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Sustainable organic sales growth,
Increase of earnings in spite of price escalations of raw materials,
Acquisitions open further growth prospects

Huegli continued its dynamic growth in group sales in the financial year 2007. Sales grew to CHF 345.4 million by +13.2% (+8.6% in local currencies), whereof 6.0% in organic terms and 2.6% acquisition related. Operating results (EBIT) grew by 19.1% to CHF 26.8 million, group profits increased by 18.0% to CHF 18.8 million. Two acquisitions realised in June 2007 and January 2008 in Italy and England open interesting opportunities for the future.
The further outlook for 2008 and the subsequent years is considered to be sound and promising. In the first quarter 2008, a solid organic sales growth of +13.1% could be achieved. The total sales growth, including the acquisitions, amounted to CHF 102.3 million or +20.1%.
At the General Meeting of the Shareholders on May 14, 2008, the Board of Directors will request an increase in repayment of par value from CHF 10.50 to CHF 11.00.

In our annual reports 2005 and 2006, we referred to the financial year 2006 as a transition year, in which significant investments in our staff infrastructure and in the development of new and the expansion of established markets led to lower profits. At the same time, we projected for 2007 a further essential increase of EBIT and profits. We can now state with satisfaction that the expected growth has been achieved despite a difficult market environment

The steady dynamic increase of group sales by 13.2% to CHF 345.4 million, whereof 6.0% organic growth (+5.5% sales volumes), again proves the accuracy of our market **strategy** as well as the sales potential of our four divisions, which cross-nationally cater for different customer segments. We are convinced that thanks to our specific strengths we can provide our clients with added value within these market segments. We shall therefore continue to pursue our strategy with all our drive and power to innovate.

All **geographic segments** have achieved favourable growth rates between 10% (Germany) and 25% (Eastern Europe). Germany supplied the largest contribution to the increase of our EBIT, mainly thanks to the especially strong and successful local Health and Natural Food Division. The segment Switzerland and Rest of Western Europe, which in general showed a positive development – sales of +15% –, experienced a stagnation of EBIT development because of high raw material prices, which could not be shifted without a certain time lag. Furthermore, the acquisition in Italy caused integration costs. Eastern Europe failed to meet our expectations with regard to the operational result, although the segment achieved a sales increase of 25%. We consequently had the holders of the most important positions in the local management replaced. Because of the large potential of these markets and the fact that our strategic positioning has proven to be essentially sound we expect to see a significant growth in profits in 2008 and particularly in the subsequent years.

The **consolidated income statement**, with sales growth of 13.2%, an over-proportional increase of EBIT by 19.1% and of group profits around 18.0% displays a favourable financial status. This result came about under considerably difficult circumstances. We mentioned above that Eastern Europe required reorganisation. The unprecedented price escalations of various raw materials important for our production, such as dairy products, grain, soy, vegetable oils and pasta, confronted us with a major challenge. The fast growing demand based on a higher spending capacity in the populous East Asian countries, especially China and India, certainly constitutes the most relevant influence factor. This development is unfortunately worsened by the allocation of large agricultural areas to the making of bio ethanol as a substitute for crude oil. We have instituted the necessary price rises early on, but implementing these measures proved very demanding in several market segments – particularly in the Private Label domain – and could be accomplished only with a time lag.

The **consolidated balance sheet** is solid in spite of investments and an acquisition of altogether CHF 24.8 million. The gearing – the ratio of equity to net debt – remains practically unchanged with 0.9, and equity rose by 16.0% to CHF 113.2 million, relating to 41.8% of the balance sheet total. The strong increase of current assets is striking, whereas the increase of the inventories owing to the raw material situation – among others also the scarcity of organic raw materials – make a distinct impact.

The solid balance sheet and the positive profit situation have enabled us to strengthen the two growth divisions Food Service and Industrial Foods with concerted **strategic acquisitions**, to develop markets in new geographic segments and to acquire additional production expertise. In June 2007, we concluded the acquisition of the Italian family company Ali-Big in Brivio / Northern Italy. Ali-Big gives Huegli access to the Italian out-of-home catering market, the domain of our Food Service Division. We have also gained know-how for the production of Italian antipasti and liquid sauces and soups, which can be supplied to all of Huegli's target countries and customer segments. Having until now specialised only in dry blended food products, Huegli has risen to an overall-supplier of soups, sauces and bouillons.

