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Half-Year Report as per 30 June 2008

Dynamic sales development – income affected by raw material prices and exchange rates

The Hügli Group increased its sales by 24.7% to CHF 202.1 million in the first half of 2008. EBIT and earnings remained within the range of the previous year, with a rise of 3.2% and 0.3%, respectively. Thanks to a successful and consistent strategy, the outlook is still positive.

Owing to its consequent pursuit of a long-term strategy, the Hügli Group achieved a dynamic sales growth by 24.7% (26.0% in local currencies) to CHF 202.1 million in the first half of 2008. Organic sales increase stand at 15.3%, whereof 4.1% related to price increases and a considerable rise of sales volume of 11.2%. Acquisitions realised in the second semester of 2007 and in the beginning of 2008 contributed 10.7% to sales growth.

The strong sales development confirms our market strategy's and product portfolio's accuracy and success potential. Nevertheless, contrary to the previous years, we could not make full use of these favourable sales conditions to trigger an according growth in profits in the first half of 2008. Two main reasons account for this development: Shifting the entire massive price increases in agricultural raw material and transport costs to our customers was not yet possible in all group segments, and where feasible, only with a considerable delay. The above-mentioned 4.1% growth related to price increases were only achieved through hard-fought negotiations. The second reason is the currency development, which overall proved unfavourable for the Group. The very strong Czech Crown, its strength in particular manifesting itself toward its Eastern European neighbour countries, decreased the competitiveness of our Czech production site. As our Czech plant supplies our subsidiaries in Slovakia, Poland and Hungary, we were fully exposed to the Czech Crown's development. Offsetting the currency fluctuations by price increases was made more difficult by the soaring raw material prices, which called for additional price adjustments.

Two further factors, inherent to changes in our Group structure, had negative impact on profits. Owing to the launching costs, our two acquisitions in Italy and the UK could not considerably contribute to EBIT and earnings. The reorganisation of Hügli Eastern Europe, which is currently in progress under the new management, will begin to show positive results only in the second half of 2008. At the same time, these momentary internal problem areas also hold substantial future prospects.

All of these factors combined yielded growth results for EBITDA (+6.8%), EBIT (+3.2%) and earnings (+0.3%) which fell far below the increase in sales. In absolute numbers, however, the EBIT and EBITDA results constitute the highest Hügli ever achieved in a first semester.



Geographic Segments

Germany, the segment most relevant for sales and profits, attained an organic sales growth of 18.1%, in CHF to 111.3 million. All divisions contributed to this good result, most of all the Private Label Division, which is very well positioned in the German market. EBIT rose only by 4.7% and yields 8.9% of sales against 9.9% in the previous year. This mainly stems from the fact that in this country, with margins likely to be the lowest and competition clearly the highest in Europe, making the necessary price increases compensating the development of raw material prices exceptionally difficult.

The Segment Switzerland / Rest of Western Europe saw an organic growth of 10.7%, including the acquisitions Ali-Big Italy and Contract Foods UK of 44.4%, in CHF to 65.6 million. EBIT rose sub proportionally by 26.3 % to CHF 5.0 million, corresponding to 7.6% of sales against 8.7% in the previous year. The very good results achieved by Hügli Switzerland and Hügli Austria, above all their Food Service and Industrial Foods divisions, had an especially positive impact. Our long established subsidiary Hügli UK, a sales company without own production, also returned a good result. The sales figures attained by the newly acquired companies Ali-Big Italy and Contract Foods UK attest a good market presence, but will prove their real profit potential only after the current reorganisation, in the second half of 2008 and more pronounced in subsequent years.

The segment Eastern Europe, at first glance, returned a good sales increase with a plus of 20.7% in CHF, which is reduced to 12.8% in local currencies in consequence of the Czech currency being strong, above all against the CHF. EBIT, with 2.4% already weak in the preceding year, dropped to -2.1%. As you know from our Annual Report 2007, we have assigned new managers to key positions of Hügli's Eastern Europe management. These changes, accompanied by a reorganisation, appear to stand the test. However, in the initial phase, they cause additional costs, and the outcomes, primarily the financial results, need time to fully manifest themselves. We are nevertheless still convinced that Hügli Eastern Europe will grow into an important pillar of our Group.

Sales by Customer Segments / Sales Divisions

The Food Service Division, our largest division, operates in 8 European countries through strong own sales organisations and caters for all out-of-home companies. This division achieved a marked growth by +20.4% in local currencies, in CHF to 84.5 million, whereof 13.2% were realised by the acquisition of Ali-Big Italy. In spite of the saturated markets, the German, Swiss and Austrian organisations returned excellent sales figures. Whereas sales of this division also went up by 7.1% in the Czech Republic, Poland, Hungary and Slovakia, their increase did not meet our expectations. In the Italian market, which we entered only recently, the first results were promising. The products manufactured in Italy are a novelty in our product portfolio, above all the antipasti, and were successfully launched by the Hügli Food Service organisations in other countries.

