




Annual Report 2015

Culinary expertise.
Creativity.
Speed.



huegli.com

Key Figures in brief

378.3

M. CHF **SALES**. INCREASE OF 0.4 % TO PREVIOUS YEAR.

44.0

M. CHF **EBITDA**. DECREASE OF –4.1 % TO PREVIOUS YEAR (45.9 M. CHF).

30.6

M. CHF **EBIT**. THAT CORRESPONDS TO AN EBIT-MARGIN OF 8.1 %.

23.3

M. CHF **GROUP NET PROFIT**. DECREASE OF –0.3 % TO PREVIOUS YEAR.

151.7

M. CHF **SHARE-HOLDERS' EQUITY**. THAT CORRESPONDS TO AN EQUITY RATIO OF 54.1 %.

67.0

M. CHF **NET DEPT**. THE NET DEPT IN THE PREVIOUS YEAR AMOUNTED TO 56.4 M. CHF.

34.1

M. CHF **INVESTMENTS** IN A MODERN AND COMPETITIVE MACHINERY IN ALL SITES.

57'334

TONS OF TOP-QUALITY **FOOD**. HIGHEST FIGURE IN THE GROUP'S HISTORY.

1'436

EMPLOYEES (FTES). THAT MEANS AN INCREASE OF 58 FTES TO 2014.

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, liquid warm and cold sauces, "like meat" specialities and vegetarian bread spreads. Hügli caters to the kitchens of the professional out of home market, manufactures products for brand companies, food industry as well as for food retailers. With its flavouradding semi-finished products, Hügli partners with food manufacturers and sells own brands, mostly of organic quality, to consumers.

Content

One Group. One Goal ••• The Hügli Group

STRATEGIC OBJECTIVES

Group

GROWTH ABOVE MARKET LEVEL/ OVER-PROPORTIONAL **INCREASE OF EBIT**

Countries

DEVELOPMENT OF EXISTING MARKETS/ EVALUATION OF FURTHER DISTRI-BUTION COUNTRIES

Divisions

BALANCED **GROWTH** THROUGHOUT **ALL SALES DIVISIONS**

CORE COMPETENCES

Markets

SELECTED PRODUCTS IN **NICHE MARKETS**

Cus-tomers

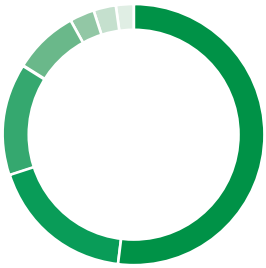
CUSTOMER-ORIENTED PRODUCTION AT SIX LOCATIONS

Employ-ees

MOTIVATING HÜGLI CULTURE: **THE EMPLOYEE AS ENTREPRENEUR**

Personnel 2015

in %/Number of full-time positions



Germany	52 %	747
Eastern Europe	18 %	265
Switzerland	14 %	209
United Kingdom	8 %	113
Italy	3 %	44
Austria	3 %	36
Spain	2 %	22
Total:	**100 %**	**1'436**

OUR HISTORY

The principal firm was established in Arbon, Switzerland, in 1935 by the industrial entrepreneur Beat Stoffel. He was prompted by the future Group's name giver Otto Hügli, who was the company's first manager and a gifted product developer. The first steps of expansion took the firm in 1959 around Lake Constance to Hard in Austria and in 1964 to Radolfzell in Germany. Today, Hügli has 800 employees and is one of most important employers in the Lake Constance area. The expansion was taken further in 2000, when the Group acquired a new production site in Zásmuky, Czech Republic. From Zásmuky, Hügli has been developing the Group's sales and distribution business in other Eastern European countries, in Poland in 2002, in Slovakia in 2003 and in Hungary in 2005. Over the course of time, further geographical expansions occurred at the Southern foot of the Alps in Brivio, Italy, in 2007, and in 2008 in Redditch, in the heart of the United Kingdom, with specialised production sites at each location. As a result of the latest acquisition, Hügli took over a production site in La Vall d'Uixó (Castellón) in Spain and a sales organisation in Wellingborough, United Kingdom.

OUR VISION

We want to work only in markets and production areas, in which we can excel in the performance of relevant services for our clients. The service to customers is the main focus of the thinking and conduct of all our employees.

OUR MISSION

Hügli specialises in the creative development and efficient production of foods in the convenience segment, primarily comprising of soups, sauces, bouillons, seasonings, instant meals, desserts and Italian specialities. Sales and distribution concentrate on selected countries, in which Hügli can offer customers a higher quality than the competitors. A production located in the customers' vicinity and direct marketing addressed to professional customers form the core of the Group's strategy. Hügli aims to heighten the customer benefit with better products – and these are recognised not least by their flavour. It goes without saying that Hügli stands for the highest production quality, which is periodically confirmed through an external quality certification.

OUR OBJECTIVES

Hügli's strategy has a long-term focus on sustainable growth. The Group wants to grow overproportionally and achieve sales growth of above 5 % on the long term. Potential company acquisitions are taken into consideration periodically as they round off the product line, and production technology, and serve the market development in a new country. The sale of own products is a main objective while the product line is supplemented with selected trade goods in line with customer needs. Growth is to be broadly achieved throughout all sales divisions. Hügli is committed to its economic and social

responsibility towards its stakeholders – employees, business partners, shareholders and investors – and strives to achieve an adequate return on the invested capital through sustainable growth, continuous process improvement and consistent cost management. This is the best foundation for a steadily and solidly growing company that is rooted locally and active all across Europe.

OUR DIVISIONAL SALES AND DISTRIBUTION STRUCTURE

The Group consists in five specialised sales and distribution divisions which cater for differing customer needs.

Food Service

The largest division concentrates on the customer segments restaurants, hotels, canteens and similar institutions. Sales and distribution are effected through Hügli's sales offices. In this area of business depending on product segment and country Hügli is number 2 or 3 in Europe. A comprehensive sales organisation with over 250 vendors in 8 countries reaches more than 40'000 customers directly. Outstanding own products are combined with selected trade specialities, with which Hügli can supply customers with a well-balanced product line for a high standard cuisine.

Private Label

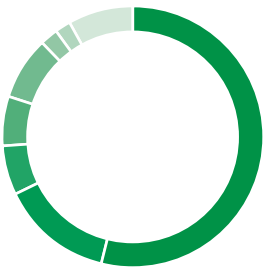
The Hügli Group is one of the biggest Private Label Retail producers of dry blended meals in Europe. Hügli manufactures own brands of several leading retail food trade organisations. The market share of these products has in the past years been consistently increasing, thanks to a very good price-performance-ratio.

Brand Solutions

The customers of the Brand Solutions Division are marketing and sales organisations with own brands. We produce for these customers consumer packages under their own brands, beside the Hügli core product line also in the range of dressings, liquid sauces, slimming and dietary products as well as

Sales based on location of customers 2015

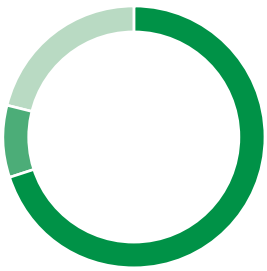
in %



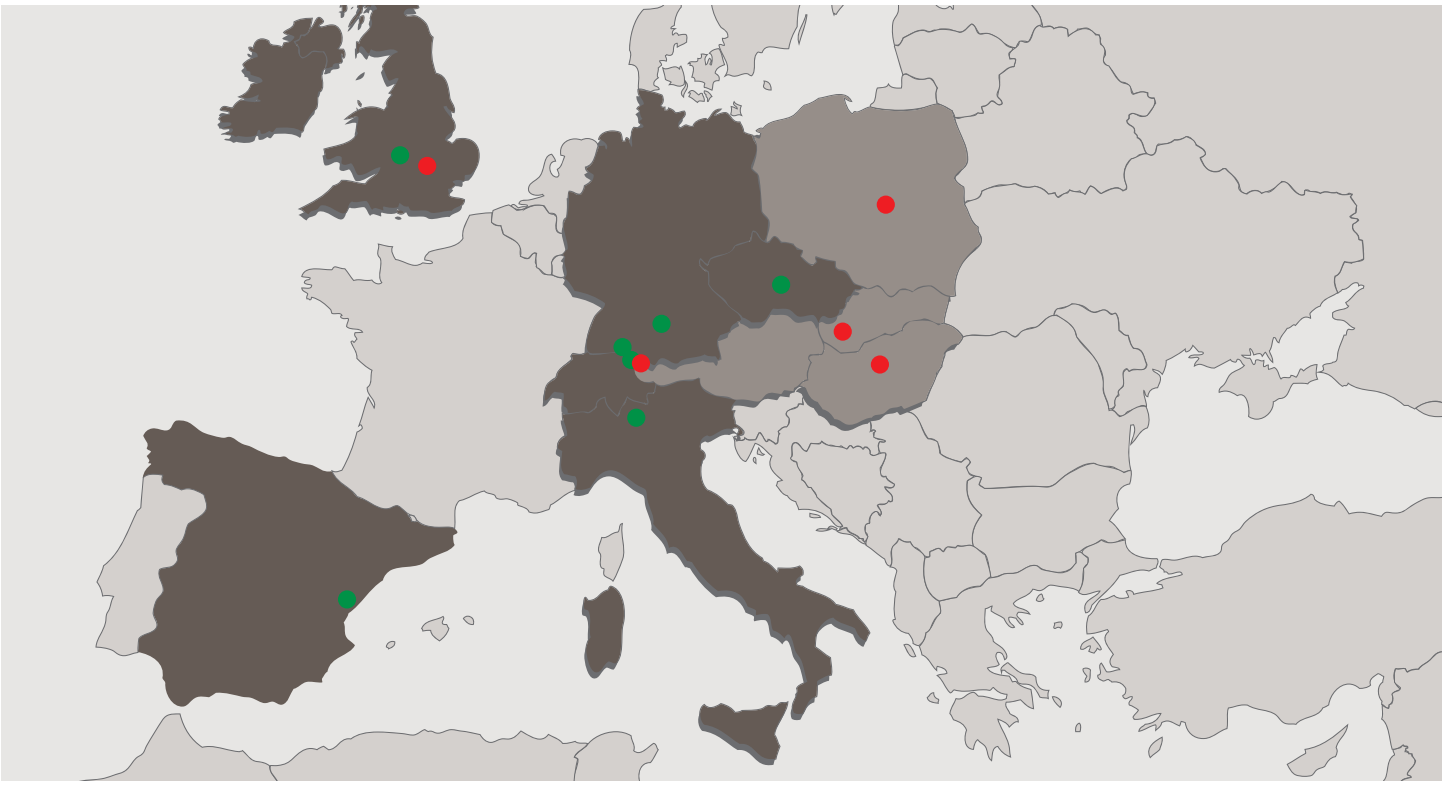
Germany	**54 %**
Switzerland	**14 %**
Eastern Europe	**6 %**
Austria	**6 %**
United Kingdom	**8 %**
Italy	**2 %**
Spain	**2 %**
Others	**8 %**

Product groups 2015

in %



Dry blend products (dehydrated)	**70 %**
Ready to Eat (hydrated) (liquid sauces/-soups, dip sauces, dressings, "like meat" specialities, vegetarian spreads)	**9 %**
Trading goods	**21 %**



WELL POSITIONED IN EUROPE

Production sites
- Switzerland – sites Steinach and St. Gallen
- Germany – sites Radolfzell (2) and Neuburg/Kammel and Ulm
- United Kingdom – site Redditch
- Italy – site Brivio
- Czech Republic – site Zásmuky
- Spain – site La Vall d'Uixó

Sales companies
- Austria – Hard
- Slovakia – Trnava
- Poland – Lodz
- Hungary – Budapest
- United Kingdom – Wellingborough

sports nutrition. In addition to the manufacturing of brand products ready for sale, Hügli offers a comprehensive range of product related services in culinary art, trends and technology.

Food Industry

The Food Industry Division supplies a large number of well-known customers of the food processing industry with semi-finished products and in the sense of outsourcing as well as with consumer packages. In the offered product segments of compounds, flavours and snack seasonings customers profit from Hügli's extensive know-how and innovative product development. The shortest possible reaction time and high flexibility are a must for our customers. Hügli Food Industry does not sell products only, it also sells solutions.

Consumer Brands

The Consumer Brands Division sells Hügli's own brands such as Heirler, Cenovis, Natur Compagnie, Erntesegen, EDEN or granoVita to health food stores, natural food stores, as well as to the food retail trade. The product line comprises of products manufactured by Hügli within the product groups of soups, sauces, bouillons, seasonings and ready-to-serve meals, as well as a range of merchandise consisting mainly of dairy products, oils, delicatessen articles and substitute meat products, mostly of organic quality. The Tellofix and Oscho brands are sold via various distribution channels directly to end customers.

Excellent sale and earnings growth in local currency in 2015 compensates for high exchange rate losses

- Sales in local currencies up +10.8 % (+3.4 % organic)
- Sales up +0.4 % to CHF 378 million despite exchange rate losses
- EBIT down slightly to CHF 30.6 million due to exchange rates (EBIT margin: 8.1 %)
- 2015 group profits of CHF 23.3 million at previous year's level (2014: CHF 23.4 million)
- Profit margin of 6.2 % unchanged year-on-year
- Solid balance sheet and good profitability only marginally impacted by exchange rates
- 2016 outlook: Moderate organic sale growth, increase of EBIT margin
- Unchanged dividend of CHF 16.00 per bearer share proposed
- Change in Board of Directors: Fritz Höchner retires due to his age

DEAR READERS,

Increase in value of the Swiss franc destroys sale growth in local currencies

Hügli recorded organic sale growth of +3.4 % in 2015. This increase is mostly based on the higher quantities of goods sold (price impact: +0.4 %). In view of the developments on the food markets served in Europe, some of which are falling, we believe that this is an good result. Our acquisitions of granoVita/EDEN on 1 January 2015 also resulted in additional sales of CHF 25 million or +6.7 % year-on-year. We have now finished integrating the distribution of these newly acquired natural food brands in Germany and the new sites in the UK and Spain, and the synergies as well as the depth of added value of the own production are already bearing fruit.

However, the dramatic increase in the value of the Swiss franc in the middle of January had a massive impact in 2015. The CHF/EUR exchange rate fell by –12 % in financial year 2015. As the Hügli Group records more than 80 % of its sales and costs in currencies other than Swiss francs, these low exchange rates had a major impact on both the sales recorded and also on earnings. This is due to the fact that the foreign companies' financial statements are translated to CHF, and also to the economic consequences of the increase in the value of the Swiss franc for our business in Switzerland (lower sales and margins). We were able to increase our consolidated sales in 2015 by +0.4 % to CHF 378 million despite these extraordinarily high exchange rate losses.

Germany continues to enjoy highly dynamic growth, Switzerland under pressure from appreciation of the Swiss franc, successful turnaround in Italy

Germany is the largest geographic segment, and once again recorded convincing performance with high organic growth of +6.1 % after already recording +7.3 % and +4.9 % in the two previous years. However, EBIT fell as a result of the lower gross margin (product mix, acquired trading goods) and higher operating costs. Switzerland/Other Western Europe recorded an organic downturn of –1.6 %. This was exclusively due to the economic consequences of the appreciation of the Swiss franc. Sales in Italy, the United Kingdom and Austria were higher than in the previous year. A downturn in EBIT was recorded in Switzerland, despite strict cost management. The United Kingdom continued to enjoy positive growth, and the increased sales and a lower-than-average increase in operating costs caused EBIT to improve further. We were particularly pleased with the turnaround in Italy, where we recorded

Thomas Bodenmann, CEO (left)
and Dr Jean Gérard Villot, Chairman of the
Board of Directors (right)

a double-digit increase in sales and a substantial improvement in EBIT. We recorded a sound increase in sales in Eastern Europe (CZ, SK, PL, HU), up +4.5 % in local currency, thanks to our excellent performance in our Food Service division. As a result of this, and also the higher sales with group companies and the resulting higher capacity uptake, we were able to lift EBIT substantially.

Private Label Retail/Brand Solutions growing, Food Industry in the slipstream of key accounts

Our Private Label Retail division enjoyed particularly dynamic growth of +14.5 %. Our Brand Solutions division (products for branded goods companies) once again increased its sales by a substantial +8.0 % after three very convincing years with average growth of +10 %. There was particularly strong demand for organic products. The Food Industry division was characterised by changes in some of its larger key accounts (production insourcing, downturns in the customers' sales quantities). Coupled with an adjustment to the product range these effects led to sales falling by –10.5 %. The largest division, Food Service, recorded total organic sale growth of +2.7 % with above average growth in Germany and Eastern Europe. In contrast, sales fell substantially in Switzerland. Sales in the Consumer Brands division were governed by pressure from competition and the resulting downturn in the range of trading goods, which led to an organic sale downturn of –5.9 % for this division. However, the integration of the newly acquired brands granoVita and EDEN boosted sales substantially.

Currency translation losses exceed EBIT growth in local currencies, group profits at previous year's level

We were able to keep our organic gross margin at the previous year's level, despite the negative impact from the product mix, but thanks to lower prices for raw materials and individual price increases. However, sales from the newly acquired trading goods diluted the consolidated margin overall. Operating costs in local currencies increased at a lower pace compared to sales. In 2015 staff levels increased by +58 (+4 %) to a total of 1'436 full time equivalents at the end of the year, mostly due to the acquisitions. Wage and salary expenses (adjusted for currency translation) increased by +7 %, mostly due to the increase in staff numbers, salary increases due to collective agreements in Germany, and certain one-off reorganisation expenses. Other, partially project-related increases in operating costs resulted in business development, marketing, IT and logistics.
In local currency, this resulted in EBIT which was higher than the previous year's figure. However, currency translation losses caused the disclosed EBIT for 2015 to be down –5 % to CHF 30.6 million.

As a result of the lower tax expenses during the fiscal year, group profits stands with CHF 23.3 million at the previous year's level (2014: CHF 23.4 million). The profit margin is an unchanged 6.2 % of sales.

Balance sheet and key financial indicators continue to be solid, profitability stays at a good level

Although all of the figures on the balance sheet are lower as a result of currency translation the key financial ratios have not changed to a material extent. The strong capital expenditure for property, plant and equipment is of particular note. This was driven in particular to building the new blending factory in Radolfzell (Germany), and also many other investments in a state-of-the-art production infrastructure. In addition, investments were also made in new brands and business areas via acquisitions. We financed the majority of our extraordinarily strong capital expenditure of CHF 46 million from our excellent cash flow from operating activities, causing liabilities to banks to increase by just CHF 12 million. The resulting net debt of CHF 67 million account for a Net debt to EBITDA ratio of 1.5x, compared to 1.2x in the previous year. Despite the high differences from currency translation, the equity ratio only fell slightly from 56.8 % in the previous year to 54.1 % at the end of 2015. The return on invested capital (ROIC) dropped slightly to 10.8 % in 2015. Measured against a weighted average cost of capital (WACC) of 7.0 %, still a good value added of +3.8 % was created.

2016 outlook

We believe that the economic climate will continue to be demanding in 2016, and that moderate sale growth should be possible if we make the requisite efforts coupled with business development projects. In terms of raw materials we are not expecting a material change on the whole, even though the prices of some raw materials will fluctuate. We are expecting the increase in EBIT to be slightly higher compared to sales as a result of our consistent cost management, thus increasing the EBIT margin.

Proposals by the Board of Directors to the General Meeting

The Board of Directors will propose an unchanged dividend of CHF 16.00 per bearer share to shareholders at the ordinary General Meeting on 25 May 2016. There will be a change to the board's composition due to the retirement of Mr. Fritz Höchner. Mr. Höchner will no longer be standing for re-election after 25 years of highly dedicated and valuable service in Hügli Holding AG's Board of Directors. The Board of Directors will thus comprise 6 members again. The number of members was increased temporarily to 7 last year as a result of the election of Dr Andreas Binder.

