*Media Release 18 August 2017, 07.00 a.m.: Half-Year Report 2017*

# Trough has bottomed out in the first half of 2017

- **Sales decline in local currencies by -3.5%**
- **Negative currency effect of -2.0% adds to the burden**
- **EBITDA margin of 11.3% above level of 2016 thanks to cost management**
- **Profit drops by -12.4% to CHF 10.9 million / profit margin intact at 5.9%**
- **Solid balance sheet with equity ratio of 55.6% / strong free cash flow**
- **Outlook 2017: Sales in local currencies and EBITDA at previous year's level**

## Key account business slowing down, trough bottomed out

While an organic sales decline of -3.6% had been registered already in the second half of 2016, primarily as the result of a temporary setback in the key account business as well as in the brand business of the Consumer Brands division that had been massively affected by market changes, sales in local currencies were at -3.5% in the first half of 2017 and again below the previous year's period. Based on the incoming orders, we are confident, however, that sales growth will pick up again and the market trough has bottomed out. This notwithstanding, the entire European foodstuffs market is currently under severe strain and a large number of manufacturers are facing volume declines.
Hügli's strategy targets organic sales growth, achieved either through competitive advantages based on cost leadership or gradual expansion of the product line with innovative products in growing business areas, as well as acquisition-based growth in a consolidated market. This strategic growth is expected to be profitable – a key element for Hügli. Accordingly, in times of temporary setbacks we work consistently on process improvements and an optimised cost structure to be prepared for the next market upswing.

The first half of 2017 was also affected by an additional negative currency effect caused by the EUR, the most important currency for Hügli, with its average rate of EUR/CHF of 1.077 in this first half-year lying -1.7% below the previous year's period. Further burdened by the strongly negative GBP/CHF effect, the depressing currency effect totalled -2.0%. Whereas the GBP/CHF rate has stabilised from today's perspective, we anticipate the EUR rate to yield a positive contribution to the second half of the year.

## Sales decline partially compensated by cost savings

Reported sales dropped overall by CHF -10.7 million to CHF 185.7 million. The slightly rising raw material prices were passed on through the sales prices, allowing the gross margin percentage to remain unchanged. Due to the sales development, gross profit was nevertheless clearly lower than in the previous year. Owing to sustainable cost management, the entire operating expenses in local currency were reduced by -2%, and they thereby compensated for close to half of the drop in gross profit. The headcount dropped slightly in the first half of 2017 by -1.3% to a total of 1'477 full-time equivalents.
The operating profit before depreciation and amortisation (EBITDA) has decreased accordingly by CHF -3.0 million, or -12.7% respectively, to CHF 21.1 million. This corresponds to an EBITDA margin of 11.3%. Although this value still lies below the strategic target corridor of 11.5% to 13.0%, it stands slightly above the 11.1% achieved in the financial year 2016. Based on the declining financial expenses and the lower tax rate, consolidated profits dropped by only -12.4% to CHF 10.9 million. The profit margin of 5.9% corresponds to the long-term average.

## Varying contributions from the segments

The segment Eastern Europe (Czech Republic, Slovakia, Poland, Hungary) developed very favourably thanks to a sales growth of +3.9% in local currencies carried primarily by Food Service. In addition, the production plant in the Czech Republic increased the volume of products manufactured for other Group companies and thus significantly boosted capacity uptake and earnings. EBITDA grew by +40.6% compared to the previous half year.

The segment Switzerland/Rest of Western Europe recorded an overall organic sales decline of -1.9%. The Dutch company acquired in the previous year generated good sales growth withal, while the sales company in Austria also developed well. However, the UK subsidiaries were affected by the massive devaluation of the GBP that also depressed the gross margins. After the previous year's sales boost, Italy was faced with a significant slowdown of cyclical key account orders that caused earnings to drop temporarily. In Switzerland, gastronomy sales continued to decline and, along with orders being pushed to the second half of the year, had a considerably depressing impact on earnings. This segment’s EBITDA fell by a high -18.9% overall.

The sales development in local currencies in the segment Germany remained weak with -5.4% following the already negative sales of -5.7% recorded for the entire previous year. The orders and promotional sales on hand nevertheless indicate a positive trend for the second half of the year. Despite a solid cost control, an EBITDA drop of -16.4% had to be recorded.

