into operations new blending plant

The majority of production at our facility in Radolfzell is now in the state-of-the-art Plant 2, a good nine months after the start of production at our new production plant. Taking this plant into operation was difficult in some respects at the start, but has now mostly been completed. Further optimisation work is now planned for the coming six months, and these will boost performance substantially. We believe that this investment is thus already a successfully implemented milestone in Hügli's history, which makes us fit for the future in the powder business and also perfectly meets the current quality requirements in addition to providing the requisite capacity.
Together with the blending plant in Zásmuky (CZ) that was renovated in 2016, Radolfzell forms the perfect partner for producing top quality blended products both efficiently and cost effectively in Europe. Traditional culinary products will continue to be an important feature, and increasingly also functional products such as compounds for downstream processing industries and also for the health and nutrition segment (slimming, etc.).

Tons sold 2013–2017



New facility in the Netherlands

The organisational structure was reworked in 2017 to reinforce innovations in the high-growth sector for liquid convenience products, and this is also having the desired impact. After constant growth at our facility for liquid, long-life convenience products in Brivio, we have penetrated a final capacity reserve there after increasing staff numbers. We are thus planning to accelerate production in 2018 by making further investments in cooking and filling lines. We are building a new facility with 4'000m² of production area for chilled products in Sleeuwijk (The Netherlands) which is scheduled to go live in Q4 2018. Our production there, which is currently housed in several rented premises, will be merged. As a result, we are laying the foundations for further growth and efficient production processes at Hügli's newest production location.

17.0

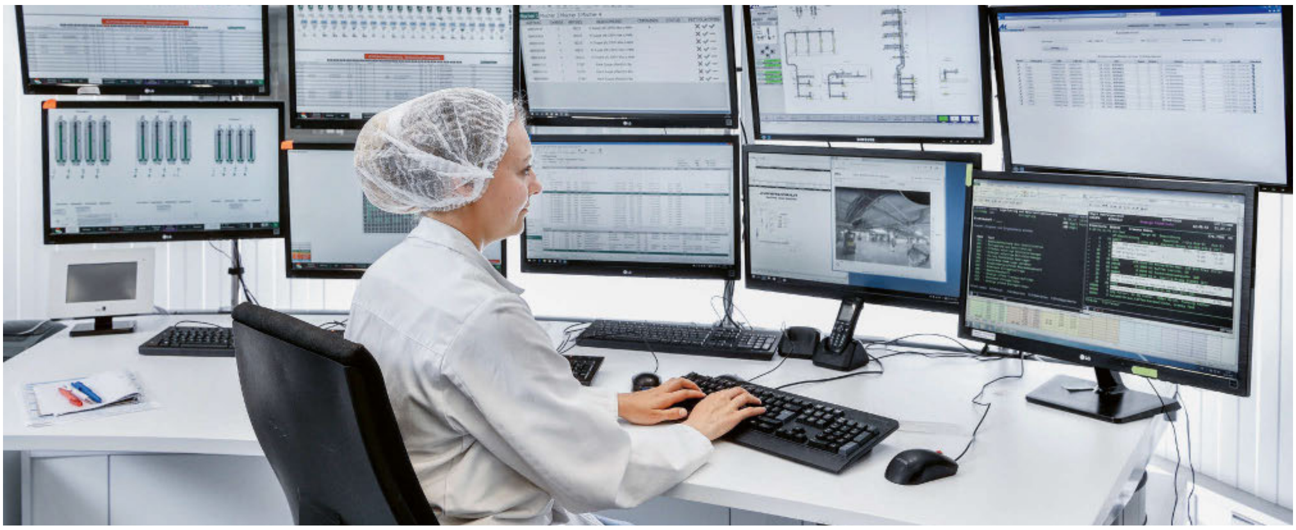
M. CHF **INVESTMENTS** IN A MODERN AND COMPETITIVE MACHINERY IN ALL SITES.

57'983

TONS OF TOP-QUALITY **FOOD** SOLD.

NEW TECHNOLOGY

BUNDLING DEVELOPMENT RESOURCES FOR **NEW TECHNOLOGY**. EXPANDED TECHNOLOGY IN **"LIQUID AND MEAT SUBSTITUTE"**.



Business development of the Segments

SEGMENT GERMANY

The Germany segment comprises the Group's largest production site in Radolfzell with Plants 1 and 2, the production location Neuburg an der Kammel and its facility in Ulm.

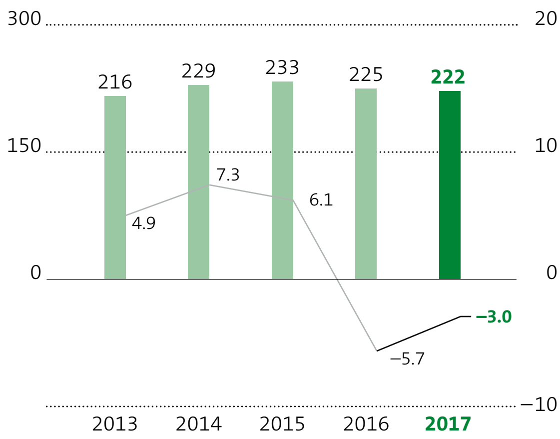
>> see page 60/Segment Reporting

Business Development Germany

	Unit	2017	2016	Variance in %
Sales	m. CHF	222.3	224.7	–1.1
EBITDA	m. CHF	19.0	19.9	–4.1
EBITDA margin (total)	%	8.2	8.6	
Number of employees (full-time positions)	FTE	749	733	2.2
Investments	m. CHF	8.2	23.8	–65.8

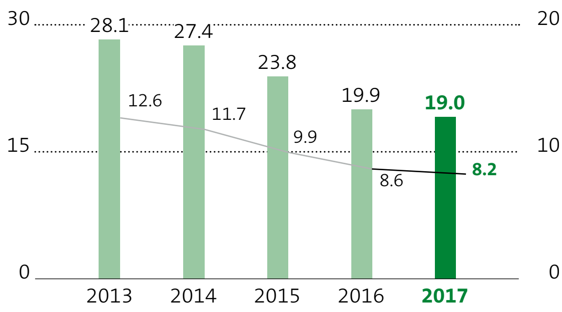
Development of sales/ organic growth 2013–2017

in million CHF/in %
(● Development of sales/— organic growth)



EBITDA/EBITDA margin 2013–2017

in million CHF/in %
(● EBITDA/— EBITDA margin)



Radolfzell produces products for all four divisions. The focus is on large-series production of soups, sauces and instant meals in small packages for the Customer Solutions division. This requires a highly efficient and automated production, which is accomplished with similarly qualified staff and ultra-modern factory equipment. The facility in Neuburg an der Kammel specialises in filling cans. The plant in Ulm produces top-quality meat replacement products.

Completion of major project

After the previous year's sales drop, the segment Germany again had to cope with a minus of –3.0 %, which it owed particularly to the sales decreases in the Consumer Brands and Customer Solutions sales divisions. Owing to continuous cost management, the EBITDA margin fell under-proportionally from 8.6 % to 8.2 %. The number of employees rose slightly to 749 full-time equivalents as of the balance sheet date.
A good nine months after the production launch in the new blending plant in Radolfzell, most of the Radolfzell production is carried out in the modern "Werk 2" (plant 2). The initially somewhat challenging phase of putting the plant into operation is largely concluded. Thereby, one of the most modern dry blending factories in Europe launched its operations, and also one that meets Hügli's requirements for ultimate efficiency and the very best equipment with regard to automation. Combining the warehouse, blending plant and packaging plant will lead to substantial efficiency gains and significant savings while inner city transports will no longer be required. The overall investment amounted to a total CHF 34.5 million.

SEGMENT SWITZERLAND/REST OF WESTERN EUROPE

The Switzerland/Rest of Western Europe segment groups together the six countries of Switzerland, Austria, Italy, UK, Spain and the Netherlands. >> see page 60/Segment Reporting

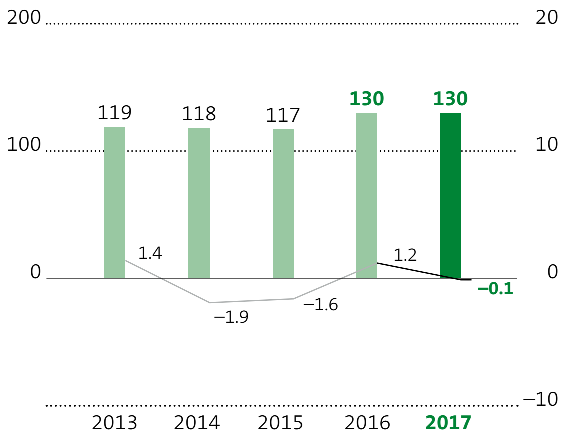
Business Development Switzerland/Rest of Western Europe

	Unit	2017	2016	Variance in %
Sales	m. CHF	129.6	130.1	–0.4
EBITDA	m. CHF	16.8	18.8	–10.6
EBITDA margin (total)	%	10.8	12.0	
Number of employees (full-time positions)	FTE	483	497	–2.8
Investments	m. CHF	8.5	5.1	66.4

Development of sales/ organic growth 2013–2017

in million CHF/in %

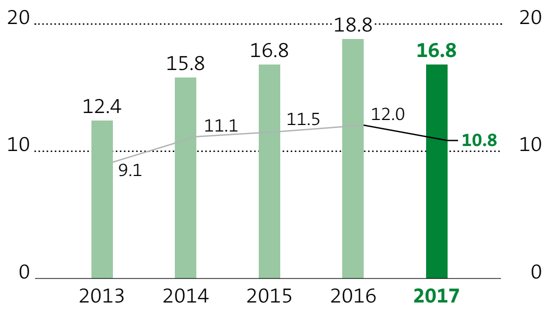
(● Development of sales/— organic growth)



EBITDA/EBITDA margin 2013–2017

in million CHF/in %

(● EBITDA/— EBITDA margin)



Switzerland production site

The production site in Steinach has specialised in small and medium-sized series production as well as the production of "customised" dry blended products. In addition to dry products, the production site in St. Gallen is a state-of-the-art facility for the production of liquid salad dressings and dip sauces. Hügli Switzerland has been well known for many years as a reliable partner for the production of organic products for other group companies. The manufactured volume remained constant on a satisfying level while sales decreases nevertheless had to be taken into account. In 2017, smaller and larger investments to increase efficiency were made with the aim of further reducing power consumption. As a consequence, in relation to the tonnage produced since 2013 it was cut by more than a quarter. Efficient production, excellent capacity up take and also consistent cost management mean that this location was able to maintain its excellent operating results.

Italy production site

Our facility in Northern Italy produces mostly tomato-based liquid pasta sauces in jars and liquid soups, which are mainly sold in the Customer Solutions and Food Service divisions, as well as Italian specialties (grilled vegetables, artichokes and mushrooms in oil), which in turn are sold in all countries, mainly in our Food Service division. This highly efficient and fully automated filling plant, together with our culinary competence, offers excellent conditions to further reinforce our position on the market in this product segment.

United Kingdom production site

Our production site in Redditch specialises in the manufacturing of blended dried-food products in the area of "health and nutrition", namely for balanced nutrition, sports nutrition and weight management. We cover a broad range of production-related services, making our site a proven and approved partner for the foodstuffs industry. Due to brexit-related currency losses, the UK location was faced with a drop in its operating results.

Spanish production site

The production location in La Vall d'Uixó to the north of Valencia which was acquired in 2015 specialises in yeast-based sandwich spreads (patés). It supplies both customers and also the Granovita organisations in Germany and the UK.

Netherlands production site

Bresc specialises in chilled fresh garlic and herb products and is geared to the European gastronomy market. The product range includes garlic and herb purees through to authentic herb mixes and Ready to Use products. In 2018, a new plant with a production area of 4'000m² is being built in the Dutch town of Sleeuwijk. Currently located in various leased buildings, the production is to be consolidated in the new plant.

SEGMENT EASTERN EUROPE

In Eastern Europe, Hügli East caters for the Food Service and Private Label markets in the Czech Republic, Poland, Slovakia and Hungary. Production in Eastern Europe is performed at the Czech facility in Zásmuky, which supplies the group's three own sales subsidiaries and also export markets.

>> see page 60/Segment Reporting

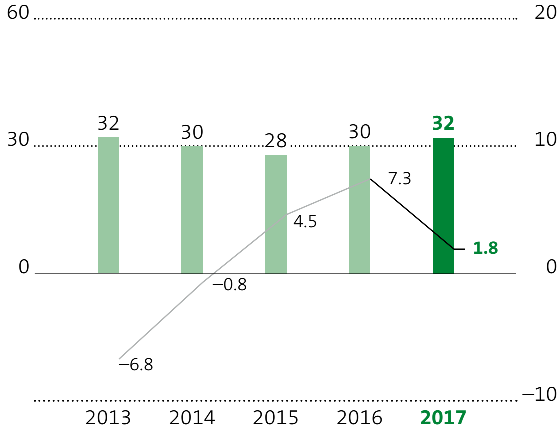
Business Development Eastern Europe

	Unit	2017	2016	Variance in %
Sales	m. CHF	32.1	30.3	5.9
EBITDA	m. CHF	5.0	4.2	19.4
EBITDA margin (total)	%	11.6	10.5	
Number of employees (full-time positions)	FTE	274	266	3.0
Investments	m. CHF	0.4	0.7	–51.4

Development of sales/ organic growth 2013–2017

in million CHF/in %

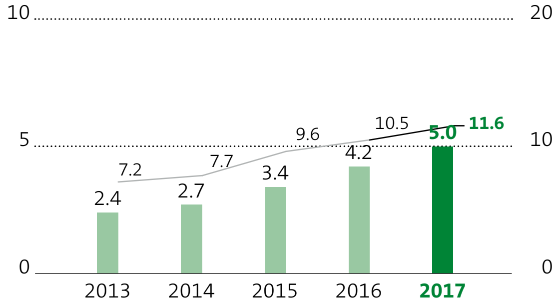
(● Development of sales/—organic growth)



EBITDA/EBITDA margin 2013–2017

in million CHF/in %

(● EBITDA/—EBITDA margin)



Large-series production in EAST

Based on the once again favourable development of the Food Service sales division, the entire segment recorded an organic sales increase of 1.8 %, following an already high 7.3 % achieved in the previous year. At the same time, a further gain in the business with other group companies was attained, in particular with the key account large series business. The structures that had been simplified and efficiently reorganised over the past years facilitated an optimal capacity uptake. Therefore, the EBITDA increased across the entire segment from CHF 4.2 million to CHF 5.0 million, with a corresponding positive effect on the EBITDA margin. The number of full-time equivalents continued to rise year-on-year to 274. The investments of CHF 0.4 million made in 2017 constituted mainly replacement investments relating to the renovation of the Zásmuky blending plant in 2015 and 2016.

The site is in top shape with regard to productivity and efficiency. Going forward, it will play an even bigger role in large-series production.

Corporate Governance

HÜGLI ATTACHES GREAT VALUE TO MAINTAINING A GOOD AND RESPONSIBLE CORPORATE GOVERNANCE. THE GROUP ACKNOWLEDGES ITS ECONOMIC AND SOCIAL RESPONSIBILITY. HIGH TRANSPARENCY CONTRIBUTES TO STRENGTHENING THE STAKEHOLDERS' – SHAREHOLDERS, INVESTORS, STAFF AND BUSINESS PARTNERS – TRUST IN THE COMPANY AND ITS MANAGEMENT. OUR CORPORATE GOVERNANCE RESTS ON CLEARLY LAID OUT STRUCTURES, PRECISELY ALLOCATED AREAS OF RESPONSIBILITY, EFFICIENT DECISION PROCESSES AND APPROPRIATE CONTROL ROUTINES.

The following report is in line with the Corporate Governance Directive of SIX Swiss Exchange. If not mentioned differently, the information reflects the situation on 31 December 2017.
The Compensation Report can be found in a separate chapter on pages 40 to 45.

1. GROUP STRUCTURE AND SHAREHOLDERS

Group Structure

The Hügli Group consists of one single business unit with a uniform strategy defined by the Board of Directors that focuses on the development, production and distribution of Hügli's core product line (soups, sauces, bouillons and further dry blended products). The management of all Group subsidiaries is centralised and performed by the Board of Directors and the CEO based on the designated Group strategy. Group Executive Management chaired by the CEO makes all relevant decisions. The segmentation is based on the geographic responsibilities relating to production sites and their associated distribution companies. The country segment Germany covers all associated German companies, the country segment Switzerland/Rest of Western Europe includes the companies in Switzerland, Austria, United Kingdom, Italy, Spain and the Netherlands, and the country segment Eastern Europe comprises the companies in Czech Republic, Slovakia, Poland and Hungary. >> see page 97/Group companies

In addition, cross-national sales organisations/divisions were created, reflecting the customer segments of the Hügli Group. These sales divisions mainly focus on customer needs and are responsible for a dynamic sales development as well as the optimal organisation in the area of marketing and sales. With regard to this area, the Hügli Group has adopted a matrix organisation. The Food Service division covers the "Out of Home Market" with sales to hotels, restaurants, institutions such as corporate canteens, hospitals, residential homes and other caterers. The Customer Solutions division supplies big European retail trade organisations and customers with own marketing and sales organisations as well as food producers consumer packages under their own brands. The Consumer Brands division sells Hügli's own brands, predominantly in organic quality, to health food stores, natural food as well a to the food retail trade. The Food Ingredients division specialises in the sale of semi-finished and finished products to the European food industry.

The only listed company in the scope of consolidation is Hügli Holding AG, 9323 Steinach, Switzerland. Its bearer shares are listed on the SIX Swiss Exchange in Zurich (security no. 464795). On 31 December 2017, the closing price for the Hügli bearer share was CHF 804, corresponding to a market capitalisation of CHF 390 million. Of this total, CHF 225 million are represented by the stock capitalisation of the listed bearer shares and CHF 165 million by unlisted registered shares.

Major Shareholders as per 31 December 2017

- Dr A. Stoffel Holding AG/Dr A. Stoffel, 9320 Arbon, Switzerland:
  40’131 bearer shares with a par value of CHF 1.00 each (14.3 % of bearer share capital)/
  410’000 registered shares with a par value of CHF 0.50 each (100 % of the registered share capital)/65.2 % of the voting rights, equivalent to 50.5 % of the share capital
- Hügli Holding AG, CH-9323 Steinach, Switzerland (own shares):
  1’369 bearer shares with a par value of CHF 1.00 each (0.5 % of bearer share capital)/0.2 % of voting rights, equivalent to 0.3 % of the share capital
- Free Float:
  238’500 bearer shares with a par value of CHF 1.00 each (85.2 % of bearer share capital)/34.6 % of voting rights, equivalent to 49.2 % of the share capital

On 15 January 2018 Bell Food Group AG annonced the acquisition of Dr A. Stoffel Holding AG, the majority shareholder of Hügli. The Dr A. Stoffel Holding has a stake representing 50.2 % and 65.0 % of the voting shares in Hügli Holding AG. Bell Food Group was simultaneously making a public tender offer for the remaining publicly traded shares of Hügli Holding AG at a price of CHF 915 per share, which relative to the nominal value is the same price as applies to the majority stake bought from Dr A. Stoffel Holding AG. The price corresponds to a takeover premium of 14.4 % over the volume-weighted average price for the last 60 trading days prior to the announcement of the tender offer.

Cross-Shareholdings

There are no cross-shareholdings.

2. SHARE CAPITAL STRUCTURE

The share capital is divided into:

Share capital	2017
in CHF	
280’000 bearer shares with a par value of CHF 1.00 each (listed)	280’000
410’000 registered shares with a par value of CHF 0.50 each (not listed)	205’000
Total share capital	**485’000**

Each share grants one vote at the Annual General Meeting of shareholders. The dividend entitlement of all the registered and bearer shares is calculated in proportion to their par value. There is no conditional or approved capital and there are no certificates of profit participation or of dividend rights. There are no limitations on transferability and no special provisions relating to nominee entries. There are no convertible loans and no options on shareholding rights outstanding at present.