Steinach, March 2016

Dr Jean Gérard Villot
Chairman of the Board of Directors

Thomas Bodenmann
CEO, President of the Group Executive Management

Many Teams ••• Divisions and Production

149

m. CHF **Sales** Division **Food Service**

79

m. CHF **Sales** Division **Private Label**

56

m. CHF **Sales** Division **Brand Solutions**

33

m. CHF **Sales** Division **Food Industry**

62

m. CHF **Sales** Division **Consumer Brands**

Division Food Service

40'000

Customers such as Restaurants/ Hotels/Canteens/ hospitals/ Caterer

MARKET PRESENCE

under the brands **Hügli, Supro, Tutto Gusto, Vogeley**

SALES ORGANISA-TION

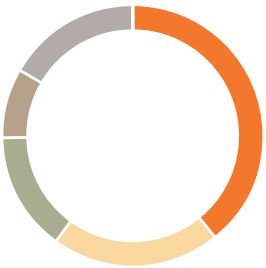
To **bulk con-sumers** and customers in **gastronomy**

OWN PRODUCTS

and **trading goods** as completion

Share of sales 2015

in million CHF



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Private Label	78.5
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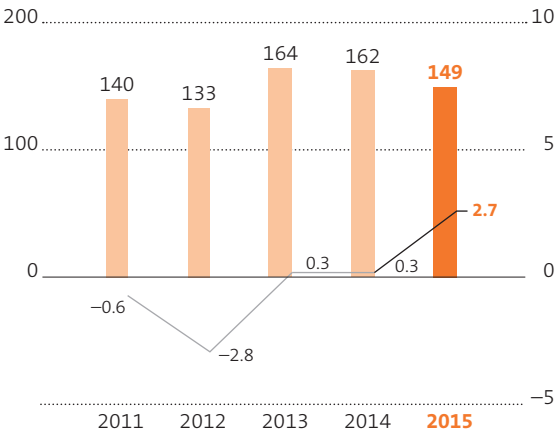
Food Industry	32.7
Consumer Brands	62.2

Development of sales/ organic growth 2011–2015

in million CHF/in %

(Development of sales/—organic growth)



THE FOOD SERVICE DIVISION EXCLUSIVELY SERVES THE 'OUT OF HOME' MARKET. OUR CUSTOMER SEGMENTS HERE INCLUDE GASTRONOMY, CANTEENS, HOSPITALS, INSTITUTES AND INSTITUTIONS, CATERERS, THE ARMED FORCES AND OTHERS. IN ADDITION TO OUR CORE PRODUCT LINES OF SAUCES, BOUILLONS AND SOUPS, WE ALSO OFFER OUR CUSTOMERS ADDITIONAL PRODUCTS FROM OUR OWN PRODUCTION INCLUDING DESSERTS, BASIC PRODUCTS, DRESSINGS AND ITALIAN SPECIALITIES. WE HAVE ALSO STRENGTHENED OUR PRODUCT PORTFOLIO IN THE VARIOUS COUNTRIES WITH SELECTED EXCLUSIVE AND COMMERCIAL PRODUCT RANGES.

Manfred Jablowski
Head of Food Service/
Member of the Group
Executive Management

Stable growth on difficult markets

Our business is exposed to many influences, in particular the general economic climate. During the past few years this has not developed in our favour. In spite of this, however, we have been able to expand the markets we work on, in some cases substantially. Our efforts to meet our customers' requirements are paying off, and our customers are honouring this accordingly. To name just one example, Hügli has been awarded the title of "Best Gastronomy Brand 2015/2016" in Germany. We have recorded very positive growth in Germany and Austria. In Germany in particular we have acquired several new businesses and we have further expanded our gastronomy business. We have also successfully further driven the growth of our Vogeley business. We have consistently implemented the strategy we worked out in 2014 in Austria with the result that we have been able to slightly exceed our targets. We believe that there is additional potential for the future here. Unfortunately, we were not able to reach the targets we had set ourselves in Switzerland. This was mostly due to the major increase in the value of the Swiss Franc at the start of 2015, with corresponding consequences for Swiss tourism. Foreign tourists and also Swiss guests shied hotels and restaurants, which had a major negative impact on this industry, which is key for Hügli.
We recorded positive results in 2015 in all of our EAST countries (Czech Republic, Slovakia, Hungary and Poland). We have recorded high single-digit revenues in all of these countries, and have thus substantially exceeded our targets. These results are characterised by great continuity in our sales team, customer-oriented marketing and the rapid implementation of new requirements. We faced particular challenges in this regard in Hungary and Poland, as the statutory requirements changed once again.
We were able to substantially stabilise our business in Italy, which thus allowed us to approach our targets. A key target was to increase our focus on our core product ranges, and we were able to implement this in 2015 with a corresponding positive impact on our earnings.

Outlook 2016

We believe that customer orientation and rapidly implementing new requirements is the key to growth and a major competitive advantage. As a result, we will continue to drive the potential already present with our existing customers by placing product lines that offer additional benefits, and we will continue to focus on acquiring new customers. We have already recorded initial success with our ready-to-eat products, and we believe that there is still substantial potential for these products in 2016. We are once again forecasting our revenues to grow faster than the market this year.

Division Private Label

14.5

Percentage **organic growth** in 2015

IN 33

countries Hügli private label products are **present**

700

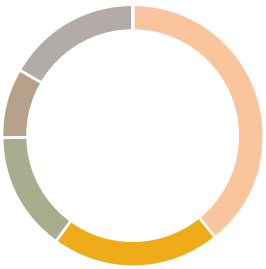
products tailored to customers are distributed by the Private Label division

1 CLEAR TASK

We want to **solve** the **problems** of our customers

Share of sales 2015

in million CHF



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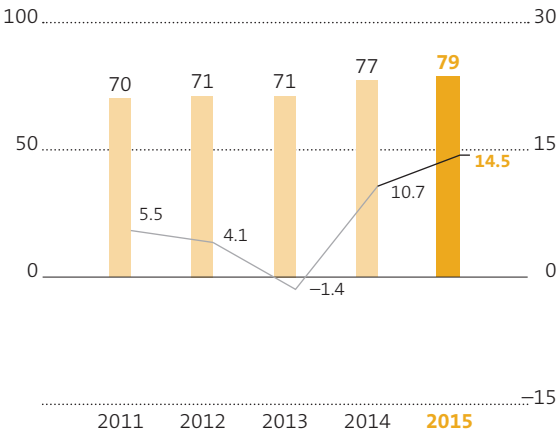


OUR PRIVATE LABEL DIVISION SUPPLIES RETAIL ORGANISATIONS THROUGHOUT EUROPE. IN THIS REGARD, WE INITIALLY DEVELOP A CUSTOMISED PRODUCT RANGE IN LINE WITH THE PRIVATE LABEL CUSTOMER'S SPECIFIC COMPETITIVE SITUATION AND HIS STRATEGIC ORIENTATION. TO DO SO WE USE OUR DEVELOPMENT EXPERTISE, OUR END-TO-END KNOWLEDGE OF THE MARKET AND OUR IN-DEPTH UNDERSTANDING OF THE MARKET. THE PRIVATE LABEL DIVISION USES THE HÜGLI GROUP'S EXTENSIVE EXPERTISE IN DRIED PRODUCTS TO CREATE INDIVIDUAL SOLUTIONS IN THE LARGER SEGMENTS SUCH AS SOUPS, SAUCES, BOUILLONS, MIXES AND OVEN-READY MEALS. IN ADDITION, THE PRIVATE LABEL DIVISION HAS ALSO BECOME ESTABLISHED IN THE WET PRODUCTS SECTOR, AND SAUCES IN PARTICULAR, AS A FLEXIBLE AND RELIABLE PARTNER FOR THE EUROPEAN RETAIL TRADE, AND NOW SUPPLIES CUSTOMERS THROUGHOUT EUROPE, FROM SWEDEN TO BULGARIA.

Jörg Meyer
Head of Private Label/
Member of the Group
Executive Management

Growth on declining markets

Although dry products do not rank among the high-growth markets throughout practically all of Europe, our Private Label division was able to continue its growth shown in 2014 in 2015 with a substantial increase. This growth is based on the fact that the Hügli Group can provide key competitive advantages on a consolidating market with this division, and also on the fact that this division is geared to clear strategic targets which allow new potential to be developed. As a result, wet products are accounting for a constantly increasing percentage of sales, which is also the case for the proportion accounted for by the largest European food organisations that are not located in Germany.

Income level continues to be a priority

A key characteristic for consolidating markets is high pressure on market prices. The Private Label division will continue its already established and differentiated activities as a matter of high priority in order to also be able to meet this challenge in future.

Perspective: Consistently implementing strategic orientation

The Private Label division has been reoriented over the past few years in order to achieve its clearly defined objectives, and has thus been able to enjoy positive growth. However, a key factor for the division's successful future is knowing that the markets for our traditional business with dry goods are tending to fall. We now has a very strong position on this market, and that means that the rather small, remaining potential in legacy market segments with existing customers will not be able to compensate for this development. As a result, we will consistently continue to develop new markets. Acquiring Hügli's target customers will not be any easier, as customers' readiness to change their supplier in falling markets tends to be lower than average. At the same time, establishing new divisions that go beyond the market for dried products is becoming increasingly important. This will be the focus in the coming years, as the division has to bring the production capacity it has already created into line with the needs of its retail customers for private labels in order to develop additional product areas over and above its already established sauce business. Hügli Private Label is excellently positioned, has a clear view of the course it has to take, and after the last few successful years it is now also enjoying the wind in its sails that it needs to master the coming challenges.

Division Brand Solutions

55.5

M. CHF **sales** in 2015

8.0

Percentage **organic growth** in 2015

CONTRIBUTION TO GROWTH

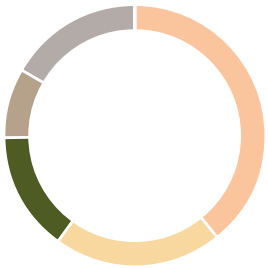
dynamic growth in the **ORGANIC** and **HEALTH & NUTRITION** sector

CUSTOMISED SOLUTIONS

extensive **portfolio of services**, customised solutions

Share of sales 2015

in million CHF



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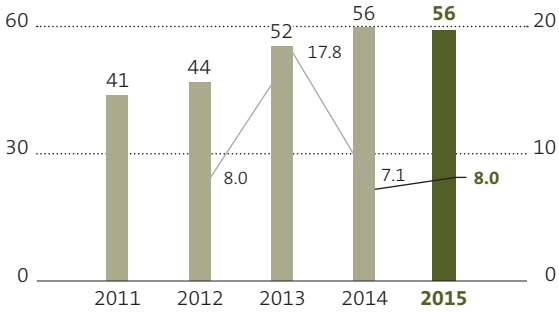


BRAND SOLUTIONS – THE DIVISION FOR SALES AND MARKETING COMPANIES. WE OFFER AN EXTENSIVE PORTFOLIO OF SERVICES FOR BRAND OWNERS WITHOUT THEIR OWN PRODUCTION – FROM ADVICE ON NEW PRODUCT LINES, THROUGH TO PRODUCT DEVELOPMENT, SUPPORT IN PACKAGE DESIGN, THROUGH TO THE FINISHED PRODUCT AND THE DESIRED MARKETING SUPPORT. TAILORED TO THE CUSTOMER'S NEEDS. WE OFFER THESE SERVICES IN ALL OF HÜGLI'S PRODUCT CATEGORIES AND IN THE SALES SEGMENTS WEIGHT MANAGEMENT, BALANCED NUTRITION AND SPORTS NUTRITION ("HEALTH & NUTRITION"), CONVENTIONAL PRODUCTS ("CLASSIC") AND ORGANICALLY GROWN PRODUCTS ("ORGANIC").

Endrik Dallmann
Head of Brand Solutions and Food Industry/ Member of the Group Executive Management

Again high growth

For the fourth successive year, the Brand Solutions division also made an above-average contribution to the Hügli Group's success with 8.0 % organic growth in 2015

This growth was recorded in all product areas, ORGANIC (organic products for leading European organic brands), HEALTH & NUTRITION (products for customers with brands in the weight management, sports nutrition and balanced nutrition segments) and CLASSIC. The Classic segment (conventional products) enjoyed positive growth in the United Kingdom in particular.

ORGANIC European market leader

In the ORGANIC segment we are the European market leader for innovative development and production for our dried, organic-quality products, together with the Consumer Brands division. We have unique expertise in this segment and close alliances with the most important European brands.

Further development of HEALTH & NUTRITION

Our new segment for Health & Nutrition products also enjoyed very positive continued growth in 2015. A large number of new projects mean that we are taking an optimistic view of the future with this key, high-growth world of products.

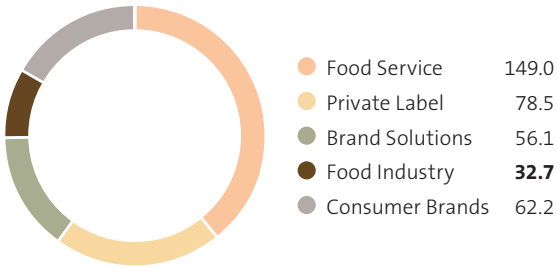
Our on-track growth continues

We believe that there will also be above average growth rates for the Hügli Group's Brand Solutions in the coming years. Both the market for organic foods and also for Health & Nutrition products will continue to grow faster than the overall market. Our high levels of competence as a service provider and our ability to offer this to our customers in line with their specific level of requirements, coupled with our excellent culinary expertise in the Hügli Group and in particular our Food Service division means that we continue to see ourselves as being a provider with first-class competitive advantages for customers in Sales and Marketing companies.

Division Food Industry

Share of sales 2015

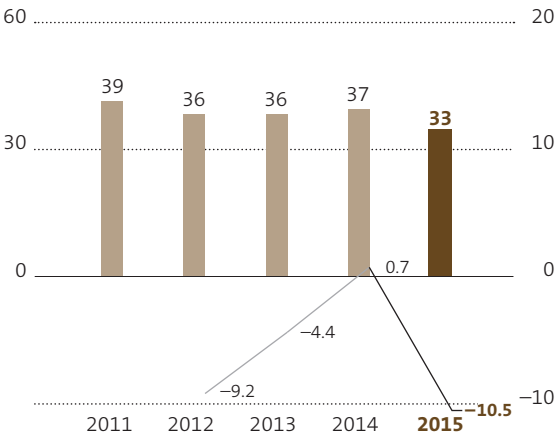
in million CHF



Development of sales/ organic growth 2011–2015

in million CHF/in %

(● Development of sales/—organic growth)



CUSTOMERS IN THE FOOD INDUSTRY DIVISION ARE GLOBAL GROUPS IN THE FOODSTUFFS INDUSTRY AS WELL AS SMALL AND MEDIUM-SIZED MANUFACTURERS IN OUR INDUSTRIES. THEY BUY CUSTOMISED SERVICES FROM HÜGLI IN THE FORM OF CONSUMER PACKS USING THEIR BRANDS FOR THE RETAIL SEGMENT IN THE PRODUCT CATEGORIES SOUPS, SAUCES, BOUILLONS, CONVENIENCE FOODS, DESSERTS, DRESSINGS, TOMATO SAUCES AND HEALTH & NUTRITION. IN ADDITION WE SUPPLY OUR CUSTOMERS WITH TOP-QUALITY FLAVORINGS FOR FURTHER PROCESSING (INGREDIENTS) AND WE ARE A RELIABLE PARTNER FOR OUTSOURCED MIXING SERVICES.

Endrik Dallmann
Head of Brand Solutions and Food Industry/ Member of the Group Executive Management

Active adjustment to its portfolio of customers

Sales in the Food Industry division were down CHF 3.8 million year-on-year due to the active adjustment to its portfolio of customers, the one-off loss of a key account in the United Kingdom and the strong downturn in revenues, in particular for export-oriented customers in Switzerland. We were not able to fully compensate for the high downturns in revenues with new business in 2015. At present, the division is working on a large number of key projects, which means that the outlook for 2016 is very positive.

Improvements in gross margin

It was possible to significantly improve the gross margin in 2015 by actively discontinuing individual businesses. The gross margin increased making the remaining revenues in 2015 substantially more profitable. The downturn in revenues is reduced as a result of this adjustment at the level of gross margin to a negative figure of just CHF 0.5 million compared to the previous year.

Progress in Snack Seasonings and Food

We recorded substantial progress last year in particular in Snack Seasonings, a strategic segment in the Ingredients product group, and in the Consumer Packs Food segment.

In numerous projects in 2015, key European manufacturers in the snack industry discovered that Hügli is a highly competent supplier for this product segment thanks to Hügli's development department's culinary competence, its innovative and extensive standard range of snack seasonings and its ability to implement the customer's individual requirements both quickly and effectively. In Consumer Packs we successfully proved our flexibility, innovation, quality and our constant ability to supply excellent products in new projects in 2015.

Growth potential for Hügli Food Industry in the coming years

We believe that there is growth potential for Hügli Food Industry in the coming years.
There is continued potential in all of this division's segments. In Consumer Packs Hügli will expand its excellent position on the market as a highly competitive co-packer and service provider, and in Ingredients we are in great demand thanks to our culinary and functional competence. For customers in the food industry the supplier's uncompromising orientation to excellent quality in line with all of the requisite standards is at least just as crucial as a perfectly developed product. Hügli Food Industry is also the first choice for our customers from this perspective.

Division Consumer Brands

62.2

M. CHF **sales** in 2015

BRANDS

Heirler, Cenovis, EDEN, granoVita, Natur Compagnie, Erntesegen, Tellofix and **Oscho**

MARKETS

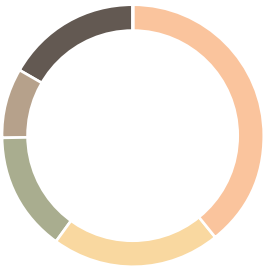
natural food stores, **organic food stores**, **retail trade organisations**, direct sales

ANSWERS TO NUTRITION TRENDS

"Free From" products, substitutes to meat products, mostly of **organic quality**

Share of sales 2015

in million CHF

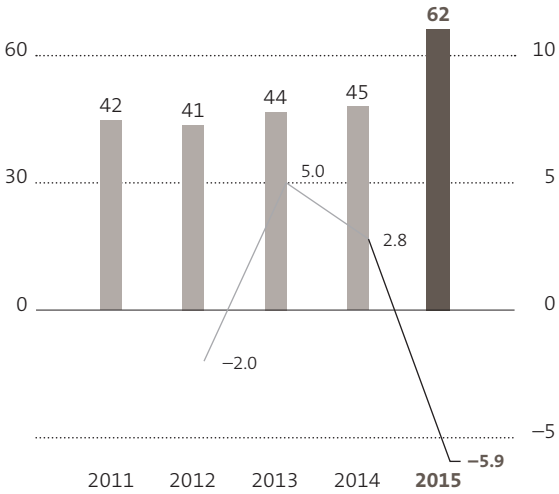


Food Service	149.0
Private Label	78.5
Brand Solutions	55.5
Food Industry	36.7
Consumer Brands	**62.2**

Development of sales/ organic growth 2011–2015

in million CHF/in %

(● Development of sales/—organic growth)



THE CONSUMER BRANDS DIVISION SELLS OUR END-CONSUMER BRANDS VIA VARIOUS SALES CHANNELS IN EUROPE, FOCUSING ON GERMANY. WE MOSTLY SERVE THE SPECIALIST TRADE SEGMENT WITH BRANDS SUCH AS EDEN AND GRANOVITA IN THE REFORMHAUS CHAIN, AND ERNTESEGEN AND NATUR COMPAGNIE IN ORGANIC STORES. WE ARE ALSO INCREASINGLY DISTRIBUTING OUR PRODUCTS IN TRADITIONAL GROCERY STORES, FOR EXAMPLE WITH OUR HEIRLER AND CENOVIS BRANDS. THE TELLOFIX AND OSCHO BRANDS HOLD A SPECIAL POSITION – THESE ARE MOSTLY OFFERED VIA DIRECT-SALES MERCHANTS AND ALSO VIA MAIL ORDER.

