Media Release 19 August 2015, 07.30 a.m.: Half-Year Report 2015

Hügli generates more sales and profit despite currency losses exceeding -10%

- **Good organic sales growth of +5.6% and +6.5% sales increase from acquisitions**
- **Negative currency impact exceeding -10% overshadows good operating performance: Sales in CHF grow by +1.1% to CHF 187 million**
- **EBIT margin remains at constant level of 8.7% despite currency losses**
- **Profit 2015 rises by +1.8% to CHF 11.9 million**
- **Continued solid balance sheet with equity ratio of 53%**
- **Outlook 2015: Sales and EBIT 2015 expected to stand at previous year's level despite currency losses**

Revaluation of Swiss Franc depresses income statement by more than -10%

In the first half of the year, Hügli was severely affected by the drastic revaluation of the Swiss Franc, in particular against the Euro, that had occurred in mid-January. More than 80% of Hügli Group's sales are not realised in Swiss Francs. Exchange rates are on average 10% lower and thus depress recorded sales by above CHF 19 million. However, as Hügli produces mostly outside of Switzerland, more than 80% of Group costs are not accrued in Swiss Francs. The main impact of foreign currency losses thus results from the translation of income generated by Hügli's international subsidiaries to Swiss Francs (translation losses). In addition, Hügli Switzerland generates a considerable volume of export business, which is recorded in foreign currencies. While certain raw materials are already being purchased in the Euro realm, there is still a surplus in foreign currencies that must be exchanged at lower rates to CHF in order to cover operating cost, thereby causing transaction losses. The economic effects of the revaluation of the Swiss Francs on Switzerland's economy are also becoming more evident in the reluctance of customers to order, particularly in gastronomy, as well as in the growing pressure on sales prices. With the aim to strengthen Hügli's site in Switzerland, measures to optimise purchasing conditions and increase efficiency have been applied.

Currency-adjusted in the two-digit plus zone

The Group's organic sales growth amounted to a good +5.6%, for the most part based on higher sales volumes (price effect +0.7%). This success was achieved mainly through opportunities prevalent in the consolidating market conditions. It clearly surpasses the stagnating European food market. The acquired brands EDEN and granoVita contributed a sales increase of +6.5%. Owing to the negative currency influence of -10.5%, recorded sales grew by +1.1% to a total CHF 187 million. The segment Germany underwent a particularly favourable development with an organic sales increase of +10.1%. Very promising growth rates were also achieved by the Food Service organisations of Hügli Eastern Europe (Czech Republic, Slovakia, Poland, Hungary), whereas retail business declined. Hügli's subsidiary in the UK succeeded in generating growth despite difficult conditions on the sales markets of industrial customers. In Switzerland, however, the economic consequences of the revaluation of the Swiss France brought about a substantial downturn in sales.

Private Label Retail and Brand Solutions on the rise

The Private Label Retail division (own brands of retail food trade organisations) recorded outstanding growth with an organic +22.7%, particularly in Germany but also in the UK. These achievements demonstrate Hügli's strength in producing foods that are characterised by superior quality and culinary expertise as well as an excellent price-performance-ratio. As its client structure is defined mostly by large retail corporations, this division can profit from rapid growth. Such volatility, on the other hand, can also lead to sudden sales declines due to order losses. This is reflected in the development of Hügli East, which faced considerable temporary sales losses in the first half of 2015. The good overall development nevertheless more than overcompensates for such fluctuations. Brand Solutions (products for organisations with own brands) continued its dynamic development as a growth division. The average sales increase recorded in the past three years was around +10% per year. The division grew again by an organic +9.9% in the first half of 2015. The segment "Organic" still constitutes a growth driver, closely followed by the conventional products of the "Classic" segment. Due to the restructuring of key customers, the "Health & Nutrition" segment was not able to achieve a growth contribution in the first half of the year.

Food Industry in the slipstream of key accounts

The Food Industry division is especially vulnerable to weak market performances of several relevant customers. The first half of 2015 indicated this clearly by the decline of organic sales by -8.6%. Although several important projects with new customers were successful, they could not compensate for the massive drop in orders caused by a few key accounts.

Difficult market for Food Service

Food Service, the largest division, struggled especially in Western Europe, where the out of home market, in particular in gastronomy (restaurants, hotels) is faced with a slowdown in consumption. New customers were acquired, however, in the more stable segment targeting institutions (corporate canteens, hospitals, residential homes). The Food Service organisation in Switzerland was affected by severe sales slumps due to the strong Swiss Franc. Sales in Austria also stood below the level attained in the same period in the previous year owing to product portfolio restructurings. Sales of Hügli products of Food Service Germany and Eastern Europe developed extremely well. The division grew by +2.4% in local currencies overall.

Consumer Brands grows with new brands EDEN and granoVita

In the Consumer Brands division, the trade goods portfolio is increasingly exposed to stronger competition, which led to declining division sales of overall -0.5%. In contrast, products of own manufacture developed positively, successfully making use of the thriving organic food market. Sales of the brands EDEN and granoVita that Hügli had acquired as of 1 January 2015, both providing more than 100 years of competence in health nutrition, evolved favourably. The sales organisation was integrated in the Radolfzell site, thus profiting from synergies within the Group network.

