

One Group.
Many Teams.
One Goal.

Half-Year Report 2013



Key Figures 5-Year Summary

Group

		H1 2013	H1 2012	H1 2011	H1 2010	H1 2009
	Unit					
Sales	m. CHF	182.4	164.4	170.1	196.0	192.9
Change relative to previous year	%	10.9	-3.4	-13.2	1.6	-4.6
Organic growth	%	-0.2	1.0	0.1	4.6	2.7
Operating profit before depreciation (EBITDA)	m. CHF	20.8	18.4	22.1	26.4	22.4
As % of sales	%	11.4	11.2	13.0	13.5	11.6
Change relative to previous year	%	13.0	-16.7	-16.2	17.7	11.0
Operating profit (EBIT)	m. CHF	14.0	12.3	16.6	20.8	17.1
As % of sales	%	7.7	7.5	9.8	10.6	8.9
Change relative to previous year	%	13.8	-25.8	-20.0	21.5	16.3
Net Group profit	m. CHF	10.0	8.5	11.2	15.4	11.3
As % of sales	%	5.5	5.2	6.6	7.9	5.8
Change relative to previous year	%	18.1	-24.3	-27.2	36.8	27.5
Cash flow from operating activities	m. CHF	25.0	15.3	19.5	31.8	18.9
As % of sales	%	13.7	9.3	11.5	16.2	9.8
Investments (tangible and intangible assets)	m. CHF	5.3	6.7	12.6	11.7	5.3
Number of employees	FTEs at balance sheet date	1'354	1'262	1'302	1'421	1'331
Invested capital (Net operating assets)	m. CHF	218.9	209.8	199.7	188.8	200.2
Net working capital	m. CHF	88.2	90.0	79.5	77.4	80.5
Tangible and intangible assets	m. CHF	130.7	119.9	120.2	111.4	119.7
Equity	m. CHF	126.9	119.6	113.0	104.5	98.6
As % of total assets	%	49.4	48.7	46.9	44.5	39.1
Net debt	m. CHF	73.8	69.3	69.5	63.1	85.5
Gearing (Net debt/Equity)		0.58	0.58	0.61	0.60	0.87
Net debt to EBITDA ratio (Net debt/EBITDA) ¹		1.9	1.9	1.6	1.3	2.0
Interest coverage ratio (EBIT/Interest expenses) ¹		12.5	12.1	15.5	12.5	7.6

¹ 12 month rolling, restated

Key Figures 5-Year Summary

Segments/Divisions

	Unit	H1 2013	H1 2012	H1 2011	H1 2010	H1 2009
Key figures of geographic Segments						
Sales Germany	m. CHF	108.2	86.5	88.7	102.5	102.0
Change relative to previous year	%	25.0	-2.4	-13.5	0.4	-8.3
Organic growth	%	4.3	2.9	-2.1	5.3	-2.2
EBIT Germany	m. CHF	11.3	7.4	11.0	14.4	11.7
As % of sales	%	10.5	8.5	12.4	14.0	11.5
Sales Switzerland/Rest of Western Europe	m. CHF	57.6	59.8	62.5	65.6	66.8
Change relative to previous year	%	-3.7	-4.3	-4.7	-1.8	1.8
Organic growth	%	-4.0	-2.9	1.5	-0.1	6.6
EBIT Switzerland/Rest of Western Europe	m. CHF	2.4	4.3	5.2	5.3	5.3
As % of sales	%	4.1	7.1	8.4	8.0	7.9
Sales Eastern Europe	m. CHF	16.6	18.1	19.0	27.9	24.1
Change relative to previous year	%	-8.3	-4.8	-32.1	15.9	-4.4
Organic growth	%	-9.4	5.5	6.8	14.1	13.9
EBIT Eastern Europe	m. CHF	0.4	0.7	0.4	1.2	0.5
As % of sales	%	2.1	4.0	2.1	4.2	1.9
Sales of Divisions						
Food Service	m. CHF	83.0	68.1	73.1	80.0	80.3
Change relative to previous year	%	21.9	-6.9	-8.6	-0.4	-5.0
Organic growth	%	-1.5	-2.3	0.1	2.4	1.6
Private Label	m. CHF	34.9	34.7	34.0	42.8	39.6
Change relative to previous year	%	0.6	2.1	-20.6	8.3	-9.0
Organic growth	%	-1.1	8.1	3.3	11.7	0.6
Brand Solutions	m. CHF	24.5	21.8	20.3		
Change relative to previous year	%	12.7	7.5			
Organic growth	%	9.9	11.1			
Food Industry	m. CHF	17.7	19.0	20.6		
Change relative to previous year	%	-6.7	-7.9			
Organic growth	%	-10.5	-6.9			
Consumer Brands	m. CHF	22.1	20.8	22.1		
Change relative to previous year	%	6.4	-5.8			
Organic growth	%	4.4	-0.7			