Frank von Glan
Head of Consumer Brands/Member of the Group Executive Management

New dimensions thanks to acquisitions

A key event for the Consumer Brands division was the acquisition of two traditional, high-revenue Reformhaus brands – EDEN and granoVita – in January 2015. This acquisition has three strategic dimensions: This reinforces our position in the growing specialist retail segment. In addition, we have gained competence in product groups covered by EDEN and granoVita, and which we can now produce ourselves. What is more, we have added the strategic bridgeheads in Spain and the United Kingdom, where there are independent granoVita companies.

Positive market developments

The specialist trade also enjoyed substantially more positive growth in Germany in 2015 than traditional grocery retail. The Reformhaus sector, which is key for our company, benefited from the trend towards the vegan lifestyle, and forecast growth in 2015. Natural food stores in Germany grew and continue to be a dynamic niche market. However, our relevant groups of goods are also growing in traditional grocery retail: Meat replacement products and "free from" products are enjoying a great deal of hype and are growing into the mainstream, with "organic" enjoying double-digit growth in the grocery retail segment. The underlying consumer trends are also relevant for our foreign markets, which means that we believe that the market for organic and health-foods is positive throughout Europe. Of course this is also attracting new competitors – in particular in the meat alternatives segment. Our division had, in part, to pay tribute to this competitive situation. Sales, –5.9 % in organic terms, were also negatively impacted by portfolio adjustments and price increases for trade goods.

Portfolio transformation

The increasing competition for alternatives to meat and the inclusion of new brands has caused us to hone and reorient our brand positions. Some elements of EDEN brand's product range have been transitioned to "organic", and granoVita offers tradition and also vegan Reformhaus quality goods. This aims to offer tailor-made offerings for the increasingly differentiated consumers' desires. Specialist stores account for around 2/3 of our revenues and hold a key position. Strong specialist stores need exclusive brands, and that is why we will only sell some brands in these stores. Other brands, such as Heirler and Cenovis, can already be found in grocery stores, where we will continue to actively drive these brands. They serve consumer desires that are already present in the grocery segment. We will be driving granoVita in particular on our foreign markets.

Focus on improved margins

We are placing a strong, internal focus on migrating large parts of our product ranges to in-house production 2016. This will improve our value added. Combined with the changes to our product ranges set out above, and considering the strong competition, we are expecting margins to improve in 2016, with revenues at the previous year's level.

State-of-the-art blending technology

Dirk Balzer
Head of Manufacturing/Member of the Group Executive Management

ULTIMATE PRODUCTION EFFICIENCY AND STATE-OF-THE-ART EQUIPMENT ARE KEY PILLARS FOR HÜGLI'S SUCCESSFUL GROWTH, AND THEY ALSO SUPPORT OUR CLAIM TO BE ONE OF THE LEADING EUROPEAN FOOD MANUFACTURERS. INCREASING REQUIREMENTS FOR THE AVOIDANCE OF CROSS-CONTAMINATION, FOR DRY BLENDS IN PARTICULAR, DEMAND NEW SOLUTIONS AS PART OF OTHERWISE "CONVENTIONAL" MIXING TECHNOLOGY.

New blending plant in Germany

Construction of our new blending plant in Radolfzell is progressing well, and this plant is expected to go live in the winter of 2016/2017. We expect that the higher levels of automation and optimum logistics within the company will result in substantial progress in productivity and significant improvements in quality and hygiene. Additional investments in the Zásmuky plant, coupled with our plants in the United Kingdom and Switzerland, mean that we have an excellent stance on the European market.

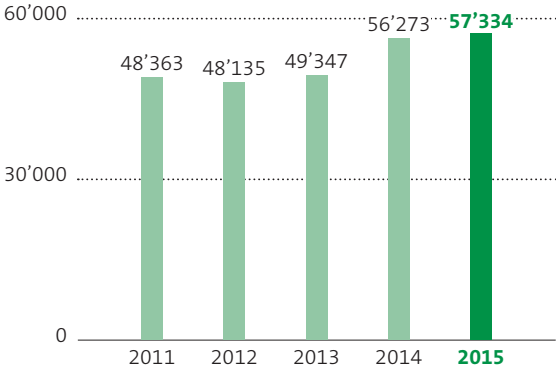
Gearing technology priorities

We have increasingly geared our technology priorities to the ready to eat segment over the past few months. Ready to eat means foods which can be consumed directly without any additional ingredients, for example without requiring water to be added. There is continued strong demand for products from our plants in St. Gallen (CH), Brivio (IT), La Vall d'Uxió (ES) and Ulm (DE) and these products are technically more demanding than the dry blend technology which we have been employing for several years.

In addition to producing vegetarian and vegan spreads, dressings and sauces we started operations in our Ulm plant at the start of the year. This location produces top-quality substitute meat products. As a result, we have continued to add new staff members to our development team for these product group, and centralised this in Steinach. In addition to Hügli's traditional excellent technology competence, application technology and product development for "non-dry" foods are tailored to our customers' requirements to the greatest possible extent, and coordinated with the decentralised, smaller plants.

Production tonnage 2011–2015

in tons



34.1

M. CHF **INVESTMENTS** IN A MODERN AND COMPETITIVE MACHINERY IN ALL SITES

57’334

TONS OF TOP-QUALITY **FOOD**. HIGHEST FIGURE IN THE GROUP’S HISTORY

READY-TO-EAT

BUNDLING DEVELOPMENT RESOURCES FOR **READY TO EAT**. EXPANDED TECHNOLOGY IN **“LIQUID AND MEAT SUBSTITUTE”**

Business development of the Segments

SEGMENT GERMANY

The Germany segment comprises the Group's largest production site in Radolfzell with Plants 1 and 2, the production location Neuburg an der Kammel and its facility in Ulm.

>> See page 62/Segment Reporting

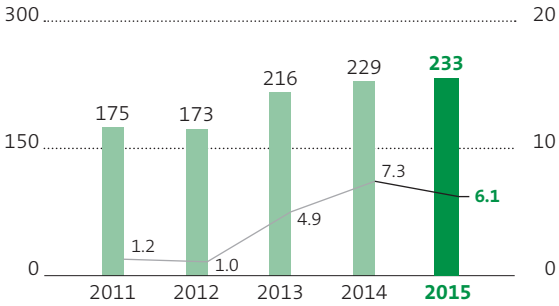
Business Development Germany

	Unit	2015	2014	Variance in %
Sales	m. CHF	233.4	229.0	1.9
EBIT	m. CHF	17.1	20.5	–16.9
EBIT margin	%	7.3	9.0	
Number of employees (full-time positions)	FTE	747	726	2.9
Investments	m. CHF	22.8	10.0	127.4

Development of sales/ organic growth 2011–2015

in million CHF/in %

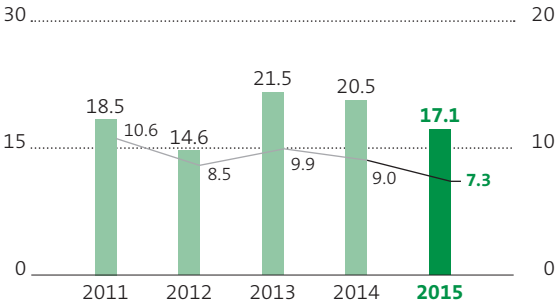
(● Development of sales/—organic growth)



EBIT/EBIT margin 2011–2015

in million CHF/in %

(● EBIT/—EBIT margin)



Radolfzell produces products for all five divisions. The focus is on large-series production of soups, sauces and instant meals in small packages for the Private Label division. This requires a highly efficient and automated production, which is accomplished with similarly qualified staff and ultra-modern factory equipment. The facility in Neuburg an der Kammel specialises in filling cans. The facility in Ulm began its operations at the turn of the year. It manufactures high quality meat substitutes.

Focus on new plant

The Germany segment again achieved a pleasing organic sales growth of +6.1, mainly driven by the sales divisions Private Label and Brand Solutions. EBIT margin, however, dropped repeatedly from 9.0 % to 7.3 %. Apart from higher sales and structural costs that are due to factors including wage increases from collective agreements, this is mainly owed to changes in the sales mix. Mainly thanks to the acquisition of sales activities for the EDEN and granoVita brands staff increased by 21 full-time positions to 747.

The area of investments was extraordinarily impacted by the construction of the new blending plant with automated warehouse logistics (high-bay storage) in Radolfzell. It will be connected to the current Plant 2, and is anticipated to go into operation in the winter of 2016/2017. Owing to higher automation and optimised in-house logistics, we expect to make a considerable progress in productivity and significant improvements with regard to quality and hygiene. Overall, the Germany segment made investments of CHF 22.8 million, the highest investment amount ever recorded for the segment as well as Hügli.

SEGMENT SWITZERLAND/REST OF WESTERN EUROPE

The Switzerland/Rest of Western Europe segment groups together the four countries of Switzerland, Austria, Italy, UK and Spain. >> See page 62/Segment Reporting

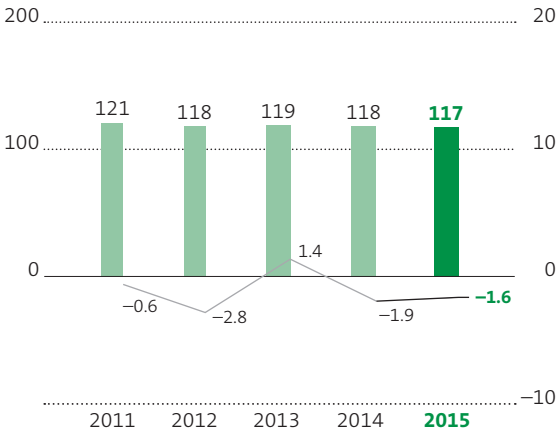
Business Development Switzerland/Rest of Western Europe

	Unit	2015	2014	Variance in %
Sales	m. CHF	117.2	117.9	–0.6
EBIT	m. CHF	11.3	10.4	9.0
EBIT margin	%	9.6	8.8	
Number of employees (full-time positions)	FTE	424	401	5.7
Investments	m. CHF	8.3	5.2	59.5

Development of sales/ organic growth 2011–2015

in million CHF/in %

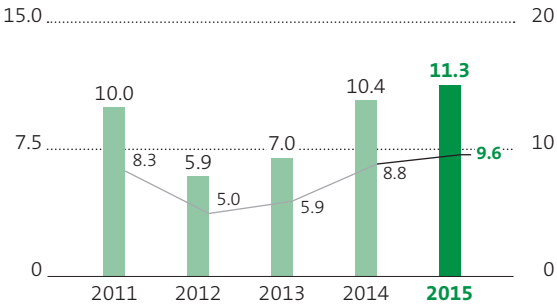
(● Development of sales/—organic growth)



EBIT/EBIT margin 2011–2015

in million CHF/in %

(● EBIT/—EBIT margin)



Switzerland production site

The production site Steinach has specialised in both small and medium-series production and in the production of "customised" blended dried-food products. In addition to dried foods, there is state-of-the-art liquid production in St. Gallen for salad dressings and dip sauces. The higher demand for organic products by other Group subsidiaries and the transfer of the production of pastes to Steinach carried out in the previous year have yielded additional output. In St. Gallen, a new machine was successfully put in operation, enabling Hügli to produce mellow aseptic dressings. Switzerland has been making a substantial contribution to Hügli's positive results for years, and continues to enjoy a good position despite challenging costs and exchange rates.

Italy production site

Our facility in Northern Italy produces mostly tomato-based liquid pasta sauces in jars and liquid soups, which are mainly sold in the Private Label, Brand Solutions, and Food Service divisions, as well as Italian specialties (grilled vegetables, artichokes and mushrooms in oil), which in turn are sold in all countries, mainly in our Food Service division. Thanks to the considerably larger production volumes and as a result of the restructuring of operations initiated two years ago, Italy has seen a true turnaround. The production site recorded a significant improvement in its profitability and makes a positive contribution to Hügli's Group results. In the area of liquid production, the location again invested in quality management and quality assurance. The highly efficient and fully-automated filling line, together with culinary competence, provide the best conditions to further reinforce the position on the market in this product segment.

United Kingdom production site

Our production site in Redditch specialises in the manufacturing of blended dried-food products in the area of "health and nutrition", namely for balanced nutrition, sports nutrition and weight management. We cover a broad range of production-related services, making our site a proven and approved partner for the foodstuffs industry. In 2015, the UK site was able to record an increase in sales, following the previous year's decline in sales, which was due to portfolio adjustments. In addition, the improvements in process management (lean management) carried out in the past years, also contributed to a significant increase in income.

Spanish production site

In the course of the EDEN and granoVita acquisitions we took over the production site in La Vall d'Uixó (Castellón) north of Valencia in Spain. The production specialises in yeast-based bread spreads (patés). The site distributes a significant share of its products through the Granovita organisations in Germany and the UK.

SEGMENT EASTERN EUROPE

In Eastern Europe, Hügli East caters for the Food Service and Private Label markets in the Czech Republic, Poland, Slovakia and Hungary. Production in Eastern Europe is performed at the Czech facility in Zásmuky, which supplies the group's three own sales subsidiaries and increasingly also export markets.

>> See page 62/Segment Reporting

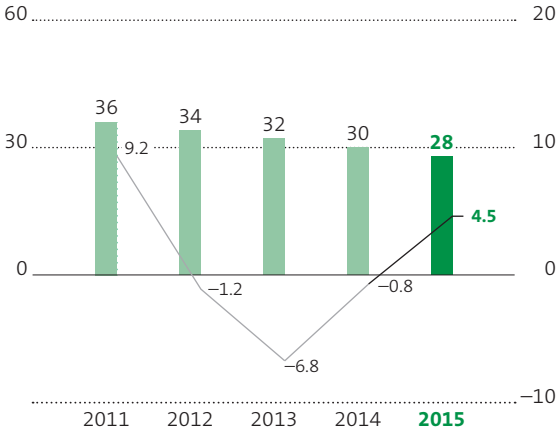
Business Development Eastern Europe

		2015	2014	Variance
	Unit			in %
Sales	m. CHF	27.7	30.1	–7.9
EBIT	m. CHF	2.2	1.4	56.3
EBIT margin	%	7.9	4.6	
Number of employees (full-time positions)	FTE	265	251	5.6
Investments	m. CHF	3.0	1.1	174.5

Development of sales/ organic growth 2011–2015

in million CHF/in %

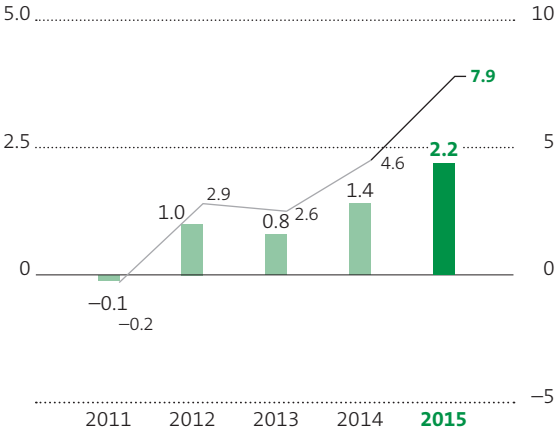
(● Development of sales/—organic growth)



EBIT/EBIT margin 2011–2015

in million CHF/in %

(● EBIT/—EBIT margin)



Improved use of advantages in cost efficiency

Due to the currency development against the Swiss Franc, the segment suffered a nominal decline in sales of CHF 27.7 million. Organically, the segment grew for the first time in four years, by a good 4.5 %. This is chiefly due to the very strong development in the Food Service division that recorded high one-digit, in one country even two-digit growth rates. The Private Label division is still undergoing adjustments to the customer portfolio, which again entailed a negative sales development.

Zaskmuky continues to distinguish itself as a cost-efficient production site for various divisions. The structures that had been simplified and efficiently reorganised over the past years can now operate at an optimal capacity uptake. EBIT could thus be increased across the entire segment from CHF 1.4 million in the previous year to CHF 2.2 million. The EBIT margin improved again from 4.6 % to 7.9 % in the current year. The number of full-time equivalents rose slightly year-on-year by 265 positions.

In Zásmuky, the blending plant was expanded to a larger building and several raw materials silos were installed in 2015. In the segment Eastern Europe, CHF 3.0 million were invested in such constructions overall.

The site is in top shape with regard to productivity and efficiency. Going forward, it will play an even bigger role in large-series production.

Corporate Governance

HÜGLI ATTACHES GREAT VALUE TO MAINTAINING A GOOD AND RESPONSIBLE CORPORATE GOVERNANCE. THE GROUP ACKNOWLEDGES ITS ECONOMIC AND SOCIAL RESPONSIBILITY. HIGH TRANSPARENCY CONTRIBUTES TO STRENGTHENING THE STAKEHOLDERS' – SHAREHOLDERS, INVESTORS, STAFF AND BUSINESS PARTNERS – TRUST IN THE COMPANY AND ITS MANAGEMENT. OUR CORPORATE GOVERNANCE RESTS ON CLEARLY LAID OUT STRUCTURES, PRECISELY ALLOCATED AREAS OF RESPONSIBILITY, EFFICIENT DECISION PROCESSES AND APPROPRIATE CONTROL ROUTINES.

The following report is in line with the Corporate Governance Directive of SIX Swiss Exchange. If not mentioned differently, the information reflects the situation on 31 December 2015.
The Compensation Report can be found in a separate chapter on pages 40 to 45.

1. GROUP STRUCTURE AND SHAREHOLDERS

Group Structure

The Hügli Group consists of one single business unit with a uniform strategy defined by the Board of Directors that focuses on the development, production and distribution of Hügli's core product line (soups, sauces, bouillons and further dry blended products). The management of all Group subsidiaries is centralised and performed by the Board of Directors and the CEO based on the designated Group strategy. Group Executive Management chaired by the CEO makes all relevant decisions. The segmentation is based on the geographic responsibilities relating to production sites and their associated distribution companies. The country segment Germany covers all associated German companies, the country segment Switzerland/Rest of Western Europe includes the companies in Switzerland, Austria, United Kingdom, Italy and Spain, and the country segment Eastern Europe comprises the companies in Czech Republic, Slovakia, Poland and Hungary. >> See page 94/Group companies

In addition, cross-national sales organisations/divisions were created, reflecting the customer segments of the Hügli Group. These sales divisions mainly focus on customer needs and are responsible for a dynamic sales development as well as the optimal organisation of the area of marketing and sales. With regard to this area, the Hügli Group has adopted a matrix organisation. The Food Service Division covers the "Out of Home Market" with sales to hotels, restaurants, institutions such as corporate canteens, hospitals, residential homes and other caterers. The Private Label Division LEH supplies big European retail trade organisations, primarily discounters and consumer markets, with products sold under their own labels. The Brand Solutions Division produces for customers with own marketing and sales organisations consumer packages under their own brands. The Food Industry Division specialises in the sale of semi-finished and finished products to the European food industry. The Consumer Brands Division sells Hügli's own brands, predominately in organic quality, to health food stores, natural food as well a to the food retail trade.

The only listed company in the scope of consolidation is Hügli Holding AG, 9323 Steinach, Switzerland. Its bearer shares are listed on the SIX Swiss Exchange in Zurich (security no. 464795). On 31 December 2015, the closing price for the Hügli bearer share was CHF 759, corresponding to a market capitalisation of CHF 368 million. Of this total, CHF 213 million are represented by the stock capitalisation of the listed bearer shares and CHF 155 million by unlisted registered shares.

