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Sustained strong organic sales growth
Currency effects slow down profits development

In the business year 2008, the Hügli Group has again given proof of its good strategic positioning and operative strength based on solid organic sales growth in the Group's established markets and the development of new growth areas. Group sales reached CHF 400.8 million corresponding to an increase of 16.0% despite 3.6% negative currency effects. With regard to revenue growth – of operating results (EBIT) and profits – we have not fully reached our objectives in spite of a factually sound operative development due to substantial losses caused by negative currency effects. The operating result (EBIT), however, increased by 9.9% to CHF 29.5 million which is in absolute numbers Hügli's best result. Net profit remained unchanged at a level of CHF 18.8 million.
At the General Meeting of Shareholders on 13 May 2009, the Board of Directors will request an unchanged gross distribution of CHF 11.00, consisting of a repayment of par value of CHF 8.50 and a gross dividend of CHF 2.50.
In the first quarter 2009, an organic sales growth of +3.9% could be achieved in a demanding economic environment. For the financial year 2009 we expect an organic sales growth of 3% and a slightly higher increase of EBIT.

Group sales reached CHF 400.8 million corresponding to an increase of 16.0%. We especially value the Group's organic growth of 11.1% with a gain of 7.0% of sales volume. This also stands for a continued strengthening of Hügli's market position in all of the segments in which we are active. It is a central point in Hügli's strategy to work only in those market areas – customer segments, product domains and geographical markets –, in which we can efficiently implement our specific strengths and excel in meeting our customer's needs. The average organic growth of 7.7% per year – without currency fluctuations and acquisitions – that we have attained in the past five years confirms that our strategy has been remarkably successful.

Within the **geographical segments**, Germany achieved an organic sales growth of 11.6% and an increase of EBIT by CHF 1.5 million to 9.1% of sales and thereby accomplished an outstanding result to which all sales divisions as well as a stringent control of operating and administrative costs had contributed.
In the segment Switzerland and Rest of Western Europe, organic sales also grew by favourable 11.1%. Rendered in Swiss Francs and showing an increase of 33.0%, sales amounted to CHF 133.8 million, whereof CHF 25.9 million were acquisition-related. The integration of the Italian company Ali-Big in the Hügli Group, which was acquired during 2007, has progressed very well. The antipasti produced by Ali-Big are successfully being sold in all of the countries in which our Food Service divisions are positioned; and Ali-Big's liquid sauces have established an additional well-equipped product pipeline. The EBIT of the segment Switzerland and Rest of Western Europe rose by CHF 1.9 million thanks to very good results in Switzerland and Austria. In comparison with sales, however, we had to register a decrease from 8.4% to 7.8%; the

main reason being the value loss of the British currency that by the end of 2008 had fallen by approximately 1/3 as compared to the Swiss Franc. This development significantly affected the profitability of our important exports to England. On the other hand, it indicates that our acquisition of the British company Contract Foods on 31.01.2008 may in future assume an important role for the Hügli Group.
The country segment Eastern Europe looks back at a difficult year. The restructuring of crucial management positions that was carried out at the beginning of 2008 has proven itself as the right decision, and starting from the second semester we have been seeing operative progress. Negative currency effects nevertheless also considerably impeded the financial result in Eastern Europe. We supply our sales companies in Slovakia, Poland and Hungary from the Czech Republic. Since September 2008, the Hungarian Forint and Polish Zloty have massively fallen in value compared to the Czech crown. This has caused significant export losses in the Czech Republic and led to the depreciation of our receivables in Poland and Hungary. The organic sales growth of Hügli Eastern Europe still amounted to 9.4%, but EBIT fell by CHF 0.8 million.

The **consolidated income statement** displays an increase of operating result (EBIT) by 9.9%, corresponding to an increase by CHF 2.7 million to CHF 29.5 million respectively. We consider the EBIT growth still favourable against a background of negative currency effects that we assess to come to approximately CHF 4 million. In absolute numbers, this is Hügli's best result. Rendered in percentages of sales, the EBIT, however, decreased from 7.8% to 7.4%. We nonetheless still target a medium-term rate of 8% – 9%. The netted financial expenses slightly increased because of marginally higher interest rates, the partial shift from short-term to long-term financing and particularly due to the elimination of an extraordinary financial income of the previous year of around CHF 2 million by CHF 2.7 million. With taxes remaining unchanged, we can therefore report – as anticipated in our half-year report – profits of CHF 18.8 million that are unchanged when compared to the previous year.

A still solid outcome is imparted by our **consolidated balance sheet**. The slight increase of the balance sheet total by CHF 10.2 million can be attributed to the acquisition of Contract Foods in the UK, and – in current assets – to strong sales growth and increased liquidity. All balance sheet positions, on the other hand, decreased owing to the decline of all currencies relevant for Hügli as compared to the Swiss Franc. Our net debt has favourably fallen by 6.3% and led to an improvement of the gearing – the ratio of equity to net debt – from 0.9 to 0.8. Equity grew only by CHF 3.1 million to CHF 116.3 million because the weak foreign currencies induced negative translation adjustments of CHF 10.7 million. We can nevertheless still report a solid equity base with 41.4% of total assets, as compared to 41.8% in the previous year.