Development of shareholders’ equity of Hügli Holding AG in the last three financial years:

	Change	31.12.2017	31.12.2016	31.12.2015
in CHF	in %			
Share capital	0	485’000	485’000	485’000
Reserves	9.6	171’100’000	156’100’000	136’100’000
Retained earnings	4.7	37’002’634	35’329’088	40’182’290
Own shares	12.8	–697’076	–798’914	–1’447’617
Total equity	**8.8**	**207’890’558**	**191’115’175**	**175’319’673**

3. BOARD OF DIRECTORS

Members of the Board of Directors

Dr Jean Gérard Villot
born 1952, a Swiss national, Chairman of the Board of Directors since 2011. He was elected to the Board of Directors of Hügli Holding AG at the General Meeting in May 2002. From 2003 until 2010, he was Vice President of the Board as well as CEO and Chairman of the Group Executive Management. Apart from his function as Chairman of the Board of Directors, Jean Villot is responsible for the coordination of investments within the Hügli Group as well as for acquisitions. He completed a doctorate at the University of Strasbourg and after holding various positions in the industry, he worked as a management consultant, most recently as director of corporate consulting and member of executive management of Prognos AG, Basel. He joined Hügli in 1990 and was in charge of Hügli Switzerland until 1996, after which he was responsible for Hügli Germany until the end of 2002.

Dr Andreas Binder
born 1957, Swiss national, member of the Board of Directors since May 2015. Dr Andreas Binder has been a practicing attorney at law and partner in the corporate and business law firm Binder Rechtsanwälte in Baden since 1992. He is member of the Board of Directors of several companies. He is among others Vice President of the Board of Directors of Neue Aargauer Bank Ltd., Aarau and Chairman of the Board of SwissMediaForum AG, Baden. He has been a honorary professor of debt and corporate law since 2004, and director of the Corporate Governance Competence Center at the University of St. Gallen's Research Institute for International Management since 2013. After graduating from the University of St. Gallen (lic. oec. and lic. iur.), Dr Andreas Binder was admitted as barrister-at-law of the Canton Aargau and acquired a doctorate (Dr. iur.) from the University of Basel.

Dr Ida Hardegger
born 1957, a Swiss national, member of the Board of Directors for Hügli Holding AG since 2012. After acquiring the teaching diploma and studying at the University of St. Gallen, she worked as a personal assistant for former Federal Councillor Dr Kurt Furgler. Subsequently she became General Legal Counsel of NUEVA Group before joining the Executive Management of both Denner AG and Denner Group and assuming the position of Head of Marketing. After taking on responsibility for several projects abroad, she was appointed CEO of Orell Füssli Book Publishing Group, worked in the Group management of OF Holding and in the Executive Management of Valora Group. She has been self-employed since 2006. She has graduated from the Law School at the University of St. Gallen (Dr iur. HSG), is a lawyer and has attended courses of further education at, among other institutions, INSEAD at Fontainebleau and at Columbia University. She is a member of the Administration of Genossenschaft Migros Zürich, of the Board of Directors of Alfred Müller Group, Baar, as well as other not listed companies (SME) in Switzerland.

Dr Christoph Lechner
born 1967, a German and Swiss national, member of the Board of Directors of Hügli Holding AG since 2001. After his degree in national economy (USA) and business administration (Germany), he received his doctorate and professorship in economics at the University of St. Gallen. Between 1987 and 1995, he worked in various functions for Deutsche Bank Group. He was Guest professor at the University of Connecticut (USA) in 2002/2003 and the Wharton School at the University of Pennsylvania. Since 2004, he has been a professor for Strategic Management at the University of St. Gallen as well as Chairman of the Directorate of its Institute of Business Administration (IfB). He is a member of the Board of Directors of Helvetia Holding AG.

Dr Jean Gérard Villot

Dr Andreas Binder

Dr Ida Hardegger

Dr Christoph Lechner

Dr Ernst Lienhard

Dr Alexander Stoffel (†)

Dr Ernst Lienhard
born 1946, a Swiss national, member of the Board of Directors for Hügli Holding AG since 2001. He completed his studies at the University of St. Gallen in 1976 with a doctorate in economics. Ernst Lienhard joined Credit Suisse Zurich in 1972. After serving abroad in Paris, Peru, New York and the Bahamas, he was appointed head of commerce in Zurich and became Managing Director Swiss Corporates in 1997. Ernst Lienhard retired in 2004.

Dr Alexander Stoffel (†)
born 1928, a Swiss national. Mr Stoffel retired as Chairman of the Board of Directors of Hügli Holding AG on 31 December 2010. He had held this position since 1966. Since January 2011, he has been a full member of the Board of Directors. He graduated from the University of St. Gallen in 1956 with a doctorate in economics. In the same year, he took over the management of Hügli Nährmittel AG, a family business with sales then totalling around CHF 1 million. In the course of the rapid expansion of Hügli, Alexander Stoffel successively held practically all the management functions, except for technical plant management, at Hügli Switzerland and in subsidiaries subsequently formed in Austria and Germany. Hügli Holding AG was established in 1966, at which time Alexander Stoffel became its chairman. On 31.12.2002, he retired as Chairman of the Group Executive Management. Alexander Stoffel passed away in September 2017 at the age of 88.

All members of the Board of Directors, with the exception of Jean Gérard Villot, are non-executive. Neither the executive member nor the non-executive members of the Board of Directors have been a member of Group Executive Management of Hügli Holding AG or of a Group subsidiary in the past three business years.

Statutory rules regarding the number of permissible mandates of members of the Board of Directors

Article 26 of the articles of incorporation of Hügli Holding AG regulates the number of permissible mandates of members of the Board of Directors in compliance with article 12 paragraph 1 section 1 OaEC (Ordinance Against Excessive Compensation in Listed Stock Companies).

A member of the Board of Directors cannot fulfil more than the following number of mandates:
- Maximum of 4 mandates for companies that qualify as publicly held companies according to article 727 paragraph 1 section 1 of the Swiss Code of Obligations (or as corresponding foreign companies); and additionally
- Maximum of 10 mandates for larger companies according to article 727 paragraph 1 section 2 of the Swiss Code of Obligations (or corresponding foreign companies); and additionally
- Maximum of 15 mandates for legal entities that do not comply with the above mentioned criteria

Mandates prescribed by the company or charitable mandates, associations etc. are subject to a separate restriction.
Mandates are defined as activities at the highest management or administration levels of other legal entities that are obliged to be entered in the commercial register or a comparable foreign register, and that are not controlled by the company and that do not control the company.

Material Interests

Ernst Lienhard was a member of the executive management of a bank providing important services to Hügli (Credit Suisse) until 2004. Christoph Lechner advises Hügli on strategic matters relating to special projects (last time in 2005). Since 2015 Andreas Binder consults Hügli in legal matters with the business law firm Binder Rechtsanwälte. The other non-executive members have no significant business relations with the Hügli Group.
Alexander Stoffel was the majority shareholder of Hügli Holding AG through his family holding company, Dr A. Stoffel Holding AG. Jean Villot is vice president of the board of Dr A. Stoffel Holding AG.

>> see page 28/Major Shareholders

Election and Term of Office

The members of the Board of Directors and the Chairman of the Board of Directors are elected separately by the Annual General Meeting for the duration of one year until the next ordinary Annual General Meeting. A re-election is possible. The Special Council of holders of bearer shares annually elects its representative in the Board of Directors, in line with article 709 CO (Swiss Code of Obligations). There is not limitation on the term of office.
When selecting new members, the Board of Directors thrives for a balanced consideration of expertise, competencies and entrepreneurial experience, all of which are necessary for the top leadership and supervision of the executive management of an international food corporation.

Internal Organisation

The Annual General Meeting 2017 has elected the Chairman of the Board of Directors as well as the members of the Compensation Committee, comprising the entire Board of Directors, separately. Furthermore, the Board of Directors has constituted itself. Christoph Lechner was elected as Vice President of the Board of Directors and CFO Andreas Seibold was designated as Secretary of the Board of Direc-

tors. The Chairman, Jean Villot, is responsible for preparing the meetings of the Board of Directors and for coordinating its work. He is primarily concerned with strategic issues, long-term investment planning and the evaluation of acquisitions. He works closely with the Chairman of the Group Executive Management (CEO), whom he supervises directly. Christoph Lechner evaluates the planned and implemented measures from a strategic perspective and against the background of scientific findings. Jean Villot is contributing his extensive experience and expertise gained throughout their professional activities in the food industry. Legal matters and questions relating to the Corporate Governance are assessed by Andreas Binder. Ida Hardegger evaluates legal issues and contributes her expertise on the food industry and retail market. Ernst Lienhard is the financial expert on the Board of Directors. He assesses measures in consideration of the financial risk management.
The Board of Directors has decided not to set up any board committees for the time being. Because of its small size, the Board performs the necessary tasks under the joint responsibility of all its members. In the event of possible conflicts of interest (e.g. establishment of compensation), the members concerned withdraw from the meeting.
The Board of Directors meets according to business requirements, normally five to six times a year for an entire day. Each member may ask the Chairman to call an immediate meeting, stating the reasons for his request. In the reporting year, the Board of Directors held six meetings as well as a three-day management meeting with the Group's executive staff.

Division of Powers

The division of responsibilities between the Board of Directors and Group Executive Management are defined in the organisational regulations of those bodies. The Board has delegated the coordination of the Board and the Group Executive Management to its Chairman Jean Villot. The operative Executive Management of the Group is the responsibility of CEO Thomas Bodenmann.
In addition to the seven tasks, which are reserved exclusively for the Board of Directors by article 716a CO (Swiss Code of Obligations), and partly for the performance of those tasks, the Board has reserved the following powers for itself:

- approval of the overall Group strategy and divisional strategies
- approval of the budgets according to the rolling three-year plan, and verification of compliance with the budget figures
- approval of all acquisitions and sales of companies, together with the cessation of existing business areas and the entry into new areas
- the implementation of a risk assessment, which includes the operability of the internal control system
- appointment and dismissal of members of the Group Executive Management and establishment of their compensation
- As it bears ultimate responsibility for the company, the Board of Directors may operate in all business areas of the company if it regards that as necessary for the proper performance of its tasks. However, it takes care not to intervene in areas of delegated, operational responsibility if there is no necessity.

Information and Controlling Instruments

The internal Management Information System (MIS) prepared for the Board of Directors includes the consolidated income and balance sheet figures of the Group and the country segments as well as commentaries thereto. Furthermore, a Group contribution margin statement of the sales divisions, broken down by customer segments, is prepared. A written copy of the MIS is provided to each Board member. The monthly reporting contains sales figures and gross margins of the international subsidiaries and the sales divisions including variance analyses regarding the previous year and budget as well as commentaries on the current course of business. A widespread overview of the Hügli Group and the geographical segments (income statement, balance sheet, statement of changes in equity, cash flow statement) as well as a consolidated division reporting of the cross-national sales organisations and customer segment based subunits are prepared quarterly with a focus on Group contribution margins of sales and marketing. This reporting contains variance analyses regarding the previous year and budget. Moreover, the Board receives forecasts of the expected yearly figures. Once a year, a three-year rolling strategic plan is realised.

At the meetings of the Board of Directors, the Chairman of the Group Executive Management presents and comments on the course of business and important topics. Depending on the agenda item (budget, yearly financial statements, projects) the other members of the Group Executive Management also present information on specific topics.

The Chairman of the Board of Directors and the Chairman of the Group Executive Management inform and consult each other regularly on all important business matters. The Chairman consults with country and division management, and visits corporate subsidiaries to see for himself how their operations are run and how they are implementing the Group strategy. The entire Board attends the annual three-day management meeting of the Group's executive staff and obtains direct and detailed information about current strategic and operating projects and achieved goals.

The external auditors provide the Board with audit reports and management letters of the Group as well as those of important Group subsidiaries. The Hügli Holding AG auditor is once a year commissioned to give a presentation in a Board meeting and participate in a consultation with the Board of Directors. Further, specific internal audit reports on behalf of the Board are included in the internal audit.

The Board of Directors and the Group Executive Management attach considerable importance to careful handling of strategic, financial and operative risks. The controlling of risk management procedures and the continuous updating of risk identification are carried out through periodic meetings with department heads and managers performing Group functions. Significant changes are subject to in-depth analysis and assessed in compliance with the Group-wide risk management.

4. GROUP EXECUTIVE MANAGEMENT

The responsibilities, working method and delimitation of powers from those of the Board of Directors are set out in the organisational regulations of the Group Executive Management. The Group Executive Management is the senior operational management body of the Hügli Group. It reports to the Board of Directors and consists of seven members. No member has any other important engagements in other organisations or material commitments. Hügli Holding AG and its subsidiary companies have not concluded any management agreements with third parties.

f. l. t. r: Endrik Dallmann, Dirk Balzer, Frank von Glan, Thomas Bodenmann, Jörg Meyer, Andreas Seibold, Manfred Jablowski

Members of the Group Executive Management

Thomas Bodenmann
born 1962, a Swiss national, has been the Chairman of Group Executive Management (CEO) since 2011. He had been elected to the Group Executive Management in 2001, at which time he was Head of the Food Service Division. He graduated from the Department of Business Administration at St Gallen University of Applied Sciences with a degree in business administration and completed various courses of further education at the University of St. Gallen and at Harvard Business School in Boston, USA. After having worked in a number of positions in the industry, he became the manager for Sales Switzerland at Benckiser (Schweiz) AG in Winterthur, holding the position until 1995. Thomas Bodenmann joined Hügli Switzerland in 1995 as export manager and member of the Executive Management of Hügli Switzerland. From 1997 to 2010 he was the Managing Director of Hügli Switzerland and from 1999 to 2010 also of Hügli Austria. Thomas Bodenmann is a member of the Board of Directors of Bataillard AG, Rothenburg. Due to potential conflicts of interest with companies of the Coop Group, he resigned from the Board of Directors of Bataillard as per 9 February 2018.

Dirk Balzer
born in 1970, a German citizen, has been a member of the Group Executive Management since 2011 as Head of Operations. He is additionally responsible for the strategic "New Technology" department. Dirk Balzer graduated in food engineering from the Univestity of Stuttgart-Hohenheim in Germany, and started his professional career in process technology with Nestlé Deutschland AG. After having held various further positions in production for Maggi GmbH he joined the Hügli Group in 2001 and managed production operations in Hügli's largest location in Radolfzell until 2012.

Endrik Dallmann
born 1968, a German national, has been a member of the Group Executive Management and Head of the Food Ingredients division since 1 July 2011. He additionally assumes responsibility for the strategic area "Countries&Processes". The graduate in business administration (VWA) studied law and economics at the universities of Köln and Konstanz (without graduating). He joined Hügli Radolfzell in 1994 and managed various operating projects. From 2005, he was Managing Director of the German Hügli subsidiaries Inter-Planing GmbH and Oscho GmbH. Mr Dallmann is Managing Director of Hügli Germany since 2014. He is the Chairman of the Board of the Employers' Association of the Food Industry Baden-Württemberg e. V. and a member of the Board of the State Association of Industry of Baden-Württemberg e. V. as well as of the Employers' Association for the Food and enjoyment e. V.

Frank von Glan
born 1962, a German national, since November 2015 Division Head of Consumer Brands and Member of Group Executive Management. Frank von Glan has a degree in economics from the University of Hannover. He worked for Mondelez Germany (previously Kraft Jacobs Suchard) for 17 years in various marketing and sales functions, and lastly as managing director of the foods division. From 2006 to 2013, Frank von Glan was the managing director of the German companies of Wessanen Group, Allos GmbH and Tartex & Dr. Ritter GmbH. He subsequently joined the owner-operated medium-size company Minderleinsmühle GmbH as Head of Marketing and Sales.

Manfred Jablowski
born 1964, a German national, has been a member of the Group Executive Management and Head of the Food Service division since 1 July 2011. After having graduated as an engineer in food technology, he held various management positions in sales in the course of 20 years. He gathered comprehensive experience in the area of Food Service at ETO/Dr Oetker, where he worked as Head of Key Accounts from 2001. In 2006, he became responsible for Hügli's largest Food Service country organisation in Germany.

Jörg Meyer
born 1963, a German national, has been a member of Group Executive Management and Head of the Customer Solutions division since November 2012. After acquiring a degree in economics from the Bochum University of Applied Sciences, he worked as Head of Marketing and as Head of Sales for different international food corporations in Germany for more than 20 years. In his latest position, as Managing Director of a Danish food producing group, an important Private Label supplier of the European food retail trade, he carried full responsibility for marketing and sales.

Andreas Seibold
born 1964, a Swiss national, became Chief Financial Officer and member of the Group Executive Management in 2004. After studying economics at the University of Zurich (lic. oec. publ.), he went on to qualify as a chartered accountant at the Swiss Institute of Certified Accountants, while maintaining his professional employment. Having worked for many years as an auditor with KPMG Zurich he moved to Sefar AG, Rüschlikon, as Head of Finance and Treasury and then to Sefar Holding AG as Head of Group Controlling. In addition to his function as CFO, he was elected as Secretary of the Board of Directors. He is also the managing director and member of the foundation council of the employee benefit foundation of Hügli Nährmittel AG and member of the technical commission Swiss GAAP FER, the foundation for accounting and reporting recommendations.

Statutory rules regarding the number of permissible activities of members of the Group Excekutive Management

Article 26 of the articles of incorporation of Hügli Holding AG regulates the number of permissible mandates for the members of Group Executive Management.

A member of Group Executive Management cannot fulfil more than the following number of mandates:
- Maximum of 1 mandate for companies that qualify as publicly held companies according to article 727 paragraph 1 section 1 of the Swiss Code of Obligations (or as corresponding foreign companies); and additionally
- Maximum of 3 mandates for larger companies according to article 727 paragraph 1 section 2 of the Swiss Code of Obligations (or corresponding foreign companies); and additionally
- Maximum of 5 mandates for legal entities that do not comply with the above mentioned criteria.

With regard to separate restrictions and definitions, the provisions stated in article 26 of the articles of incorporation of Hügli Holding AG applicable for the Board of Directors also apply for Group Executive Management. ›› see page 30/Board of Directors

5. COMPENSATIONS, SHAREHOLDING INTERESTS AND LOANS

The members of the Board of Directors and the Group's Executive Management are entitled to remuneration in line with their activities and responsibilities. The board of directors determines this remuneration itself according to the total amount approved by the Annual General Meeting.
Remuneration for the members of the Board of Directors comprises fixed remuneration through to the next ordinary General Meeting and also social security contributions and contributions to benefit funds as well as additional insurance contributions and other incidental payments. Remuneration for the President of the Board of Directors can also include profit participation if this office includes executive functions.
Remuneration for the members of the Group's Executive Management comprises annual fixed basic remuneration and a variable profit participation, as well as social security contributions and contributions to benefit funds as well as additional insurance contributions and other incidental payments. The variable profit participation comprises cash remuneration which is based on pre-defined performance benchmarks. The performance benchmarks can be based on quantity and quality-based targets, as well as short-term and long-term remuneration elements.
The company can grant members of the Board of Directors and the Group's Executive Management loans at standard market conditions with the approval of the Board of Directors. The amount of the loan may not exceed 100% of the total cash remuneration for the last remuneration period for the respective member of the Board.
In compliance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the Swiss Code of Obligations, Hügli discloses information on the compensation paid to the Board of Directors and Group Executive Management in a separate chapter "Compensation Report" on pages 40 to 45 of the annual report. ›› see page 40/Compensation Report

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

There are no limitations on voting rights. Each share grants one vote.
There are no statutory quorum requirements.
There are no rules deviating from statutory provisions in respect of the convening of the General Meeting. Bearer shareholders' invitations are published in the Swiss Official Gazette of Commerce (SHAB). The registered shareholder is invited by letter at the address last provided to the Board of Directors.
Shareholders, whose individual or combined shares represent at least 5 % of the share capital, can ask for an item to be included on the agenda. The request listing the proposals is to be presented to the Board of Directors in writing at least 60 days before the General Meeting of shareholders.

7. CHANGE OF CONTROL AND SAFEGUARDING MEASURES

Obligation of Purchase Offer

The basic rule of article 32 of the "Swiss Federal Act on Stock Exchanges and Securities Trading"(SESTA) shall apply. It provides that a purchasing party, which acquires more than 33 1/3 % of voting rights of a listed company, is obligated to make a purchase offer for all shares of the company admitted for trading.

Change of Control Clauses

No such agreements exist with the members of the Board of Directors, the Group Executive Management or other executive staff. The notice period for members of Group Executive Management ranges up to twelve months. They are entitled to receive salary and compensation based on earnings within this period.