Major Shareholders

- Dr A. Stoffel Holding AG/Dr A. Stoffel, 9320 Arbon, Switzerland:
  40'031 bearer shares with a par value of CHF 1.00 each (14.3 % of bearer share capital)/ 410'000 registered shares with a par value of CHF 0.50 each (100 % of the registered share capital)/65.2 % of the voting rights, equivalent to 50.5 % of the share capital
- Hügli Holding AG, CH-9323 Steinach, Switzerland (own shares):
  2'843 bearer shares with a par value of CHF 1.00 each (1.0 % of bearer share capital)/0.4 % of voting rights, equivalent to 0.6 % of the share capital
- Free Float:
  237'126 bearer shares with a par value of CHF 1.00 each (84.7 % of bearer share capital)/34.4 % of voting rights, equivalent to 48.9 % of the share capital

Cross-Shareholdings

There are no cross-shareholdings.

2. SHARE CAPITAL STRUCTURE

The share capital is divided into:

Share capital	**2015**
in CHF	
280'000 bearer shares with a par value of CHF 1.00 each (listed)	280'000
410'000 registered shares with a par value of CHF 0.50 each (not listed)	205'000
Total share capital	**485'000**

Each share grants one vote at the General Meeting of shareholders. The dividend entitlement of all the registered and bearer shares is calculated in proportion to their par value. There is no conditional or approved capital and there are no certificates of profit participation or of dividend rights.
There are no limitations on transferability and no special provisions relating to nominee entries.
There are no convertible loans and no options on shareholding rights outstanding at present.

Development of shareholders' equity of Hügli Holding AG in the last three financial years:

in CHF	Change in %	31.12.2015	31.12.2014	31.12.2013
Share capital	0	485'000	485'000	485'000
Reserves	12.4	136'100'000	121'100'000	111'100'000
Retained earnings	2.7	40'182'290	39'122'806	30'207'745
Own shares	29.8	–1'447'617	–2'061'187	–2'572'907
Total equity	**10.5**	**175'319'673**	**158'646'619**	**139'219'838**

3. BOARD OF DIRECTORS

Members of the Board of Directors

Dr Jean Gérard Villot
born 1952, a French national, Chairman of the Board of Directors since 2011. He was elected to the Board of Directors of Hügli Holding AG at the General Meeting in May 2002. From 2003 until 2010, he was Vice President of the Board as well as CEO and Chairman of the Group Executive Management. Apart from his function as Chairman of the Board of Directors, Jean Villot is responsible for the coordination of investments within the Hügli Group as well as for acquisitions. He completed a doctorate at the University of Strasbourg and after holding various positions in the industry, he worked as a management consultant, most recently as director of corporate consulting and member of executive management of Prognos AG, Basel. He joined Hügli in 1990 and was in charge of Hügli Switzerland until 1996, after which he was responsible for Hügli Germany until the end of 2002.

Dr Andreas Binder
born 1957, Swiss national, member of the Board of Directors since May 2015. Dr Andreas Binder has been a practicing attorney at law and partner in the corporate and business law firm Binder Rechtsanwälte in Baden since 1992. He is Board of Director of several industrial and financial companies. He is among others Vice President of the Board of Directors of Neue Aargauer Bank Ltd., Aarau, Chairman of the Board of Directors of the Cura Group, Laufenburg and SwissMedia-Forum AG, Baden. He has been a honorary professor of debt and corporate law since 2004, and director of the Corporate Governance Competence Center at the University of St. Gallen's Research Institute for International Management since 2013. After graduating from the University of St. Gallen (lic. oec. and lic. iur.), Dr Andreas Binder was admitted as barrister-at-law of the Canton Aargau and acquired a doctorate (Dr. iur.) from the University of Basel.

Dr Ida Hardegger
born 1957, a Swiss national, member of the Board of Directors for Hügli Holding AG since 2012. After acquiring the teaching diploma and studying at the University of St. Gallen, she worked as a personal assistant for former Federal Councillor Dr Kurt Furgler. Subsequently she became General Legal Counsel of NUEVA Group before joining the Executive Management of both Denner AG and Denner Group and assuming the position of Head of Marketing. After taking on responsibility for several projects abroad, she was appointed CEO of Orell Füssli Book Publishing Group, worked in the Group management of OF Holding and in the Executive Management of Valora Group. She has been self-employed since 2006. She has graduated from the Law School at the University of St. Gallen (Ph. D. in Law), is a lawyer and has attended courses of further education at, among other institutions, INSEAD at Fontainebleau and at Columbia University. She is a member of the Administration of Genossenschaft Migros Zürich, of the Board of Directors of Alfred Müller Group, Baar, as well as other not listed companies (SME) in Switzerland.

Fritz Höchner
born 1941, a Swiss national, member of the Board of Directors of Hügli Holding AG since 1991. He completed his education with a commercial diploma from the Cantonal School of Trogen. After a number of internships, he took over the administrative management of a large farm in Argentina in 1961. From 1964, Fritz Höchner worked in the textile industry. In 1968, he moved to the banking sector, became an authorised signatory of American Express Zurich and from 1971 to 2001 was responsible for all the Spanish-speaking countries in the Private Banking Division of Credit Suisse Zurich.

Dr Christoph Lechner
born 1967, a German and Swiss national, member of the Board of Directors of Hügli Holding AG since

Dr Jean Gérard Villot

Dr Andreas Binder

Dr Ida Hardegger

Fritz Höchner

Dr Christoph Lechner

Dr Ernst Lienhard

Dr Alexander Stoffel

2001. After his degree in national economy (USA) and business administration (Germany), he received his doctorate and professorship in economics at the University of St. Gallen. Between 1987 and 1995, he worked in various functions for Deutsche Bank Group. He was Guest professor at the University of Connecticut (USA) in 2002/2003 and the Wharton School at the University of Pennsylvania. Since 2004, he has been a professor for Strategic Management at the University of St. Gallen as well as Chairman of the Directorate of its Institute of Business Administration (IfB). He is a member of the Board of Directors of Helvetia Holding AG.

Dr Ernst Lienhard
born 1946, a Swiss national, member of the Board of Directors for Hügli Holding AG since 2001. He completed his studies at the University of St. Gallen in 1976 with a doctorate in economics. Ernst Lienhard joined Credit Suisse Zurich in 1972. After serving abroad in Paris, Peru, New York and the Bahamas, he was appointed head of commerce in Zurich and became Managing Director Swiss Corporates in 1997. Ernst Lienhard retired in 2004. He is a member of the Board of Directors of Dätwyler Holding AG as well as of other Swiss family-owned companies.

Dr Alexander Stoffel
born 1928, a Swiss national. Mr Stoffel retired as Chairman of the Board of Directors of Hügli Holding AG on 31 December 2010. He had held this position since 1966. Since January 2011, he has been a full member of the Board of Directors. He graduated from the University of St. Gallen in 1956 with a doctorate in economics. In the same year, he took over the management of Hügli Nährmittel AG, a family business with sales then totalling around CHF 1 million. In the course of the rapid expansion of Hügli, Alexander Stoffel successively held practically all the management functions, except for technical plant management, at Hügli Switzerland and in the subsidiary companies subsequently formed in Austria and Germany. Hügli Holding AG was established in 1966, at which time Alexander Stoffel became its chairman. On 31. 12. 2002, he retired as Chairman of the Group Executive Management.

All members of the Board of Directors, with the exception of Jean Gérard Villot, are non-executive. Neither the executive member nor the non-executive members of the Board of Directions have been a member of Group Executive Management of Hügli Holding AG or of a Group subsidiary in the past three business years.

Statutory rules regarding the number of permissible mandates of members of the Board of Directors

Article 26 of the articles of incorporation of Hügli Holding AG regulates the number of permissible mandates of members of the Board of Directors in compliance with article 12 paragraph 1 section 1 OaEC (Ordinance Against Excessive Compensation in Listed Stock Companies).

A member of the Board of Directors cannot fulfil more than the following number of mandates.

- Maximum of 4 mandates for companies that qualify as publicly held companies according to article 727 paragraph 1 section 1 of the Swiss Code of Obligations (or as corresponding foreign companies); and additionally
- Maximum of 10 mandates for larger companies according to article 727 paragraph 1 section 2 of the Swiss Code of Obligations (or corresponding foreign companies); and additionally
- Maximum of 15 mandates for legal entities that do not comply with the above mentioned criteria

Mandates prescribed by the company or charitable mandates, associations etc. are subject to a separate restriction.
Mandates are defined as activities at the highest management or administration levels of other legal entities that are obliged to be entered in the commercial register or a comparable foreign register, and that are not controlled by the company and that do not control the company.

Material Interests

Ernst Lienhard was a member of the executive management of a bank providing important services to Hügli (Credit Suisse) until 2004. Christoph Lechner advises Hügli on strategic matters relating to special projects (for the last time 2005). Since 2015 Andreas Binder consults Hügli in legal matters with the business law firm Binder Rechtsanwälte. The other non-executive members have no significant business relations with the Hügli Group.
Alexander Stoffel is the majority shareholder of Hügli Holding AG through his family holding company, Dr A. Stoffel Holding AG. Jean Villot is vice president of the board of Dr A. Stoffel Holding AG.

>> see page 28/Major Shareholders

Election and Term of Office

The members of the Board of Directors and the Chairman of the Board of Directors are elected separately by the Annual General Meeting for the duration of one year until the next ordinary Annual General Meeting. A re-election is possible . The Special Council of holders of bearer shares annually elects its representative in the Board of Directors, in line with article 709 CO (Swiss Code of Obligations). There is not limitation on the term of office.
When selecting new members, the Board of Directors thrives for a balanced consideration of expertise, competencies and entrepreneurial experience, all of which are necessary for the top leadership and supervision of the executive management of an international food corporation.

Internal Organisation

The Annual General Meeting 2015 has elected the Chairman of the Board of Directors as well as the members of the Compensation Committee, comprises the entire Board of Directors, separately. Furthermore, the Board of Directors has constituted itself. Fritz Höchner was elected as Vice President of the Board of Directors and CFO Andreas Seibold was designated as Secretary of the Board of Directors.

The Chairman, Jean Villot, is responsible for preparing the meetings of the Board of Directors and for coordinating its work. He is primarily concerned with strategic issues, long-term investment planning and the evaluation of acquisitions. He works closely with the Chairman of the Group Executive Management (CEO), whom he supervises directly. Christoph Lechner evaluates the planned and implemented measures from a strategic perspective and against the background of scientific findings. Alexander Stoffel and Jean Villot are contributing their extensive experience and expertise gained throughout their professional activities in the food industry. Legal matters and questions relating to the Corporate Governance are assessed by Andreas Binder. Ida Hardegger evaluates legal issues and contributes her expertise on the food industry and retail trade. Fritz Höchner and Ernst Lienhard are the financial experts on the Board of Directors. They assess measures in consideration of the financial risk management. The Board of Directors has decided not to set up any board committees for the time being. Because of its small size, the Board performs the necessary tasks under the joint responsibility of all its members. In the event of possible conflicts of interest (e.g. establishment of compensation), the members concerned withdraw from the meeting.
The Board of Directors meets according to business requirements, normally five to six times a year for an entire day. Each member may ask the Chairman to call an immediate meeting, stating the reasons for his request. In the reporting year, the Board of Directors held six meetings as well as a three-day management meeting with the Group's executive staff.

Division of Powers

The division of responsibilities between the Board of Directors and Group Executive Management are defined in the organisational regulations of those bodies. The main points are as follows: The Board has delegated the coordination of the Board and the Group Executive Management to its Chairman Jean Villot. The operative Executive Management of the Group is the responsibility of CEO Thomas Bodenmann.
In addition to the seven tasks, which are reserved exclusively for the Board of Directors by article 716a CO (Swiss Code of Obligations), and partly for the performance of those tasks, the Board has reserved the following powers for itself:

- approval of the overall Group strategy and divisional strategies
- approval of the budgets according to the rolling three-year plan, and verification of compliance with the budget figures
- approval of all acquisitions and sales of companies, together with the cessation of existing business areas and the entry into new areas
- the implementation of a risk assessment, which includes the operability of the internal control system
- appointment and dismissal of members of the Group Executive Management and establishment of their compensation
- As it bears ultimate responsibility for the company, the Board of Directors may operate in all business areas of the company if it regards that as necessary for the proper performance of its tasks. However, it takes care not to intervene in areas of delegated, operational responsibility if there is no necessity.

Information and Controlling Instruments

The internal Management Information System (MIS) prepared for the Board of Directors includes the consolidated income and balance sheet figures of the Group and the country segments as well as commentaries thereto. Furthermore, a Group contribution margin statement of the sales divisions, broken down by customer segments, is prepared. A written copy of the MIS is provided to each Board member. The monthly reporting contains sales figures and gross margins of the international subsidiaries and the sales divisions including variance analyses regarding the previous year and budget as well as commentaries on the current course of business. A widespread overview of the Hügli Group and the geographical segments (income statement, balance sheet, statement of changes in equity, cash flow statement) as well as a consolidated division reporting of the cross-national sales organisations and customer segment based subunits are prepared quarterly with a focus on Group contribution margins of sales and marketing. This reporting contains variance analyses regarding the previous year and budget. Moreover, the Board receives forecasts of the expected yearly figures. Once a year, a three-year rolling strategic plan is realised.

At the meetings of the Board of Directors, the Chairman of the Group Executive Management presents and comments on the course of business and important topics. Depending on the agenda item (budget, yearly financial statements, projects) the other members of the Group Executive Management also present information on specific topics.

The Chairman of the Board of Directors and the Chairman of the Group Executive Management inform and consult each other regularly on all important business matters. The Chairman consults with country and division management, and visits corporate subsidiaries to see for himself how their operations are run and how they are implementing the Group strategy. The entire Board attends the annual three-day management meeting of the Group's executive staff and obtains direct and detailed information about current strategic and operating projects, and achieved goals.

The external auditors provide the Board with audit reports and management letters of the Group as well as those of important Group subsidiaries. Aside from the Hügli Holding AG auditor, external auditors are once a year commissioned to give a presentation in a Board meeting and participate in a consultation with the Board of Directors. Further, specific internal audit reports on behalf of the Board are included in the internal audit.

The Board of Directors and the Group Executive Management attach considerable importance to careful handling of strategic, financial and operative risks. The controlling of risk management procedures and the continuous updating of risk identification are carried out through periodic meetings with department heads and managers performing Group functions. Significant changes are subject to in-depth analysis and assessed in compliance with the Group-wide risk management.

4. GROUP EXECUTIVE MANAGEMENT

The responsibilities, working method and delimitation of powers from those of the Board of Directors are set out in the organisational regulations of the Group Executive Management. The Group Executive Management is the senior operational management body of the Hügli Group. It reports to the Board of Directors, and it consists of seven members. No member has any other important engagements in other organisations or material commitments. Hügli Holding AG and its subsidiary companies have not concluded any management agreements with third parties.

f. l. t. r: Endrik Dallmann, Dirk Balzer, Frank von Glan, Thomas Bodenmann, Jörg Meyer, Andreas Seibold, Manfred Jablowski

Members of the Group Executive Management

Thomas Bodenmann
born 1962, a Swiss national, has been the Chairman of Group Executive Management (CEO) since 2011. He had been elected to the Group Executive Management in 2001, at which time he was Head of the Food Service Division. He graduated from the Department of Business Administration at St Gallen University of Applied Sciences with a degree in business administration and completed various courses of further education at the University of St. Gallen and at Harvard Business School in Boston, USA. After having worked in a number of positions in the industry, he became the manager for Sales Switzerland at Benckiser (Schweiz) AG in Winterthur, holding the position until 1995. Bodenmann joined Hügli Switzerland in 1995 as export manager and member of the Executive Management of Hügli Switzerland. From 1997 to 2010 he was the Managing Director of Hügli Switzerland and from 1999 to 2010 also of Hügli Austria. Bodenmann is a member of the Board of Directors of Bataillard AG, Rothenburg.

Dirk Balzer
born 1970, a German national, as Head of Manufacturing he has been a member of the Group Executive Management since 2011. He graduated as food engineer from the University of Stuttgart-Hohenheim, Germany, and began his professional career in the field of process engineering at Nestlé Germany AG. After having held various further positions in the area of productions at Maggi GmbH, Dirk Balzer joined the Hügli Group and has since 2001 been heading production at Hügli's biggest site in Radolfzell. Aside from this function, Dirk Balzer took on responsibility for the coordination of production sites of the Group in 2008.

Endrik Dallmann
born 1968, a German national, has been a member of the Group Executive Management and Head of the Key-Account Divisions Brand Solutions and

Food Industry since 1 July 2011. The graduate in business administration (VWA) studied law and economics at the universities of Köln and Konstanz (without graduating). He joined Hügli Radolfzell in 1994 and managed various operating projects. From 2005, he was Managing Director of the German Hügli subsidiaries Inter-Planing GmbH and Oscho GmbH. Mr Dallmann is Managing Director of Hügli Germany since 2014.

Frank von Glan
born 1962, a German national, since November 2015 Division Head of Consumer Brands and Member of Group Executive Management. Von Glan has a degree in economics from the University of Hannover. He worked for Mondelez Germany (previously Kraft Jacobs Suchard) for 17 years in various marketing and sales functions, and lastly as managing director of the foods division. From 2006 to 2013, Mr von Glan was the managing director of the German companies of Wessanen Group, Allos GmbH and Tartex & Dr. Ritter GmbH. He subsequently joined the owner-operated medium-size company Minderleinsmühle GmbH as head of marketing and sales.

Manfred Jablowski
born 1964, a German national, has been a member of the Group Executive Management and Head of the Food Service Division since 1 July 2011. After having graduated as an engineer in food technology, he held various management positions in sales in the course of 20 years. He gathered comprehensive experience in the area of Food Service at ETO/Dr Oetker, where he worked as Head of Key Accounts from 2001. In 2006, he became responsible for Hügli's largest Food Service country organisation in Germany.

Jörg Meyer
born 1963, a German national, has been a member of Group Executive Management and Head of the Private Label Division since November 2012. After acquiring a degree in economics from the Bochum University of Applied Sciences, he worked as Head of Marketing and as Head of Sales for different international food corporations in Germany for more than 20 years. In his latest position, as Managing Director of a Danish food producing group, an important Private Label supplier of the European food retail trade, he carried full responsibility for marketing and sales.

Andreas Seibold
born 1964, a Swiss national, became Chief Financial Officer and member of the Group Executive Management in 2004. After studying economics at the University of Zurich (lic. oec. publ.), he went on to qualify as a chartered accountant at the Swiss Institute of Certified Accountants, while maintaining his professional employment. Having worked for many years as an auditor with KPMG Zurich he moved to Sefar AG, Rüschlikon, as Head of Finance and Treasury and then to Sefar Holding AG as Head of Group Controlling. In addition to his function as CFO, he was elected as Secretary of the Board of Directors. He is also the managing director and member of the foundation council of the employee benefit foundation of Hügli Nährmittel AG and member of the technical commission Swiss GAAP FER, the foundation for accounting and reporting recommendations.

Statutory rules regarding the number of permissible activities of members of the Group Excekutive Management

Paragraph 2 article 26 of the articles of incorporation of Hügli Holding AG regulates the number of permissible mandates for the members of Group Executive Management.

A member of Group Executive Management cannot fulfil more than the following number of mandates.

- Maximum of 1 mandate for companies that qualify as publicly held companies according to article 727 paragraph 1 section 1 of the Swiss Code of Obligations (or as corresponding foreign companies); and additionally
- Maximum of 3 mandates for larger companies according to article 727 paragraph 1 section 2 of the Swiss Code of Obligations (or corresponding foreign companies); and additionally
- Maximum of 5 mandates for legal entities that do not comply with the above mentioned criteria.