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

Dear Readers

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.

Steinach, August 2013



Dr Jean Gérard Villot
Chairman of the Board of Directors



Thomas Bodenmann
CEO, President of the Group Executive Management

Consolidated Income Statement

	Jan.–June 2013		Jan.–June 2012		Jan.–Dec. 2012	
	in CHF 1'000	in %	in CHF 1'000	in %	in CHF 1'000	in %
Sales	182'353	100.0	164'396	100.0	324'756	100.0
Sales deductions	-3'408	-1.9	-3'400	-2.1	-6'652	-2.0
Net sales	178'945	98.1	160'996	97.9	318'104	98.0
Change in inventory of finished and unfinished goods	-800	-0.4	1'745	1.1	2'161	0.7
Operating revenue	178'145	97.7	162'741	99.0	320'265	98.6
Material expenses	-83'996	-46.1	-77'928	-47.4	-154'800	-47.7
Personnel expenses	-43'526	-23.9	-40'321	-24.5	-78'637	-24.2
Other operating expenses, net	-29'809	-16.3	-26'065	-15.9	-53'268	-16.4
Operating profit before depreciation and amortisation (EBITDA)	20'814	11.4	18'427	11.2	33'560	10.3
Depreciation tangible fixed assets	-5'718	-3.1	-5'403	-3.3	-10'654	-3.3
Amortisation intangible assets	-1'059	-0.6	-687	-0.4	-1'361	-0.4
Operating profit (EBIT)	14'036	7.7	12'337	7.5	21'545	6.6
Interest expenses	-824	-0.5	-957	-0.6	-1'920	-0.6
Interest income	10	0.0	40	0.0	93	0.0
Other financial result	1	0.0	-106	-0.1	-30	0.0
Profit before taxes	13'223	7.3	11'314	6.9	19'688	6.1
Income taxes	-3'176	-1.7	-2'808	-1.7	-4'683	-1.4
Net Group profit	10'047	5.5	8'506	5.2	15'005	4.6
Earnings per bearer share in CHF (not diluted and diluted)	20.93		17.67		31.18	

Consolidated Cash Flow Statement

	Jan.–June 2013	Jan.–June 2012	Jan.–Dec. 2012
in CHF 1'000			
Net Group profit	10'047	8'506	15'005
Depreciation/Amortisation	6'778	6'090	12'015
Increase/(Decrease) in provisions for employee benefits	5	-93	62
Interest expenses, net	814	917	1'827
Income taxes	3'176	2'808	4'683
Loss/(Profit) from disposal of non-current assets	-11	4	14
Other non-cash result	298	-59	-174
Operating cash flow before the change of net working capital	21'107	18'173	33'432
Change in net working capital			
(Increase)/Decrease in receivables	965	-746	567
(Increase)/Decrease in inventories	1'725	-2'540	-2'483
Increase/(Decrease) in liabilities	2'786	2'924	-2'282
Income taxes paid	-1'606	-2'515	-5'389
Cash flow from operating activities	24'977	15'296	23'845
Investments tangible fixed assets	-4'798	-6'274	-12'903
Investments intangible assets	-495	-421	-850
Advance payment intangible values	0	0	-16'390
Acquisition of subsidiaries	0	0	-533
Disposals of tangible assets	11	11	280
Disposals of financial assets	0	0	1
Interest received	10	40	93
Cash flow from investing activities	-5'272	-6'644	-30'302
Increase/(Repayment) of short-term financial liabilities	-5'403	9'747	13'694
Increase/(Repayment) of long-term financial liabilities	-6'140	-3'672	7'410
Dividend payment	-5'766	-7'466	-7'466
Interest paid	-824	-957	-1'827
Purchase of own shares	-407	0	-1'406
Sale of own shares (Stock ownership plans)	353	276	624
Cash flow from financing activities	-18'187	-2'072	11'029
Total cash flow	1'518	6'580	4'572
Translation adjustments on cash and cash equivalents	41	-58	31
Change in cash and cash equivalents	1'559	6'522	4'603
Cash and cash equivalents at 01.01.	10'291	5'688	5'688
Cash and cash equivalents at 30.06./31.12.	11'851	12'210	10'291