## New sales structure initiated in 2017 proving itself

The organisational adjustment initiated with the aim to strengthen the cooperation of sales divisions is proving itself, and projects striving for geographical expansion have taken off. The Customer Solutions division, which was created by consolidating the European key account business for consumer packs (Brand Owners, Food Manufacturers, Private Label Retail, overall around 35% of the Hügli Group), succeeded in strengthening its market presence in 2017 by launching innovative products. Due to aperiodic sales, the division’s organic sales dropped by -2.2% in the first half of 2017 although first partial successes were achieved. Deliveries to the food processing industry by the Food Ingredients division saw a negative start of the first half of 2017 with -4.2%, a minus that is expected to be compensated for in the second half of the year. Comprising 43% of Hügli Group and thus constituting the largest division, Food Service (out of home market) stands below the previous year with an overall -2.3%, including clearly positive contributions of the EAST countries (CZ, SK, PL, HU) and Austria, as well as negative sales figures in Germany and Switzerland. With its sale of Hügli’s own brands, the Consumer Brands division has made organisational and structural progress, which the sales figures do not reflect yet. This is confirmed by the continuously strong sales decline in local currencies of -9.7% in H1 2017 that follows the reduction of -9.2%, which had been recorded for the entire previous year. There is light on the horizon, however.

## Solid balance sheet and strong free cash flow

The balance sheet presents itself unchanged and very solid with an equity ratio of 55.6%. On the balance sheet, only the under construction item stands out with CHF 38 million, representing investments in the expansion of the production site Radolfzell (Germany) that boasts one of the most cutting-edge and efficient production plants for high quality dry blends in Europe. We expect full performance to be achieved from Q3 2017 onwards.
The low investments in H1 2017 led to a high free cash flow of CHF 12.9 million, which, after the dividend payment, allowed financial liabilities of CHF 6.0 million to be repaid. Net debt decreased from CHF 75.4 million to CHF 71.1 million by the end of June 2017.

## Outlook 2017: Gains in H2 should compensate for losses sustained in H1

For the second half of 2017 we anticipate a sales growth in local currencies that will compensate for the setback sustained in the first half of the year. For the entire year 2017, this would result in currency-adjusted sales matching the previous year's level. We also expect EBITDA in H2 2017 to lie above the previous year's period and anticipate EBITDA for the entire year 2017 to attain the previous year's level.

## Vote of thanks

In a demanding environment, our employees support Hügli every day in the Group's achievement of its ambitious goals with great commitment, flexibility and loyalty. 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 2017** | **H1 2016** | **Variance** |
|---|---|---|---|
| Sales | 185.7 | 196.4 | -5.5% |
| EBITDA | 21.1 | 24.1 | -12.7% |
| in % of sales | 11.3% | 12.3% | |
| EBIT | 13.9 | 17.0 | -18.1% |
| in % of sales | 7.5% | 8.6% | |
| Group net profit | 10.9 | 12.4 | -12.4% |
| in % of sales | 5.9% | 6.3% | |
| Cash flow from operating activities | 19.4 | 26.2 | -25.9% |
| Free cash flow | 12.9 | 8.2 | +57.9% |

| | **30.06.2017** | **31.12.2016** | |
|---|---|---|---|
| Net operating assets | 254.4 | 252.3 | +0.8% |
| Equity | 164.5 | 157.5 | +4.4% |
| in % of total assets | 55.6% | 53.7% | |
| Net debt | 71.1 | 75.4 | -5.7% |
| Net debt/EBITDA *1)* | 1.8 | 1.8 | |
| Headcount (full-time equivalents) | 1'477 | 1'496 | -1.3% |

*1) rolling over the past 12 months*

**Financial calendar**

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|---|---|---|
| 31 January 2018 | 7.00 a.m. | Media Release: Sales 2017 |
| 10 April 2018 | 7.00 a.m. | Media Release: Annual Report 2017, Sales Q1 2018 |
| | 10.30 a.m. | Media / Analysts' Conference, Widder Hotel, Zurich |
| 16 May 2018 | 4.30 p.m. | Annual General Meeting, Seeparksaal, Arbon |
| 17 August 2018 | 7.00 a.m. | Media Release: Half-Year Report 2018 |

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Hügli published its Half-Year Report 2017 today at 07.00 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 food 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 delicatessen. Hügli caters to the kitchens of the professional out of home market (Food Service) and manufactures products for brand companies as well as for food retailers (Customer Solutions). With its flavour-adding semi-finished products, Hügli partners with food manufacturers (Food Ingredients) and sells own brands, mostly of organic quality, to consumers (Consumer Brands). More than 1'500 employees in 11 countries link Hügli directly with its customers, and generate annual sales of around CHF 380 million. (EUR 350 million).*