With regard to separate restrictions and definitions, the provisions stated in article 26 of the articles of incorporation of Hügli Holding AG applicable for the Board of Directors also apply for Group Executive Management >> see page 32/Board of Directors

5. COMPENSATIONS, SHAREHOLDING INTERESTS AND LOANS

The members of the board of directors and the group's executive management are entitled to remuneration in line with their activities and responsibilities. The board of directors determines this remuneration itself according to the total amount approved by the General Meeting.
Remuneration for the members of the board of directors comprises fixed remuneration through to the next ordinary General Meeting and also social security contributions and contributions to benefit funds as well as additional insurance contributions and other incidental payments. Remuneration for the president of the board of directors can also include profit participation if this office includes executive functions.
Remuneration for the members of the group's executive management comprises annual fixed basic remuneration and a variable profit participation, as well as social security contributions and contributions to benefit funds as well as additional insurance contributions and other incidental payments. The variable profit participation comprises cash remuneration which is based on pre-defined performance benchmarks. The performance benchmarks can be based on quantity and quality-based targets, as well as short-term and long-term remuneration elements.
The company can grant members of the board of directors and the group's executive management loans at standard market conditions with the approval of the board of management. The amount of the loan may not exceed 100 % of the total cash remuneration for the last remuneration period for the respective member of the board.
In compliance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the Swiss Code of Obligations, Hügli discloses information on the compensation paid to the Board of Directors and Group Executive Management in a separate chapter "Compensation Report" on pages 40 to 45 of the annual report. >> see page 40/Compensation Report

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

There are no limitations on voting rights. Each share grants one vote.
There are no statutory quorum requirements.
There are no rules deviating from statutory provisions in respect of the convening of the General Meeting. Bearer shareholders' invitations are published in the Swiss Official Gazette of Commerce (SHAB). The registered shareholder is invited by letter at the address last provided to the Board of Directors.
Shareholders, whose individual or combined shares represent at least 5 % of the share capital, can ask for an item to be included on the agenda. The request listing the proposals is to be presented to the Board of Directors in writing and at least 60 days before the General Meeting of shareholders.

7. CHANGE OF CONTROL AND SAFEGUARDING MEASURES

Obligation of Purchase Offer

The basic rule of article 32 of the "Swiss Federal Act on Stock Exchanges and Securities Trading"(SESTA) shall apply. It provides that a purchasing party, which acquires more than 33 1/3 % of voting rights of a listed company, is obligated to make a purchase offer for all shares of the company admitted for trading.

Change of Control Clauses

No such agreements exist with the members of the Board of Directors, the Group Executive Management or other executive staff. The notice period for members of Group Executive Management ranges from six to twelve months. They are entitled to receive salary and compensation based on earnings within this period.

8. STATUTORY AUDITORS

Duration of Mandate and Term of Office of the Auditor in Charge

OBT AG, St. Gallen, Switzerland is the statutory auditor for Hügli Holding AG. This firm was appointed for the first time in 1962 as the statutory auditing company to Hügli Nährmittel AG and then as auditing company to Hügli Holding AG following its incorporation in 1966. The audit mandate runs for one year with the possibility of reappointment under article 19 of the articles of incorporation. The auditor in charge, Stefan Traber, has held his position since the financial year 2014.

Audit Fees

In 2015, OBT AG, St. Gallen, invoiced the sum of TCHF 99 to Hügli Holding AG and its Swiss subsidiary companies for services provided in connection with the audit of the annual statement of accounts and consolidated accounts.
No additional fees were paid to OBT AG or to persons or companies affiliated to it.

Information Instruments of External Audit

The Board of Directors examines the audit reports of Hügli Holding AG as well as the audit reports and the management letters of the main subsidiary companies.
A meeting is held on the approval of the annual financial statements with the Group auditors and alternately with an auditor of a subsidiary company. At this meeting the reports and important issues of the management letters – including the internal control system – are discussed in detail, and additional issues regarding the focal points of audit are clarified.
The Board of Directors evaluates the performance of the external audit company on a regular basis and decides on the proposal to the General Meeting of Shareholders concerning the appointment of the external audit company.

9. INFORMATION POLICY

The Hügli Group cares for open and regular communication with shareholders, the capital market and the public. The CEO and the CFO are available as contacts for all issues concerning external communication.
Hügli informs twice a year about the course of business and the financial situation by issuing an annual and a half-year report. Important businesses and events, which may have an impact on share price are published routinely (ad hoc publicity).

Key dates in 2016:

Sales report	28 January 2016
Media and analysts' conference (Annual Report 2015, Sales Q1 2016)	13 April 2016
General meeting in Arbon	25 May 2016
ex-dividend date	27 May 2016
Dividend payment	31 May 2016
Half-Year Report 2016	19 August 2016

Further dates, reports and media releases can be found at www.huegli.com/en/investor-relations/
The company's official publication is the Swiss Official Gazette of Commerce (SHAB).

Responsible Manager for Investor Relations:
Andreas Seibold, CFO / Tel. +41 71 447 22 50 / andreas.seibold@huegli.com

Compensation Report

HÜGLI'S COMPENSATION POLICY IS BASED ON THE CONVICTION THAT THE COMPANY'S SUCCESS DEPENDS ESSENTIALLY ON THE QUALITY AND THE COMMITMENT OF ALL EMPLOYEES. THE COMPENSATION SYSTEMS AND THE SHAREHOLDING PLANS FOR THE BOARD OF DIRECTORS AND GROUP EXECUTIVE MANAGEMENT ARE LINKED TO ACHIEVING SUSTAINABLE PROFITS, AIMING TO SAFEGUARD THE COMPANY'S LONG-TERM SUCCESS AND AT THE SAME TIME TO CREATE ADDED VALUE FOR SHAREHOLDERS.

Overview in brief

The compensation systems are defined by the Compensation Committee with a long-term focus and reviewed periodically. Their structure is clear, simple and comprehensible. The compensation systems for the Board of Directors and Group Executive Management are governed by the same principles. They are to provide a total compensation in line with the market and with performance, aiming to attract individuals with the necessary skills and character traits, and to retain them for the long term.
The non-executive members of the Board of Directors receive a fixed compensation; the Chairman receives an additional profit share as an executive member. Each member can obtain company shares at a preferential price, which is 25 % below the market value, instead of the compensation. These shares are subject to a retention period of 3 years and delivered subsequently. The Chairman's profit share is calculated based on the organic increase of group net profit above a threshold value defined by the Board of Directors. In 2015, the total compensation paid to the entire Board of Directors (7 members throughout the term of office 2015/2016, previously 6 members) grew by +7 % to TCHF 1'342 year-on-year. The fixed remuneration remained unchanged. The increase to 7 Board members, and a seniority bonus for the Chairman of the Board of Directors increased the total compensation. The members of Group Executive Management receive a fixed salary and a variable component of salary. For all members, this variable component of salary depends on the organic increase of group net profit above a threshold value defined by the Board of Directors. The calculation of the variable component of salary for members of Group Executive Management with responsibility for a sales segment additionally depends on the organic increase of the supervised contribution margin. The members of Group Executive Management may also use a limited amount of the compensation to buy company shares at the same conditions as the Board of Directors (preferential price 25 % below market value, retention period of 3 years). The total compensation of the entire Group Executive Management (7 members) increased by +2 % to TCHF 3'595 in 2015. This increase was caused by changes to Group Executive Management in October 2015. The ensuing salary payments in the following 12-month notice period generated additional deferred compensation expenses in 2015. Without these personnel changes, total compensation would stand below the previous year's level.

Introduction

The present compensation report includes information about the compensation policy, the procedure for fixing compensations and the terms of the shareholding programmes for the members of the Board of Directors and of Group Executive Management. It also presents details on compensations in 2015. The compensation report was compiled in accordance with the "Ordinance Against Excessive Compensation in Listed Stock Companies"(OaEC) and the Corporate Governance Directive (DCG) of SIX Swiss Exchange.

Compensation policy

The principles of the compensation policy for the members of the Board of Directors and Group Executive Management are designed to provide simple and clearly structured salary systems that ensure fair remuneration and are transparent for the company's employees. The salary is determined by the job specifications and competencies of the function (complexity of the task, responsibility, technical and personal requirements), the company's business success and the measurable individual performance of operational segments. The variable performance-related component is a supporting controlling instrument that aims to achieve the overarching goal of contributing to the company's long-term success. The stock ownership programmes also include a direct financial participation in the medium-term performance of the Hügli share and support the consolidation of interests.

Compensation Committee

In accordance with the articles of incorporation, the members of the Compensation Committee are each year elected individually by the General Meeting of Shareholders for the period until the next ordinary General Meeting. The Board of Directors decided to perform the task under the joint responsibility of all members and elected Dr Christoph Lechner as Chairman of the Compensation Committee. The Compensation Committee convenes whenever this is required. The Compensation Committee advises the Board of Directors on the definition of the compensation strategy and the compensation system for the highest management level of the group, and periodically reviews the corresponding regulations. It puts forward proposals relating to the individual remunerations of the members of the Board of Directors and of Group Executive Management and assists the Board of Directors with proposals to the General Meeting of Shareholders relating to the total compensations.
At its meeting in November 2015, the Compensation Committee reviewed the compensation strategy and the regulations on the variable compensation of members of Group Executive Management and of the Chairman of the Board of Directors for the period 2016–2018.The Committee takes into account characteristics of the industry sector's labour market and for purposes of comparison relies on compensation studies of consultancy firms as well as on publicly accessible information such as compensation reports of Stock Exchange listed companies of comparable size. Industrial small caps with an authoritative shareholder were considered comparable and taken into account (Gurit, Phoenix Mecano, Bachem, Lem, Looser, Bossard, Orior and Vetropack). The review was performed as part of a scenario analysis for each member for the years 2016 to 2018.
The Compensation Committee found the corresponding remunerations to be adequate and motivating. The compensations were below the interquartile mid-range of the comparative group in all categories, with the exception of the Chairman of the Board of Directors, whose full-time executive function is not comparable. The regulations on the variable compensations of the members of Group Executive Management and the Chairman of the Board of Directors were extended accordingly for the years 2016–2018, including the existing calculation system and unchanged compensation bases. Only the basis of the variable compensation of the Chairman of the Board of Directors was reduced in the context of the reduction of fixed compensations as per 01. 01. 2017, from which date on, this function will not require a full-time performance.

Compensation of the Board of Directors

The compensations reflect the level of responsibility and scope of activities performed by each member. The members are compensated from the time of their election until the next Annual General Meeting. The non-executive members receive a one-off compensation in December, the Chairman receives a monthly compensation. The compensation system of the six non-executive members of the Board of

Directors has provided a fixed basic compensation of net TCHF 60 since 2011. The individual social security contributions are paid entirely by the employer side. As the task is performed under the joint responsibility of all members, this compensation covers the whole scope of activities. The remuneration does not include a variable performance-related component. Instead of the basic compensation, each member may obtain company shares according to the regulations on the optional share-based payment. The purchase price equals the average share price within the 12-month period 01.11.–31.10., or the lower share price on the cut-off date 31.10. of the year, in which the transaction is performed. The purchase offer is valid during two weeks in November. If the purchase option is not exercised, it is forfeited and the basic compensation is paid out. The purchase price is 25 % below the market price. The shares remain in the custody of Hügli Holding AG during a retention period of 3 years and are subsequently transferred to the members. The resulting compensation value is calculated according to the Circular of the Swiss Federal Tax Administration and represents a shared-based compensation. As a full-time executive member, the Chairman of the Board of Directors has a full time workload. Alongside a Chairman's responsibilities (preparing the meetings of the Board of Directors, coordinating its tasks, working with the CEO), he takes on further functions in the company. The Board of Directors' directives govern these additional functions, which comprise mainly strategic long-term investment planning and the evaluation of acquisitions. In addition to a fixed monthly compensation, the Chairman of the Board of Directors receives a profit share. The profit share is derived from the increase of the group net profit above a threshold value defined by the Board of Directors. It is based as a matter of principle on organic profit increase without acquisition and divestment effects. For such changes in the business areas, the Board of Directors defines a correctional factor at the profit level for a limited time, whenever this is required. This profit share has no ceiling. No profit share will apply if the lower threshold, determined by a minimum profit amount for the coverage of costs of equity, is not reached. Under normal conditions, the profit share should represent around 10 % to 40 % of the basic compensation. In the financial year, it equalled 24 %, in the previous year 27 %.In addition, the Chairman of the Board of Directors can use up to twice the amount granted to non-executive members to buy shares as part of the above mentioned stock ownership programme. Furthermore, the full-time Chairman belongs to the corporate pension plan and is insured in the Swiss pensions fund with his total wage. The employer-savings premiums are covered in accordance with the general regulation that applies to all employees. The Chairman is also provided with a company car.The following tables present the breakdown of components of the individual compensations paid to the members of the Board of Directors. In December 2015, 642 shares (767 in the previous year) were transferred to the Board of Directors based on the regulations regarding optional share-based payments for the current term June 2015 to May 2016. The purchase price totalled TCHF 540.00 per share (CHF 454.50 per share in the previous year).The private share of the company car was determined by tax values. Real travel expenses are not included. Pension and social expenses include both the employer's and the employees' contributions. The following overview presents all compensations of the members of the Board of Directors for the financial year January 2015 to December 2015. Included are also service mandate fees of associated legal entities with a close connection to the function of the Board of Directors. The paid compensations for the term of office June 2015 to May 2016 were deferred accordingly. The General Meeting of Shareholders approved on 20 May 2015 a sum of CHF 1.7 million as maximum total compensation of the Board of Directors for the term of office 2015/2016. Changes to the previous year only ensued with regard to non-executive members from the calculation of the compensation value of the share-related remuneration and the inclusion of a separate fee for a function-associated service. In addition, for the term of office 2015/2016, the Board of Directors has 7 members, previously it consisted of 6 members. The increase of the basic compensation of the Chairman of the Board of Directors relates to a seniority bonus.

2015	Compensation net							
	Fix	Variable	Stock ownership plans		Company car	Compen-sation to BoD	Pension and social insurance	Total 2015
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Dr Jean Gérard Villot, President	557	133	108	16	8	**714**	182	**896**
Dr Andreas Binder (since May 2015) [1]	47	0	62	5	0	**52**	5	**57**
Dr Ida Hardegger	60	0	115	12	0	**72**	10	**82**
Fritz Höchner	60	0	115	12	0	**72**	6	**78**
Dr Christoph Lechner	60	0	62	5	0	**65**	8	**73**
Dr Ernst Lienhard	60	0	115	12	0	**72**	6	**78**
Dr Alexander Stoffel	60	0	115	12	0	**72**	6	**78**
Total Board of Directors	**904**	**133**	**692**	**74**	**8**	**1'119**	**223**	**1'342**

[1] incl. consulting fees in the amount of TCHF 12

2014	Compensation net							
	Fix	Variable	Stock ownership plans		Company car	Compen-sation to BoD	Pension and social insurance	Total 2014
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Dr Jean Gérard Villot, President	518	140	217	25	8	**691**	178	**869**
Dr Ida Hardegger	60	0	136	14	0	**74**	9	**83**
Fritz Höchner	60	0	136	14	0	**74**	6	**80**
Dr Christoph Lechner	60	0	0	0	0	**60**	8	**68**
Dr Ernst Lienhard	60	0	136	14	0	**74**	6	**80**
Dr Alexander Stoffel	60	0	136	14	0	**74**	6	**80**
Total Board of Directors	**818**	**140**	**761**	**81**	**8**	**1'047**	**213**	**1'260**

Compensation to Group Executive Management

The compensation system for the members of Group Executive Management is defined by the full Board of Directors with a long-term focus and reviewed periodically. The compensation includes a fixed basic salary, a variable component of salary, the option to participate in the stock ownership programme, non-cash benefits (mostly company car) and corporate pension plan benefits. The fixed salary is determined mainly by task, responsibility and qualification. The variable component of salary depends on attainment of organic business success. It is measured by two financial objectives: Contribution margin per supervised sales segment and group net profit. Members of Group Executive Management without responsibility for a segment are assessed on the basis of group net profit only. The variable component of salary as derived from contribution margin per sales segment is calculated as a part of the increase or decrease of contribution margin recorded since a fixed date in the past. The profit share is derived from the increase of the group net profit above a threshold value defined by the Board of Directors. It is based as a matter of principle on the organic increase in contribution margin and profit, respectively, without acquisition and divestment effects. For such changes in the business areas, the Board of Directors defines a correctional factor at the profit level for a limited time, whenever

this is required. This profit share has no ceiling. No profit share will apply if the lower threshold, determined by a minimum profit amount for the coverage of costs of equity, is not reached. Under normal conditions, the variable component of salary should represent around 10 % to 40 % of the basic compensation. In the financial year, it ranged from 2 % to 23 %, depending on the individual member, in the previous year from 3 % to 25 %.

The members of Group Executive Management may use a limited amount of the compensation (CHF 50'000 per member, CHF 100'000 for the CEO) to buy company shares at the same conditions as the Board of Directors. The purchase price equals the average share price within the 12-month period 01.01.–31.12., or the lower share price on the cut-off date 31.12. of the previous year. The purchase offer is valid during two weeks. If it is not consummated, it becomes void. The purchase price is 25 % below the market price. The shares remain in the custody of Hügli Holding AG during a retention period of 3 years and are subsequently transferred to the members. The resulting compensation value is calculated according to the Circular of the Swiss Federal Tax Administration and represents a shared-based compensation. The Swiss members of Group Executive Management belong to the corporate pension fund with their total wages. The employer-savings premiums are covered in accordance with the general regulation that applies to all employees. There are no other special regulations relating to the pension fund. Moreover, every member of Group Executive Management is provided with a company car.

The following tables present the breakdown of components of the individual compensations paid to Group Executive Management, including the highest amount paid to a member. In April 2015, Group Executive Management purchased 543 shares (718 in the previous year) in accordance with the regulations on the stock ownership programme. The purchase price totalled CHF 478.50 per share (CHF 387.40 per share in the previous year).

The private share of the company car was determined by tax values. Real travel expenses are not included. The members of Group Executive Management are subject to the same expense regulations approved by the tax office as the other senior managers (expense regulations, additional regulations for lump-sum allowance). Pension and social expenses include both the employer's and the employees' contributions.

The General Meeting of Shareholders approved on 20 May 2015 a sum of CHF 4.5 million as maximum total compensation of Group Executive Management for the following financial year 2016.

Changes to the previous year mainly resulted from the resignation of a member of Group Executive Management as per the end of October 2015 with immediate release. The salary payments in the following 12-month notice period were deferred as compensation expenses 2015. The successor joined Group Executive Management in November 2015. These events led to a significant increase of the total compensation. At the same time, compensation expenses were decreased by the slightly lower variable compensations, and the lower exchange value of the remuneration paid in EUR to specific Group Executive Management members. However, this could not offset the considerable increase sustained by the personnel changes. The rise of the basic compensation of the Chairman of the Board of Directors relates to a seniority bonus prescribed by regulations.

2015	Compensation net							
	Fix	Variable	Stock ownership plans		Company car	Compen-sation to Mgmt	Pension and social insurance	Total 2015
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Total Group Executive Management	**2'634**	**328**	**543**	**77**	**52**	**3'091**	**504**	**3'595**
thereof maximum total compensation: Thomas Bodenmann, CEO	595	133	208	30	6	**764**	184	**948**

2014	Compensation net							
	Fix	Variable	Stock ownership plans		Company car	Compen-sation to Mgmt	Pension and social insurance	Total 2014
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Total Group Executive Management	**2'530**	**341**	**718**	**95**	**52**	**3'018**	**511**	**3'529**
thereof maximum total compensation: Thomas Bodenmann, CEO	559	140	258	34	8	**741**	180	**921**

Further compensation, loans to corporate bodies

In 2015, as in the previous year, no compensation was paid to former members of the Board of Directors or Group Executive Management. No further compensation was paid to members of the Board of Directors and Group Executive Management, or to persons close to them. In 2015, no loans, credits or securities were granted to serving or former members of corporate bodies, or persons close to them. As per 31. 12. 2015, there were no such claims outstanding.