8. STATUTORY AUDITORS

Duration of Mandate and Term of Office of the Auditor in Charge

OBT AG, St. Gallen, Switzerland is the statutory auditor for Hügli Holding AG. The firm was appointed for the first time in 1962 as the statutory auditing company to Hügli Nährmittel AG and then as auditing company to Hügli Holding AG following its incorporation in 1966. The audit mandate runs for one year with the possibility of reappointment under article 19 of the articles of incorporation. The auditor in charge, Stefan Traber, has held his position since the financial year 2014.

Audit Fees

In 2017, OBT AG, St. Gallen, invoiced the sum of TCHF 106 to Hügli Holding AG and its Swiss subsidiaries for services provided in connection with the audit of the annual financial statements and consolidated financial statements.
No additional fees were paid to OBT AG or to persons or companies affiliated to it.

Information Instruments of External Audit

The Board of Directors examines the audit reports of Hügli Holding AG as well as the audit reports and the management letters of the main subsidiaries.
A meeting is held on the approval of the annual financial statements with the Group auditors. At this meeting the reports and important issues of the management letters – including the internal control system – are discussed in detail, and additional issues regarding the key audit matters are clarified.
The Board of Directors evaluates the performance of the external audit company on a regular basis and decides on the proposal to the Annual General Meeting of Shareholders concerning the appointment of the external audit company.

9. INFORMATION POLICY

The Hügli Group cares for open and regular communication with shareholders, the capital market and the public. The CEO and the CFO are available as contacts for all issues concerning external communication.
Hügli informs twice a year about the course of business and the financial situation by issuing an annual and a half-year report. Important businesses and events, which may have an impact on share price are published routinely (ad hoc publicity).

Key dates in 2018

Sales report 2017	31 January 2018
Annual Report 2017	10 April 2018
General meeting 2018	16 May 2018

Further dates, reports and media releases can be found at www.huegli.com/en/investor-relations/
The company's official publication is the Swiss Official Gazette of Commerce (SHAB).

Responsible Manager for Investor Relations:
Andreas Seibold, CFO / Tel. +41 71 447 22 50 / andreas.seibold@huegli.com

Compensation Report

HÜGLI'S COMPENSATION POLICY IS BASED ON THE CONVICTION THAT THE COMPANY'S SUCCESS DEPENDS ESSENTIALLY ON THE QUALITY AND THE COMMITMENT OF ALL EMPLOYEES. THE COMPENSATION SYSTEMS AND THE SHAREHOLDING PLANS FOR THE BOARD OF DIRECTORS AND GROUP EXECUTIVE MANAGEMENT ARE LINKED TO ACHIEVING SUSTAINABLE PROFITS, AIMING TO SAFEGUARD THE COMPANY'S LONG-TERM SUCCESS AND AT THE SAME TIME TO CREATE ADDED VALUE FOR SHAREHOLDERS.

Overview in brief

The compensation systems are defined by the Compensation Committee with a long-term focus and reviewed periodically. Their structure is clear, simple and comprehensible. The compensation systems for the Board of Directors and Group Executive Management are governed by the same principles. They are to provide a total compensation in line with the market and with performance, aiming to attract individuals with the necessary skills and character traits, and to retain them for the long term.

The non-executive members of the Board of Directors receive a fixed compensation; the Chairman receives an additional profit share as an executive member. Each member can obtain company shares at a preferential price, which is 25 % below the market value, instead of the compensation. These shares are subject to a retention period of 3 years and delivered subsequently. The Chairman's profit share is calculated based on the organic increase of group net profit above a threshold value defined by the Board of Directors. In 2017, the total compensation paid to the entire Board of Directors (6 members) decreased by –27 % to TCHF 888 (TCHF 1'222 in the previous year). The fixed remuneration of the executive Chairman of the Board of Directors was reduced to gross TCHF 250 and the valuation of shareholdings was halved in 2017 because he fulfilled his function on a part-time basis. Due to the additional workload and meetings of the ad hoc committee constituted in the context of the public purchase offer, the fixed compensation of the non-executive members of the Board of Directors was increased from TCHF 60 to TCHF 100 and that of the president of the committee to TCHF 110. A share-based payment as part of the shock ownership programme was waived in December 2017 because the purchase offer, which was above the market price, was not yet publicly known.

The members of Group Executive Management receive a fixed salary and a variable component of salary. For all members, this variable component of salary depends on the organic increase of group net profit above a threshold value defined by the Board of Directors. The calculation of the variable component of salary for members of Group Executive Management with responsibility for a sales segment additionally depends on the organic increase of the supervised contribution margin. The members of Group Executive Management may also use a limited amount of the compensation to buy company shares at the same conditions as the Board of Directors (preferential price 25 % below market value, retention period of 3 years). The total compensation of the entire Group Executive Management (7 members) increased by +2 % to TCHF 3'288 in 2017 (previous year: TCHF 3'214). This increase is mainly based on the organisational adjustment as per 01. 01. 2017, due to which the Chairman of the Board of Directors transferred tasks to the CEO and the CEO delegated functions to other members of Group Executive Management. These members with additional functions received a corresponding increase of their fixed basic salary. The EUR/CHF rate, which had risen by about +2 %, caused a further increase as most members of Group Executive Management are paid in EUR. The variable salary components decreased by –17 % overall due to the lower group net profit. The CEO and CFO waived the purchase of company shares that could be acquired as part of the shock ownership programme in December 2017 because the purchase offer, which was above the market price, was not yet publicly known. Members who had no knowledge of the purchase offer were able to participate in the stock ownership programme as usual.

Introduction

The present compensation report includes information about the compensation policy, the procedure for fixing compensations and the terms of the shareholding programmes for the members of the Board of Directors and of Group Executive Management. It also presents details on compensations in 2017.
The compensation report was compiled in accordance with the "Ordinance Against Excessive Compensation in Listed Stock Companies" (OaEC) and the Corporate Governance Directive (DCG) of SIX Swiss Exchange.

Compensation policy

The principles of the compensation policy for the members of the Board of Directors and Group Executive Management are designed to provide simple and clearly structured salary systems that ensure fair remuneration and are transparent for the company's employees. The salary is determined by the job specifications and competencies of the function (complexity of the task, responsibility, technical and personal requirements), the company's business success and the measurable individual performance of operational segments. The variable performance-related component is a supporting controlling instrument that aims to achieve the overarching goal of contributing to the company's long-term success. The stock ownership programmes also include a direct financial participation in the medium-term performance of the Hügli share and support the consolidation of interests.

Compensation Committee

In accordance with the articles of incorporation, the members of the Compensation Committee are each year elected individually by the Annual General Meeting of Shareholders for the period until the next ordinary Annual General Meeting. The Board of Directors decided to perform the task under the joint responsibility of all members and elected Dr Christoph Lechner as Chairman of the Compensation Committee. The Compensation Committee convenes whenever this is required. In the financial year 2017, 3 meetings were held. The Compensation Committee advises the Board of Directors on the definition of the compensation strategy and the compensation system for the highest management level of the group, and periodically reviews the corresponding regulations. It puts forward proposals relating to the individual remunerations of the members of the Board of Directors and of Group Executive Management and assists the Board of Directors with proposals to the General Meeting of Shareholders relating to the total compensations.
At its meeting in November 2015, the Compensation Committee reviewed the compensation strategy and the regulations on the variable compensation of members of Group Executive Management and of the Chairman of the Board of Directors for the period 2016–2018. The Committee takes into account characteristics of the industry sector's labour market and for purposes of comparison relies on compensation studies of consultancy firms as well as on publicly accessible information such as compensation reports of Stock Exchange listed companies of comparable size. Industrial small caps with an authoritative shareholder were considered comparable and taken into account (Gurit, Phoenix Mecano, Bachem, Lem, Looser, Bossard, Orior and Vetropack). The Compensation Committee found the corresponding remunerations to be adequate and motivating. The compensations were in 2016 below the interquartile mid-range of the comparative group in all categories, with the exception of the Chairman of the Board of Directors, whose full-time executive function is not comparable.

Compensation of the Board of Directors

The compensations reflect the level of responsibility and scope of activities performed by each member. The members are compensated from the time of their election until the next Annual General Meeting. The non-executive members receive a one-off compensation in December, the Chairman receives a monthly compensation. The compensation system of the five non-executive members of the Board of Directors has provided a fixed basic compensation of net TCHF 60 since 2011. The four members of the ad hoc committee constituted in the context of the public purchase offer received an additional remuneration of TCHF 40, and the president of the committee TCHF 50, for the additional workload and meetings. The overall compensation of the members of the ad hoc committee amounted to TCHF 100 and TCHF 110, respectively. The individual social security contributions are paid entirely by the employer side. As the task is performed under the joint responsibility of all members, this compensation covers the whole scope of activities. The remuneration does not include a variable performance-related component. Instead of the basic compensation, each member may obtain company shares according to the regulations on the optional share-based payment. A share-based payment as part of the shock ownership programme was waived in December 2017, because the purchase offer, which was above the market price, was not yet publicly known. The Chairman of the Board of Directors performed a full-time workload as an executive member until the end of 2016 and from 01. 01. 2017 fulfilled his function on a part-time basis. Alongside a Chairman's responsibilities (preparing the meetings of the Board of Directors, coordinating its tasks, working with the CEO), he takes on further functions in the company. The Board of Directors' directives govern these additional functions, which comprise mainly strategic long-term investment planning and the evaluation of acquisitions. In addition to a fixed monthly compensation, the Chairman of the Board of Directors receives a profit share. The profit share is derived from the increase of the group net profit above a threshold value defined by the Board of Directors. It is based as a matter of principle on organic profit increase without acquisition and divestment effects. For such changes in the business areas, the Board of Directors defines a correctional factor at the profit level for a limited time, whenever this is required. This profit share has no ceiling. No profit share will apply if the lower threshold, determined by a minimum profit amount for the coverage of costs of equity, is not reached. Under normal conditions, the profit share should represent around 10 % to 40 % of the basic compensation. In the financial year, it equalled 22 %, in the previous year 23 %. In addition, the Chairman of the Board of Directors can participate in the above mentioned stock ownership programme for non-executive members up to a maximum purchase price of CHF 150'000. The purchase of shares was waived in December 2017 because the purchase offer, which was above the market price, was not yet publicly known. In December 2016, 758 shares were transferred to the Board of Directors based on the regulations regarding optional share-based payments for the current term June 2016 to May 2017. The purchase price totalled TCHF 579.40 per share. The overview presents all compensations of the members of the Board of Directors for the financial year January to December 2017. Included are also service mandate fees of associated legal entities with a close connection to the function of the Board of Directors. The compensations for the term of office from June 2017 to May 2018 paid in December 2017 were deferred accordingly (capitalisation of 5/12 shown on the balance sheet). The General Meeting of Shareholders approved on 17 May 2017 a sum of CHF 1.0 million as maximum total compensation of the Board of Directors for the term of office 2017/2018 (CHF 1.3 million approved for the previous year's period 2016/2017). Relating to the financial year 2017, this corresponds to the amount of CHF 1.12 million. The compensations paid in 2017 complied with the approved maximum total amount.

2017	Compensation net							
	Fix	Variable	Stock ownership plans		Company car	Compen-sation to BoD	Pension and social insurance	Total 2017
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Dr Jean Gérard Villot, President	237	51	108	5	0	**293**	33	**326**
Dr Andreas Binder	100	0	42	2	0	**102**	13	**115**
Dr Ida Hardegger	100	0	42	2	0	**102**	13	**115**
Dr Christoph Lechner	110	0	42	2	0	**112**	15	**127**
Dr Ernst Lienhard	100	0	42	2	0	**102**	9	**111**
Dr Alexander Stoffel	85	0	42	2	0	**87**	7	**94**
Total Board of Directors	**732**	**51**	**318**	**15**	**0**	**798**	**90**	**888**

2016	Compensation net							
	Fix	Variable	Stock ownership plans		Company car	Compen-sation to BoD	Pension and social insurance	Total 2016
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Dr Jean Gérard Villot, President	516	120	150	6	8	**650**	175	**825**
Dr Andreas Binder	60	0	103	6	0	**66**	9	**75**
Dr Ida Hardegger	60	0	103	6	0	**66**	9	**75**
Fritz Höchner (until May 2016)	25	0	45	3	0	**28**	2	**30**
Dr Christoph Lechner	60	0	103	6	0	**66**	9	**75**
Dr Ernst Lienhard	60	0	103	6	0	**66**	5	**71**
Dr Alexander Stoffel	60	0	103	6	0	**66**	5	**71**
Total Board of Directors	**841**	**120**	**710**	**39**	**8**	**1'008**	**214**	**1'222**

Compensation to Group Executive Management

The compensation system for the members of Group Executive Management is defined by the full Board of Directors with a long-term focus and reviewed periodically. The compensation includes a fixed basic salary, a variable component of salary, the option to participate in the stock ownership programme, non-cash benefits (mostly company car) and corporate pension plan benefits. The fixed salary is determined mainly by task, responsibility and qualification. The variable component of salary depends on attainment of organic business success. It is measured by two financial objectives: Contribution margin per supervised sales segment and group net profit. Members of Group Executive Management without responsibility for a segment are assessed on the basis of group net profit only. The variable component of salary as derived from contribution margin per sales segment is calculated as a part of the increase or decrease of contribution margin recorded since a fixed date in the past. The profit share is derived from the increase of the group net profit above a threshold value defined by the Board of Directors. It is based as a matter of principle on the organic increase in contribution margin and profit, respectively, without acquisition and divestment effects. For such changes in the business areas, the Board of Directors defines a correctional factor at the profit level for a limited time, whenever this is required. This profit share has no ceiling. No profit share will apply if the lower threshold, determined by a minimum profit amount for the coverage of costs of equity, is not reached. Under normal conditions, the variable component of salary should represent around 10 % to 40 % of the basic compensation. In the financial year, it ranged from 0 % to 17 %, depending on the individual member, in the previous year from 2 % to 21 %.

The members of Group Executive Management may use a limited amount of the compensation (CHF 100'000 per member, CHF 150'000 for the CEO) to buy company shares at the same conditions as the Board of Directors. The purchase price equals the average share price within the 12-month period 01. 11.–31. 10., or the lower share price on the cut-off date. The purchase offer is valid until the end of November. If the purchase price option is not exercised, it is forfeited. The purchase price is 25 % below the market price. The shares remain in the custody of Hügli Holding AG during a retention period of 3 years and are subsequently transferred to the members. The resulting compensation value is calculated according to the Circular of the Swiss Federal Tax Administration and represents a shared-based compensation. The Swiss members of Group Executive Management belong to the corporate pension fund with their total wages. The employer-savings premiums are covered in accordance with the general regulation that applies to all employees. There are no other special regulations relating to the pension fund. Moreover, every member of Group Executive Management is provided with a company car.
The following tables present the breakdown of components of the individual compensations paid to Group Executive Management, including the highest amount paid to a member. In December 2017, a total of 158 shares (previous year: 473) were purchased as part of the stock ownership programme by members of Group Executive Management not involved in the takeover process. The purchase price totalled CHF 594.00 per share (previous year: CHF 579.40). The CEO and CFO waived the purchase of company shares because the purchase offer, which was above the market price, was not yet publicly known. The private share of the company car was determined by tax values. Real travel expenses are not included. The members of Group Executive Management are subject to the same expense regulations approved by the tax office as the other senior managers (expense regulations, additional regulations for lump-sum allowance). Pension and social expenses include both the employer's and the employees' contributions.
The General Meeting of Shareholders approved on 25 May 2016 a sum of CHF 4.5 million as maximum total compensation of Group Executive Management for the following financial year 2017. The compensations paid in 2017 complied with the approved maximum total amount.

2017	Compensation net							
	Fix	Variable	Stock ownership plans		Company car	Compen-sation to Mgmt	Pension and social insurance	Total 2017
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Total Group Executive Management	**2'467**	**232**	**158**	**12**	**47**	**2'758**	**530**	**3'288**
thereof maximum total compensation: Thomas Bodenmann, CEO	553	96	0	0	6	**655**	188	**843**

2016	Compensation net							
	Fix	Variable	Stock ownership plans		Company car	Compen-sation to Mgmt	Pension and social insurance	Total 2016
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Total Group Executive Management	**2'370**	**279**	**473**	**20**	**45**	**2'714**	**500**	**3'214**
thereof maximum total compensation: Thomas Bodenmann, CEO	559	120	34	1	6	**686**	176	**862**

Further compensation, loans to corporate bodies

In 2017, as in the previous year, no compensation was paid to former members of the Board of Directors or Group Executive Management. No further compensation was paid to members of the Board of Directors and Group Executive Management, or to other corresponding related parties. In 2017, no loans, credits or securities were granted to currently serving or former members of corporate bodies, or related parties thereof. As per 31.12.2017, there were no such claims outstanding.

Shareholdings of members of the Board of Directors and Group Executive Management

The information on shareholdings of the members of the Board of Directors and of Group Executive Management is included on page 93 of the Notes to the Financial Statements 2017 of Hügli Holding AG.

OBT

Report of the Statutory Auditor on Compensation Report

We have audited the accompanying compensation report (pages 40–45) dated March 15, 2018 of Hügli Holding AG for the year ended December 31, 2017.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the compensation report for the year ended December 31, 2017 of Hügli Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

St. Gallen, 15 March 2018
OBT AG

Stefan Traber Licensed Audit Expert Auditor in Charge	Beat Willi Licensed Audit Expert

Information for Investors

BEARER SHARES ARE TRADED AT THE SWISS STOCK EXCHANGE SINCE 1986, WHEREAS REGISTERED SHARES ARE NOT LISTED. THERE ARE NO RESTRICTIONS OF TRANSFERABILITY. EVERY STOCK ALLOWS ONE VOTE AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS. THERE EXIST NO CONVERTIBLE BONDS OR OPTIONS TO OWNERSHIP RIGHTS.

Share capital structure

The share capital is divided into:

Share capital	**2017**
in CHF	
280'000 bearer shares with a par value of CHF 1.00 each (listed)	280'000
410'000 registered shares with a par value of CHF 0.50 each (not listed)	205'000
Total share capital	**485'000**

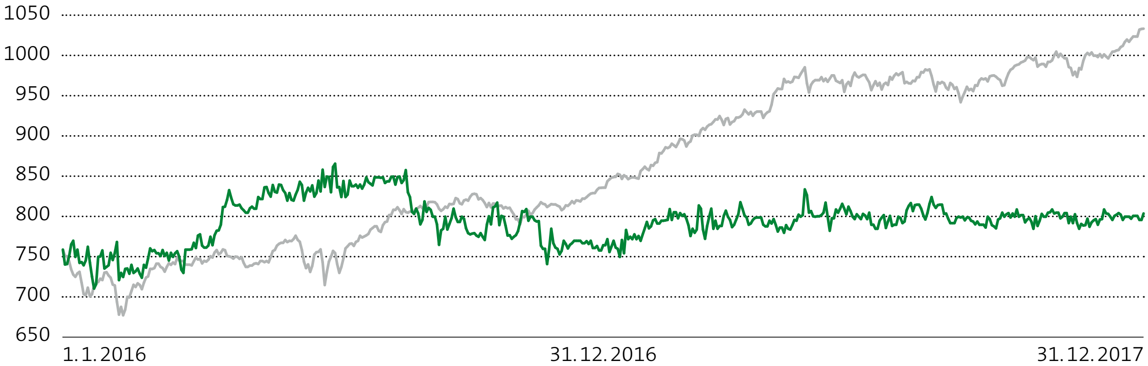
Market capitalisation

On 31 December 2017, the closing price for the Hügli bearer share was CHF 804, corresponding to a market capitalisation of CHF 390 million. Of this total, CHF 225 million are represented by the stock capitalisation of the listed bearer shares and CHF 165 million by unlisted registered shares.