Consolidated Balance Sheet

	30.06.2013		31.12.2012		30.06.2012	
	in CHF 1'000	in %	in CHF 1'000	in %	in CHF 1'000	in %
Assets						
Cash and cash equivalents	11'851		10'291		12'210	
Trade accounts receivable	46'456		47'194		45'309	
Other accounts receivable	5'333		4'439		8'026	
Accrued income and prepaid expenses	2'620		2'494		1'880	
Inventories	56'528		57'964		57'671	
Current assets	122'788	47.8	122'382	46.8	125'096	50.9
Land and buildings	68'118		68'626		68'197	
Technical equipment and machinery	42'763		41'513		42'700	
Other tangible fixed assets/under construction	7'623		8'502		6'721	
Intangible assets	12'143		2'803		2'240	
Advance payment intangible values	0		16'390		0	
Financial assets	36		35		38	
Deferred tax assets	3'395		1'117		754	
Non-current assets	134'078	52.2	138'986	53.2	120'650	49.1
Assets	256'866	100.0	261'368	100.0	245'746	100.0
Liabilities and shareholders' equity						
Short-term financial liabilities	57'528		59'085		49'446	
Trade payables	17'362		16'745		16'540	
Other current liabilities	1'210		1'215		1'103	
Accrued expenses and deferred income	15'978		11'340		17'488	
Current liabilities	92'078	35.8	88'385	33.8	84'577	34.4
Long-term financial liabilities	28'140		38'035		32'094	
Deferred tax liabilities	8'269		7'986		8'226	
Provisions for employee benefits	1'475		1'445		1'286	
Non-current liabilities	37'884	14.7	47'466	18.2	41'606	16.9
Liabilities	129'961	50.6	135'851	52.0	126'183	51.3
Share capital	485		485		485	
Capital reserves	19'513		19'206		18'902	
Own shares	-1'970		-1'609		-247	
Retained earnings	108'876		107'435		100'423	
Shareholders' equity	126'904	49.4	125'517	48.0	119'563	48.7
Total liabilities and shareholders' equity	256'866	100.0	261'368	100.0	245'746	100.0

Consolidated Statement of Changes in Equity

	Share capital	Capital-reserves	Own shares	Other retained earnings	Changes in value hedge accounting	Translation differences	Total
in CHF 1'000							
Balance at 31.12.2011	485	18'657	-278	120'705	-8	-19'857	119'704
Purchase of own shares			0				0
Stock ownership plans							
Sale of own shares		245	31				276
Recognition of share-based payments				50			50
Valuation of cashflow hedges					-57		-57
Net Group profit				8'506			8'506
Dividend				-7'466			-7'466
Translation differences						-1'450	-1'450
Balance 30.06.2012	485	18'902	-247	121'795	-65	21'307	119'563
Balance at 31.12.2012	485	19'206	-1'609	128'318	-224	-20'659	125'517
Acquired goodwill recognised in equity				-5'335			-5'335
Purchase of own shares			-407				-407
Stock ownership plans							
Sale of own shares		307	46				353
Recognition of share-based payments				60			60
Valuation of cashflow hedges					862		862
Net Group profit				10'047			10'047
Dividend				-5'766			-5'766
Translation differences						1'573	1'573
Balance at 30.06.2013	485	19'513	-1'970	127'324	638	-19'086	126'904