Shareholdings of members of the Board of Directors and Group Executive Management

The information on shareholdings of the members of the Board of Directors and of Group Executive Management is included on page 92 of the Notes to the Financial Statements 2015 of Hügli Holding AG.

OBT

Report of the statutory Auditor on Compensation Report

We have audited the accompanying compensation report (pages 40–45) dated March 23, 2016 of Hügli Holding AG for the year ended December 31, 2015.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the compensation report for the year ended December 31, 2015 of Hügli Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

St. Gallen, 23 March 2016
OBT AG

Stefan Traber
Licensed Audit Expert
Auditor in Charge

Willi Holdener
Licensed Audit Expert

Information for Investors

BEARER SHARES ARE TRADED AT THE SWISS STOCK EXCHANGE SINCE 1986, WHEREAS REGISTERED SHARES ARE NOT LISTED. THERE ARE NO RESTRICTIONS OF TRANSFERABILITY. EVERY STOCK ALLOWS ONE VOTE AT THE GENERAL ANNUAL MEETING OF SHAREHOLDERS. THERE EXIST NO CONVERTIBLE BONDS OR OPTIONS TO OWNERSHIP RIGHTS.

Share capital structure

The share capital is divided into:

Share capital in CHF	2015
280'000 bearer shares with a par value of CHF 1.00 each (listed)	280'000
410'000 registered shares with a par value of CHF 0.50 each (not listed)	205'000
Total share capital	**485'000**

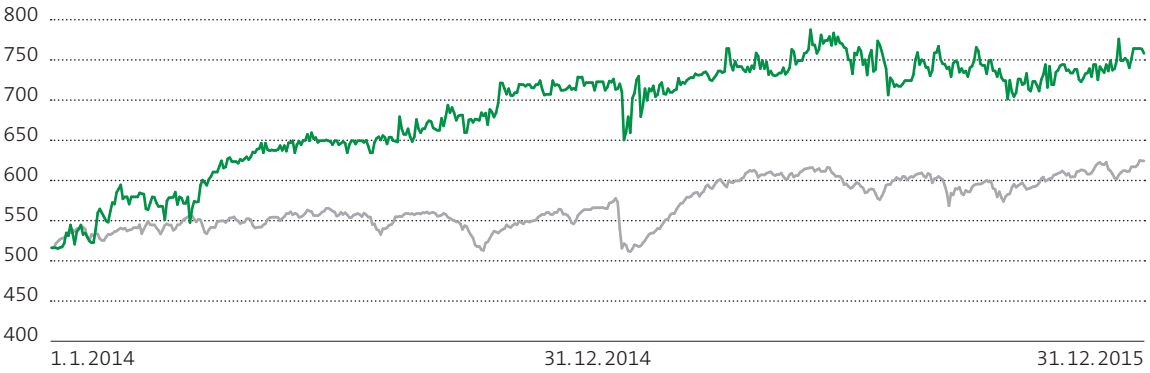
Market capitalisation

On 31 December 2015, the closing price for the Hügli bearer share was CHF 759, corresponding to a market capitalisation of CHF 368 million. Of this total, CHF 213 million are represented by the stock capitalisation of the listed bearer shares and CHF 155 million by unlisted registered shares.

Listing	
ISIN	CH0004647951
Security no.	464795
SIX symbol	HUE

Share price development 2014–2015

in CHF (—Hügli/—Vontobel Small Cap Index, adapted)



Major Shareholders/Free Float as per 31 December 2015

- Dr A. Stoffel Holding AG/Dr A. Stoffel, 9320 Arbon, Switzerland:
  40'031 bearer shares with a par value of CHF 1.00 each (14.3 % of bearer share capital)/ 410'000 registered shares with a par value of CHF 0.50 each (100 % of the registered share capital)/65.2 % of the voting rights, equivalent to 50.5 % of the share capital
- Hügli Holding AG, CH-9323 Steinach, Switzerland (own shares):
  2'843 bearer shares with a par value of CHF 1.00 each (1.0 % of bearer share capital)/0.4 % of voting rights, equivalent to 0.6 % of the share capital
- Free Float:
  237'126 bearer shares with a par value of CHF 1.00 each (84.7 % of bearer share capital)/34.4 % of voting rights, equivalent to 48.9 % of the share capital

Agenda 2016

Sales report	28 January 2016
Media and analysts' conference (Annual Report 2015, Sales Q1 2016)	13 April 2016
General meeting in Arbon	25 May 2016
ex-dividend date	27 May 2016
Dividend payment	31 May 2016
Half-Year Report 2016	19 August 2016

Distribution

The Board of Directors will propose to the General Meeting on 25 May 2016 a dividend pay-out of CHF 16.00 per bearer share (CHF 16.00 in the previous year). The year-end rate corresponds to a dividend yield of gross 2.1 %.

Informationen for shareholders

Financial reports, information on corporate governance and on the Hügli share listed on the SIX Swiss Exchange can be retrieved from our Investor Relations website: www.huegli.com/en/investor-relations. The company's official publication is the Swiss Official Gazette of Commerce (SHAB).

Research

Hügli Holding AG is observed and assessed at regular intervals by various banks.

At present, the following analyst follows the activities of HügliHolding AG and publishes reports:

- Bank Vontobel, René Weber, Telephone +41 58 283 77 57
- Zürcher Kantonalbank, Daniel Bürki, Telephone +41 44 292 34 34

Key data Hügli bearer share

	Unit	2015	2014	2013	2012	2011
Net profit per bearer share	CHF	48.49	48.79	43.41	31.18	40.51
Dividend (proposal 2015)	CHF	16.00	16.00	14.00	12.00	15.50
Payout ratio	%	33	33	32	38	38
Equity per bearer share	CHF	313	310	282	259	247
Market price 31. 12.	CHF	759	724	517	500	567
Markte price high	CHF	789	739	550	670	761
Markte price low	CHF	651	516	486	472	520
Enterprise Value 31. 12.	m. CHF	435	407	316	329	345
Price/Earnings Ratio 31. 12.		**15.7**	**14.8**	**11.9**	**16.0**	**14.0**
Enterprise Value/EBITDA 31. 12.		**9.9**	**8.9**	**7.4**	**9.8**	**8.7**

One Group. ••• Financial Reporting

378.3

M. CHF **SALES**.
THAT MEANS AN
INCREASE OF 0.4 %

30.6

M. CHF **EBIT**; 8.1 %
EBIT MARGIN

54.1

% **EQUITY RATIO**

Content

Financial Report for the Consolidated Financial Statements

Andreas Seibold
Chief Financial Officer/Member of the Group Executive Management

SWISS FRANC REVALUATION ANNIHILATES SALES GROWTH IN LOCAL CURRENCIES, OPERATING INCREASES IN INCOME OFFSET CURRENCY LOSSES ONLY PARTIALLY, SOLID BALANCE SHEET AND GOOD FINANCIAL INDICATORS WITHOUT SIGNIFICANT IMPACT.

Currency losses of –9.4 % affect good sales development

Group sales in CHF rose by +0.4 % to 378.3 million, outperforming the previous year by CHF +1.4 million. This slight increase is based both on organic growth of CHF +11.7 million (+3.4 % when compared to the currency-adjusted previous year) and on acquisition-related growth of CHF +25.3 million (+6.7 % year-on-year), generating total additional sales of CHF +37.0 million (+9.8 % year-on-year). At the same time, the drastic revaluation of the Swiss Franc in 2015, in particular to EUR (–12.1 %), the most relevant currency for Hügli, caused high currency losses of CHF –35.6 million (–9.4 % year-on-year).

The organic growth of +3.4 % comprises an increase in the sale of own products of +5.6 % on the one hand, and a decline in sales of trade goods of –5.0 % in the Consumer Brands division on the other hand. Organic growth mainly stems from higher sales volumes, while the price effect amounts to only +0.4 % due to price increases.

While sales stood higher in absolute terms in the second half of the year (H2) than in the first (H1), sales growth decreased from +5.6 % in H1 to +1.3 % in H2 2015. The main reason was a very strong base in H2 2014, which had already been improved by a sales increase of +5 % in this period. The Private Label Retail sales division saw a particularly dynamic development, its most significant growth spurts occurring in H2 2014 (+19.7 %) and H1 2015 (+22.7 %). In the second half of 2015, growth slowed down to +7.7 %, generating an increase of +14.5 % for the entire year 2015. After three very satisfactory years with an average growth of +10 %, the Brand Solutions division again achieved a remarkable sales gain of +8.0 %. The Food Industry division was affected by changes suffered by large key accounts. This impact and the insourcing of production of key accounts as well as customers' distinct market downturns caused production volumes to drop. Based on a portfolio adjustment, we also relinquished customer orders with an insufficient gross margin. Overall, these effects resulted in a sales slump of –10.5 %. Food Service, the largest division, achieved a total organic sales growth of +2.7 %. Germany and our Eastern European countries (Czech Republic, Slovakia, Poland, Hungary) generated clearly over-proportional increases. However, due to the strong Swiss Franc, we had to acquiesce considerable downturns in sales in Switzerland. In the Consumer Brands division, market changes and pressure from competition were main causes of significant sales slumps of the trade goods portfolio, which is sold under own brands. These developments led to a sales decrease of overall –5.9 %.

The rise in sales deductions is a result of higher sales deduction rates (discount system) relating to acquired sales, and foreign currency losses from the devaluation of operating customer receivables in Switzerland. Having markedly grown in the previous year, the inventory of own products was decreased slightly in 2015. Owing to the full insourcing of the Vogeley production in 2014, the production volume had risen by above +10 % in the previous year, turning the initial trade goods into new own products with a higher value added.

High sales growth in Germany, lower margins and cost increases

The geographic segment Germany once again distinguished itself with a high organic growth rate of +6.1 % that follows the rates of +7.3 % and +4.9 %, respectively, that were achieved in the previous two years. This growth is mainly owed to the Private Label Retail division that depressed

Germany's overall gross margin with lower customer margins. In addition, the net sales of trade goods of the acquired brands EDEN and granoVita also had a dilutive effect on the margin. The increase of full-time equivalents by +21 to 747 as per the end of 2015 relates almost exclusively to acquisitions. Without acquisitions, the number of employees remained stable in 2015, after having been expanded in the previous year. Personnel expenses continued to rise based on wage increases from collective agreements. One-off salary costs due to reorganisations also had a negative impact. The other operating costs also increased considerably due to projects relating to IT, administration and quality management. The high investment of CHF 22.8 million in the production infrastructure is truly outstanding when compared to the previous year's investment amount of CHF 10.0 million, and has already boosted depreciation. The country EBIT margin (to total sales, including intersegment sales) dropped owing to these higher expenses of 8.7 % in the previous year to 7.1 % in 2015. The decrease of EBIT by –16.9 % to CHF 17.1 million also includes the large translation effect from foreign currency translation.

Switzerland depressed by Swiss Franc revaluation, Italy with successful turnaround

The geographic segment Switzerland/Rest of Western Europe suffered a drop of –1.6 %, which only results from the economic consequences of the Swiss Franc revaluation and the subsequent loss in sales in Switzerland. Austria and the UK came to stand above the previous year's figures. In Switzerland, the decline in sales could not be compensated by consistent cost management and had a negative effect on income. As in previous years, the UK continued its positive development after its successful restructuring. The turnaround achieved in Italy was particularly pleasing, because its clear two-digit sales growth rates coupled with a rigorous cost management resulted in a considerable increase in EBIT. However, as EBIT margin has not yet reached group level, the target is to achieve further increases. Overall, the segment achieved an EBIT increase of +9.0 % to CHF 11.3 million across all countries. This corresponds to an EBIT margin for the country segment (to total sales, including intersegment sales) of 7.8 % (7.3 % in the previous year).

Hügli East continues on success track

The country cluster Hügli East (CZ, SK, PL, HU) attained organic sales growth with third parties of +4.5 %, based on a good performance of the Food Service division. Together with the revenues of the group companies, the country segment's sales increased with a two-digit growth rate. Thanks to operating costs having risen under-proportionally, the EBIT contribution was again very pleasing. The EBIT margin of the country segment (to total sales, including intersegment sales) rose from 4.0 % to 6.1 %, EBIT increased by +56 % to CHF 2.2 million in absolute terms.

Group gross margin stable, acquired trade goods sales with dilutive effect

In 2015, the organic gross margin stood marginally above the previous year's figure owing to slightly lower raw materials prices in certain areas as well as isolated price increases. The mix effect of diversely growing divisions depressed the average gross margin, whereas the mix effect of a larger share of own products and a smaller share of trade goods increased it. Owing to the additionally acquired absolute trade sales EDEN/granoVita, the reported gross margin of the group is diluted; it declined correspondingly by overall –1.4 % points.

Under-proportional increase in operating costs

As of the balance sheet date, the headcount had risen by 58 (+4.2 %) to 1'436 full-time equivalents since the beginning of 2015; 50 full-time positions thereof resulted from acquisitions. The average organic headcount increased by +2 %, mainly due to the previous year's expansion of staff. In addition, one-off personnel costs due to reorganisa-

tions in Germany were deferred in the financial year, augmenting personnel expenses along with the wage increases from collective agreements. Overall, personnel expenses rose currency-adjusted by +7.2 %. Other operating expenses increased currency-adjusted by +9.2 %. More than half were acquisition-related. As planned, the costs for distribution and marketing, in-house logistics, IT and quality management increased. Depreciation and amortisations also rose above the previous year's level owing to higher investments in local currencies. Operating expenses in local currencies increased therefore under-proportionally to sales with +9.8 %.

EBIT increases in local currencies over-compensated by currency losses

Reported EBIT dropped by CHF –1.7 million to CHF 30.6 million or –5.4 % year-on-year, respectively, due to translation effects of the translation of profit contributions attained in foreign currencies. In local currencies, EBIT would have increased year-on-year. The EBIT margin dropped due to several factors, among them the dilutive effect of acquired trade goods sales, from 8.6 % in the previous year, to 8.1 %. With this value, the EBIT margin lies in the lower range of the strategic target corridor of 8 %–9 %, and is expected to be augmented going forward, relying on in-house production of a portfolio including acquired sales.

Lower tax expenses

Interest expenses have declined again, despite the slightly higher average debt. The average interest rate stood at 1.3 % in 2015, while in the previous year, it had reached 1.5 %. In addition, a valuation loss of CHF –0.2 million from non-operating receivables resulted from currency transfers. The operating currency losses have already been charged to the operating profit.

The tax rate stood at a low 20.6 % in 2015 (25.3 % in the previous year). The main reason for the considerably reduced tax expenses is the revaluation of loss carry forwards in Italy. In the previous years, the losses recorded in Italy had not been taken into account for tax purposes. As forecasts are now clearly positive due to Italy's successful turnaround, a part of the carry loss forwards was capitalised, generating tax income of CHF 1.0 million.

Overall, consolidated profits declined only slightly by CHF –0.1 million to CHF 23.3 million, or –0.3 % respectively. As in the previous year, this corresponds to a profit margin of 6.2 % of sales.

BALANCE SHEET SOLID

Balance sheet and financial indicators consistently solid

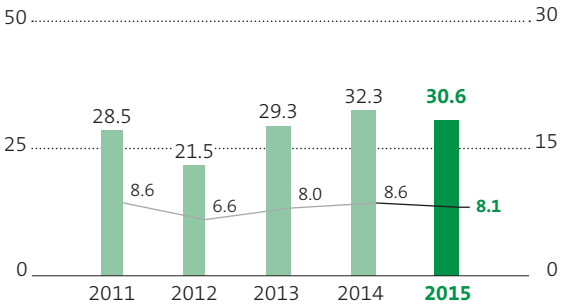
Hügli's consolidated balance sheet indicates one significant change: Due to the new exchange rates, all carrying values have declined by around –7 %. Relative to each other, there were no significant changes except for the increase of the under construction position by CHF 11.9 million, mainly due to the capitalisation of advance payments and preliminary work for the new plant in Radolfzell. With regard to the other tangible fixed assets positions, investments were higher than the corresponding depreciation, a further CHF 22.2 million (depreciation: CHF 11.2 million) overall. Relating to intellectual property rights, trademark rights of CHF 4.2 million from the EDEN/granoVita acquisition were capitalised. Within the net current assets, the nominal value of accounts receivable remained level with the short-term sales development. The days of sales outstanding calculated on this basis declined to 47 days (50 days in the previous year). Inventories attained a higher level in local currencies, the main reason being the acquired trade goods inventory EDEN/granoVita of overall CHF 7.0 million. The organic increase amounts to only CHF 0.7 million.

CHF 13.5 million has been recognised in equity as differences resulting from currency translation based on the new exchange rates. The amount reflects the large 80 % share of foreign currencies of Hügli Group's invested capital, particularly with

regard to the EUR, which stood –9.6 % lower at balance sheet date. The equity ratio declined from 56.8 % in the previous year to 54.1 %, owing to the unfavourable foreign currency translations as well as the investment-related balance sheet extension. Net debt totalled CHF 67.0 million, only CHF 10.6 million above the level prevalent at the start of 2015. Gearing rose slightly from 0.38 at the end of 2014 to a new level of 0.44.
Net debt/EBITDA increased marginally from 1.2x at the start of 2015 to currently 1.5x. The agreed financial covenants, a maximum net debt/EBITDA ratio of 3.0x and a minimum equity financing level of 35 % were thus well maintained at balance sheet date.

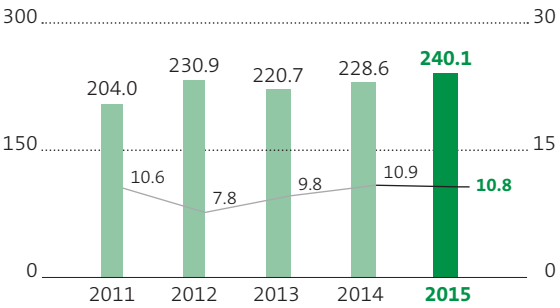
EBIT/EBIT-Margin 2011–2015

in million CHF/in% (● EBIT/—EBIT-margin)



NOA/ROIC 2011–2015

in million CHF/in% (● NOA/—ROIC)



[1] NOA = Net Operating Assets: Net working capital and tangible and intangible assets as at balance sheet date
[2] ROIC = Return on Invested Capital: NOPAT (EBIT × (1 – actual tax rate))/average NOA

STRONG INTERNAL FINANCING

High cash flow, large investments

The operating cash flow before the change of net working capital slightly decreased. Cash flow from operating activities nevertheless rose by CHF +9.3 million to CHF 41.2 million. This is due to the change of net working capital, which depressed cash flow in the previous year while relieving it in 2015 with CHF +2.2 million. With investments of overall CHF 34.1 million in the financial year 2015, Hügli reached a new record high. The cash flow from acquisitions of CHF 14.5 million includes the net payments for the asset deal and both share deals for the EDEN/granoVita and Granovita companies. They comprise inventories with CHF 7.0 million, trademark rights with CHF 4.2 million, tangible fixed assets with CHF 2.4 million, goodwill with CHF 0.6 million, and further net assets of CHF 0.4 million. Despite the considerably large cash flow from investment activities of CHF 46.0 million, financial liabilities increased overall by only CHF 12.8 million thanks to good internal financing.