Listing	
ISIN	CH0004647951
Security no.	464795
SIX symbol	HUE

Share price development 2016–2017

in CHF (—Hügli/—Vontobel Small Cap Index, adapted)



Major Shareholders/Free Float as per 31 December 2017

- Dr A. Stoffel Holding AG/Dr A. Stoffel, 9320 Arbon, Switzerland:
  40'131 bearer shares with a par value of CHF 1.00 each (14.3 % of bearer share capital)/
  410'000 registered shares with a par value of CHF 0.50 each (100 % of the registered share capital)/65.2 % of the voting rights, equivalent to 50.5 % of the share capital
- Hügli Holding AG, CH-9323 Steinach, Switzerland (own shares):
  1'369 bearer shares with a par value of CHF 1.00 each (0.5 % of bearer share capital)/0.2 % of voting rights, equivalent to 0.3 % of the share capital
- Free Float:
  238'500 bearer shares with a par value of CHF 1.00 each (85.2 % of bearer share capital)/34.6 % of voting rights, equivalent to 49.2 % of the share capital

On 15 January 2018 Bell Food Group AG annonced the acquisition of Dr A. Stoffel Holding AG, the majority shareholder of Hügli. The Dr A. Stoffel Holding has a stake representing 50.2 % and 65.0 % of the voting shares in Hügli Holding AG. Bell Food Group was simultaneously making a public tender offer for the remaining publicly traded shares of Hügli Holding AG at a price of CHF 915 per share, which relative to the nominal value is the same price as applies to the majority stake bought from Dr A. Stoffel Holding AG. The price corresponds to a takeover premium of 14.4 % over the volume-weighted average price for the last 60 trading days prior to the announcement of the tender offer.

Agenda 2018

Sales report 2017	31 January 2018
Annual Report 2017	10 April 2018
General meeting 2018	16 May 2018

Distribution

All shareholders, which have already offered their shares based on the public takeover offer of Bell Food Group AG, are entitled to participate in the Annual General Meeting and exercise their voting rights. The basis for an admission card is a bank securities account statement with blocking note showing the offered Hügli shares with the new security number. The share price of CHF 915 includes the dividend. No dividend payment will be proposed.

Informationen for shareholders

Financial reports, information on corporate governance and on the Hügli share listed on the SIX Swiss Exchange can be retrieved from our Investor Relations website: www.huegli.com/en/investor-relations. The company's official publication is the Swiss Official Gazette of Commerce (SHAB).

Research

Hügli Holding AG is monitored and evaluated by various bank institutes and financial analysts.
At present, these are the following contacts:

- ••• Bank Vontobel, René Weber, Telephone +41 58 283 77 57
- ••• Zürcher Kantonalbank, Daniel Bürki, Telephone +41 44 292 34 34
- ••• RESEARCH PARTNERS AG, Ronald Wildmann, Telephone +41 44 533 40 33

Key data Hügli bearer share

	Unit	2017	2016	2015	2014	2013
Net profit per bearer share	CHF	41.42	45.73	48.49	48.79	43.41
Dividend (proposal 2017)	CHF	0.00	16.00	16.00	16.00	14.00
Payout ratio	%	0	35	33	33	32
Equity per bearer share	CHF	381	325	317	310	282
Market price 31.12.	CHF	804	765	759	724	517
Markte price high	CHF	834	866	789	739	550
Markte price low	CHF	750	710	651	516	486
Enterprise Value 31.12.	m. CHF	463	446	435	407	316
Price/Earnings Ratio 31.12.		**19.4**	**16.7**	**15.7**	**14.8**	**11.9**
Enterprise Value/EBITDA 31.12.		**11.3**	**10.4**	**9.9**	**8.9**	**7.4**

One Group. ••• Financial Reporting

384.0

M. CHF **SALES.**
DECREASE OF –0.3 %
TO PREVIOUS YEAR.

40.8

M. CHF **EBITDA.**
THAT CORRESPONDS
TO AN EBITDA-MARGIN OF 10.6 %.

57.8

% **EQUITY RATIO.**

Content

Financial Report for the Consolidated Financial Statements

Andreas Seibold
Chief Financial Officer/Member of the Group Executive Management

SALES DOWNTURN REDUCES GROSS PROFIT, EARNINGS DROPPING DESPITE COST CUTS, BALANCE SHEET REMAINS SOLID

Trade goods assortment and key account business declining

Hügli has been operating in a difficult market in Europe for several years. Whereas in the past years market share gains had notwithstanding secured organic growth (in 2013–2015 on average +3.1% p.a.), in the previous year (–2.6%) and in the year under review (–1.7%) this was prevented by an intensified competition. The downturn is based mainly on trade goods (–6.8%) and to a smaller extent on own products (–0.3%). This is linked to the reduction of active trade goods assortments, and at the same time to original manufacturers' intensified marketing efforts in direct sales. Reported group sales decreased by –0.3% to CHF 384.0 million, aided by a positive currency effect of +1.4%.

Broken down by sales divisions, Food Service registered an organic minus of –1.0%, which is substantially influenced by the declining key account business. The negative country contributions from Switzerland and Austria were offset by positive developments in Eastern Europe and Holland. The Customer Solutions division was slightly below the previous year's figure with an organic –0.9%. The temporary dent in the key account business of Brand Owners depressed the division while the Food Manufacturers and Health & Nutrition domains posted growth. The sales downturn of organic –7.8% recorded by Consumer Brands relates to the slow brand business with trade goods. With support from Snack Seasonings and new products, Food Ingredients was +3.3% above the previous year.

Sales decline depresses Germany and Switzerland, EAST segment in upturn

In the largest geographic segment Germany, organic sales dropped by –3.0%. The gross margin decreased as well, causing a stronger decline of gross profit. Despite an effective cost management and lower operating costs, earnings could not be maintained and the EBITDA dropped by –6% in local currency. The EBITDA margin decreased from 8.6% to 8.2% in 2017. A cutting-edge production plant for dry blend products was put into operation in September 2017. With an investment sum of CHF 35 million, it increased depreciation considerably and thereby reduced EBIT by –16%. The average number of full-time equivalents remained at the previous year's level, although an increase in production staff around the end of the year had full-time equivalents climb from 733 to 749 at year-end 2017. Investments dropped substantially from CHF 23.8 million to CHF 8.2 million year-on-year.

In the geographic segment Switzerland/Rest of Western Europe organic sales were at the previous year's level. Positive contributions stemmed mostly from Holland and Spain, whereas Switzerland recorded a decline due to the ongoing downturn in gastronomy sales. The EBITDA decline in Switzerland markedly depressed the segment result despite successful cost reductions. The other country results, however, were also burdened by special factors, among them the loss in gross margin in the UK due to the currency situation. The EBITDA margin fell from 12.0% to 10.8% in the financial year. The number of full-time equivalents as at the balance sheet date decreased from 497 in the previous year to 483 at year-end 2017. The increase in investments from CHF 5.1 million to CHF 8.5 million in 2017 primarily comprises the construction of a new factory building in Holland that will conclude in 2018.

The country cluster Hügli EAST (production subsidiary in CZ and sales companies in SK, PL and HU) achieved a organic sales increase of 1.8% that was further supported by higher currency exchange rates. Linked with only slightly increased operating costs the herewith related higher capacity uptake led to a significant growth in EBITDA and an increase of the EBITDA margin from 10.5% to 11.6%. The number of full-time equivalents rose correspondingly by +3% from 266 to 274.

Maintained gross margin, reduced operating costs

The item "Other operating income", which comprises capitalised internally generated assets as well as other operating income, is for the first time recorded as a separate item in the income statement. As the other operating income mainly includes income from costs charged to third parties it was hitherto recognised in other operating expenses and disclosed in the notes. In 2017, own services (personnel expense) of CHF 0.9 million were capitalised, being mainly related to the launch of the new blending plant in Radolfzell.

The organic gross margin was at approximately the previous year's level (–0.1 % points) overall, evening out the divisions' varying developments. The mix effect of a smaller share of trade goods with a lower gross margin and occasional price increases had a positive influence, while slightly higher raw materials prices exerted a negative impact on the margin. Personnel expense rose currency-adjusted by +0.5 %, owing to the small increase of the average headcount by +0.2 %. At the balance sheet date, the number of full-time equivalents of 1'496 as per the end of 2016 had risen to 1'506 by 31. 12. 2017 (+0.7 %) mainly due to an expansion of production. Salary increases due to collective agreements had a significant impact, particularly in Germany with an increase of more than +2 %. They were to some extent absorbed by lower variable salary components, however. The other operating expenses dropped currency-adjusted significantly by –7.4 %. A small share of the decrease constituted a restatement the expense of which must newly be recorded as sales deductions. Most of the decrease comprises realised cost savings in the domains of marketing, IT and administration. Operating expenses were overall reduced in 2107 by currency-adjusted –0.7 %. Owing to the new blending plant in Radolfzell, depreciation is substantially higher than in the previous year.

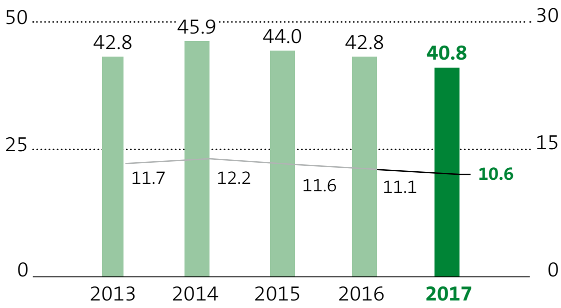
Lacking sales and higher depreciation depress EBIT

Reported EBIT dropped by –10.4 % from CHF 28.6 million in the previous year to CHF 25.6 million. The recorded EBIT margin declined from 7.4 % to 6.7 % in 2017.

Interest expenses lie below the previous year's level because the slightly higher average debt was over-compensated by a lower average interest rate of 0.9 % (previous year: 1.1 %).

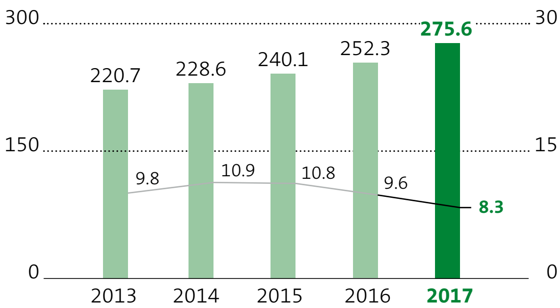
EBITDA/EBITDA-margin 2013–2017

in million CHF/in% (● EBITDA/—EBITDA-margin)



NOA/ROIC 2013–2017

in million CHF/in% (● NOA/—ROIC)



[1] NOA = Net Operating Assets: Net working capital and tangible and intangible assets as at balance sheet date

[2] ROIC = Return on Invested Capital: NOPAT (EBIT × (1 – actual tax rate))/average NOA

The other financial result includes mostly revaluation gains from non-operating foreign currency receivables, mainly in GBP, which represent a partial compensation of foreign currency losses sustained in the previous year. In 2017, a new extraordinary expense of CHF –0.6 million was incurred, which comprises project expenses for the public purchase offer of Bell Food Group, in particular in the area of legal advice. The reported tax rate stood at 17.1 % and thus below the expected tax rate of 19.7 %. The reason for this is the reassessment of tax loss carry-forwards in Italy, which results in a positive one-off effect.
Overall, net group profits declined by CHF –2.1 million or –9.2 % to CHF 20.2 million.

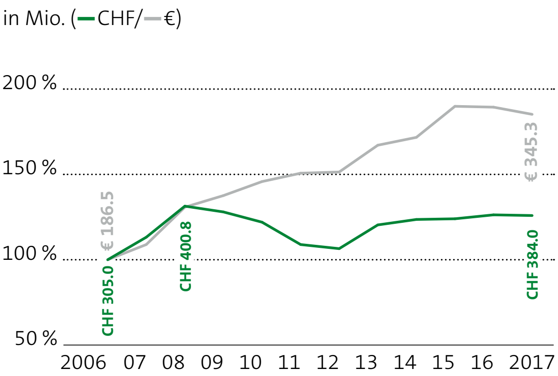
Unchanged solid balance sheet, high equity financing

The consolidated balance sheet did not show any significant organic changes as at 31.12.2017, but a high positive currency effect. More than 80 % of assets are recognized in foreign currencies, mainly in EUR. Accordingly, the substantial rise in exchange rates increased the reported balance sheet items by +8 %. The currency-adjusted slightly higher accounts receivables reflect the corresponding sales development; the days of sales outstanding are in the previous year's range. The increase of inventories is influenced by a higher inventory of raw materials, while own products and trade goods are below the previous year. Tangible fixed assets increased currency-adjusted only slightly because investments (CHF 16 million) exceed depreciation (CHF 13 million) only to a small extent. The balance sheet item under construction relating to the new plant in Radolfzell and amounting to CHF 35 million decreased substantially because the sum was allocated to the balance sheet positions buildings and technical equipment.
A positive currency translation difference of CHF 15.1 million was incurred in equity, mainly owing to equity-like Group loans in foreign currencies. The equity ratio now stands at 57.8 %. Net debt decreased by CHF –2.6 million to CHF 72.8 million. Net debt to EBITDA remained unchanged at 1.8x.

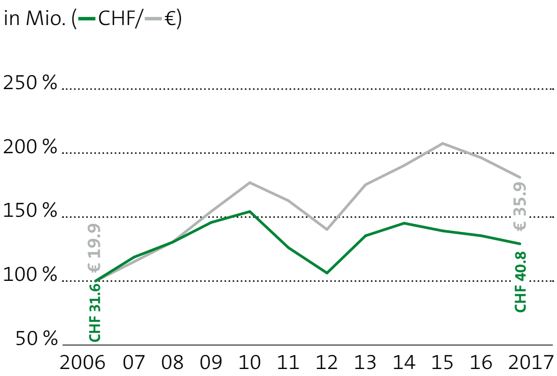
Free cashflow increased

The cashflow from operating activities decreased from CHF 38.4 million in the previous year to CHF 30.0 million in 2017 due to the lower operating result and higher funds tied up in the net working capital. The investments in non-current assets, on the other hand, were significantly lower with CHF 17.0 million than in the previous year (CHF 29.6 million), and no acquisition was made in 2017. This resulted correspondingly in an increased free cashflow of CHF 13.4 million that was used for the payment of dividends and interests

Indexed development of sales 2007–2017



Indexed development of EBITDA 2007–2017



as well as for the reduction of financial liabilities by CHF 8 million. The return on invested capital (ROIC) fell from 9.6 % in the previous year to 8.3 % in 2017 owing to higher invested capital and an EBIT decline. Measured against the weighted average cost of capital (WACC) of 7.0 %, a market value added of +1.3 % was achieved in the year under review. The return on equity (ROE) amounted to 12.1 %.

Consolidated Income Statement

	Explanations	2017		2016	
	Note	in CHF 1'000	in %	in CHF 1'000	in %
Sales	18	**384'044**	**100.0**	**385'158**	**100.0**
Sales deductions		–9'549	–2.5	–7'366	–1.9
Net sales		**374'495**	**97.5**	**377'792**	**98.1**
Other operating income	19	2'005	0.5	1'237	0.3
Change in inventory of finished and semi-finished goods		–1'368	–0.4	1'696	0.4
Operating revenue		**375'132**	**97.7**	**380'725**	**98.9**
Material expenses		–176'538	–46.0	–177'925	–46.2
Personnel expenses	20	–93'904	–24.5	–92'129	–23.9
Other operating expenses, net	21	–63'849	–16.6	–67'836	–17.6
Operating profit before depreciation and amortisation (EBITDA)		**40'841**	**10.6**	**42'836**	**11.1**
Depreciation tangible fixed assets	6	–12'966	–3.4	–11'742	–3.0
Amortisation intangible assets	7	–2'239	–0.6	–2'487	–0.6
Operating profit (EBIT)		**25'636**	**6.7**	**28'607**	**7.4**
Interest expenses	23	–787	–0.2	–945	–0.2
Interest income	23	17	0.0	28	0.0
Other financial result	23	128	0.0	–485	–0.1
Ordinary result		**24'995**	**6.5**	**27'204**	**7.1**
Extraordinary result		–605	–0.2	0	0.0
Profit before taxes		**24'390**	**6.4**	**27'204**	**7.1**
Income taxes	24	–4'170	–1.1	–4'942	–1.3
Net Group profit		**20'220**	**5.3**	**22'262**	**5.8**
thereof Shareholders of Hügli Holding AG		20'025	5.2	22'052	5.7
thereof minority interests		195	0.1	210	0.1
Earnings per bearer share (in CHF) (not diluted and diluted)	26	41.42		45.73	

Consolidated Cash Flow Statement

in CHF 1'000	Explanations Note	2017	2016
Net Group profit		20'220	22'262
Income taxes	24	4'170	4'942
Interest expenses/Interest income	23	770	917
Depreciation/Amortisation	6/7	15'204	14'229
Increase/(Decrease) in provisions for employee benefits		10	123
Loss/(Profit) from disposal of non-current assets		57	25
Other non-cash result		–480	1'044
Operating cash flow before the change of net working capital		**39'950**	**43'543**
Change in net working capital			
(Increase)/Decrease in receivables		–940	2'120
(Increase)/Decrease in inventories		–2'216	–931
Increase/(Decrease) in liabilities		–1'915	118
Income taxes paid		–4'866	–6'486
Cash flow from operating activities		**30'014**	**38'364**
Investments tangible fixed assets	6	–16'095	–29'063
Investments intangible assets	7	–879	–568
Acquisitions (net cash)	1	0	–9'086
Disposals of tangible assets/intangible assets		390	42
Disposals of financial assets		3	–6
Interest received		17	28
Cash flow from investing activities		**–16'564**	**–38'653**
Increase/(Repayment) of short-term financial liabilities		–12'980	9'371
Repayment of long-term financial liabilities		0	–10'000
Increase of long-term financial liabilities		5'000	10'000
Dividend payments to shareholders of Hügli Holding AG		–7'735	–7'715
Dividend payments to minority interests		–215	–98
Interest paid		–539	–758
Sale of own shares (stock ownership plans)		115	729
Cash flow from financing activities		**–16'354**	**1'528**
Total cash flow		**–2'904**	**1'240**
Translation adjustments on cash and cash equivalents		907	–498
Change in cash and cash equivalents		**–1'997**	**742**
Cash and cash equivalents at 01.01.		12'754	12'012
Cash and cash equivalents at 31.12.		10'757	12'754

Consolidated Balance Sheet

	Explanations	31.12.2017		31.12.2016	
	Note	in CHF 1'000	in %	in CHF 1'000	in %
Assets					
Cash and cash equivalents	2	10'757		12'754	
Trade accounts receivable	3	54'526		49'019	
Other current receivables		3'715		4'090	
Inventories	4	71'451		63'755	
Accrued income and prepaid expenses	5	3'119		2'301	
Current assets		**143'568**	**44.9**	**131'919**	**45.0**
Land and buildings	6	86'482		64'920	
Technical equipment and machinery	6	64'373		43'737	
Other tangible fixed assets	6	6'431		6'231	
Under construction	6	5'247		33'772	
Intangible assets	7	11'400		11'456	
Financial assets	8	47		47	
Deferred tax assets	11	1'898		1'058	
Non-current assets		**175'879**	**55.1**	**161'221**	**55.0**
Assets		**319'447**	**100.0**	**293'140**	**100.0**
Liabilities and shareholders' equity					
Short-term financial liabilities	9	46'594		45'478	
Trade accounts payable		22'888		21'377	
Other current liabilities		1'467		1'051	
Accrued expenses and deferred income	10	17'567		17'279	
Current liabilities		**88'516**	**27.7**	**85'185**	**29.1**
Long-term financial liabilities	9	37'000		42'721	
Deferred tax liabilities	11	7'608		6'267	
Provisions for employee benefits	12	1'631		1'486	
Non-current liabilities		**46'239**	**14.5**	**50'474**	**17.2**
Liabilities		**134'755**	**42.2**	**135'659**	**46.3**
Share capital	17	485		485	
Capital reserves	17	19'984		19'971	
Own shares	17	–697		–799	
Retained earnings	17	164'373		137'298	
Equity attributable to shareholders of Hügli Holding AG		**184'145**	**57.6**	**156'955**	**53.5**
Minority interests		547	0.2	526	0.2
Equity		**184'692**	**57.8**	**157'481**	**53.7**
Liabilities and shareholders' equity		**319'447**	**100.0**	**293'140**	**100.0**