Foreign exchange rates

	Balance Sheet			Income Statement		
	30.06.2013	31.12.2012	30.06.2012	Jan.–June 2013	Jan.–June 2012	Jan.–Dec. 2012
EUR (1)	1.228	1.207	1.201	1.229	1.205	1.205
GBP (1)	1.436	1.486	1.489	1.446	1.464	1.486
CZK (100)	4.720	4.810	4.680	4.780	4.780	4.800
PLN (100)	28.240	29.690	28.240	29.410	28.350	28.850
HUF (100)	0.415	0.414	0.417	0.415	0.407	0.417

Segment Reporting

The first half-year of 2013	Germany	Switzerland/ Rest Western Europe	Eastern Europe	Elimination/ Not allocated	Total Group		
in CHF 1'000							
Consolidated sales	108'200	57'592	16'562		182'353		
Inter-segment sales	3'847	9'070	267				
Total sales	112'047	66'661	16'829	-13'184			
EBITDA	14'609	5'107	1'097		20'814		
Depreciation	-2'521	-2'557	-640		-5'718		
Amortisation	-778	-180	-102		-1'059		
EBIT	11'310	2'370	356		14'036		
EBIT margin	10.5%	4.1%	2.1%		7.7%		
Financial result, net					-813		
Income taxes					-3'176		
Net Group profit					10'047		
Investments	2'238	2'854	201		5'293		
Assets	128'767	105'592	27'355	-4'848	256'866		
Liabilities	16'672	19'183	4'692	89'414	129'961		
Personnel (full-time positions)	685	393	276		1'354		
The first half-year of 2013	Food Service	Private Label	Brand Solutions	Food Industry	Consumer Brands	Others	Total Group
Sales	83'025	34'902	24'521	17'714	22'099	92	182'353
The first half-year of 2012	Germany	Switzerland/ Rest Western Europe	Eastern Europe	Elimination/ Not allocated	Total Group		
Consolidated sales	86'547	59'786	18'063		164'396		
Inter-segment sales	4'188	7'299	325				
Total sales	90'735	67'085	18'388	-11'812			
EBITDA	10'059	6'946	1'422		18'427		
Depreciation	-2'328	-2'458	-617		-5'403		
Amortisation	-375	-235	-77		-687		
EBIT	7'356	4'253	728		12'337		
EBIT margin	8.5%	7.1%	4.0%		7.5%		
Financial result, net					-1'023		
Income taxes					-2'808		
Net Group profit					8'506		
Investments	3'227	3'196	272		6'695		
Assets	117'433	104'085	29'693	-5'465	245'746		
Liabilities	15'398	20'720	6'389	83'676	126'183		
Personnel (full-time positions)	581	398	283		1'262		
The first half-year of 2012	Food Service	Private Label	Brand Solutions	Food Industry	Consumer Brands	Others	Total Group
Sales	68'097	34'705	21'766	18'980	20'761	87	164'396

Notes to the Consolidated Financial Statements

••• Corporate Accounting Principles

General ••• The half-year report comprises the unaudited consolidated interim financial statements of Hügli Holding AG and its Swiss and foreign subsidiaries (all controlled 100% by the Group) for the period from 1 to 30 June 2013 (hereafter “interim reporting period”). They are prepared in accordance with the existing guidelines prescribed by Swiss GAAP FER (Accounting and Reporting Recommendations), in particular the early adoption of Swiss GAAP FER 31 “Recommendations for Listed Companies”.

The accounting policies and methods of computation applied in these consolidated interim financial statements are consistent with the corporate accounting principles presented in the consolidated annual financial statements 2012. The consolidated interim financial statements do not include all information when compared with the annual financial statements. They should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012 as they provide an update of the previously reported information for the interim reporting period.

The preparation of the interim financial statements requires management to make estimates and assumptions to the best judgment that affect the reported amounts of revenues, expenses, assets, liabilities and contingent liabilities at the date of the interim financial statements. Actual results may differ from these estimates. The preparation of the interim financial statements is based on the same material estimates and assumptions used in the consolidated financial statements 2012.

Income tax expense is recognised based upon the best estimate of the weighted average annual income tax rate for the current financial year.

