Media Release 20 August 2013, 07.30 a.m.

Half-Year Report as at 30 June 2013

Hügli achieves good earnings growth, continued positive outlook

- **Sales increase by +10.9% to CHF 182.4 million**
- **Gross margin stabilises due to steady raw materials prices**
- **Cost management and synergies show positive effects**
- **EBIT rises by +13.8% to CHF 14.0 million in H1 2013**
- **Strong increase of operating cash flow by +63%**
- **Outlook 2013: sales +10%, EBIT growth clearly above-average**

Diverging sales development in sales divisions
Hügli Group sales grew, mostly due to acquisitions, by +10.9% from CHF 164.4 million in the previous year to CHF 182.4 million in the first half of 2013. Organic sales growth totalled -0.2%, clearly disappointing expectations.

In the first half of the year, the Brand Solutions division's dynamic development remained unchanged (organic +9.9%) for both the organic and the classic product lines. Also the Consumer Brands division achieved a solid growth in sales of +4.4% in local currencies, mainly with branded products in organic quality.
On the other hand, the key account business of the Food Industry division dropped markedly (-10.5%). This development did not extend to flavourings produced for the food industry (ingredients). However, sales related to outsourcing orders (Consumer Packs) from customers affected by the difficult economic conditions slowed down considerably.

The Private Label division (-1.1%) was under pressure due to decreasing production orders from food retailers in the Czech Republic and Poland, whereas the Western European countries developed positively. The Food Service division (organic -1.5%) suffered from a decline in consumption on the out of home market (gastronomy) in Italy, the Czech Republic, Austria and Switzerland, while achieving moderate growth in the other countries. Including the acquisition, the division nevertheless grew substantially by +21.9% in CHF.

Differing income development of geographic operative segments
Germany was successful in almost all sales channels and attained organic sales growth of +4.3%. Overall and including the acquisition, turnover grew by +25.0% to CHF 108.2 million. Having recovered from the previous year's drop in income thanks to stabilised raw materials prices as well as process optimisations and synergies, operating profit rose steeply from CHF 7.4 million to CHF 11.3 million. This results in an increase of the EBIT margin from 8.5% to 10.5%.

The country segment Switzerland / Rest of Western Europe, with a drop in sales of -4.0% in local currencies, was affected negatively by all countries, among which Italy again had an above-average impact. However, the reorganisation in Italy is making good progress and an improvement of earnings can be anticipated. The development of sales and gross margin in the UK is unsatisfactory. Corrective action has already been launched and is expected to yield results in the next year.

Despite conditions that were aggravated by the currency situation, Switzerland was at least able to maintain its income level thanks to measures to increase efficiency.
Overall, EBIT declined in this operative segment from CHF 4.3 million to CHF 2.4 million in the first half of 2013, causing the EBIT margin to drop from 7.1% to 4.1%.

The segment Eastern Europe was depressed by a steep decline in sales in local currencies of -9.4%, leading to EBIT being cut in half to CHF 0.4 million, or 2.1% respectively. In spite of good cost management, the downturn in turnover, experienced particularly in the Private Label division, could not be offset.

Above-average increase of EBIT and profit

Raw materials prices had been climbing for the past two years and began stabilising at a high level. The loss of gross margin thus bottomed out in mid-2013. The hitherto existing cost structure was further optimised through process improvements and cost management.

In the first half of 2013, Hügli Group's EBIT grew by 13.8% from CHF 12.3 million to CHF 14.0 million. The EBIT margin disclosed rose from 7.5% to 7.7%. Moreover, Group net profit increased due to lower interest expenses – in spite of a higher acquisition related debt, but lower interest rates – by 18.1% to CHF 10.0 million. This corresponds to a profit margin of 5.5%.

Solid balance sheet, strong cash flow

The solid consolidated balance sheet was further strengthened. Net working capital dropped due to lower inventories, among other reasons, by CHF 5.5 million.
In the fixed assets, the previous year's advance payment intangible values were based on the purchase price allocation split into the fair value of identifiable assets (brands, recipes CHF 9.7 million) and goodwill recognised in equity (CHF 7.5 million).

The increase of cash flow from operating activities of CHF +9.7 million or +63% year-on-year made the high repayments of financial liabilities possible. As a result, net debt dropped more than by CHF -13.0 million to only CHF 73.8 million, which corresponds to the current net debt to EBITDA ratio of 1.9x in contrast to 2.6x at the end of 2012.
Equity climbed further to CHF 126.9 million, corresponding to an equity ratio of 49.4% as at the end of June.

Outlook 2013 – sales +10% and EBIT growth clearly above-average

We anticipate business to continue developing in the second half of the year to an extent comparable to the first half-year.
For the entire year 2013 we expect a sales growth of approximately +10%. Due to a weaker second half of 2012, we forecast a clearly above-average increase of EBIT for 2013 when compared to the previous year.

Vote of Thanks

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

Key financial indicators *in million CHF*	**H1 2013**	**H1 2012**	**Variance**
Sales	182.4	164.4	+10.9%
EBITDA	20.8	18.4	+13.0%
in % of sales	11.4%	11.2%	
EBIT	14.0	12.3	+13.8%
in % of sales	7.7%	7.5%	
Net profit	10.0	8.5	+18.1%
in % of sales	5.5%	5.2%	
Cash flow from operating activities	25.0	15.3	+63.3%
Capital expenditure	5.3	6.7	-20.9%
	30.06.2013	**31.12.2012**	
Net operating assets	218.9	230.9	-5.2%
Equity	126.9	125.5	+1.1%
in % of total assets	49.4%	48.0%	
Net debt	73.8	86.8	-15.0%
Gearing	0.58	0.69	
Net debt/EBITDA*	1.9	2.6	

* (12 months rolling, restated)

Hügli published the Half-Year Report 2013 today at 07.30 a.m. online at:
http://ir.huegli.com/InvestorRelations/BerichteundPr%C3%A4sentationen/tabid/327/language/en-US/Default.aspx
Further financial information, Corporate Governance information as well as information on the Hügli share can be retrieved from the Hügli Investor Relations website: http://ir.huegli.com
Hügli is listed on the Swiss Stock Exchange (SIX Swiss Exchange: HUE / Securities number 464795).

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Financial calendar

29 January 2014	7.30 a.m.	Media Release: Sales 2013
15 April 2014	7.30 a.m.	Media Release: Annual Report 2013, Sales Q1 2014
	10.30 a.m.	Media / Analysts' Conference, Widder Hotel, Zurich
21 May 2014	4.30 p.m.	Annual General Meeting, Seeparksaal, Arbon
20 August 2014	7.30 a.m.	Media Release: Half-Year Report 2014

Hügli – one group, many teams, one goal
Hügli was founded in Switzerland in 1935. Today it is one of the leading European companies for the development, production and marketing of dry blends in the convenience segment such as soups, sauces, bouillons, ready to serve meals, desserts, functional food as well as Italian specialities. Hügli caters to the kitchens of the professional out of home market (Food Service), manufactures products for brand companies (Brand Solutions) as well as for food retailers (Private Label). With its flavour-adding semi-finished products, Hügli partners with food manufacturers (Food Industry) and sells own brands, mostly of organic quality, to consumers (Consumer Brands). More than 1'300 employees in 9 countries link Hügli directly with its customers, and generate annual sales above CHF 350 million.
www.huegli.com