Consolidated Statement of Changes in Equity

in CHF 1'000	Explanations	Share capital	Capital reserves	Own shares	Retained earnings: Goodwill offset	Retained earnings: Cash flow hedging	Retained earnings: Translation differences	Retained earnings: Other retained earnings	Retained earnings: Total	Equity shareholders Hügli Holding AG	Minority interests	Equity
Balance at 01.01.2016		**485**	**19'891**	**–1'448**	–37'715	–1'832	–33'804	208'006	**134'655**	**153'582**	0	**153'582**
Change in scope of consolidation	1										420	**420**
Goodwill offset	1				–7'569				**–7'569**	**–7'569**		**–7'569**
Stock ownership plans												
Sale of own shares	20		**80**	**649**						**729**		**729**
Recognition of share-based payments	20							57	**57**	**57**		**57**
Valuation of cash flow hedges	17					–931			**–931**	**–931**		**–931**
Net Group profit								22'052	**22'052**	**22'052**	210	**22'262**
Dividend	17							–7'715	**–7'715**	**–7'715**	–98	**–7'813**
Translation differences							–3'251		**–3'251**	**–3'251**	–6	**–3'257**
Balance at 31.12.2016		**485**	**19'971**	**–799**	–45'284	–2'763	–37'055	222'400	**137'298**	**156'955**	526	**157'481**
Stock ownership plans												
Sale of own shares	20		**13**	**102**						**115**		**115**
Recognition of share-based payments	20							11	**11**	**11**		**11**
Valuation of cash flow hedges	20					–321			**–321**	**–321**		**–321**
Net Group profit								20'025	**20'025**	**20'025**	195	**20'220**
Dividend	20							–7'735	**–7'735**	**–7'735**	–215	**–7'950**
Translation differences							15'095		**15'095**	**15'095**	41	**15'136**
Balance at 31.12.2017		**485**	**19'984**	**–697**	–45'284	–3'084	–21'960	234'701	**164'373**	**184'145**	547	**184'692**

Notes to the Consolidated Financial Statements

SEGMENT REPORTING

2017		Germany	Switzerland/Rest of Western Europe	Eastern Europe	Elimination/Not allocated	Total Group
in CHF 1'000						
Sales to third parties		**222'319**	**129'596**	**32'130**		**384'044**
Inter-segment sales		8'511	26'578	10'775		
Total sales		230'830	156'173	42'905	–45'864	
EBITDA		**19'042**	**16'835**	**4'963**		**40'841**
EBITDA margin group (third party)		8.6 %	13.0 %	15.4 %		10.6 %
EBITDA margin segment (total)		8.2 %	10.8 %	11.6 %		
Depreciation		–6'361	–5'371	–1'234		–12'966
Amortisation		–1'806	–419	–13		–2'239
EBIT		**10'875**	**11'045**	**3'717**		**25'636**
Financial result, net						–642
Extraordinary result						–605
Income taxes						–4'170
Net Group profit						**20'220**
Investments		8'155	8'469	350		16'974
Assets		179'227	119'603	30'194	–9'577	319'447
Liabilities		19'121	28'654	5'357	81'623	134'755
Personnel (full-time positions)		749	483	274		1'506
	Food Service	**Customer Solutions**	**Consumer Brands**	**Food Ingredients**	**Others**	**Total Group**
Sales	**159'901**	**139'003**	**53'886**	**30'800**	**455**	**384'044**

2016						
Sales to third parties		**224'746**	**130'084**	**30'328**		**385'158**
Inter-segment sales		7'388	27'054	9'233		
Total sales		232'135	157'138	39'561	–43'676	
EBITDA		**19'857**	**18'822**	**4'157**		**42'836**
EBITDA margin group (third party)		8.8 %	14.5 %	13.7 %		11.1 %
EBITDA margin segment (total)		8.6 %	12.0 %	10.5 %		
Depreciation		–5'286	–5'212	–1'244		–11'742
Amortisation		–1'965	–447	–75		–2'487
EBIT		**12'605**	**13'163**	**2'838**		**28'607**
Financial result, net						–1'402
Income taxes						–4'942
Net Group profit						**22'262**
Investments		23'820	5'090	721		29'631
Acquisition		0	9'086	0		9'086
Assets		165'131	109'696	27'029	–8'717	293'140
Liabilities		21'380	23'252	5'145	85'882	135'659
Personnel (full-time positions)		733	497	266		1'496
	Food Service	**Customer Solutions**	**Consumer Brands**	**Food Ingredients**	**Others**	**Total Group**
Sales	**158'537**	**139'020**	**57'426**	**29'723**	**452**	**385'158**

CORPORATE ACCOUNTING PRINCIPLES

General

The consolidated financial statements of Hügli Group are prepared in accordance with all directives of the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER). The new rules on sales recognition (Swiss GAAP FER Conceptual Framework, FER 3 and FER 6), which came into force on 1 January 2016, had no influence on the accounting of the Group and did not entail any-adjustments. The consolidated financial statements comply with Swiss corporate law and the SIX Swiss Exchange Listing Rules. The consolidated financial statements are based on the audited financial statements of the Hügli corporate subsidiaries for the year ended 31 December, prepared in accordance with uniform corporate accounting principles. The consolidated financial statements are based on historical cost, with the exception of derivative financial instruments that are stated at fair value.

The consolidated financial statements 2017 were approved and released from the Board of Directors of Hügli Holding AG on 15 March 2018. They must also be approved at the Annual General Meeting on 16 May 2018.

Management Assumptions and Estimates

The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets, liabilities, expenses, revenues and contingent liabilities at the date of the consolidated financial statements. Actual results may differ from these estimates.

Material assumptions, which influence the consolidated financial statements of the Hügli Group, include particularly the evaluation of impairments of fixed assets and the measurement of tax liabilities.

The estimated useful life of tangible fixed assets can be shortened through altered use of property, plant and equipment. The recoverable amount of intangible assets (mostly brands) is based on assumptions of future revenues, margins and discount rates. If these assumptions change, future results may vary considerably from current calculations. The carrying amounts of such assets are disclosed in notes 6 and 7.

The valuation of tax liabilities is subject to the interpretation of tax laws in the respective jurisdictions, who appraise their adequacy through final assessment and audits by the tax authorities. This can result in material changes to tax expense. Furthermore, in order to determine whether tax loss carryforwards may be capitalized, one must first critically assess the probability that there will be future taxable profit against which to offset them. The budgeted assets may not be achieved, due to a variety of influencing factors and developments. The book values are explained in note 11.

In the course of their ordinary operating activities, corporate subsidiaries can become involved in litigation. Depending on the estimate on the part of the Executive Committee, this can cause specific provisions. The outcome of these proceedings may result in claims against the Group that cannot be met at all or in full through provisions or insurance cover.

Scope and Principles of Consolidation

The scope of consolidation includes Hügli Holding AG and all Swiss and foreign subsidiaries which the parent company, directly or indirectly, controls either by holding more than 50 % of the voting rights or by having otherwise the power to govern their operating and financial policies. Complying with the method of full consolidation, assets, liabilities, income and expenses are fully incorporated in the consolidated accounts. Intercompany balances and transactions (accounts receivable, accounts payable, income and expenses) are eliminated upon consolidation.

Minority interests in the equity and net income of consolidated companies are presented separately. Gains arising from intercompany transactions are eliminated in full. Capital consolidation is based on the purchase method, whereby the fair value of assets and liabilities of the acquired subsidiary is cleared against the acquisition cost at the time of acquisition. The resulting goodwill will be recognised in equity. Companies acquired in the course of the financial year are consolidated from the date on which control is obtained. The date to obtain control of the acquiree can take place before the legal closing date, if the date, at which the purchaser receives the assets and takes over the liabilities, was contractually agreed by a written agreement to lie before the closing date. Companies sold are excluded from the scope of consolidation as of the date on which control is given up, with any gain or loss recognised in income.

Companies in which Hügli Holding AG has a minority interest of at least 20 % but less than 50 %, or over which it otherwise has significant influence, are determined by using the equity method of accounting and presented separately in the consolidated balance sheet. The share in profit or loss is recognised and presented separately in the consolidated income statement.

Investments less than 20 % are stated at acquisition value and presented under other financial assets. An overview of the consolidated group of companies is provided on page 97.

>> see page 97

Foreign Currency Translation

The reporting currency is the Swiss Franc (CHF). If not stated otherwise, all figures presented in these financial statements are rounded to CHF 1'000 and reported in Thousand Swiss Francs (TCHF). Group companies prepare their financial statements in local currency. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities held in foreign currencies are translated at the spot rate on the balance sheet date. The resulting foreign currency gains and losses are recognised in the consolidated income statement. The fair value fluctuations of derivative financial instruments used to hedge such balance sheet items are also recognised in the consolidated income statement.

Operating currency differences from the sale and purchase of materials are stated, along with the corresponding underlying transaction, as part of gross profit (sales deductions, and material expenses, respectively). Exchange rate differences from financing and further non-operating activities are recognised as other financial result.

For consolidation purposes, the financial statements of the foreign entities with a functional currency that differs from the reporting currency are translated into Swiss francs as follows: balance sheets at year-end rates, income and cash flow statements at average rates for the year under review (except for cases, in which the average rate does not correspond to an adequate approximation to the rates valid on the dates of transaction). Any translation adjustment resulting from the differing translation of balance sheets and income statements are recognised taking the effect of deferred taxes into consideration directly in equity at balance sheet date. Foreign currency translation effects on long-term not currency congruent financed equity-like corporate loans, which are defined as a component of net investments in a subsidiary, are recognised directly in equity. In the case of the sale of a foreign subsidiary, these accumulated currency translation differences are recognised directly in equity and transferred from translation differences to other retained earnings. The transaction-related recognition in the income statement (recycling) of currency translation differences already recognised in equity is forgone.

ACCOUNTING POLICIES

Hedge Transactions and Derivative Financial Instruments

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. When hedges that qualify for hedge accounting treatment are initially recognised, they are classified either as hedging the fair value of a specific asset or liability (Fair Value Hedge), as hedging of future highly probable cash flows arising from an expected future transaction (Cash Flow Hedge), or hedging a net investment in a foreign subsidiary.
Fluctuations in the market values of reported financial instruments or firm commitments are hedged selectively by means of fair value hedges. Within the scope of the hedged risk, a market valuation is made of both the underlying and the hedging transaction.
Fluctuations in the value of cash flow hedge items are recognised in accordance with the option in Swiss GAAP FER 27 in shareholders' equity. The value fluctuations recognised in shareholders' equity of instruments that are held for the purpose of hedging future expenses, sales, financial assets or liabilities are recognised in the consolidated income statement on the date of recognition, on which the corresponding underlying transaction is recognised. The value fluctuations recognised in shareholders' equity of instruments that are held for the purpose of hedging future non-financial balance sheet items are recognised as a corresponding balance sheet item on the date of recognition of the underlying transaction. The derivative financial statements that are to be stated are disclosed under the accrued income and prepaid expense.

Cash and Cash Equivalents

Cash and Cash equivalents include cash and cash equivalents with an original maturity of up to 3 months. Cash and cash equivalents are stated at nominal value.

Accounts Receivable

Accounts receivable are stated at nominal value less provisions for doubtful debts. Value adjustments for doubtful debts are established based on maturity structure and identifiable solvency risks. Besides individual values adjustments with respect to specific identifiable risks, value adjustments are also recognised based on statistically determined credit risks.

Inventories

Raw materials and goods held for trading are generally stated at average cost, and internally manufactured products at manufacturing cost (materials used, direct and indirect labour including the respective depreciation). If the net realisable value, as the estimated sales price less the costs for the product completion and less the direct distribution costs is lower, value adjustments are made accordingly. In addition, valuation adjustments are made for inventories with an unsatisfying turnover, or for inventories that are difficult to sell, or based on statistically determined credit risks.

Tangible Fixed Assets

Tangible fixed assets are stated at acquisition cost less accumulated straight-line depreciation and impairment allowances, if any. In the case of the operating land and buildings, the historical acquisition costs are partly based on replacement values, which were determined in 1992. These buildings are being depreciated over their remaining useful lives determined by an external real estate assessment prepared in 2004. Non-operating buildings are stated at fair value; the unrealised gains and losses resulting from periodic revaluations are recognised in the income statement.
The useful lives of buildings are 25 to 50 years, of infrastructure and interior work 10 to 20 years, of machinery and equipment 5 to 15 years, of furniture and vehicles 4 to 10 years and for EDP hardware 3 to 7 years. Repair and maintenance expense is directly recognised in the income statement.

Leasing

Assets acquired under finance leases, where substantially all of the risks and rewards are transferred to the Group upon entering into the contract, are capitalised at the lower amount of minimum lease payments or the fair value. Assets are depreciated on a straight-line basis through their estimated useful life. The related outstanding lease liabilities are presented under current and non-current liabilities. Payments made under finance leases include amounts related to interest, which is recorded in the income statement, and amounts related to the repayment of the financial lease liabilities. The rent payments for contracts classified as operating leases are charged to the income statement as incurred.

Intangible Assets

EDP software and acquired intangible assets, which yield a financial benefit such as licenses, trademarks, client lists and similar rights are usually capitalised and amortised over 5 years. In justified cases (ERP IT-System, established trademarks with an expected long useful life), these assets are amortised over 10 to 20 years at the most.

Goodwill

Acquired goodwill, which represents the difference between the acquisition cost (incl. costs of transaction) and the fair value of the acquired net assets less the amount of minority interests, is recognised in equity at the time of acquisition. In case that the purchase price depends on future results, a best estimate of these is made at the date of purchase. If the calculation of the purchase price deviates from the estimated value, the recognised goodwill is adjusted correspondingly. For the purpose of disclosure, the effects of a theoretical capitalisation (acquisition value, residual value, useful life, amortisation) as well as a possible impairment are presented in note 7. In the event of the sale of a subsidiary, the goodwill that had previously been recognised in equity will be cancelled as part of the sales income at the initial costs, with any gain or loss recognised in income.

Costs of Research and Development

All costs of research are recognised in the consolidated income statement as incurred. In general, the costs of development do not match the criteria defined by Swiss GAAP FER 10 for a capitalisation and they are therefore also recognised directly in the income statement.

Financial Assets

Marketable securities and other financial assets are stated at acquisition cost. Own shares are stated at acquisition cost and recognised in equity. Realised gains and losses from the sale of own shares are recorded in share premium.

Impairment

The recoverable amount of non-current assets is reviewed basically once a year. If there is any indication of impairment, an impairment test is performed. If the carrying amount exceeds the recoverable amount, an impairment is recognised in the income statement.

Financial Liabilities

Financial liabilities, as a rule, are stated at nominal value. Financial liabilities are classified as current liabilities, except for cases, in which an unconditional right grants a deferment of the settlement of the debt by at least 12 months after the balance sheet date.

Provisions

Provisions are recognised for any present legal or constructive obligation incurred as a result of a past event, if it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be estimated reliably. No provisions are made for possible future operating losses.

Taxes

Current income taxes are calculated on taxable profits. Deferred taxes are calculated by applying the balance sheet liability method for all temporary differences between the carrying amount according to Swiss GAAP FER and tax base of assets and liabilities. The calculation of deferred taxes is based on the country-specific tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets on tax loss carry forwards are recognised in the consolidated balance sheet in the event that future taxable profits are probable, against which the assets can be utilised. Provisions for withholding taxes on undistributed profits in foreign subsidiaries are recorded only if the Group intends to make dividend payments in the near future.

Employee Benefits

Swiss Group companies sponsor a legally independent benefit plan according to Swiss legislation. This foundation provides services in case of retirement, death and disability. Generally, it is funded by employer and employee contributions. Besides these funding obligations, there are no further financial obligations to the Group. The economic effects of benefit plans are recognised in the consolidated financial statements. In order to determine whether this results in economic benefit or liabilities for the Group, the effects of benefit plans are assessed annually. The assessment is based on the financial statements according to Swiss GAAP FER 26. Employer contribution reserves, if any, are recognised as an asset. The differences between stated values and corresponding values of the same period in the previous year are recognised as personnel expense in the consolidated income statement. The obligatory contributions to benefit plans are also charged to personnel expense.

The other Group companies have no relevant independent pension plan. Pension provisions for retired individuals and other employee benefit obligations are actuarially calculated and recorded in the provisions.

The relating social security plans provided by the government do not include any future financial commitments of the Hügli Group. The funding of such plans is usually based on fixed percentages of the insured salaries. The employer contributions paid into these plans are recognised directly in the income statement.

Stock Ownership Program/Share-based Payment to the Board of Directors

A stock ownership program allows members of senior management to use a limited amount to acquire Group shares at 75 % of the market value. In addition, due to regulations on the optional share-based payment to the Board of Directors, its members can obtain Group shares at 75 % of the market value instead of a cash compensation. The enactment of both share programs is subject to a retention period of 3 years and during that time remains in the custody of Hügli Holding AG. The difference between market value and the preferential price granted by the stock ownership program is recognised as personnel expense.

Segment Reporting

The Hügli Group consists of one single business unit with a uniform strategy defined by the Board of Directors that focuses on the development, production and distribution of Hügli's core product line (soups, sauces, bouillons and further dry blended products).

The management of all Group subsidiaries is centralised and performed by the Board of Directors and the CEO based on the designated Group strategy. This central decision-making body makes decisions about investments and other relevant decisions relating to subsidiaries' and sales divisions' resources. The operating resources of each Group subsidiary are used by all distribution channels (sales divisions), as a rule. Group functions have been established and put under the supervision of the CEO (Head of Operations, Group Functions Research & Development/Supply Chain Management/Information Technology) to facilitate Group-wide coordination and optimisation of key task areas. Neither the subsidiaries nor the sales divisions have autonomy. Group Executive Management chaired by the CEO makes all relevant decisions. Group Executive Management is the only management body with overall responsibility for the consolidated income statement. To supervise the areas of responsibility of the heads of specialised units, profit responsibility has been broken down to sections of the

value chain (responsibility for contribution margin and costs).
Striving for transparent information, the Hügli Group discretionally exceeds the requirements defined by Swiss GAAP FER 31. The present segment reporting in the Notes to the Consolidated Financial Statements reflects the operational and production-based structure of the Hügli Group. This structure is broken down to production sites including associated sales companies (country clusters based on the location of assets), and represents the decisive element of corporate and risk controlling and of the return on invested capital. Segment reporting is therefore performed in line with geographical criteria and based on the legal international subsidiaries. The segment "Germany" comprises every active Group company in the country; the segment "Switzerland/Rest of Western Europe" consists of companies in Switzerland (including non-significant Group functions), Austria, United Kingdom, Italy and the Netherlands. The "Eastern Europe" segment includes the Czech Republic, the Slovak Republic, Poland and Hungary. The allocation of segment assets and segment liabilities costs based on geographical criteria does not include the financial liabilities, tax liabilities and tax assets. The segment result before interest and taxes (EBIT) can therefore be associated with operative net assets.
Taking into account the different sales channels with their specific economic cycles and elasticities of demand, an additional break down of sales figures is stated based on cross-country customer segments (sales divisions). This additional information supports the valuation of sales development subject to market indicators of the individual customer segments, in particular gastronomy (out of home market), the food industry and food retail trade (key account business) as well as the health food specialist trade (brand business).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Changes in Scope of Consolidation

In the financial year 2017 the scope of consolidation remained unchanged.
Hügli Holding AG acquired a majority stake of 80 % in the Dutch Bresc B. V., Sleeuwijk as of 1 January 2016, as part of a succession plan. The acquisition includes an option to acquire the remaining capital shares as of 2021. Bresc has been a successful company specialising in the development, production and sales of chilled garlic and herb products for the European gastronomy for 25 years with around 70 employees. The current Bresc management's stake of 20 % will remain unchanged and going further and ensure the continuity.
The acquisition contributed CHF 13.7 million to sales in the accounting period 2016.
The following table discloses assets and liabilities acquired at fair value at acquisition date and the goodwill resulting from the transaction. The conversion of Euro into Swiss francs took place at the transaction rate.

2016 in CHF 1'000	**Book values before acquisition**	**Revaluation**	**Acquisition values**
Cash and cash equivalents	165	0	165
Accounts receivable	1'591	0	1'591
Inventories	1'428	0	1'428
Tangible assets	648	157	806
Intangible assets	103	0	103
Financial assets	21	0	21
Operating liabilities	–1'038	0	–1'038
Financial liabilities	–934	0	–934
Deferred tax liabilities	0	–39	–39
Net operating assets	**1'984**	**118**	**2'102**
./. Minority interests (20 %)	–397	–24	–420
Net operating assets (80 %)	**1'587**	**95**	**1'682**
Goodwill			7'569
Acquisition value			**9'251**
./. Acquired cash and cash equivalents			–165
Cash flow acquisition, net			**9'086**
Thereof capitalised transaction costs			129

2. Cash and Cash Equivalents

in CHF 1'000	2017	2016
Bank accounts and cash on hand	**10'757**	**12'754**

The bank and postal accounts are current accounts. There were no call assets or fixed investments.