One of our main strategic objectives was to strengthen Huegli's presence in the very large and promising market in the United Kingdom, especially in the domain of Industrial Foods. Contract Foods, acquired in February 2008, supplies as an outsourcing specialist finished and semi finished products to the British food industry. The firm is an expert in Functional Foods, i.e. food products with added nutritional and health-related value, a current consumer trend. Contract Foods applies the dry blending food technology familiar to Huegli.

Thanks to these two acquisitions and those accomplished in recent years, all of Huegli's division now possess significant additional growth potential, of which they will make use in the coming years. For 2008, no further acquisitions are projected.

Huegli observes a **principle for distribution of profits** based on the achieved earnings. The payout ratio amounts to 25 to 30% of profits. At the General Meeting of the Shareholders on May 14, 2008, the Board of Directors will request to raise the dividend per bearer share from CHF 10.50 to CHF 11.00, which relates to 28% of profits. As in previous years, the payout will be effectuated through the reduction in par value of shares from CHF 20.50 to CHF 9.50. The corresponding change to the articles of incorporation will be up for decision at the General Meeting.

The **start of 2008** succeeded markedly well. The organic sales growth in the first quarter amounted to +13.1% (thereof 9.2% sales volumes). In total, sales reached CHF 102.3 million or +20.1% compared to the previous year (thereof +7.5% acquisition related). The volatile Private Label division has in 2008 achieved a particularly significant sales increase of 32.9%, which follows a slight decline in the first quarter of the previous year. The divisions Industrial Foods and Health and Natural Food have maintained the good growth dynamic of last year and showed organic sales increases of +18.4% and +12.7%, respectively. The largest division Food Service achieved a sales growth of +5.8% in the demanding market of out-of-home catering.

We consider the **further outlook** – for 2008 and the subsequent years – to be still sound and promising. Our strategy and the fact that we have qualified staff on all hierarchical levels allow for a good organic growth. Through our acquisitions, we have also developed additional potential. We anticipate a continuous solid growth of sales ranging from +10% to +12% (thereof +7% acquisition related and -3% currency related) to over CHF 380 million and a further increase of EBIT and profits in 2008, even though the decline of economic conditions and the constantly high raw material prices constitute additional challenges.

Financial key figures *in million CHF*	**2007**	**2006**	**Variance**
Sales	345.4	305.0	+13.2%
EBITDA	37.5	31.6	+18.7%
as % of sales	10.9%	10.4%	
EBIT	26.8	22.5	+19.1%
as % of sales	7.8%	7.4%	
Net profit	18.8	15.9	+18.0%
as % of sales	5.4%	5.2%	
Cash flow from operations	11.3	23.0	-51.0%
Capital expenditure	10.9	16.3	-33.5%
Cash flow from acquisitions	13.9	0.0	n.a.
	31.12.2007	**31.12.2006**	
Net operating assets	231.8	180.7	+28.3%
Equity	113.2	97.5	+16.1%
as % of total assets	41.8%	45.2%	
Net debt	102.1	68.7	+48.6 %
Gearing	0.9	0.7	
Return on invest. capital ROIC	10.3%	10.9%	
Return on equity ROE	18.2%	18.2%	
Earnings per share (CHF)	39.39	33.45	+17.8%
Repayment of par value (CHF)	11.00	10.50	+4.8%

For further information:
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Agenda

11 April 2008	10.30 a.m.	Media/Analysts' Conference, Hotel Widder, Zurich
14 May 2008	04.30 p.m.	Annual Meeting, Seeparksaal, Arbon
8 August 2008		Repayment of par value (Ex-date / First trading day at SWX with the new reduced par value)
15 August 2008	07.30 a.m.	Media Release: Half-Year Report 2008

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The Huegli Group is one of the leading European groups that operate in development, production and marketing of dry blends such as soups, sauces, bouillons, prepared dishes and desserts. More than 1'200 employees in 9 countries connect Huegli directly with the customers, and achieve annual sales of over CHF 380 million.