Swiss GAAP FER 31 ••• Hügli applied the IFRS accounting standards until 2008 and starting with the financial year 2009 changed to Swiss GAAP FER. The switch aims to ensure continuity and comparability with as few changes to accounting as possible, and thus to safeguard transparency. Accordingly, all accounting policies, methods of computation and disclosures that comply with Swiss GAAP FER were continued without changes. The higher requirements of transparency and international comparability, as prescribed by the new FER 31 recommendations, have therefore already been largely met.

Share-Based Payments

The share-based payments performed within the senior management stock ownership programme and the share-based payment to the Board of Directors had hitherto already been stated at discounted market value due to the three-year retention period. The difference between market value and

the preferential price granted by the stock ownership programme was recognised as personnel expense (with an offsetting entry in equity) over the vesting period. The contractual terms and principles of computation are explained in note 19 of the Notes to the Consolidated Financial Statements 2012.

Earnings per Share

The method of computation used to determine the profit per bearer share, stating the average number of outstanding bearer shares, is disclosed in note 26 of the Notes to the Consolidated Financial Statements 2012. Since neither conversion nor option rights are outstanding, the profit per share is not diluted. In compliance with FER 31, the information “not diluted and diluted” is stated along with the profit per bearer share below the income statement.

Income Taxes

The weighted average tax rate of the Group based on the ordinary profit is disclosed in the Notes, the impact of changes of loss carry-forwards is quantified and explained (in note 24 of the Notes to the Consolidated Financial Statements 2012).

Financial Liabilities

The valuation principles as well as the terms (interest rate, maturity, currency) applying to groups of similar instruments are disclosed in note 9 of the Notes to the Consolidated Financial Statements 2012. As there are only bank loans outstanding, the statement relates to this type of financing.

Segment Reporting

The Hügli Group consists of one single business unit with a corporate strategy defined by the Board of Directors. Its purpose is to develop, produce and distribute food products, in particular dry blended products. Executive Management is the only management body with overall responsibility for the income statement of the segments. The profit responsibility of the heads of specialised units has been broken down to sections of the values chain (responsibility for contribution margin and cost centre).

Striving for transparent information, Hügli exceeded the previous requirements prescribed by Swiss GAAP FER and continued to include segment reporting broken down by geographical country segments as defined by IFRS and stated until 2008. The segment reporting is broken down to production sites including associated sales companies (country clusters based on the location of assets), and constitutes the decisive element of corporate and risk controlling performed at the highest management level, and of the return on invested capital. Alongside sales figures and EBIT, this

geographical segment reporting includes an additional break down of net assets and investments per operative segment. Due to the different sales channels with their specific economic cycles, an additional break down of sales figures is stated based on cross-country customer segments (sales divisions). This additional information supports the valuation of sales development subject to the business performance of the individual customer segments, in particular the out of home business (gastronomy), the key account business (food industry) as well as the brand business (trade).

Interim Reporting

The recommendations on interim reporting defined by Swiss GAAP FER 12 were integrated in FER 31. The present half-year report continues to include the unabridged income statements, cash flow statements, balance sheet and statement of changes in equity. The notes aim to assist the addressee in forming a justified opinion, based on the information stated in the Annual Report 2012, of the further development of activities and business performance in the interim period.

••• Notes to the Consolidated Financial Statements

Changes in Scope of Consolidation ••• As per 1 January 2013, Hügli purchased intangible assets, in particular trademark rights and formulas, as well as the sales department with around 70 staff from Vogeley Group in Germany. With "Vogeley", Hügli has acquired a traditional and more than 100 years old brand that is well established in the Food Service direct sales. Its assortment of dry blend products mainly comprises instant desserts as well as soups, sauces, bouillons and seasonings.

The purchase transaction and employment of the acquired sales staff were performed by the newly established Hügli subsidiary Vogeley Nahrungsmittel GmbH. It is included in the scope of consolidation starting from 1 January 2013.

The acquisition costs totalled TCHF 17'260, which include transaction costs of TCHF 151 that can be allocated directly. In December 2012, an advance payment of TCHF 16'390 was performed, causing the cash flow from acquisitions to occur mainly in the financial year 2012.