3. Trade Accounts Receivable

in CHF 1'000	2017	2016
Trade accounts receivable, gross	55'614	49'903
./. Valuation allowance	–1'088	–884
Total	**54'526**	**49'019**

The ageing structure of trade accounts receivable was at balance sheet date as follows:

in CHF 1'000	2017	2016
Not due	41'832	37'320
Overdue within 1 month	7'999	8'574
Overdue between 1 to 3 months	2'495	1'756
More than 3 months overdue	3'288	2'252
./. Valuation allowance	–1'088	–884
Total	**54'526**	**49'019**

Value adjustments on trade accounts receivable have changed as follows:

in CHF 1'000	2017	2016
At 01.01.	884	1'011
Increase	386	375
Decrease/Utilisation	–262	–498
Change Scope of Consolidation	0	11
Exchange differences	80	–15
At 31.12.	**1'088**	**884**

The trade accounts receivable, which are not due, mainly arise from long-standing and well-diversified customer relationships. Based on experience, Hügli does not anticipate any significant defaults.

4. Inventories

in CHF 1'000	2017	2016
Raw materials (incl. packaging material)	28'877	22'751
Manufactured products	31'897	29'920
Trade goods	11'407	11'683
./. Valuation allowance	–730	–599
Total	**71'451**	**63'755**

5. Accrued Income and Prepaid Expenses

in CHF 1'000	2017	2016
Tax receivables	897	142
Other accrued income/prepaid expenses	2'222	2'159
Total	**3'119**	**2'301**

6. Tangible Fixed Assets

2017	Land and Buildings	Tech. Equip./ Machinery	Other tangible assets	Under con-struction/ Advance payments	Total
in CHF 1'000					
Gross amount as of 01.01.	100'799	112'053	36'177	33'772	282'801
Additions	222	8'471	1'835	5'568	16'095
Disposals	0	–853	–471	–264	–1'588
Transfers	22'212	12'797	–53	–35'346	–390
Translation differences	7'767	8'977	2'613	1'517	20'874
Gross amount as of 31.12.	**131'000**	**141'445**	**40'101**	**5'248**	**317'794**
Accumulated depreciation as of 01.01.	–35'879	–68'316	–29'946	0	–134'141
Planned depreciation	–2'970	–7'940	–2'056	0	–12'966
Disposals	0	718	469	0	1'187
Transfers	–3'121	3'087	34	0	0
Translation differences	–2'549	–4'620	–2'173	0	–9'342
Accumulated depreciation as of 31.12.	**–44'518**	**–77'072**	**–33'672**	**0**	**–155'263**
Carrying values as of 01.01.	64'920	43'737	6'231	33'772	148'660
Carrying values as of 31.12.	**86'482**	**64'373**	**6'431**	**5'247**	**162'534**

2016	Land and Buildings	Tech. Equip./ Machinery	Other tangible assets	Under con-struction/ Advance payments	Total
Gross amount as of 01.01.	97'643	106'404	38'542	15'995	258'585
Additions	1'239	4'748	1'956	21'120	29'063
Disposals	–199	–503	–1'120	0	–1'823
Transfers	3'060	2'799	–3'025	–2'816	17
Changes in Scope of Consolidation	103	497	205	0	806
Translation differences	–1'046	–1'893	–382	–527	–3'847
Gross amount as of 31.12.	**100'799**	**112'053**	**36'177**	**33'772**	**282'801**
Accumulated depreciation as of 01.01.	–33'960	–62'483	–29'187	0	–125'630
Planned depreciation	–2'521	–7'074	–2'147	0	–11'743
Disposals	199	454	1'109	0	1'762
Transfers	0	0	–14	0	–14
Translation differences	403	787	294	0	1'484
Accumulated depreciation as of 31.12.	**–35'879**	**–68'316**	**–29'946**	**0**	**–134'141**
Carrying values as of 01.01.	63'683	43'922	9'355	15'995	132'955
Carrying values as of 31.12.	**64'920**	**43'737**	**6'231**	**33'772**	**148'660**

The assets reported under tangible fixed assets in finance lease were amortised to zero as planned. Its net book value in the previous year was TCHF 187. There have been no non-cash additions to investments in finance leases.

There are no separable undeveloped lots of land. There are no pledged tangible fixed assets for financial liabilities.

7. Intangible Assets

Brands and other intangible assets

2017	Software, Others	Brands, Intellectual property rights	Total
in CHF 1'000			
Gross amount as of 01.01.	14'055	17'078	31'132
Additions	879	0	879
Disposals	–111	–1	–112
Transfers	0	390	390
Translation differences	901	1'538	2'439
Gross amount as of 31.12.	**15'725**	**19'005**	**34'730**
Accumulated amortisation as of 01.01.	–12'202	–7'475	–19'675
Planned amortisation	–1'061	–1'178	–2'239
Disposals	66	0	66
Transfers	0	0	0
Translation differences	–771	–709	–1'481
Accumulated amortisation as of 31.12.	**–13'968**	**–9'363**	**–23'330**
Carrying values as of 01.01.	1'853	9'603	11'456
Carrying values as of 31.12.	**1'757**	**9'643**	**11'400**

2016			
Gross amount as of 01.01.	13'660	17'313	30'973
Additions	568	0	568
Disposals	–147	0	–147
Transfers	6	0	6
Changes in Scope of Consolidation	102	0	102
Translation differences	–134	–235	–369
Gross amount as of 31.12.	**14'055**	**17'078**	**31'132**
Accumulated amortisation as of 01.01.	–11'455	–6'088	–17'542
Planned amortisation	–1'104	–1'231	–2'335
Extraordinary amortisation	0	–153	–153
Disposals	141	0	141
Transfers	101	–109	–8
Translation differences	115	106	220
Accumulated Amortisation as of 31.12.	**–12'202**	**–7'475**	**–19'675**
Carrying values as of 01.01.	2'205	11'225	13'431
Carrying values as of 31.12.	**1'853**	**9'603**	**11'456**

Non-capitalised goodwill

Acquired goodwill, which represents the difference between the acquisition cost and the fair value of the acquired net assets, is recognised in equity at the time of acquisition.

Overview of acquisitions, whose goodwill was recognised in equity according to Swiss GAAP FER:

Bresc B.V., Netherlands	
Activities	Production and sales of chilled garlic and herb products
Acquisition date	01.01.2016
Acquisition type	Direct acquisition of 80% of the capital shares
EDEN/Granovita, Germany/UK/Spain	
Activities	Production and trade of natural food products under the brands “EDEN” and “granoVita”
Acquisition date	01.01.2015
Acquisition type	Acquisition of intangible assets (trademark rights, recipes) in Germany, Direct acquisition of 100% of the shares in the UK and in Spain
Vogeley Nahrungsmittel GmbH, Hameln, Germany	
Activities	Distribution of Instant-Desserts (Pudding, Crème, Mousse), soups, sauces and bouillon und seasonings
Acquisition date	01.01.2013
Acquisition type	Acquisition of intangible assets (trademark rights, recipes), Acquisition of sales department
Contract Foods Ltd. (today: Huegli UK Ltd.), Redditch, UK	
Activities	Manufacturing of dry blends in the functional foods domain, mainly food supplements
Acquisition date	31.01.2008
Acquisition type	Direct acquisition of 100% of the shares
Ali-Big Industria Alimentare s.r.l., Brivio, Italy	
Activities	Production and distribution of liquid sauces and antipasti
Acquisition date	30.06.2007
Acquisition type	Direct acquisition of 100% of the shares
Supro-Nährmittel AG, St. Gallen/EPS Holding AG, Steinach, Switzerland	
Activities	Production and distribution of dressings, soups, sauces and bouillons
Acquisition date	01.09.2005
Acquisition type	Direct acquisition (100%) EPS Holding AG incl. subsidiary (100%) Supro-Nährmittel AG
Inter-Planing GmbH/OSCHO GmbH, Neuburg/Langenhaslach, Germany	
Activities	Production and distribution of dressings, soups, sauces and bouillons
Acquisition date	17.08.2005
Acquisition type	Acquisition (100%) of Inter-Planing GmbH Acquisition of assets/liabilities OSCHO
Helva Ltd., UK	
Activities	Distribution of soups, sauces, bouillons
Acquisition date	01.01.1999
Acquisition type	Direct acquisition of 100% of the shares

The effects of a theoretical capitalisation of goodwill and a linear depreciation over five years are presented separately in the following table.
The reported Group EBIT 2017 of TCHF 25’636 would thereby be reduced by planned amortisation of TCHF 3’025 to theoretical TCHF 22’611 (previous year: of reported TCHF 28’607 by TCHF 2’966 to theoretical TCHF 25’641). The reported EBIT margin 2017 of 6.7 % would fall to theoretical 5.9 % (previous year: of reported 7.4 % to theoretical 6.7 %).

Group equity of TCHF 184’692, reported as per 31. 12. 2017, would be increased by the net book value of goodwill of TCHF 5’150, after deferred taxes of TCHF 1’344, to theoretical TCHF 188’498 (previous year: of reported TCHF 157’481 by TCHF 7’638, after deferred taxes of TCHF 1’993 to theoretical TCHF 163’126). The reported equity ratio 2017 of 57.8 % of total assets would rise to theoretical 58.3 % (previous year: of reported 53.7 % to theoretical 54.6 %).

Theoretical Goodwill

2017	Helva	Inter-Planing/ Oscho	Supro/ EPS	Ali-Big	Contract Foods	Vogeley	Grano-vita	Bresc	Total
in CHF 1’000									
Gross amount as of 01. 01.	226	8’204	4’670	7’338	4’601	6’517	597	7’472	39’624
Translation differences	11	742	0	664	215	590	54	676	2’952
As of 31. 12.	**237**	**8’946**	**4’670**	**8’002**	**4’816**	**7’106**	**651**	**8’148**	**42’576**
Accumulated amortisation									
As of 01. 01.	–226	–8’204	–4’670	–7’338	–4’601	–5’214	–238	–1’494	–31’986
Planned amortisation	0	0	0	0	0	–1’351	–124	–1’550	–3’025
Translation differences	–11	–742	0	–664	–215	–541	–28	–215	–2’416
As of 31. 12.	**–237**	**–8’946**	**–4’670**	**–8’002**	**–4’816**	**–7’106**	**–390**	**–3’259**	**–37’427**
Goodwill as of 01. 01.	0	0	0	0	0	1’303	358	5’977	7’638
Goodwill as of 31. 12.	**0**	**0**	**0**	**0**	**0**	**0**	**261**	**4’889**	**5’150**

2016	Helva	Inter-Planing/ Oscho	Supro/ EPS	Ali-Big	Contract Foods	Vogeley	Grano-vita	Bresc	Total
Gross amount as of 01. 01.	265	8’319	4’670	7’441	5’387	6’608	605	0	33’294
Additions	0	0	0	0	0	0	0	7’569	7’569
Translation differences	–39	–115	0	–103	–786	–91	–8	–97	–1’239
As of 31. 12.	**226**	**8’204**	**4’670**	**7’338**	**4’601**	**6’517**	**597**	**7’472**	**39’624**
Accumulated amortisation									
As of 01. 01.	–265	–8’319	–4’670	–7’441	–5’387	–3’965	–121	0	–30’168
Planned amortisation	0	0	0	0	0	–1’325	–121	–1’519	–2’966
Translation differences	39	115	0	103	786	77	4	25	1’148
As of 31. 12.	**–226**	**–8’204**	**–4’670**	**–7’338**	**–4’601**	**–5’214**	**–238**	**–1’494**	**–31’986**
Goodwill as of 01. 01.	0	0	0	0	0	2’643	484	0	3’126
Goodwill as of 31. 12.	**0**	**0**	**0**	**0**	**0**	**1’303**	**358**	**5’977**	**7’638**

The goodwill equals the surplus of the acquisition cost over the fair values of the acquired net assets, and represents the expected future economic benefit of the acquired companies that cannot be identified and valued separately. The goodwill positions resulting from the acquisition mainly reflect the expected synergies, future products and the acquired employees.
The goodwill positions are assigned to the cash generating units (CGU) mentioned in the table, which consist either of Group units that comprise several companies, or of single Group companies. The goodwill positions, which are not fully amortised, are tested for impairment at least annually at the CGU level. The value in use is based on future projected discounted cash flows. Usually, the cash flows correspond to detailed financial plans that were approved by management and cover the period of the first 3 years. For the subsequent years, expected growth rates are taken into consideration and for years 11 and beyond, an infinite cash flow value is included in the calculation. The projections use expected EBITDA growth rates of 5 % based on the assessment of future economic developments. After a period of 10 years, zero growth is applied. The discount rate is between 7.5 % and 9.0 %, considering specific risk premiums on the base of the weighted average cost of capital (WACC) of Hügli Group of 7.0 %. Because the cash flow projections are determined after taxes, the established discount rates also allow for the specific tax effects.
Based on the impairment tests and sensitivity analyses as of closing date, the values of all goodwill positions are supported. No realistically possible changes are expected to affect the applied key assumptions (discount rate, growth rate) that may result in recoverable amounts of goodwill, which exceed the respective carrying amounts. This excludes unforeseen circumstances.

8. Financial Assets

in CHF 1'000	2017	2016
Securities	47	47

The securities currently consist of marginal assets set aside with the legal requirement to allocate assets to cover provisions for employee benefits.

9. Financial Liabilities

in CHF 1'000	2017	2016
Current financial liabilities	46'594	45'478
Non-current financial liabilities	37'000	42'721
Total	**83'594**	**88'199**
Planned maturity		
up to 1 year	46'594	45'478
up to 2 years	0	35'721
up to 3 years	7'000	0
up to 4 years	0	7'000
up to 5 years	15'000	0
up to 6 years	15'000	0
Breakdown to currencies		
CHF	42'950	44'200
EUR	34'252	35'483
CZK	3'618	5'598
GBP	2'371	2'519
HUF	403	399

The financial liabilities primarily consist of fixed advances from banks. None are secured by mortgages. Non-current financial liabilities with maturity terms of 1 to 5 years are at fixed interest rates. The interest rates for current financial liabilities are adjusted to market level several times a year. The interest-bearing foreign capital has a number of financial covenants, which among other requisites, requires the observance of financial operating figures such as the net debt to EBITDA ratio (max. 3.0x) and the minimum equity to asset ratio (min.

35 %). These financial covenants were fulfilled at the balance sheet date (net debt to EBITDA ratio 1.8x, equity to asset ratio 57.8 %). For financial liabilities in total, the average interest rate amounted to 0.9 % (1.1 % in the previous year).

10. Accrued Expenses and Deferred Income

in CHF 1'000	2017	2016
Personnel/social securities	2'532	5'039
Accrued vacation and overtime	2'394	2'052
Customer related liabilities	2'232	1'858
Derivative financial instruments	3'412	3'011
Income tax liabilities	3'203	2'005
Other accrued expenses/deferred income	3'794	3'314
Total	**17'567**	**17'279**

11. Deferred Tax Assets and Liabilities

The deferred tax assets and liabilities are allocated to the following balance sheet positions:

in CHF 1'000	2017	2016
Inventories	755	1'151
Land and buildings	4'517	3'999
Other fixed assets	1'148	847
Provisions	732	485
Other balance sheet positions	1'194	501
Total tax liabilities	**8'346**	**6'983**
Inventories	746	290
Land and buildings	–8	10
Other fixed assets	101	380
Provisions	83	167
Other balance sheet positions	1'715	926
Total tax assets	**2'636**	**1'774**
Deferred tax liabilities, net	**7'608**	**6'267**
Deferred tax assets, net	**1'898**	**1'426**

Deferred tax liabilities and tax assets based on temporary valuation differences are recorded with their gross amounts. Appropriate netting of deferred tax liabilities and tax assets is performed in consolidation.
Deferred tax assets on loss carry-forwards are only capitalised if seems probably that they can be realised. In countries and subsidiaries, respectively, in which the utilisation of loss carry-forwards cannot be foreseen, capitalisation is foregone.
Detailed information to capitalised and not capitalised loss carry-forwards can be found in note 24.

12. Employee Benefit Provisions

in CHF 1'000	2017	2016
As of 01.01.	1'486	1'384
Increase	149	190
Utilisation	–107	–68
Decrease	–32	0
Exchange differences	135	–20
As of 31.12.	**1'631**	**1'486**

The employee benefit provisions for retired individuals as well as the partial retirement accounts payable in Germany, Austria and Italy are periodically calculated by an actuary.

13. Employee Benefits

Economic benefit/economic provisions and employee benefit expenses:

in CHF 1'000	Surplus/-deficit according to Swiss GAAP FER 31.12.2017	Surplus/-deficit according to Swiss GAAP FER 31.12.2016	Economical part of the Group 31.12.2017	Economical part of the Group 31.12.2016	Change to prior year recognised/ in the current result 2017	Contributions concerning the business period 2017	Pension benefit expenses within personnel expenses 2017	Pension benefit expenses within personnel expenses 2016
Pension institutions with surplus	0	0	0	0	0	1'495	1'495	1'508
Total	**0**	**0**	**0**	**0**	**0**	**1'495**	**1'495**	**1'508**

Swiss Group companies sponsor a legally independent pension plan foundation according to Swiss legislation. The actuarially assumed surplus of the employee benefit foundation of Hügli Nährmittel AG amounts to CHF 10.4 million in the financial year (CHF 11.6 million in the previous year). This corresponds to a weighted coverage rate according to article 44 BVV2 of 122 %, based on an assumed interest rate of 2.0 % and BVG 2015 generation table (in the previous year: 128 %, assumed interest rate 2.0 %). As the reserve for value fluctuations that is being accumulated has not yet reached the target value, no positive dotation capital is stated in the balance sheet. No surplus can be determined as under Swiss GAAP FER 16, a surplus would require positive non-committed funds in the dotation capital.
The surplus is not at disposal of the Group for economic use in the form of reduction or repayment of contributions. The employee benefit costs included in the personnel costs related to the ordinary payment of contributions of the affiliated Group companies.

14. Financial Instruments and Financial Risk Management

Financial Risk Management Principles

The international business activities of the Hügli Group are exposed to various financial risks, in particular credit risk, market risk (including currency, interest rate and price risk) and liquidity risk. The risk management principles are geared to identifying and analysing the risks to which the Group is exposed in a volatile market environment and to establish the appropriate control mechanisms. The Group's department of Finance and Controlling hedges certain defined risks in close cooperation with the divisions. The Board of Directors bears ultimate responsibility for risk management.

Credit Risk

The credit risk is the Group's risk of suffering financial loss if a customer is unable or unwilling to meet contractual business obligations. The Hügli Group's main credit risks arise from trade accounts receivable. Such receivables are monitored continuously and systematically. The danger of cluster risks is limited due to the large number and wide geographical spread of customers. Hügli enters into bank transactions only with important financial institutions. The credit risk is mainly limited to current bank accounts, and secondarily to transactions involving derivative financial instruments. The maximum credit risk is confined to the carrying amounts stated for the individual financial assets. Hügli has not entered into any guarantees or similar obligations.

Currency Risk

Hügli operates internationally and is therefore exposed to currency risks. These financial risks occur in connection with transactions, in particular the purchase and sale of goods, which are effected in currencies that differ from the functional currency (local currency). Such transactions are performed mainly in Swiss Francs (CHF), Euro (EUR), British Pounds (GBP), Czech Crowns (CZK), Polish Zloty (PLN) and Hungarian Forint (HUF). Hügli reduces currency risks considerably by purchasing and producing goods in the functional currency (natural hedging). Where this is not possible or only to a limited extent, currency exposure is generated, predominantly concerning the exchange rates CHF/GBP, CHF/EUR, EUR/GBP, CZK/PLN and CZK/HUF. We also restrict the Group's external financing where possible to currencies, in which medium-term free cash flows can be expected.