The sales of our growth division, Industrial Foods, which supplies the food industry with finished and semi-finished products, again increased by 18.7% in organic terms. Including the Contract Foods acquisition, the increase even amounts to 51.5% in local currencies, or 45.0% in CHF. The difference of these growth rates reflects the slump in relevant exchange rates that particularly affected the division's exports from Switzerland. In organic terms,



especially sales to large industrial consumers in Switzerland and the UK saw a very positive development. The outsourcing trend now common in many sectors of industry is unbroken and benefits the Industrial Foods division. Contract Foods, the newly acquired company specialising in the production and sale of so-called functional foods, finished products with added nutritional value, has been consolidated in Hügli's financial statement since February 2008. These first few months served us to get to know their products, staff and customers. We are confident that Contract Foods will develop into a valuable member of the Hügli Group.

The Private Label LEH Division, which caters for big retail trade companies selling our products under their own labels, grew by 38.4% (39.1% in CHF) and thereby succeeded in making an actual jump in sales. Here, we witness an uninterrupted mega trend toward products with a favourable price/performance ratio. Hügli's largest customers in this division, the big discounters, and the private labels of other significant retail chains in particular follow the trend, displaying an attitude we like to describe with the slightly strange but quite fitting term "penny-pinching mentality". There is, admittedly, a downside to such penny-pinching in that specifically this domain made it exceptionally difficult to implement the indispensable price increases. In addition, unusually many action sales were carried out in the first half of 2008. As these will discontinue in the second half of the year, we anticipate slightly lower sales.

The Health and Natural Food Division, supplying biological / organic products to the specialised trade, continued to expand its position as European market leader in its product domain. Organic sales increased by 11.2% (in CHF growth stands slightly lower at 9.6% owing to the Euro's small drop in exchange rate against the CHF). It must be noted, though, that German health food stores, still this Hügli division's largest purchasers, struggle with a structural decline in sales. The growth of natural food stores has also been experiencing a small slump. We saw a very dynamic development, however, of sales in drug stores and in export. All Hügli divisions profited from the Health and Natural Food Division's extensive know-how and were able to offer custom-tailored bio-organic products to their respective customer segments.

Balance Sheet

The most important changes in the consolidated balance sheet as per 30.06.2008 as compared with the year ended 31.12.2007 are attributed to the acquisition of Contract Foods on 31.01.2008. You can find details in the Explanatory Notes to the Consolidated Financial Statements. It is worth mentioning that with regard to assets, the increase in inventories by CHF 6.5 million, and 11.8% respectively, follows an already remarkable inventories growth rate as per 31.12.2007, and that the Contract Foods acquisition had only little effect on this development. This capital binding increase of inventories is a consequence of higher prices of raw material and partly also of packing, and at the same time necessary to compensate for the shortage of specific raw materials. It is our experience that due to strong price fluctuations certain suppliers fail to meet their contracts. In the light of these new and quite alarming tendencies, the increase in inventories also serves as a measure of precaution. A positive development can be made out with regard to liabilities. The acquisition of Contract Foods notwithstanding, borrowings have slightly decreased. Equity stands at a solid 40.8% of total assets against 41.8% as per 31.12.2007, in spite of acquisitions and including the reduction in par value (instead of a dividend) of CHF 5.3 million.



Outlook

Altogether, we assess Hügli's medium-term and long-term growth potential to be very positive. From the strategic perspective, and taking the new acquisitions into account, we are well and promisingly positioned thanks to our product portfolio and our customer segments. This is emphasised by a strong sales increase in the first half of 2008. We can and shall revise internal weaknesses. Impacts of exchange rate fluctuations and naturally the future development of raw material prices remain difficult to anticipate. The peaks appear to lie behind us. We must expect further continuing increases, however. In such a situation, rigorous cost management, competent purchasing and creative product development become even more important, next to attending to all possibilities of profit increases in sales.

For the entire year 2008, we expect an organic sales growth of 8% to 10%, and, including acquisitions/currency effects, total sales of CHF 390 to 400 million. We anticipate EBIT above the previous year and earnings in a similar range as in 2007.

Financial key figures <i>in million CHF</i>	Jan.-June	Jan.-June	Variance
	2008	2007	
Sales	202.1	162.1	+24.7%
EBITDA	20.2	18.9	+6.8%
EBIT	14.4	13.9	+3.2%
as % of sales	7.1%	8.6%	
Net profit	8.6	8.5	+0.3%
as % of sales	4.2%	5.3%	
Cash flow from operations	19.1	10.8	+77.6%
Capital expenditure	3.8	4.0	-4.0%
Cash flow from acquisitions, net	8.5	13.8	-38.3%
	30.06.2008	31.12.2007	
Equity	115.5	113.2	+2.0%
as % of total assets	40.8%	41.8%	
Net debt	98.1	102.1	-4.0%
Gearing	0.85	0.90	
Employees (100% positions)	1'310	1'164	

Detailed figures and explanatory notes are available in the Half-Year Report 2008 (as download under www.huegli.com, Hügli Holding, English, Investor Relations, Financial Reports, Half-Year Report 2008).

The original of this Half-Year Report 2008 is written in German. The German version prevails.

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Hügli 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 1'300 employees in 9 countries connect Hügli directly with the customers, and achieve annual sales of over CHF 390 million. Hügli is headquartered in Steinach and generates more than 85% of its sales outside Switzerland.