As per 1 January 2013 intangible assets in the amount of TCHF 9'746 were capitalised. The acquired, well-established brands in the amount of TCHF 8'527 will be amortised over 15 years, the formulas in the amount of TCHF 1'219 over 5 years.

In compliance with Swiss GAAP FER, acquired goodwill is recognised in equity at the time of acquisition. It amounts to TCHF 7'514 and essentially reflects the value of acquired staff and the expected buyer specific synergies.

A theoretical capitalisation of goodwill with an amortisation period of 5 years would have increased the amortisation in the interim reporting period by TCHF 765.

Since its incorporation into the Group, the acquisition has contributed a turnover of TCHF 16'128.

The scope of consolidation has not changed within the interim reporting period 2012.

Seasonality ••• The Group's activities are not subject to any regularly occurring bi-annual seasonal influences. Fluctuations of raw materials prices and exchange rates along with periodic changes in demand from major customers may still exert some influence on the amount of sales and the operating profit of a half-year.

Dividend payment ••• The Annual General Meeting held on 15 May 2013 approved a gross dividend of CHF 12.00 per bearer share and CHF 6.00 per registered share. The distribution of altogether CHF 5.8 million was effectuated on 23 May 2013 and recognised in retained earnings. In the previous year, the disbursement amounted to CHF 7.5 million.

Stock Ownership Plans/Own Shares ••• In April of the financial year, 947 (previous year: 655) shares were sold to employees based on the senior management participation programme (reduced purchase price of 75% of the market value, retention period of 3 years) at a price of CHF 375 (previous year: CHF 425). The optional share-based payment to the Board of Directors is usually performed in November. Personnel expenses recorded in the interim reporting period for these share-based payments totalled TCHF 60 (previous year: TCHF 50).

In order to maintain the stock ownership plans in the medium term, it was decided to acquire further Hügli shares on the market as from 2011. In the reporting period, a total of 778 shares was acquired at an average purchase price of CHF 522.60. No shares were acquired in the first half of the previous year, whereas in the second half of 2012, 2'832 shares were acquired at an average purchase price of CHF 497.83.

The amount of own shares was thereby reduced from 5'254 shares as per 31.12.2012 to 5'085 shares as per 30.06.2013.

Income Statement ••• Hügli's half-year turnover grew by CHF +18.0 million to CHF 182.4 million in H1 2013. The increase in sales is a result of the acquisition effect Vogeley (+9.8%) and the currency (+1.3%). The organic decrease of sales of -0.2% reflects the unsatisfactory sales development in the Food Service division as well as in the key account divisions Private Label and Food Industry. The price effect was +0.5%.

Raw materials prices stabilised at a high level in mid-2013, letting the loss of gross margin, overall -3.4% points in the previous two financial years, bottom out. The average headcount has again dropped year-on-year. In 2013, the 68 full time equivalents acquired with Vogeley were added. Relating to this acquisition, further staff was employed in Germany, mainly in production and distribution. At balance sheet date as per the end of June 2013, total headcount was 1'354, exceeding the headcount at the end of 2012 by 102.

In local currencies, personnel costs increased by +6.6% year-on-year. Operating expenses, excluding the acquisition, were at the previous year's level, which increased overall by +12.9% when adjusted for currency translation.

While capital expenditure for the entire year 2012 stood only slightly above the depreciations with CHF 13.8 million – after two years with large investments of CHF 20.7 million and 26.1 million – the increase of depreciation slowed down considerably in 2013.

Amortisations increased by CHF 0.4 million due to the acquired intangible assets (brands, recipes).

EBIT rose from CHF 12.3 in the previous year to CHF 14.0 million, or by +13.8% respectively, in H1 2013. Interest expenses continued to drop slightly in 2013. The average debt climbed from CHF 78 million in the previous year acquisition-related to CHF 91 million. However, the Group's average interest rate again decreased significantly. The tax rate stood with 24% at the previous year's level.

Net group profit grew by +18.1% to CHF 10.0 million. The profit per bearer share increased over-proportionally because the average number of outstanding bearer share equivalents had decreased in the current interim reporting period.