As per 31.12.2017 currency futures with a maturity of 1 to 12 months for the partial hedging of currency risks of future highly probable accruals of foreign currencies in EUR and GBP (PLN and HUF in the previous year) are outstanding. The open contract values (nominal values of hedge transactions) and the positive/negative replacement values (potential return on closure of contracts or unrealised profits/losses before taxes) are as follows:

in CHF 1'000	2017	2016
Contract value	15'213	2'889
Replacement value profits/(losses)	–579	–53

Interest-rate Risk

The interest-rate risk is caused by changes in market interest rates and in the risk premiums of the capital markets, which relate to the Group's investments. The risk of fluctuating interest rates can be limited through the ratio of fixed-interest to variable interest liabilities and the ratio of short-term and long-term financial liabilities, which agrees with our risk policy. Due to financial liabilities being stated at par value, changes in interest rates have no impact on the income statement. A 1 %-point increase (or reduction) of the average interest rate for short-term variable interest advances would have increased (or reduced) group profit by CHF 0.4 million (CHF 0.4 million in the previous year).

in CHF 1'000	2017	2016
Contract value	36'690	35'720
Replacement value profits/(losses)	–2'833	–2'958

In 2015, various forward interest rate swaps were used to hedge future periods with the aim to fix the interest rates for a highly probably basic funding of CHF 25 million and EUR 10 million and hedge it to offset future interest increases. The first tranche begins in 2018, the last ends in 2024. The weighted average of the fixed base rates amounts to 1.43 %. Due to decreasing capital market interest rates negative replacement values of TCHF –2'833 (previous year TCHF –2'958) have resulted and were recognised in equity.

Price Risk

Hügli is exposed to crucial price risks in the area of the purchasing of materials as these represent the largest cost factor of around 50 % of the sales volume of the Group. The purchasing prices of raw materials, in particular of important raw goods such as vegetables, dairy products, grain, vegetable oils and spices, depend on the interaction of supply and demand. Price shifts arise on the supply side, based on climate-related harvest failures or can be caused by the higher purchasing power of populous countries or the strong demand for organic products. Hügli limits the market price risks of the most important products through storage measures and through settled purchasing contracts with fixed maturities. Under certain circumstances, Hügli can hedge the raw materials price risk indirectly through the purchase of Agriculture Commodity Indices.

Liquidity Risk

The liquidity risk is the risk that Hügli will be unable to meet its financial obligations when they are due. Liquidity management consists in maintaining sufficient liquidity reserves to offset the usual liquidity fluctuations. At the same time, the Group has unused credit lines at its disposal that it can apply in the event of more serious fluctuations. The total amount of unused non-committed credit lines as per 31. 12. 2017 was CHF 79.2 million (CHF 61.0 million in the previous year). The credit lines are spread over several banks so that there is no excessive dependence on one financial institution only.

15. Operating Leases/Lease Contracts

The liabilities from operating leases and ongoing long-term lease contracts are due as follows:

in CHF 1'000	2017	2016
Due within 1 year	3'421	3'558
Due between 1 to 5 years	5'735	6'068
Due after 5 years	2'644	2'457
Total	**11'799**	**12'082**

The leasing contracts predominantly consist of motor vehicles for the sales force. The long-term lease obligations comprise multi-year lease contracts at the production sites in Switzerland, Italy, UK and the Netherlands.

16. Contingent Liabilities and Further Off-Balance Sheet Liabilities

Hügli has reached a shareholders' agreement relating to the acquisition of 80 % of Bresc B. V. shares with minority shareholders as per 01. 01. 2016. These are members of the company's management holding a total 20 % of shares. The buyout of minorities was settled with a call/put agreement, which as of 1 January 2021 grants either Hügli the right to purchase the minority shares (call), or the minority shareholders the right to sell them (put). Because this agreement qualifies as a synthetic forward contract it entails a payment obligation under a contract, which in accordance with Swiss GAAP FER 5/3 must not be recognised as a liability. The agreed purchase price is based on the reported EBITs of the two previous financial years 2019 and 2020, and from today's point of view therefore cannot yet be determined in absolute terms. Calculated on the basis of the current business plan, the purchase price would amount to CHF 4.4 million and induce a goodwill of CHF 4.1 million. Due to the recognition of only the acquired share of goodwill (partial goodwill method), this goodwill, which is to be acquired in 2021 based on the minority shares in the financial year 2021, is presented as equity transaction and recognised in equity.

The Group is currently involved in various legal cases that have arisen from normal business developments. For these ongoing legal cases, there are in justified cases short-term provisions to cover risks that the Group assumes to be foreseeable risks. Therefore, the effects neither in individual cases nor in total have a significant influence on the financial position and profitability.

17. Capital Management and Shareholders' Equity

Within capital management, the management of consolidated equity primarily aims at maintaining a solid balance sheet structure with an appropriate equity ratio (based on going concern), ensuring the necessary financial scope in order to be able to make investments and acquisitions in the future, and achieving a ROE (return on equity) appropriate for the risk.

The monitoring of equity is performed based on following ratios:

- Equity ratio: 57.8 %/53.7 % in the previous year (equity to total assets)
- Gearing: 0.39/in the previous year: 0.48 (interest bearing net debt to equity)
- Return on equity (ROE): 12.1 %/in the previous year: 14.2 % (group profit in percentage of average equity).

These ratios are reported to the Board of Directors at regular intervals by internal financial reporting. Based on strategic objectives, the medium target for the equity ratio is to maintain it over 40 % and to keep gearing below 1. The return on equity should be kept above 13 %.
Hügli pursues a results-oriented dividend policy with a payout-ratio of 30 % to 40 % of the Group's profit. The purchase price of CHF 915 per bearer share offered by Bell Food Group AG includes the dividend for the 2017 financial year. No dividend payment will be proposed.

The shareholders' equity per balance sheet date consisted of the following:

in CHF 1'000	2017	2016
Share capital consists of 280'000 bearer shares CHF 1.00 410'000 registered shares CHF 0.50	485	485
Capital reserves	19'984	19'971
Bearer shares valued at average acquisition costs of CHF 509.19 (PY: CHF 509.19)	–697	–799
Retained earnings	164'920	137'824
Total	**184'692**	**157'481**
Own shares at 01.01. (in units)	1'569	2'843
Sales via stock ownership program	–200	–1'274
Purchase of own shares	0	0
Own shares at 31.12. (in units)	1'369	1'569

The capital reserves change by the result from the sale of own shares. The amount of TCHF 11 (TCHF 57 in the previous year) relating to the recognised costs of stock ownership plans was expensed in the income statement. The directly stated results in the retained earnings are mainly related to translation adjustments of net assets of Group companies and equity-like Group loans denominated in foreign currencies due to the valuation at the balance sheet date. In addition, due to hedge accounting, the valuation of cash flow hedges was recorded with the amount of TCHF –321 (TCHF –931 in the previous year) and the replacement value TCHF –402 (TCHF –1'026 in the previous year) minus deferred taxes of TCHF 81 (TCHF 95 in the previous year), respectively.

The fair value changes of cashflow hedges arose as follows:

in CHF 1'000	2017	2016
Withdrawal from reserve: Transferred to income statement	53	–53
Appropriation to reserve:	–579	–70
Fair value adjustments	124	–903
Deferred taxes on cashflow-hedges	81	95
Total	**–321**	**–931**

Translation gains and losses recorded in equity arose as follows:

in CHF 1'000	2017	2016
Translation gains/(losses) of net investments	3'406	194
Translation gains/(losses) of corporate loans, net	11'689	–3'451
Total	**15'095**	**–3'257**

Neither in 2017 nor 2016 own shares were acquired.
The consolidated reserves include legally required reserves of CHF 13.4 million (CHF 13.3 million in the previous year). Based on local law of the respective countries, the reserves cannot be paid out to shareholders.
There is no contingent or authorised capital. Furthermore, no conversion or option rights are outstanding.

18. Sales

The segment reporting is presented on page 60 of this annual report. >> see page 60

In addition, a breakdown of sales according to product groups and geographic markets (location of customers) is displayed on page 4.
>> see page 4

There is no single customer with sales exceeding 10 % of group sales.

19. Other operating income

in CHF 1'000	2017	2016
Own costs capitalised	925	0
Gain on disposal of fixed assets	14	0
Miscellaneous operating income	1'066	1'237
Total	**2'005**	**1'237**

The item "Other operating income", which comprises own work capitalised as well as other operating income, is newly recorded as a separate item in the income statement. The other operating revenues, mostly income from costs charged to third parties, had hitherto been recognised in other operating expenses and disclosed in the notes.

20. Personnel Expenses

in CHF 1'000	2017	2016
Salaries and wages	77'099	76'748
Social benefits	14'913	14'043
Other personnel costs	1'892	1'337
Total	**93'904**	**92'129**

Stock Ownership Plan

In accordance with a senior management participation program established by the Board of Directors, members of senior management are

enabled to use a limited part of the bonus to acquire shares (owned by the company) at a preferential price of 75 % of the market value. Furthermore, based on regulations regarding the optional share-based payment to the Board of Directors shares were transferred to Board members.
The company did not transfer any bearer shares (758 in the previous year) instead of a cash remuneration to the members of the Board of Directors in advance of the intended takeover by the Bell Food Group. Employees not involved in the takeover purchased 200 bearer shares (previous year: 516) in November of the financial year at a purchase price of CHF 594.00 (previous year: Board of Directors and employees CHF 579.40). The enactment of both share programs is subject to a retention period of 3 years and during that time remains in the custody of Hügli Holding AG. The difference between market value and the discount granted on the basis of the share participation plan is recognised as personnel expense (with an offsetting entry in equity) in the income statement, with any gain or loss recognised in income. The costs in the financial year amount to TCHF 11 (TCHF 57 in the previous year).

21. Other Operating Expenses

in CHF 1'000	2017	2016
External logistics	19'524	18'286
Distribution costs	17'786	19'885
Production costs	6'665	7'511
Management Services, Others	19'803	22'129
Loss on disposal of fixed assets	71	25
Total	**63'849**	**67'836**

Other operating income primarily contains expense credits, through cost transfers of packaging/postage and discounts, income from other periods as well as rental incomes, among others. Loss in the amount of TCHF –71 resulted from the disposal of fixed assets (loss of TCHF –25 in the previous year).

22. Development Costs

Development costs of TCHF 3'708 (TCHF 3'131 in the previous year) were recognised in 2017. Development serves mainly the creation of new products and improvement of the existing product range and is included in the personnel and other operating costs and depreciation. No development costs were capitalised.

23. Financial Results

in CHF 1'000	2017	2016
Interest expenses	787	945
Other financial expenses	114	533
Financial expenses	**901**	**1'478**
Interest income	–17	–28
Other financial income	–242	–47
Financial income	**–259**	**–75**
Financial expenses, net	**642**	**1'403**

The financial expenses decreased due to lower short-term interest rates of the capital market in spite of a higher average level of debt, which increased by CHF 2 million. Overall, the average interest rate on financial liabilities resulted in 0.9 % (1.1 % in the previous year).

24. Income Taxes

in CHF 1'000	2017	2016
Current income taxes	4'497	6'237
Deferred income taxes	–327	–1'295
Total	**4'170**	**4'942**

The variance between the expected income tax expense, based on the expected income tax rate, and the effective income tax expense recorded in the consolidated income statement depends on the following determining factors. The Group's expected income tax rate is based on the ordinary profit/loss before taxes and the tax rate pertaining to each individual subsidiary in the fiscal year.

in CHF 1'000	2017	2016
Profit before taxes	24'390	27'204
Expected income tax rate	19.7 %	20.8 %
Expected income tax expense	**4'812**	**5'669**
Effect of non-recognition of tax loss carry-forwards in the financial year	40	11
Use of unrecognised tax loss carry-forwards	0	–26
Recognition (reassessment) of loss carry-forwards of previous years	–892	–217
Derecognition (reassessment) of recognised loss carry-forwards	0	0
Effect of tax rate changes on deferred taxes	–13	43
Effect of non-deductible expenses	209	297
Tax result of previous periods	12	–834
Effective tax expenses	**4'170**	**4'942**
Effective income tax rate	17.1 %	18.2 %

Tax loss carry-forwards are only recognised if they are expected to be used in the five years ahead depending on the profitability of the company, or the fiscal unity, respectively. This recognition is subject to annual reassessment based on current estimates of management. Tax loss carry-forwards of a subsidiary are not recognised if is not foreseeable that they can be offset with future profits.

As per 31.12.2017, tax loss carry-forwards of CHF 7.5 million (previous year: CHF 3.7 million) were recognised based on current estimates, generating deferred tax assets of CHF 1.8 million (previous year: CHF 0.9 million). Of these capitalised losses carried forward, CHF 0.6 million expire within five years (previous year: CHF 0.1 million). According to current tax regulations, CHF 6.9 million (previous year: CHF 3.6 million) are not subject to expiry. As per 31.12.2017, there were no material unrecognised loss carryforwards (previous year: CHF 3.4 million), and accordingly no unrecognised tax effects (previous year: CHF 0.8 million). Of these loss carryforwards not capitalised in the previous year, CHF 0.1 million expire within 5 years. CHF 3.3 million were not subject to expiry according to tax law.

Deferred income taxes of TCHF –81 (previous year: TCHF –95) and the related underlying transactions were recognised directly in equity.

25. Transactions with Related Parties

Related parties include the Board of Directors, members of the Group Executive Management, the pension fund and important shareholders as well as companies under the control of these persons, or decisively influenced by them. Transactions with related parties are generally conducted at arm's length.

The members of the Board of Directors (6 members) are remunerated with a fixed salary or optionally with own shares at a price of 25 % below market value. The Chairman of the Board of Directors receives additional compensation based on earnings. The members of Group Executive Management (7 members), receive a fixed salary, additional compensation based on earnings and furthermore the possibility to purchase own shares with a retention period of 3 years at a price of 25 % below market value with a portion of the earnings based compensation. All compensation elements are included in the personnel expenses.

Total remuneration to the Board of Directors and Group Executive Management:

in CHF 1'000	2017	2016
Short-term benefits	3'529	3'663
Social expenses/ Benefit obligation	620	714
Stock ownership program	27	59
Total	**4'176**	**4'436**

Social security and employee benefit contributions include the employees' and the employer's contributions as well as the obligatory state social insurance and the corporate pension plan.

The Swiss pension fund was administrated by the Hügli Group and the Group was compensated with TCHF 26 (TCHF 26 in the previous year). Furthermore, as in the previous year, there were neither accounts receivable nor accounts payable to related parties. No other considerable transactions with related parties were effected.

26. Earnings per Bearer Share

in CHF	2017	2016
Group profit shareholders of Hügli Holding AG	20'025'000	22'052'000
Average number of bearer shares with par value of CHF 1.00	278'447	277'263
Average number of registered shares with par value of CHF 0.50	410'000	410'000
Total bearer shares equivalents	483'447	482'263
Profit per bearer share (in CHF)	**41.42**	**45.73**

The average number of outstanding bearer shares is based on the number of the issued shares less the weighted average number of own shares. Since neither conversion nor option rights are outstanding, the earnings per share are not diluted.

27. Foreign Exchange Rates

Foreign exchange rates

	Income Statement		Balance Sheet	
	2017	2016	31.12.2017	31.12.2016
EUR (1)	1.112	1.090	1.169	1.072
GBP (1)	1.268	1.335	1.317	1.258
CZK (100)	4.220	4.030	4.580	3.970
PLN (100)	26.120	24.990	27.980	24.300
HUF (100)	0.360	0.350	0.377	0.346

28. Subsequent Events after Balance Sheet Date

On 15 January 2018, the Bell Food Group AG announced its takeover of Dr A. Stoffel Holding AG, the majority shareholder of Hügli Holding AG. On 26 February 2018, the Bell Food Group AG made a public offer to buy all outstanding shares of Hügli Holding AG at CHF 915 per share.
The consolidated financial statements were approved and released for publication by the Board of Directors on 15 March 2018. They are furthermore subject to approval at the Annual General Meeting on 16 May 2018.

No further events occurred between 31 December 2017 and the approval of the consolidated financial statements by the Board of Directors 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.

OBT

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Hügli Holding AG, which comprise the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows and notes (pages 56 to 83) to the consolidated financial statements for the year ended December 31, 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2017, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INVENTORY QUANTITIES AND VALUATION

Audit issue

Inventories represent a significant part of current assets of the Hügli Group. They comprise raw and packaging materials, trade goods and manufactured products. The valuation policies are presented the accounting policies in the notes to the financial statements.

Audit approach

We obtained an understanding of the inventory valuation process and tested the underlying internal controls. Furthermore, we tested the valuation of the inventory through representative samples. A further audit focus was the compliance with the best-before dates of the products. To ensure the existence of the inventories we performed test counts during the inventory count.

VALUATION OF INTANGIBLE ASSETS

Audit issue

Intangible assets represent a significant part of the non-current assets of the Hügli Group. They comprise mainly purchased brands and recipes as well as software. The purchased intangible assets are capitalised only when they yield a financial benefit. The assets are amortised over 5 years and in justified cases over 10 up to 20 years.

Audit approach

We audited the consistent application of the amortisation and the appropriateness of the amortisation period based on the expected useful lives as well as the valuation of the net book value. Furthermore, we assessed executive management's assumptions and the valuations of the individual brands and recipes.

REPORT ON OTHER LEGAL REQUIREMENTS

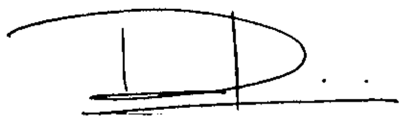
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA [11]) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

St. Gallen, March 15, 2018
OBT AG

Stefan Traber
Licensed Audit Expert
Auditor in Charge



Beat Willi
Licensed Audit Expert

Balance Sheet of Hügli Holding AG

in CHF	Explanations Note	31.12.2017	31.12.2016
Assets			
Cash and cash equivalents	2.1	127'197	207'548
Other accounts receivable from third parties		24'759	12'462
Other accounts receivable from subsidiaries	2.2	3'025'192	3'808'717
Accrued income and prepaid expenses	2.3	112'000	140'000
Current assets		**3'289'148**	**4'168'728**
Loans to subsidiaries	2.4	215'671'170	191'241'059
Investments in subsidiaries	2.5	81'099'676	81'113'503
Intangible assets		1	1
Non-current assets		**296'770'848**	**272'354'564**
Total assets		**300'059'996**	**276'523'291**
Liabilities and shareholders' equity			
Short-term financial liabilities to third parties	2.6	42'572'300	39'479'200
Short-term financial liabilities to subsidiaries		350'700	321'600
Short-term accounts payable to third parties		268'363	45'563
Short-term accounts payable to subsidiaries		40'075	143'753
Short-term provisions	2.7	10'000'000	2'000'000
Accrued expenses and deferred income	2.8	1'938'000	698'000
Short-term liabilities		**55'169'438**	**42'688'117**
Long-term financial liabilities	2.6	37'000'000	42'720'000
Long-term liabilities		**37'000'000**	**42'720'000**
Liabilities		**92'169'438**	**85'408'117**
Share capital	2.9	485'000	485'000
Legal capital reserves			
Capital reserves	2.10	10'860'000	10'860'000
Legal reserves			
General legal reserves		240'000	240'000
Free reserves			
General free reserves		160'000'000	145'000'000
Retained earnings			
Profit brought forward		12'594'192	12'467'778
Net profit for the year		24'408'442	22'861'311
Own shares	2.11	–697'076	–798'914
Shareholders' equity		**207'890'558**	**191'115'175**
Total liabilities and shareholders' equity		**300'059'996**	**276'523'291**

Income Statement of Hügli Holding AG

in CHF	Explanations Note	2017	2016
Income from investments	2.12	14’151’804	19’062’626
Financial income	2.13	18’697’338	5’312’436
Other income	2.14	3’969’554	4’195’111
Total income		**36’818’696**	**28’570’173**
Financial expenses	2.15	–711’778	–4’826’503
Personnel expenses		–1’748’980	–2’178’510
Other operating expenses	2.16	–417’585	–654’953
Ordinary result before taxes		**33’940’353**	**20’910’207**
Extraordinary, one-off and out-of-period result	2.17	–8’605’108	2’000’000
Profit before taxes		**25’335’245**	**22’910’207**
Taxes	2.18	–926’803	–48’896
Net profit for the year		**24’408’442**	**22’861’311**

Proposed Appropriation of Retained Earnings

in CHF	31.12.2017	31.12.2016
Profit carried forward	12’569’088	12’422’290
Net profit of the year	24’408’442	22’861’311
Increase/Decrease of reserve for own shares/Dividends on own shares	25’104	45’487
Retained earnings	**37’002’634**	**35’329’088**
The Board of Directors proposes the following appropriation of the retained earnings to the General Meeting:		
Appropriation to the free reserves	15’000’000	15’000’000
Dividend payment [1]	0	7’760’000
280’000 bearer shares (par value: CHF 1.00):		
CHF 0.00 dividend payment per share (PY: CHF 16.00 per share)		
410’000 registred shares (par value: CHF 0.50):		
CHF 0.00 dividend payment per share (PY: CHF 8.00 per share)		
Balance to be carried forward	22’002’634	12’569’088
Total	**37’002’634**	**35’329’088**

[1] The dividend is based on the total of share capital. No dividend payments for own shares.