Profitability still at a good level

The return on invested capital (ROIC) dropped slightly from 10.9 % in the previous year to 10.8 % in 2015. Without the above mentioned extraordinary tax effect, ROIC would stand at 10.4 %. When compared to other food companies in Switzerland, this return is satisfactory but not yet at top league level of above 11 %. Measured against the weighted average cost of capital (WACC) of 7.0 %, a good market value added (MVA) amounting to +3.8 % was achieved in the financial year 2015. With 16.4 %, the return on equity (ROE) also stood at a good level and only marginally below the previous year's level of 16.6 %.

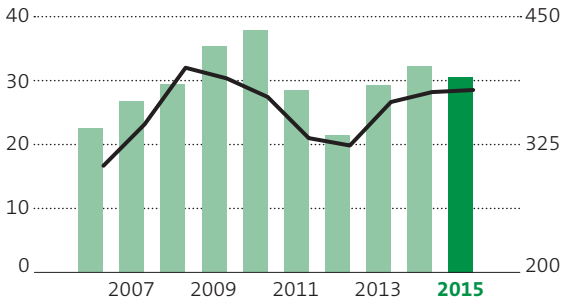
CURRENCY SITUATION

Currency situation, presentation of market performance in EUR

Hügli's consolidated financial statements are stated in Swiss Francs, taking the perspective of the majority of larger stakeholders into account. This is done in view of the knowledge that more than

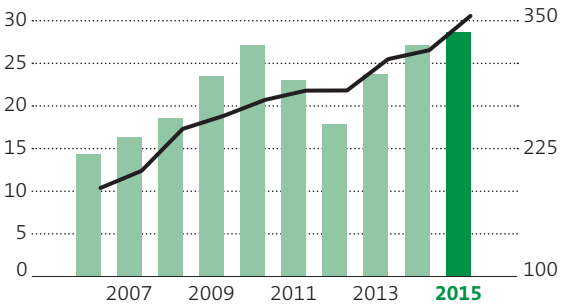
Sales/EBIT 2006–2015 in CHF

in Mio. CHF (● EBIT/— Sales)



Sales/EBIT 2006–2015 in EUR

in Mio. EUR (● EBIT/— Sales)



80 % of revenues/costs are not attained in CHF, and that more than 80 % of the invested capital is invested in currencies other than CHF, mostly in EUR. The EUR thus constitutes the currency of Hügli's primary business activities (functional currency). The achieved Group market performance is therefore best presented in EUR.
Particularly in the period 2008 to 2011, the EUR had been devalued against the CHF by –27 %, a further devaluation of –12 % occurred in 2015. The development of sales and EBIT in the course of the past 10 years are displayed in Swiss Francs and in Euro in the previous presentations. They show how profoundly the operating development in CHF was distorted by currency losses while a good market performance was achieved in EUR over this period.

2016 outlook

We believe that the economic climate will continue to be demanding in 2016, and that moderate sale growth should be possible if we make the requisite efforts coupled with business development projects. In terms of raw materials we are not expecting a material change on the whole, even though the prices of some raw materials will fluctuate. We are expecting the increase in EBIT to be slightly higher compared to sales as a result of our consistent cost management, thus increasing the EBIT margin.

Consolidated Income Statement

	Explanations	2015		2014	
	Note	in CHF 1'000	in %	in CHF 1'000	in %
Sales	18	**378'346**	**100.0**	**376'990**	**100.0**
Sales deductions		–7'751	–2.0	–7'079	–1.9
Net sales		**370'595**	**98.0**	**369'911**	**98.1**
Change in inventory of finished and unfinished goods		–858	–0.2	5'291	1.4
Operating revenue		**369'737**	**97.7**	**375'202**	**99.5**
Material expenses		–176'186	–46.6	–177'020	–47.0
Personnel expenses	19	–87'571	–23.1	–89'447	–23.7
Other operating expenses, net	20	–61'988	–16.4	–62'840	–16.7
Operating profit before depreciation and amortisation (EBITDA)		**43'992**	**11.6**	**45'894**	**12.2**
Depreciation tangible fixed assets	6	–11'191	–3.0	–11'349	–3.0
Amortisation intangible assets	7	–2'233	–0.6	–2'230	–0.6
Operating profit (EBIT)		**30'568**	**8.1**	**32'315**	**8.6**
Interest expenses	22	–946	–0.3	–1'056	–0.3
Interest income	22	12	0.0	26	0.0
Other financial result	22	–223	–0.1	53	0.0
Profit before taxes		**29'411**	**7.8**	**31'338**	**8.3**
Income taxes	23	–6'068	–1.6	–7'915	–2.1
Net Group profit		**23'343**	**6.2**	**23'423**	**6.2**
Earnings per bearer share (in CHF) (not diluted and diluted)	25	48.49		48.79	

Consolidated Cash Flow Statement

in CHF 1'000	Explanations Note	2015	2014
Net Group profit		23'343	23'423
Income taxes	23	6'068	7'915
Interest expenses/Interest income	22	934	1'030
Depreciation/Amortisation	6/7	13'424	13'579
Increase/(Decrease) in provisions for employee benefits		41	–269
Loss/(Profit) from disposal of non-current assets		–71	6
Other non-cash result		666	58
Operating cash flow before the change of net working capital		**44'405**	**45'742**
Change in net working capital			
(Increase)/Decrease in receivables		–1'081	–1'560
(Increase)/Decrease in inventories		–671	–6'317
Increase/(Decrease) in liabilities		3'939	–198
Income taxes paid		–5'437	–5'781
Cash flow from operating activities		**41'155**	**31'886**
Investments tangible fixed assets	6	–32'286	–14'263
Investments intangible assets	7	–1'792	–2'049
Acquisitions (net cash)	1	–14'515	0
Disposals of tangible assets		2'531	153
Disposals of financial assets		1	2
Interest received		12	26
Cash flow from investing activities		**–46'049**	**–16'131**
Increase/(Repayment) of short-term financial liabilities	9	7'357	–6'313
Repayment of long-term financial liabilities	9	–10'210	–10'000
Increase of long-term financial liabilities	9	15'628	10'000
Dividend payment	17	–7'704	–6'723
Interest paid		–839	–1'056
Sale of own shares (Stock ownership plans)	19	611	638
Cash flow from financing activities		**4'843**	**–13'454**
Total cash flow		**–51**	**2'301**
Translation adjustments on cash and cash equivalents		–1'004	–112
Change in cash and cash equivalents		**–1'055**	**2'189**
Cash and cash equivalents at 01.01.		13'067	10'878
Cash and cash equivalents at 31.12.		12'012	13'067

Consolidated Balance Sheet

	Explanations	31.12.2015		31.12.2014	
	Note	in CHF 1'000	in %	in CHF 1'000	in %
Assets					
Cash and cash equivalents	2	12'012		13'067	
Trade accounts receivable	3	50'311		53'788	
Other accounts receivable		5'260		3'789	
Inventories	4	62'991		60'501	
Accrued income and prepaid expenses	5	1'878		2'017	
Current assets		**132'452**	**47.3**	**133'163**	**50.3**
Land and buildings	6	63'683		64'379	
Technical equipment and machinery	6	43'922		45'444	
Other tangible fixed assets	6	9'355		5'652	
Under construction	6	15'995		4'062	
Intangible assets	7	13'431		11'235	
Financial assets	8	20		21	
Deferred tax assets	11	1'426		560	
Non-current assets		**147'832**	**52.7**	**131'353**	**49.7**
Assets		**280'284**	**100.0**	**264'516**	**100.0**
Liabilities and shareholders' equity					
Short-term financial liabilities	9	36'108		42'509	
Trade payables		21'026		19'964	
Other current liabilities		1'391		773	
Accrued expenses and deferred income	10	16'343		14'644	
Current liabilities		**74'868**	**26.7**	**77'890**	**29.4**
Long-term financial liabilities	9	42'870		27'000	
Deferred tax liabilities	11	9'501		7'984	
Provisions for employee benefits	12	1'384		1'486	
Non-current liabilities		**53'755**	**19.2**	**36'470**	**13.8**
Liabilities		**128'623**	**45.9**	**114'360**	**43.2**
Share capital	17	485		485	
Capital reserves	17	19'891		19'893	
Own shares	17	–1'448		–2'061	
Retained earnings	17	132'733		131'838	
Shareholders' equity		**151'661**	**54.1**	**150'155**	**56.8**
Total liabilities and shareholders' equity		**280'284**	**100.0**	**264'516**	**100.0**

Consolidated Statement of Changes in Equity

	Explanations	Share capital	Capital reserves	Own Shares	Retained earnings: Other retained earnings	Retained earnings: Changes in value hedge accounting	Retained earnings: Translation differences	Total
in CHF 1'000	Note							
Balance at 31.12.2013		**485**	**19'767**	**–2'573**	**138'255**	**330**	**–19'402**	**136'862**
Purchase of own shares	17			0				0
Stock ownership plans								
Sale of own shares	19		126	512				638
Recognition of share-based payments	19				193			193
Valuation of cashflow hedges	17					–1'419		–1'419
Net Group profit					23'423			23'423
Dividend	17				–6'723			–6'723
Translation differences							–2'820	–2'820
Balance at 31.12.2014		**485**	**19'893**	**–2'061**	**155'149**	**–1'089**	**–22'222**	**150'155**
Acquired goodwill recognised in equity	1				–597			–597
Purchase of own shares	17			0				0
Stock ownership plans								
Sale of own shares	19		–2	613				611
Recognition of share-based payments	19				100			100
Valuation of cashflow hedges	17					–743		–743
Net Group profit					23'343			23'343
Dividend	17				–7'704			–7'704
Translation differences							–13'504	–13'504
Balance at 31.12.2015		**485**	**19'891**	**–1'448**	**170'291**	**–1'832**	**–35'726**	**151'661**

Foreign exchange rates

	Balance Sheet		Income Statement	
	31.12.2015	31.12.2014	2015	2014
EUR (1)	1.087	1.203	1.068	1.215
GBP (1)	1.473	1.542	1.471	1.507
CZK (100)	4.020	4.340	3.910	4.410
PLN (100)	28.490	28.160	25.540	29.040
HUF (100)	0.344	0.381	0.345	0.394

Notes to the Consolidated Financial Statements

SEGMENT REPORTING

2015		Germany	Switzerland/ Rest Western Europe	Eastern Europe	Elimination/ Not allocated		Total Group
in CHF 1'000							
Sales to third parties		**233'409**	**117'196**	**27'741**			**378'346**
Inter-segment sales		7'176	28'111	8'140			
Total sales		240'585	145'306	35'881	–43'426		
EBITDA		**23'781**	**16'780**	**3'431**			**43'992**
Depreciation		–5'012	–5'071	–1'107			–11'191
Amortisation		–1'696	–400	–137			–2'233
EBIT		**17'073**	**11'308**	**2'187**			**30'568**
EBIT margin group (third party)		7.3 %	9.6 %	7.9 %			8.1 %
EBIT margin segment (total)		7.1 %	7.8 %	6.1 %			
Financial result, net							–1'157
Income taxes							–6'068
Net Group profit							**23'343**
Investments		22'758	8'310	3'009			34'077
Acquisition		9'921	6'732	0			16'654
Assets		154'125	107'128	26'734	–7'704		280'284
Liabilities		21'981	21'728	4'109	80'805		128'623
Personnel (full-time positions)		747	424	265			1'436
	Food Service	**Private Label**	**Brand Solutions**	**Food Industry**	**Consumer Brands**	**Others**	**Total Group**
Sales	**148'970**	**78'484**	**55'521**	**32'730**	**62'154**	**487**	**378'346**

2014							
Sales to third parties		**228'972**	**117'883**	**30'135**			**376'990**
Inter-segment sales		5'864	24'563	5'278			
Total sales		234'835	142'446	35'414	–35'705		
EBITDA		**27'366**	**15'807**	**2'721**			**45'894**
Depreciation		–5'148	–5'040	–1'161			–11'349
Amortisation		–1'676	–393	–161			–2'230
EBIT		**20'542**	**10'375**	**1'399**			**32'315**
EBIT margin group (third party)		9.0 %	8.8 %	4.6 %			8.6 %
EBIT margin segment (total)		8.7 %	7.3 %	4.0 %			
Financial result, net							–977
Income taxes							–7'915
Net Group profit							**23'423**
Investments		10'007	5'209	1'096			16'312
Assets		140'815	103'085	26'028	–5'412		264'516
Liabilities		18'514	20'483	3'845	71'518		114'360
Personnel (full-time positions)		726	401	251			1'378
	Food Service	**Private Label**	**Brand Solutions**	**Food Industry**	**Consumer Brands**	**Others**	**Total Group**
Sales	**161'627**	**77'371**	**56'123**	**36'680**	**44'565**	**624**	**376'990**

CORPORATE ACCOUNTING PRINCIPLES

General

The consolidated financial statements of Hügli Group are prepared in accordance with all directives of the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER). They comply with Swiss Corporate Law and the SIX Swiss Exchange Listing Rules. Consolidation is based on the audited financial statements of the Hügli corporate subsidiaries for the year ended 31 December, prepared in accordance with uniform corporate accounting principles. The consolidated financial statements are based on historical cost, with the exception of derivative financial instruments that are stated at fair value.

The Board of Directors of Hügli Holding AG authorised the consolidated financial statements 2015 on 23 March 2016. They must also be approved at the Annual General Meeting on 25 May 2016.

Material Assumptions and Assessments

The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets, liabilities, expenses, revenues and contingent liabilities at the date of the consolidated financial statements. Actual results may differ from these estimates.

Material assumptions, which influence the consolidated financial statements of the Hügli Group, include particularly the evaluation of impairments of fixed assets and the measurement of tax liabilities.

The estimated useful life of tangible fixed assets can be shortened through altered use of property, plant and equipment. The recoverable amount of intangible assets (mostly brands and customer relations) is based on assumptions of future revenues, margins and discount rates. If these assumptions change, future results may vary considerably from current calculations. The carrying amount of such assets is documented in notes 6 and 7.

The valuation of tax liabilities is subject to the interpretation of tax laws in the respective jurisdictions, who appraise their adequacy through final assessment and audits by the tax authorities. This can result in material changes to tax expense. Furthermore, in order to determine whether tax loss carryforwards may be carried as an asset, one must first critically assess the probability that there will be future taxable profit against which to offset them. The budgeted assets may not be achieved, due to a variety of influencing factors and developments. The book values are explained in note 11.

In the course of their ordinary operating activities, corporate subsidiaries can become involved in litigation. Depending on the estimate on the part of the Executive Committee, this can cause specific provisions. The outcome of these proceedings may result in claims against the Group that cannot be met at all or in full through provisions or insurance cover.

Scope and Principles of Consolidation

The scope of consolidation includes Hügli Holding AG and all Swiss and foreign subsidiaries which the parent company, directly or indirectly, controls either by holding more than 50 % of the voting rights or by having otherwise the power to govern their operating and financial policies. Complying with the method of full consolidation, assets, liabilities, income and expenses are incorporated fully in the consolidated accounts. Intercompany balances and transactions (accounts receivable, accounts payable, income and expenses) are eliminated upon consolidation.

Minority interests in the equity and net income of consolidated companies are presented separately. Gains arising from intercompany transactions are eliminated in full. Capital consolidation is based on the purchase method, whereby the fair value of assets and liabilities of the acquired subsidiary is cleared against the acquisition cost at the time of acquisition. The resulting

goodwill will be recognised in equity. Companies acquired in the course of the financial year are consolidated from the date on which control is obtained. Companies sold are excluded from the scope of consolidation as of the date on which control is given up, with any gain or loss recognised in income.

Companies in which Hügli Holding AG has a minority interest of at least 20 % but less than 50 %, or over which it otherwise has significant influence, are determined by using the equity method of accounting and presented separately in the consolidated balance sheet. The share in profit or loss is recognised and presented separately in the consolidated income statement.

Investments less than 20 % are stated at acquisition value and presented under other financial assets. An overview of the consolidated group of companies is provided on page 94.

>> see page 94

Foreign Currency Translation

The reporting currency is the Swiss Franc (CHF). If not stated otherwise, all figures presented in these financial statements are rounded to CHF 1'000 and reported in Thousand Swiss Francs (TCHF). Group companies prepare their financial statements in local currency. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities held in foreign currencies are translated at the spot rate on the balance sheet date. The resulting foreign currency gains and losses are recognised in the consolidated income statement. The fair value fluctuations of derivative financial instruments used to hedge such balance sheet items are also recognised in the consolidated income statement.

Operating currency differences from the sale and purchase of materials are stated, along with the corresponding underlying transaction, as part of gross profit (sales deductions, and material expenses, respectively). Exchange rate differences from financing and further non-operating activities are recognised as other financial result.

For consolidation purposes, the financial statements of the foreign entities with a functional currency that differs from the reporting currency are translated into Swiss francs as follows: balance sheets at year-end rates, income and cash flow statements at average rates for the year under review (except for cases, in which the average rate does not correspond to an adequate approximation to the rates valid on the dates of transaction). Any translation adjustment resulting from the differing translation of balance sheets and income statements are recognised taking the effect of deferred taxes into consideration directly in equity at balance sheet date. Foreign currency translation effects on long-term not currency congruent financed equity-like corporate loans, which are defined as a component of net investments in a subsidiary, are recognised directly in equity. When realised through the sale of a foreign subsidiary these currency translation differences are booked as part of the sales income in the income statement.

ACCOUNTING POLICIES

Hedge Transactions and Derivative Financial Instruments

To hedge the foreign currency and interest risks, Hügli occasionally makes use of forward currency contracts, option contracts and swaps, and thereby aims to reduce volatility in the income statement. When hedges that qualify for hedge accounting treatment are initially transacted, they are classified either as hedging the fair value of a specific asset or liability (Fair Value Hedge), as hedging of future highly probable cash flows arising from an expected future transaction (Cash Flow Hedge), or hedging a net investment in a foreign subsidiary.

Fluctuations in the market values of reported financial instruments or firm commitments are hedged selectively by means of fair value hedges. Within the scope of the hedged risk, a market valuation is made of both the underlying and the hedging transaction.

Fluctuations in the value of cash flow hedge items are recognised in accordance with the option in Swiss GAAP FER 27 in shareholders' equity. The value fluctuations recognised in shareholders' equity of instruments that are held for the purpose of hedging future expenses, sales, financial assets or liabilities are recognised in the consolidated income statement on the date of recognition, on which the corresponding underlying transaction is recognised. The value fluctuations recognised in shareholders' equity of instruments that are held for the purpose of hedging future non-financial balance sheet items are recognised as a corresponding balance sheet item on the date of recognition of the underlying transaction. The derivative financial statements that are to be stated are disclosed under the accrued income and prepaid expense.

Cash and Cash Equivalents

Cash and Cash equivalents include cash and cash equivalents with an original maturity of up to 3 months. Cash and cash equivalents are stated at nominal value.

Accounts Receivable

Accounts receivable are stated at nominal value less provisions for doubtful debts. Value adjustments for doubtful debts are established based on maturity structure and identifiable solvency risks. Besides individual values adjustments with respect to specific identifiable risks, value adjustments are also recognised based on statistically determined credit risks.

Inventories

Raw materials and goods held for trading are generally stated at average cost, and internally manufactured products at manufacturing cost (materials used, direct and indirect labour including the respective depreciation). If the net realisable value, as the estimated sales price less the costs for the product completion and less the direct distribution costs, is lower, value adjustments are made accordingly. In addition, valuation adjustments are made for inventories with an unsatisfying turnover, or for inventories that are difficult to sell, or based on statistically determined credit risks.