Balance Sheet/Cash Flow Statement ••• The consolidated balance sheet is solid with only a few significant changes. 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 assets (brands CHF 8.5 million, recipes CHF 1.2 million) and goodwill (CHF 7.5 million). Deferred tax assets from goodwill recognised in equity amount to CHF 2.2 million. The recognised net amount of CHF 5.3 million corresponds approximately to the reduction of fixed assets.

Net working capital decreased by CHF 5.5 million starting from 31.12.2012. Together with the operating cash flow, this increased the cash flow from operating activities by CHF +9.7 million year-on-year, contributing considerably to the high repayments of financial liabilities in the amount of CHF 11.5 million.

Correspondingly, net debt dropped steeply by CHF -13.0 million to CHF 73.8 million, which corresponds to a net debt to EBITDA ratio of 1.9x (12 months rolling, restated) in contrast to 2.6x at the end of 2012. The equity ratio rose from 48.0% to 49.4% as per the end of June.

Financial Liabilities ••• Financial liabilities are broken down as per 30 June 2013 (30.06.2012: PY) as follows:

Maturities (in million CHF) up to 1 year: 57.5 (PY: 49.5), 1 to 2 years: 11.1 (PY: 10.0), 2 to 3 years: 10.0 (PY: 5.0), 3 to 4 years: 7.0 (PY: 10.0), 4 to 5 years: 0 (PY: 7.0).

Breakdown by currencies (in million CHF): CHF 41.5 (PY: 42.2), EUR 23.7 (PY: 13.7), CZK 14.8 (15.1), GBP 5.2 (7.2), HUF 0.5 (0.9), PLN 0.0 (PY: 2.4).

Overall, the average interest rate on financial liabilities resulted in 1.8% p.a. in the reporting period (2.5% p.a. in the previous year).

Financial Instruments/Cash Flow Hedges ••• To hedge the foreign currency and interest risks, Hügli makes use of forward currency contracts and interest rate swaps, and thereby aims to reduce volatility in the income statement. The FX cash flow hedges comprise contract values in EUR, GBP, PLN and HUF of overall TCHF 9'108 (previous year 30.06.: TCHF 1'923) with maturities between 1 to 9 months. The resulting replacement values after taxes amount to TCHF 166 (previous year: TCHF -50). The interest rate cash flow hedges include contract values of TCHF 25'000 (previous year 30.06.: TCHF 20'000) with maturities from 2014 to 2022, yielding replacement values after taxes of TCHF 472 (previous year: TCHF -15). The fair value changes of cash flow hedges that have been recognised directly in equity starting from 31.12. total TCHF 862 (previous year: TCHF -57).

Subsequent Events after Balance Sheet Date/Approval ••• No further events occurred between 30 June 2013 and the approval of the consolidated financial statements by the Board of Directors on 15 August 2013 that would have caused an adjustment of the book values of assets and liabilities of the Group, or which would have to be disclosed in this position.

••• **Hügli online**

Reports, Media Releases and Share Information: <http://ir.huegli.com>

••• **Investor Relations**

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••• **Agenda**

29 January 2014/07.30 a. m.

Media Release:
Sales 2013

15 April 2014/07.30 a. m.

Media Release:
Annual Report 2013/Sales Q1 2014

15 April 2014/10.30 a. m.

Media and Analysts' Conference,
Widder Hotel, Zurich

21 May 2014/04.30 p. m.

Annual General Meeting of Shareholders,
Seeparksaal Arbon

20 August 2014/07.30 a. m.

Media Release:
Half-Year Report 2014

••• **Disclaimer**

All statements in this report that do not relate to historical facts are forward-looking statements and no guarantees of future performance. Forward-looking statements involve risks and uncertainties, namely in reference to basic macroeconomic conditions, consumption behaviour, foreign exchange rates, financing opportunities, changes of legal provisions or in the political and social environment, the actions of competitors, availability of raw material, and general market conditions. Such circumstances can lead to variance between anticipated and actual results.

Translation: The original of this Half-Year Report is written in German. In the case of inconsistencies between the German original and this English translation, the German version shall prevail.

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