Operating profitability overcompensates for currency losses

The organic gross margin remained constant thanks to raw materials prices having maintained stability at a high level as well as to continuous improvements to the management of purchasing.

The Group's staff grew by 25 to a total of 1'403 full-time positions in the first half of 2015. Currency-adjusted personnel expenses grew by +6.1%, with acquisitions being partly responsible for this increase. The other operating expenses, however, were up over-proportionally because Hügli invested in various operating projects including further process improvements that aim at safeguarding the Group's competitiveness in the medium term. Moreover, the ground-breaking of the expansion of the production site in Radolfzell (blending plant, high storage facility) had become necessary based on the soaring production volumes over the past two years. With this expansion, Hügli will have one of Europe's most efficient and state-of-the-art production site for high quality dry blend products at its disposal at the end of 2016.

EBIT rose in the first half of 2015 by +1.6% to CHF 16.3 million despite the massive currency losses of more than CHF 2 million. The EBIT margin remained constant year-on-year with 8.7%. Group net profit increased by +1.8% to CHF 11.9 million.

Robust balance sheet, improved profitability

The balance sheet remains very solid despite the strong Swiss Franc. The valuation loss due to the new foreign exchange rates has nevertheless had an impact on equity. The equity ratio dropped accordingly, after the dividend payment, from 56.8% at the end of 2014 to a still good 53.2% of total assets as per 30 June 2015.Net debt also fell currency-related to CHF 54.8 million in spite of higher investments. The financial key figure net debt to EBITDA remained constant with a factor of 1.2x when compared to 2014.The return on invested capital (ROIC) rose slightly to 11.0% and thus increased the amount of added value.

Outlook 2015 –
Good operating growth compensate currency losses

Sales growth is still forecast to come in at +11% in local currencies for the entire 2015. The contribution of organic growth is currently expected to attain around +4.5% and that of acquisition-related growth around +6.5%. EBIT growth in local currencies is also projected to yield a two-digit figure. Combined with an assumed negative currency effect of -10%, the forecast of recorded sales and EBIT 2015 can be confirmed to lie in the range of the financial year 2014.

Vote of thanks

Our employees support Hügli every day with great commitment, flexibility and loyalty in the achievement of the Group's ambitious goals. We sincerely thank our staff for their engagement, all our business partners for the good and constructive cooperation, and our shareholders for the trust they put in us.

Key financial indicators *in million CHF*	**H1 2015**	**H1 2014**	**Variance**
Sales	187.0	185.0	+1.1%
EBITDA	22.7	22.9	-1.2%
in % of sales	12.1%	12.4%	
EBIT	16.3	16.0	+1.6%
in % of sales	8.7%	8.7%	
Group net profit	11.9	11.7	+1.8%
in % of sales	6.4%	6.3%	
Cash flow from operating activities	26.9	24.4	+10.5%
Cash flow from investing activities	-20.9	-9.5	+121.0%
	30.06.2015	**31.12.2014**	
Net operating assets	214.2	228.6	-6.3%
Equity	135.2	150.2	-10.0%
in % of total assets	53.2%	56.8%	
Net debt	54.8	56.4	-2.9%
Gearing	0.41	0.38	
Net debt/EBITDA *1)*	1.2	1.2	
Return on invest. capital ROIC *1)*	11.0%	10.9%	

1) rolling over the past 12 months

Financial calendar

28 January 2016	07.30 a.m.	Media Release: Sales 2015
13 April 2016	07.30 a.m.	Media Release: Annual Report 2015, Sales Q1 2016
	10.30 a.m.	Media / Analysts' Conference, Widder Hotel, Zurich
25 May 2016	04.30 p.m.	Annual General Meeting, Seeparksaal, Arbon
19 August 2016	07.30 a.m.	Media Release: Half-Year Report 2016

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Hügli published the Half-Year Report 2015 today at 07.30 a.m. online at:
http://www.huegli.com/en/investor-relations/results-reports
Further financial information, information on corporate governance and on the Hügli share listed on the SIX Swiss Exchange (HUE / security no. 464795) can be retrieved from our Investor Relations website:
http://www.huegli.com/en/investor-relations

Hügli – Culinary expertise. Creativity. Speed.
Hügli was founded in Switzerland in 1935. Today, it is one of the leading European companies for the development, production and marketing of dry blends in the convenience segment such as soups, sauces, bouillons, ready to serve meals, desserts, functional food as well as Italian specialities. Hügli caters to the kitchens of the professional out of home market (Food Service), manufactures products for brand companies (Brand Solutions) as well as for food retailers (Private Label). With its flavour-adding semi-finished products, Hügli partners with food manufacturers (Food Industry) and sells own brands, mostly of organic quality, to consumers (Consumer Brands). More than 1'400 employees in 9 countries link Hügli directly with its customers, and generate annual sales of around CHF 370 million.