Payment per Bearer Share

Bearer share (par value CHF 1.00)	2017	2016
in CHF		
Dividend, gross	0.00	16.00
./. Withholding tax 35 %	0.00	–5.60
Payment per bearer share, net	**0.00**	**10.40**

The purchase price of CHF 915 per bearer share offered by Bell Food Group AG includes the dividend for the financial year 2017.
No dividend payment will be proposed.

Notes to the Financial Statements of Hügli Holding AG

1. Principles

1.1 General

These financial statements were prepared under the provisions of the Swiss Financial Reporting Law (32nd title of the Swiss Code of Obligations). The essential accounting policies not prescribed by law are as follows.

Since Hügli Holding AG, headquartered in Steinach (Switzerland), prepares consolidated financial statements in accordance with the recognised financial reporting standard Swiss GAAP FER, and in compliance with the legal provisions stated in Art. 961d paragraph 1 of the Swiss Code of Obligations, it is not disclosing neither a management report nor a cash flow statement or additional information in the notes.

1.2 Loans to subsidiaries

Loans in foreign currencies are converted at the closing rate. Loans to group subsidiaries are recognised at nominal values, taking into consideration any value adjustments required. In addition, further flat-rate value adjustments can apply.

1.3 Investments in subsidiaries

Investments are stated at historical acquisition costs. The recoverable amount of shareholdings is reviewed annually and, when required, value-adjusted in accordance with the principle of individual valuation. In addition, further flat-rate value adjustments can apply.

1.4 Intangible assets

Current costs for the management and protection of brands are recognised as expenses.

1.5 Short-term and long-term financial liabilities

Interest-bearing liabilities are stated at nominal value. Loans in foreign currencies are converted at the closing rate.

1.6 Own shares

Own shares are recognised at the acquisition date at acquisition cost in equity as a negative position. The profit or loss arising from a sale is stated as financial income or financial expenses within income statement.

1.7 Share-based payment

When own shares are used for share-based payment to members of the Board of Directors, the shares' allocation value is recorded as personnel expense.

2. Information on balance sheet and income statement positions

2.1 Cash and cash equivalents

Cash and cash equivalents include bank accounts in Swiss Francs and foreign currencies.

2.2 Other accounts receivable from subsidiaries

These receivables include outstanding financial and other income from group subsidiaries.

2.3 Accrued income and prepaid expenses

This position includes the accrual of the payment made in December 2017 to non-executive members of the Board of Directors for the current term from June 2017 to May 2018.

2.4 Loans to subsidiaries

Business activities and acquisitions of group subsidiaries are financed through group loans instead of local bank loans whenever possible and suitable. The increase sustained year-on-year reflects high requirements for capital due to intensive investment activities abroad.

2.5 Investments in subsidiaries

All subisidaries are presented on the following page on group companies. >> see page 97

2.6 Short-term and long-term financial liabilities to third parties

The balance sheet positions include only unsecured bank loans in Swiss Francs and foreign currencies. Non-current financial liabilities with maturity terms of 1 to 5 years are at fixed interest rates. The interest rates for current financial liabilities are adjusted to market level several times a year.
The financial covenants underlying the bank loans were maintained at balance sheet date.

2.7 Short-term provisions

These provisions mainly relate to investments and group loans in foreign currencies.

2.8 Accrued expenses and deferred income

Accrued expenses and deferred income largely comprises the variable compensation for employees, deferred tax and interest expenses as well as further financial expenses.

2.9 Share capital

The share capital comprises 280'000 bearer shares listed on the Swiss Stock Exchange at a par value of CHF 1.00, and 410'000 privately held registered shares at a par value of CHF 0.50. There is no contingent or authorised capital.

2.10 Legal capital reserves

The reserves from capital contributions include the premium from the capital increases in 1986/87 and 1990.

2.11 Own shares

Own shares are used for shareholdings programmes offered to the Board of Directors and to employees. Both programmes are subject to the same conditions, which include a reduced purchase price 25 % below market value and a retention period of 3 years. The company did not transfer any bearer shares (758 in the previous year) instead of a cash remuneration to the members of the Board of Directors in advance of the intended takeover by the Bell Food Group. Employees not involved in the takeover purchased 200 bearer shares (previous year: 516) in November of the financial year at a purchase price of CHF 594.00 (previous year: Board of Directors and employees CHF 579.40).
In the financial year as well in the previous year, no further own shares were acquired. The amount of own shares was 1'369 bearer shares (1'569 in the previous year) at balance sheet date, the average purchase costs came to CHF 509.19 per share.

2.12 Income from investments

The income from investments comprises profit distribution in the form of dividends from investments.

2.13 Financial income

The financial income mainly includes foreign exchange rate gains, interest income from group subsidiaries, and secondarily also the profit from the sale of own shares.

2.14 Other income

The other income primarily comprises license income of group subsidiaries for the use of managed registered brands, and Hügli's actual trademark rights, respectively, as well as allocated costs for the recognition of group functions.

2.15 Financial expenses

The financial expenses include the interest expenses for bank loans. In the previous year additionally foreign currency losses from loans to subsidiaries. Interest expenses decreased slightly year-on-year.

2.16 Other operating expenses

The other operating expenses contain the Holding's management expenses for the organisation of the Annual General Meeting, the production of the Annual Report, external consultancy fees and expenses for brand management and protection.

2.17 Extraordinary, one-off and out-of-period result

The extraordinary result comprises the increase of provisions of CHF 8.0 million (previous year: release of provisions CHF 2.0 million) for group loans relating to the valuation risks from foreign currency loans. In addition one-off costs in connection with the public purchase offer of Bell Food Group AG.

3. Additional information

3.1 Full-time positions

In the financial year, the annual average of full-time positions stood below 10 as well as in the previous year.

3.2 Securities provided for liabilities to third parties

The group provided securities for CHF 26.7 million (CHF 23.9 million in the previous year). In essence, these secure the credit line contracts provided to group subsidiaries by banks.

3.3 Major shareholders as per balance sheet date

Dr A. Stoffel Holding AG/Dr A. Stoffel hold 410'000 registered shares (410'000 in the previous year) and 40'131 bearer shares (40'131 in the previous year) at balance sheet date. This is equivalent to 50.5 % of the share capital and 65.2 % of the voting rights in the financial as well as in the previous year.

3.4 Hidden reserves

The increase of lump-sum provisions for investments/group loans in the financial year resulted in an increase of hidden reserves at the amount of 8.0 million that was recorded in the extraordinary result. The previous year decrease of the lump-sum provisions resulted in a decrease of hidden reserves in the amount of CHF 2.0 million which was recorded in the same position.

3.5 Subsequent events after balance sheet date

On 15 January 2018, the Bell Food Group AG announced its takeover of Dr A. Stoffel Holding AG, the majority shareholder of Hügli Holding AG. On 26 February 2018, the Bell Food Group made a public offer to buy all outstanding shares of Hügli Holding AG at CHF 915 per share.
The financial statements were approved and released for publication by the Board of Directors on 15 March 2018. They are furthermore subject to approval at the Annual General Meeting on 16 May 2018.
No further events occurred between 31 December 2017 and the approval of the financial statements by the Board of Directors that would have caused an adjustment of the book values of assets and liabilities of the company or which would have to be disclosed in this position.

3.6 Shareholdings of the Board of Directors, Group Executive Management and persons close to them
as of 31 December

	Number of bearer shares		Number of registered shares		Voting rights	
	2017	2016	2017	2016	2017	2016
					in %	in %
Dr Jean Gérard Villot, President	1’672	1’672			0.2	0.2
Dr Andreas Binder	207	207			<0.1	<0.1
Dr Ida Hardegger	929	929			0.1	0.1
Dr Christoph Lechner	318	318			<0.1	<0.1
Dr Ernst Lienhard	876	876			0.1	0.1
Community of heirs/Dr Alexander Stoffel	40’131	40’131	410’000	410’000	65.2	65.2
Total Board of Directors	**44’133**	**44’133**	**410’000**	**410’000**	**65.8**	**65.8**
Thomas Bodenmann, CEO	442	500			0.1	0.1
Dirk Balzer	239	308			<0.1	<0.1
Endrik Dallmann	52	122			<0.1	<0.1
Frank von Glan	40	20			<0.1	<0.1
Manfred Jablowski	0	0			0.0	0.0
Jörg Meyer	325	309			<0.1	<0.1
Andreas Seibold	276	406			<0.1	0.1
Total Group Executive Management	**1’374**	**1’665**			**0.2**	**0.2**

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Hügli Holding AG, which comprise the balance sheet, income statement and notes (pages 87 to 93 and 97) for the year ended December 31, 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2017, comply with Swiss law and the company's articles of incorporation.

REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENTS IN SUBSIDIARIES

Audit issue

Hügli Holding AG holds directly or indirectly all investments in the subsidiaries of the Hügli Group. The assets of Hügli Holding AG comprise the investments in the subsidiary companies and represent a significant part of the assets of Hügli Holding AG.
A potential impairment can have a significant impact on the result and the shareholders' equity of Hügli Holding AG. The valuation of the investments is checked annually by the executive management by comparing the book values with the income and the asset values of the subsidiaries. The investments are presented on page 97 of the financial statements.

Audit approach

We audited the valuation of the investments in subsidiaries based on the audited financial statements of the subsidiaries as well as the calculations of the income and asset values. We critically reviewed the assumptions used by executive management and discussed with them the strategy and prospects of the subsidiaries.

COMPLETENESS, VALUATION AND PRESENTATION OF SHORT AND LONG-TERM INTEREST-BEARING LIABILITIES TOWARDS THIRD PARTIES

Audit issue

Hügli Holding AG finances the operations of the Group and provides financing to the subsidiaries in the form of loans. For this purpose, Hügli Holding AG obtains fixed term loans from various banks. Some of these loans contain provisions regarding compliance with financial covenants.

Audit approach

We audited the completeness of the short and long-term interest-bearing liabilities through requesting bank confirmations and checking the details with the information presented in financial statements. For liabilities denominated in foreign currencies we checked the translation with reference to year-end rates. For financing arrangements with terms of over one year, we checked that these were correctly presented as long-term liabilities. Furthermore, we checked whether the underlying financial covenants had been complied with at the balance sheet date.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para.1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

St. Gallen, March 15, 2018

OBT AG

Stefan Traber Licensed Audit Expert Auditor in Charge	Beat Willi Licensed Audit Expert

Group Companies

	Participation 31.12.2017 in %	Participation 31.12.2016 in %	Nominal capital 31.12.2017 Currency	Nominal capital 31.12.2017 in 1'000
Hügli Holding AG Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com			CHF	485
Hügli Nährmittel AG Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com	100	100	CHF	1'100
Supro-Nährmittel AG, Steinach, CH Telephone +41 71 314 64 74, E-Mail: info@supro.ch	100	100	CHF	1'000
EPS Holding AG, Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com	100	100	CHF	250
Hügli Nährmittel-Erzeugung GmbH, Hard, AT Telephone +43 5574 6940, E-Mail: huegli@huegli.com	100	100	EUR	765
Huegli UK Ltd., Redditch, GB Telephone +44 1527 514 777, E-Mail: info@huegli.co.uk	100	100	GBP	1
Ali-Big Industria Alimentare s.r.l., Brivio, IT Telephone +39 039 5320 555, E-Mail: alibig@ali-big.it	100	100	EUR	94
Ali-Big Export s.r.l., Brivio, IT Telephone +39 039 5320 555, E-Mail: alibig@ali-big.it	100	100	EUR	10
Granovita UK Ltd., Wellingborough, GB Telephone +44 1933 273 717, E-Mail: info@granovita.co.uk	100	100	GBP	1
Granovita S.A., La Vall d'Uixó (Castellón), ES Telephone +34 964 697 910, E-Mail: gestion@granovita.com	100	100	EUR	541
Bresc B.V., Sleeuwijk, NL Telephone +31 183 304 811, E-Mail: info@bresc.nl	80	80	EUR	18
Hügli Nahrungsmittel GmbH, Radolfzell, DE Telephone +49 7732 8070, E-Mail: huegli@huegli.de	100	100	EUR	25'500
Heirler Cenovis GmbH, Radolfzell, DE Telephone +49 7732 8071, E-Mail: info@heirler-cenovis.de	100	100	EUR	2'929
Eden GmbH, Radolfzell, DE Telephone +49 7732 807 981, E-Mail: hello@my-veggie-eden.com	100	0	EUR	25
Vogeley Nahrungsmittel GmbH, Radolfzell, DE Telephone +49 7732 8070, E-Mail: onlineservice@vogeley.de	100	100	EUR	153
Inter-Planing GmbH, Neuburg, DE Telephone +49 8283 99 880, E-Mail: info@inter-planing.de	100	100	EUR	260
OSCHO GmbH, Neuburg, DE Telephone +49 8283 99 860, E-Mail: info@oscho-versand.de	100	100	EUR	26
Hügli Food s.r.o., Zásmuky, CZ Telephone +420 321 759 611, E-Mail: info@huegli.cz	100	100	CZK	80'000
Hügli Food Polska sp.z o.o., Lodz, PL Telephone +48 42 611 00 81 E-Mail: bok@huegli.com.pl	100	100	PLN	50
Hügli Food Slovakia s.r.o., Trnava, SK Telephone +421 069 206 4861, E-Mail: obchod@huegli.sk	100	100	EUR	7
Hügli Food Kft., Budapest, HU Telephone +36 1 450 00 33, E-Mail: info@huegli.hu	100	100	HUF	3'000

Key Figures 5-Year Summary

SEGMENTS/DIVISIONS

	Unit	2017	2016	2015	2014	2013
Key figures of geographic Segments						
Sales Germany	m. CHF	**222.3**	**224.7**	**233.4**	**229.0**	**216.0**
Change relative to previous year	%	–1.1	–3.7	1.9	6.0	25.1
Organic growth	%	–3.0	–5.7	6.1	7.3	4.9
EBITDA Germany	m. CHF	**19.0**	**19.9**	**23.8**	**27.4**	**28.1**
As % of sales (total)	%	8.2	8.6	9.9	11.7	12.6
Change relative to previous year	%	–4.1	–16.7	–13.1	–2.5	41.2
Sales Switzerland/Rest of Western Europe	m. CHF	**129.6**	**130.1**	**117.2**	**117.9**	**119.3**
Change relative to previous year	%	–0.4	11.0	–0.6	–1.2	1.3
Organic growth	%	–0.1	1.2	–1.6	–1.9	1.4
EBITDA Switzerland/Rest of Western Europe	m. CHF	**16.8**	**18.8**	**16.8**	**15.8**	**12.4**
As % of sales (total)	%	10.8	12.0	11.5	11.1	9.1
Change relative to previous year	%	–10.6	12.2	6.3	27.4	9.7
Sales Eastern Europe	m. CHF	**32.1**	**30.3**	**27.7**	**30.1**	**32.0**
Change relative to previous year	%	5.9	9.3	–7.9	–5.8	–7.0
Organic growth	%	1.8	7.3	4.5	–0.8	–6.8
EBITDA Eastern Europe	m. CHF	**5.0**	**4.2**	**3.4**	**2.7**	**2.4**
As % of sales (total)	%	11.6	10.5	9.6	7.7	7.2
Change relative to previous year	%	19.4	23.5	25.9	12.5	0.0
Sales of Divisions						
Food Service	m. CHF	**159.9**	**158.5**	**149.0**	**161.6**	**163.7**
Change relative to previous year	%	0.9	6.4	–7.8	–1.3	22.8
Organic growth	%	–1.0	–0.2	2.7	0.3	0.3
Customer Solutions	m. CHF	**139.0**	**139.0**			
Change relative to previous year	%	0.0				
Organic growth	%	–0.9				
Consumer Brands	m. CHF	**53.9**	**57.4**	**62.2**	**44.6**	**43.9**
Change relative to previous year	%	–6.2	–7.6	39.5	1.4	7.3
Organic growth	%	–7.8	–9.2	–5.9	2.8	5.0
Food Ingredients	m. CHF	**30.8**	**29.7**			
Change relative to previous year	%	3.6				
Organic growth	%	3.3				

Key Figures 5-Year Summary

GROUP

	Unit	2017	2016	2015	2014	2013
Sales	m. CHF	**384.0**	**385.2**	**378.3**	**377.0**	**367.3**
Change relative to previous year	%	–0.3	1.8	0.4	2.6	13.1
Organic growth	%	–1.7	–2.6	3.4	3.6	2.4
Operating profit before depreciation (EBITDA)	m. CHF	**40.8**	**42.8**	**44.0**	**45.9**	**42.8**
As % of sales	%	10.6	11.1	11.6	12.2	11.7
Change relative to previous year	%	–4.7	–2.6	–4.1	7.1	27.7
Operating profit (EBITA)	m. CHF	**25.6**	**28.6**	**30.6**	**32.3**	**29.3**
As % of sales	%	6.7	7.4	8.1	8.6	8.0
Change relative to previous year	%	–10.4	–6.4	–5.4	10.2	36.1
Net Group profit	m. CHF	**20.2**	**22.3**	**23.3**	**23.4**	**20.8**
As % of sales	%	5.3	5.8	6.2	6.2	5.7
Change relative to previous year	%	–9.2	–4.6	–0.3	12.5	38.8
Cash flow from operating activities	m. CHF	**30.0**	**38.4**	**41.2**	**31.9**	**40.2**
As % of sales	%	7.8	10.0	10.9	8.5	10.9
Investments (tangible and intangible assets)	m. CHF	**17.0**	**29.6**	**34.1**	**16.3**	**21.9**
Number of employees (FTEs at balance sheet date)		**1'506**	**1'496**	**1'436**	**1'378**	**1'321**
Invested capital (Net operating assets)	m. CHF	**275.6**	**252.3**	**240.1**	**228.6**	**220.7**
Net working capital	m. CHF	101.6	92.2	93.7	97.8	90.6
Tangible and intangible assets	m. CHF	174.0	160.2	146.4	130.8	130.1
Equity	m. CHF	**184.7**	**157.5**	**153.6**	**150.2**	**136.9**
As % of total assets	%	57.8	53.7	54.8	56.8	53.4
Net debt [1]	m. CHF	**72.8**	**75.4**	**67.0**	**56.4**	**65.4**
Gearing (Ratio to equity)		0.39	0.48	0.44	0.38	0.48
Net debt to EBITDA ratio		1.8	1.8	1.5	1.2	1.5
Interest coverage ratio (EBIT/Interest expenses)		32.6	30.3	32.3	30.6	20.0
Return on invested capital (ROIC) [2]	%	**8.3**	**9.6**	**10.8**	**10.9**	**9.8**
Return on equity (ROE) [3]	%	**12.1**	**14.2**	**16.4**	**16.6**	**16.3**
Information per bearer share (security no. 464795)						
Net profit per bearer share	CHF	41.42	45.73	48.49	48.79	43.41
Dividend (proposal for 2017)	CHF	0.00	16.00	16.00	16.00	14.00
Payout ratio	%	0	35	33	33	32
Equity per bearer share	CHF	381	325	317	310	282
Market price 31.12.	CHF	804	765	759	724	517
Market price high	CHF	834	866	789	739	550
Market price low	CHF	750	710	651	516	486
Enterprise Value 31.12.	m. CHF	463	446	435	407	316
Price/Earnings Ratio 31.12.		**19.4**	**16.7**	**15.7**	**14.8**	**11.9**
Enterprise Value/EBITDA 31.12.		**11.3**	**10.4**	**9.9**	**8.9**	**7.4**

Definitions

1 Net debt = Interest bearing financial debts – Cash and equivalents

2 Return on invested capital (ROIC) = NOPAT (EBIT × (1 – actual tax rate)/ NOA (Average Net working capital and Tangible and intangible assets)

3 Return on equity (ROE) = Net profit/Average equity

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Agenda
10 April 2018/07.00 a.m.
Media Release:
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Annual General Meeting of Shareholders, Seeparksaal Arbon

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Translation: The original of this Annual 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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