Hügli observes a **principle for distribution of profits** based on achieved earnings with a payout ratio of 25% – 30% of profits to shareholders. At the General Meeting, the Board of Directors will request an unchanged distribution of CHF 11.00, which relates to 28% of profits per share. The payout will be effectuated by a last reduction in par value of bearer shares from CHF 9.50 to 1.00 and a dividend payment of CHF 2.50. The corresponding change of the articles of incorporation will be requested at the General Meeting of Shareholders on 13 May 2009.

In this year, we remain cautious in our considerations of **the further outlook**. Let us first consider the positive perspectives of the current macroeconomic conditions: Inflation is at a remarkable low and it is, from a medium-term view, expected to remain low, although – when perceived from a long-term standpoint – it is difficult to discern how the individual countries will be able to reduce the now additionally accumulated horrendous national debts without active inflating. Thus, no significant cost increases caused by inflation-related salary raises are to be expected. Interests are similarly low and anticipated to remain so. Raw material prices – a pronounced concern in 2007 and in the first semester of 2008 – have stabilised on a high level. These are all relevant positive factors. Yet, a strongly negative impact evidently emanates from the economic recession that is being affected by the crisis in the banking sector to a still not fully clarified extent. Moreover, the financial and banking crises have led to abrupt changes in the currency structure and they impede attempts to achieve a new balance. The impending danger is that, as with all abrupt corrections, these attempts may swing to the other extreme.

What do these only briefly sketched economic conditions mean for Hügli? In general, we can firstly establish that our outlook is certainly cautious but definitely confident. Even in the current difficult times of an economic situation, we may fully trust in the sustainability of our corporate strategy. We can – and that is crucially important – rely on an outstanding seasoned staff, particularly in leading management positions. Aware of the fact that we cannot completely avoid the consequences of a decrease in total demand, we can depend on a certain risk balance between the individual divisions operating in the markets. Our Food Service Division – catering for all out-of-home food businesses – may encounter a decline in areas related to tourism and corporate canteens. Nonetheless, it owns considerable additional potential owing to new products and several only partially developed markets. The Division Health and Natural Food – sales of biological and organic products to the specialised trade – is expected to experience slower growth because it operates in a higher price segment; it is benefiting from a positive general trend nevertheless. As for the Division Industrial Foods – supply of finished and semi-finished products to the food industry –, negative external and positive internal potentials are more or less balanced. The Division Private Label – sales to big retail trade companies, mainly discounters under their own “labels” – may, assuming a generally low income, even profit from the crisis due to the very good price-performance-ratio of its products. We therefore expect the currency rate shifting to bear the highest risks for our sales and profits development, not least because its effects are extremely difficult to predict. Notwithstanding our efforts to provide compensation and protection to our production sites that are located in different currency zones, exports are being affected. Price adjustments are in any case only possible with a certain time lag if one does not want to lose the market. The translation of profits achieved by our foreign subsidiaries to Swiss Francs also results in lower values owing to the strength of our national currency.

Overall, we aim at an organic sales growth of 3 – 5% per year and a slightly higher increase of profits that we want to attain on average in the next two to three years – assuming that it may take the economy this long to overcome the global crisis. We can confirm our long-term **strategic objective** of sales growth that amounts to at least 5% in local currencies.

Financial key figures *in million CHF*	**2008**	**2007**	**Variance**
Sales	400.8	345.4	+16.0%
EBITDA	41.1	37.5	+9.6%
as % of sales	10.3%	10.9%	
EBIT	29.5	26.8	+9.9%
as % of sales	7.4%	7.8%	
Net profit	18.8	18.8	+0.2%
as % of sales	4.7%	5.4%	
Cash flow from operations	26.1	11.3	+131.9%
Capital expenditure	11.0	10.9	+1.1%
Cash flow from acquisitions	8.8	13.9	-36.8%
	31.12.2008	**31.12.2007**	
Net operating assets	236.7	231.8	+2.1%
Equity	116.3	113.2	+2.7%
as % of total assets	41.4%	41.8%	
Net debt	95.6	102.1	-6.3%
Gearing	0.82	0.90	
Return on invest. capital ROIC	9.9%	10.3%	
Return on equity ROE	16.3%	18.2%	
Earnings per share (CHF)	39.40	39.39	
Profit distribution, gross (CHF)	11.00	11.00	

Agenda

15 April 2009	07:30 a.m.	Media Release: Annual Report 2008
	10:30 a.m.	Media/Analysts' Conference, Hotel Widder, Zurich
13 May 2009	04:30 p.m.	Shareholders' Meeting, Seeparksaal, Arbon
07 August 2009		Repayment of par value / Dividend
14 August 2009	07:30 a.m.	Media Release: Half-Year Report 2009

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www.huegli.com
The Hügli Group is one of the leading European groups that operate in development, production and marketing of dry blends such as soups, sauces, bouillons, dry ready meals, desserts and functional foods. More than 1300 employees in 9 countries connect Hügli directly with the customers, and achieve annual sales of about CHF 400 million (GBP 250 million). Hügli is headquartered in Steinach, Switzerland and generates more than 85% of its sales outside of its home country.

The original of this Media Release is written in German. The German version is binding.