Tangible Fixed Assets

Tangible assets are stated at acquisition cost less accumulated straight-line depreciation and impairment allowances, if any. In the case of the operating land and buildings, the historical acquisition costs are partly based on replacement values, which were determined in 1992. These buildings are being depreciated over their remaining useful lives determined by an external real estate assessment prepared in 2004. Non-operating buildings are stated at fair value; the unrealised gains and losses resulting from periodic revaluations are recognised in the income statement.

The useful lives of buildings are 25 to 50 years, of infrastructure and interior work 10 to 20 years, of machinery and equipment 5 to 15 years, of furniture and vehicles 4 to 10 years and for EDP hardware 3 to 6 years. Repair and maintenance expense is as a matter of principle directly charged to the income statement as incurred.

Leasing

Assets acquired under finance leases, where substantially all of the risks and rewards are transferred to the Group upon entering into the contract, are capitalised at the lower amount of minimum lease payments or the fair value. Assets are depreciated on a straight-line basis through their estimated useful life. The related outstanding lease liabilities are presented under current and non-current liabilities. Payments made under finance leases include amounts related to interest, which is recorded in the income statement, and amounts related to the repayment of the financial lease liabilities. The rent payments for contracts classified as operating leases are charged to the income statement as incurred.

Intangible Assets

EDP software and acquired intangible assets, which yield a financial benefit such as licenses, trademarks, client lists and similar rights are usually capitalised and amortised over 5 years. In justified cases (established trademarks/solid client list with an expected long useful life), these assets are amortised over 10 to 20 years at the most.

Goodwill

Acquired goodwill, which represents the difference between the acquisition cost and the fair value of the acquired net assets, is recognised in equity at the time of acquisition. For the purpose of disclosure, the effects of a theoretical capitalisation (acquisition value, residual value, useful life, depreciation) as well as a possible impairment are presented in note 7. In the event of the sale of a foreign subsidiary, the goodwill that had previously been recognised in equity will be cancelled as part of the sales income at the initial costs, with any gain or loss recognised in income.

Costs of Research and Development

All costs of research are recognised in the consolidated income statement as incurred. In general, the costs of development do not match the criteria defined by Swiss GAAP FER 10 for a capitalisation and they are therefore also recognised directly in the income statement.

Financial Assets

Marketable securities and other financial assets are stated at acquisition cost. Own shares are stated at acquisition cost and recognised in equity. Realised gains and losses from the sale of own shares are recorded in share premium.

Impairment

The recoverable amount of non-current assets is reviewed at least once a year. If there is any indication of impairment, an impairment test is performed. If the carrying amount exceeds the recoverable amount, an impairment is recognised in the income statement.

Financial Liabilities

Financial liabilities, as a rule, are stated at nominal value. Financial liabilities are classified as current liabilities, except for cases, in which an unconditional right grants a deferment of the settlement of the debt by at least 12 months after the balance sheet date.

Provisions

Provisions are recognised for any present legal or constructive obligation incurred as a result of a past event, if it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be estimated reliably. No provisions are made for possible future operating losses.

Taxes

Current income taxes are calculated on taxable profits. Deferred taxes are calculated by applying the balance sheet liability method for all temporary differences between the carrying amount and tax base of assets and liabilities. The calculation of deferred taxes is based on the country-specific tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets on tax loss carry forwards are recognised in the consolidated balance sheet in the event that future taxable

profits are available, against which the assets can be utilised. Provisions for taxes withheld at source on undistributed profits in foreign subsidiaries are recorded only if the Group intends to make dividend payments in the near future.

Employee Benefits

Swiss Group companies sponsor a legally independent benefit plan according to Swiss legislation. This foundation provides services in case of retirement, death and disability. Generally, it is funded by employer and employee contributions. Besides these funding obligations, there are no further financial obligations to the Group. The economic effects of benefit plans are recognised in the consolidated financial statements. In order to determine whether this results in economic benefit or liabilities for the Group, the effects of benefit plans are assessed annually. The assessment is based on the financial statements according to Swiss GAAP FER 26. Employer contribution reserves, if any, are recognised as an asset. The differences between stated values and corresponding values of the same period in the previous year are recognised as personnel expense in the consolidated income statement. The obligatory contributions to benefit plans are also charged to personnel expense.

The other Group companies have no relevant independent pension plan. Pension provisions for retired individuals and other employee benefit obligations are actuarially calculated and recorded in the provisions.

The relating social security plans provided by the government do not include any future financial commitments of the Hügli Group. The funding of such plans is usually based on fixed percentages of the insured salaries. The employer contributions paid into these plans are recognised directly in the income statement.

Stock Ownership Program/Share-based Payment to the Board of Directors

A stock ownership program allows members of senior management to use a limited amount to acquire Group shares at 75 % of the market value. In addition, due to regulations on the optional share-based payment to the Board of Directors, its members can obtain Group shares at 75 % of the market value instead of a cash compensation. The enactment of both share programs is subject to a retention period of 3 years and during that time remains in the custody of Hügli Holding AG. The difference between market value and the preferential price granted by the stock ownership program is recognised as personnel expense.

Segment Reporting

The Hügli Group consists of one single business unit with a uniform strategy defined by the Board of Directors that focuses on the development, production and distribution of Hügli's core product line (soups, sauces, bouillons and further dry blended products).

The management of all Group subsidiaries is centralised and performed by the Board of Directors and the CEO based on the designated Group strategy. This central decision-making body makes decisions about investments and other relevant decisions relating to subsidiaries' and sales divisions' resources. The operating resources of each Group subsidiary are used by all distribution channels (sales divisions), as a rule. Group functions have been established and put under the supervision of the CEO (Head of Manufacturing, Group Functions Research & Development/Supply Chain Management/Information Technology) to facilitate Group-wide coordination and optimisation of key task areas. Neither the subsidiaries nor the sales divisions have autonomy. Group Executive Management chaired by the CEO makes all relevant decisions. Group Executive Management is the only management body with overall responsibility for the consolidated income statement. To supervise the areas of responsibility of the heads of specialised units, profit responsibility has been broken down to sections of the value chain (responsibility for contribution margin and costs).

Striving for transparent information, the Hügli Group discretionally exceeds the requirements defined by Swiss GAAP FER 31. The present segment reporting in the Notes to the Consolidated

Financial Statements reflects the operational and production-based structure of the Hügli Group. This structure is broken down to production sites including associated sales companies (country clusters based on the location of assets), and represents the decisive element of corporate and risk controlling and of the return on invested capital. Segment reporting is therefore performed in line with geographical criteria and based on the legal international subsidiaries. The segment "Germany" comprises every active Group company in the country; the segment "Switzerland/Rest of Western Europe" consists of companies in Switzerland (including non-significant Group functions), Austria, United Kingdom and Italy. The "Eastern Europe" segment includes companies in the Czech Republic, the Slovak Republic, Poland and Hungary. The allocation of segment assets and segment borrowing costs based on geographical criteria does not include the financial liabilities, tax liabilities and tax assets. The segment result before interest and taxes (EBIT) can therefore be associated with operative net assets.

Taking into account the different sales channels with their specific economic cycles and elasticities of demand, 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 market indicators of the individual customer segments, in particular gastronomy (out of home market), the food industry and food retail trade (key account business) as well as the health food specialist trade (brand business).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Changes in Scope of Consolidation

in CHF 1'000	Book values before acquisition	Revaluation	Acquisition values
Cash and cash equivalents	2'054	0	2'054
Accounts receivable	1'354	0	1'354
Inventories	6'962	0	6'962
Tangible assets	1'167	1'193	2'360
Intangible assets	0	4'233	4'233
Operating liabilities	–860	0	–860
Financial liabilities	–46	0	–46
Provisions/Deferred tax liablities	0	0	0
Net operating assets	**10'630**	**5'427**	**16'057**
Goodwill			597
Acquisitions values			**16'654**
./. Acquired cash and cash equivalents			–2'054
./. Deferred part of purchase price			–84
Cash flow acquisitions, net			**14'515**
Thereof: directly costs of acquisition			159

On 1 January 2015, the Hügli Group acquired assets of primaVita GmbH in Heimertingen, Germany. The asset deal was carried out by Hügli subsidiary Heirler Cenovis GmbH in Radolfzell. The acquisition mainly comprised the "EDEN" and "granoVita" brands as well as the product inventory. In the course of this transaction, shares of Granovity UK Ltd., Wellingborough, in England, and of Granovita S.A., La Vall d'Uixó (Castellón), in Spain, were acquired through share deals. Granovita Spain operates its own production and distributes a siginificant share of its products through the Granovita organisations in Germany and the UK.Granovita UK sells the "Eden" and "granoVita" brands in England. Overall, trademark rights amounting to CHF 4.2 million (amortisation over 15 years), inventories of CHF 7.0 million, tangible fixed assets of CHF 2.4 million, cash and cash equivalents of CHF 2.1 million as well as further net assets of CHF 0.4 million were capitalised as a result of these acquisitions.Goodwill in the amount of CHF 0.6 million was recognised directly in equity. The acquisitions contributed CHF 25.3 million to sales in the accounting period 2015.

In the financial year 2014 the scope of consolidation remained unchanged.

2. Cash and Cash Equivalents

in CHF 1'000	2015	2014
Bank accounts and cash on hand	**12'012**	**13'067**

The bank and postal accounts are current accounts. There were no call assets or fixed investments.

3. Trade Accounts Receivable

in CHF 1'000	2015	2014
Trade accounts receivable, gross	51'322	55'014
./. Valuation allowance	–1'011	–1'226
Total	**50'311**	**53'788**

The ageing structure of trade accounts receivable was at balance sheet date as follows:

in CHF 1'000	2015	2014
Not due	39'083	39'678
Overdue within 1 month	7'633	7'988
Overdue between 1 to 3 months	2'004	3'637
More than 3 months overdue	2'602	3'711
./. Valuation allowance	–1'011	–1'226
Total	**50'311**	**53'788**

Value adjustments on trade accounts receivable have changed as follows:

in CHF 1'000	2015	2014
At 01.01.	1'226	1'473
Increase	425	690
Decrease/Utilisation	–541	–913
Exchange differences	–99	–25
At 31.12.	**1'011**	**1'226**

The trade accounts receivable, which are not due, mainly arise from long-standing and well-diversified customer relationships. Based on experience, Hügli does not anticipate any significant defaults.

4. Inventories

in CHF 1'000	2015	2014
Raw materials (incl. packaging material)	21'683	21'785
Manufactured products	28'030	30'542
Trade goods	13'850	8'716
./. Valuation allowance	–572	–543
Total	**62'991**	**60'501**

5. Accrued Income and Prepaid Expenses

in CHF 1'000	2015	2014
Tax receivables	120	148
Derivative financial instruments	17	17
Other accrued income/prepaid expenses	1'741	1'853
Total	**1'878**	**2'017**

6. Tangible Fixed Assets

2015 in CHF 1'000	Land and Buildings	Tech. Equip./ Machinery	Other tangible assets	Under construction/ Advance payments	Total
Gross amount at 01.01.	97'861	106'635	36'404	4'062	244'963
Additions	3'404	8'176	5'887	14'819	32'286
Disposals	–376	–3'530	–1'665	–732	–6'303
Transfers	926	2'182	327	–2'002	1'433
Changes in Scope of Consolidation	1'829	466	65	0	2'361
Exchange differences	–6'002	–7'524	–2'476	–153	–16'156
Gross amount at 31.12.	**97'643**	**106'404**	**38'542**	**15'995**	**258'585**
Accumulated depreciation at 01.01.	–33'483	–61'191	–30'752	0	–125'426
Planned depreciation	–2'451	–6'581	–2'156	0	–11'191
Disposals	376	1'866	1'602	0	3'844
Transfers	–550	–709	–30	0	–1'289
Changes in Scope of Consolidation	0	0	0	0	0
Exchange differences	2'148	4'131	2'147	0	8'427
Accumulated depreciation at 31.12.	**–33'960**	**–62'483**	**–29'187**	**0**	**–125'630**
Carrying values at 01.01.	64'379	45'444	5'652	4'062	119'537
Carrying values at 31.12.	**63'683**	**43'922**	**9'355**	**15'995**	**132'955**
2014					
Gross amount at 01.01.	98'464	99'785	36'413	1'523	236'185
Additions	817	7'272	2'090	4'084	14'263
Disposals	0	–624	–1'478	0	–2'102
Transfers	0	1'529	–44	–1'490	–5
Exchange differences	–1'419	–1'328	–576	–55	–3'378
Gross amount at 31.12.	**97'861**	**106'635**	**36'404**	**4'062**	**244'963**
Accumulated depreciation at 01.01.	–31'438	–55'631	–30'645	0	–117'714
Planned depreciation	–2'492	–6'914	–1'943	0	–11'349
Disposals	0	597	1'345	0	1'942
Transfers	0	0	2	0	2
Exchange differences	447	756	490	0	1'693
Accumulated depreciation at 31.12.	**–33'483**	**–61'191**	**–30'752**	**0**	**–125'426**
Carrying values at 01.01.	67'026	44'154	5'768	1'523	118'471
Carrying values at 31.12.	**64'379**	**45'444**	**5'652**	**4'062**	**119'537**

Investments in finance leases are disclosed under tangible fixed assets. Their net book value amounts to TCHF 187 (TCHF 333 in the previous year). There have been no non-cash additions to investments in finance leases.

There are no separable undeveloped lots of land.
There are no pledged tangible fixed assets for financial liabilities.

7. Intangible Assets/Advance payment intangible values

Capitalised brands and other intangible assets

2015	Software, Others	Brands, Intellectual property rights	Total
in CHF 1'000			
Gross amount at 01.01.	13'517	14'884	28'401
Additions	1'782	4'243	6'025
Disposals	–628	0	–628
Transfers	–211	0	–211
Exchange differences	–800	–1'814	–2'614
Gross amount at 31.12.	**13'660**	**17'313**	**30'973**
Accumulated amortisation at 01.01.	–11'699	–5'467	–17'166
Planned amortisation	–1'135	–1'099	–2'233
Disposals	627	0	627
Transfers	65	0	65
Exchange differences	689	478	1'167
Accumulated amortisation at 31.12.	**–11'455**	**–6'088**	**–17'542**
Carrying values at 01.01.	1'818	9'417	11'235
Carrying values at 31.12.	**2'205**	**11'225**	**13'431**

2014			
Gross amount at 01.01.	13'014	13'897	26'911
Additions	773	1'276	2'049
Disposals	–89	0	–89
Transfers	4	0	4
Exchange differences	–185	–289	–474
Gross amount at 31.12.	**13'517**	**14'884**	**28'401**
Accumulated amortisation at 01.01.	–11'017	–4'252	–15'269
Planned amortisation	–923	–1'309	–2'232
Disposals	89	0	89
Transfers	–1	0	–1
Exchange differences	154	94	248
Accumulated Amortisation at 31.12.	**–11'699**	**–5'467**	**–17'166**
Carrying values at 01.01.	1'997	9'645	11'642
Carrying values at 31.12.	**1'818**	**9'417**	**11'235**

Non-capitalised goodwill
Acquired goodwill, which represents the difference between the acquisition cost and the fair value of the acquired net assets, is recognised in equity at the time of acquisition.

Overview of acquisitions, whose goodwill was recognised in equity according to Swiss GAAP FER:

Name, registered office	**EDEN/Granovita, Germany/UK/Spain**
Activities	Production and trade of natural food products under the brands "EDEN" and «granoVita»
Acquisition date	01.01.2015
Acquisition type	Acquisition of intangible assets (trademark rights, recipes) in Germany, Direct acquisition of 100 % of the shares in the UK and in Spain

Name, registered office	**Vogeley Nahrungsmittel GmbH, Hameln, Germany**
Activities	Distribution of Instant-Desserts (Pudding, Crème, Mousse), soups, sauces and bouillon und seasonings
Acquisition date	01.01.2013
Acquisition type	Acquisition of intangible assets (trademark rights, recipes), Acquisition of sales department

Name, registered office	**Contract Foods Ltd. (today: Huegli UK Ltd.), Redditch, UK**
Activities	Manufacturing of dry blends in the functional foods domain, mainly food supplements
Acquisition date	31.01.2008
Acquisition type	Direct acquisition of 100 % of the shares

Name, registered office	**Ali-Big Industria Alimentare s.r.l., Brivio, Italy**
Activities	Production and distribution of liquid sauces and antipasti
Acquisition date	30.06.2007
Acquisition type	Direct acquisition of 100 % of the shares

Name, registered office	**Supro Nährmittel AG, St. Gallen/EPS Holding AG, Steinach, Switzerland**
Activities	Production and distribution of dressings, soups, sauces and bouillons
Acquisition date	01.09.2005
Acquisition type	Direct acquisition (100 %) EPS Holding AG incl. subsidiary (100 %) Supro Nährmittel AG

Name, registered office	**Inter-Planing GmbH, Neuburg/Langenhaslach OSCHO GmbH, Neuburg/Langenhaslach, Germany**
Activities	Production and distribution of dressings, soups, sauces and bouillons
Acquisition date	17.08.2005
Acquisition type	Acquisition (100 %) of Inter-Planing GmbH Acquisition of assets/liabilities OSCHO

Name, registered office	**Helva Ltd., UK**
Activities	Distribution of soups, sauces, bouillons
Acquisition date	01.01.1999
Acquisition type	Direct acquisition of 100 % of the shares

The effects of a theoretical capitalisation of goodwill and a linear depreciation over five years are presented separately in the following table.
The reported Group EBIT 2015 of TCHF 30'568 would thereby be reduced by planned amortisation of TCHF 1'417 to theoretical TCHF 29'151 (previous year: of reported TCHF 32'315 by TCHF 1'477 to theoretical TCHF 30'838). The reported EBIT margin 2015 of 8.1 % would fall to theoretical 7.7 % (previous year: of reported 8.6 % to theoretical 8.2 %).

Group equity of TCHF 155'661, reported as per 31.12.2015, would be increased by the net book value of goodwill of TCHF 3'126, after deferred taxes of TCHF 766, to theoretical TCHF 154'021 (previous year: of reported TCHF 150'155 by TCHF 4'388, after deferred taxes of TCHF 1'273 to theoretical TCHF 153'270). The reported equity ratio 2015 of 54.1 % of total assets would rise to theoretical 54.5 % (previous year: of reported 56.8 % to theoretical 57.3 %).

Theoretical Goodwill

2015 in CHF 1'000	Helva	Inter-Planing/ Oscho	Supro/ EPS	Ali-Big	Contract Foods	Vogeley	Grano-vita	Total
Gross amount at 01.01.	278	9'207	4'670	8'235	5'639	7'313	0	35'341
Additions	0	0	0	0	0	0	597	597
Exchange differences	–12	–888	0	–794	–252	–705	8	–2'643
At 31.12.	**265**	**8'319**	**4'670**	**7'441**	**5'387**	**6'608**	**605**	**33'294**
Accumulated amortisation								
At 01.01.	–279	–9'207	–4'670	–8'235	–5'639	–2'925	0	–30'954
Planned amortisation	0	0	0	0	0	–1'298	–119	–1'417
Exchange differences	12	888	0	794	252	259	–2	2'203
At 31.12.	**–265**	**–8'319**	**–4'670**	**–7'441**	**–5'387**	**–3'965**	**–121**	**–30'168**
Goodwill 01.01.	0	0	0	0	0	4'388	0	4'388
Goodwill 31.12.	**0**	**0**	**0**	**0**	**0**	**2'643**	**484**	**3'126**
2014								
Gross amount at 01.01.	266	9'398	4'670	8'406	5'409	7'464		35'613
Exchange differences	11	–191	0	–171	230	–152		–273
At 31.12.	**278**	**9'207**	**4'670**	**8'235**	**5'639**	**7'313**		**35'341**
Accumulated amortisation								
At 01.01.	–266	–9'398	–4'670	–8'406	–5'409	–1'493		–29'642
Planned amortisation	0	0	0	0	0	–1'477		–1'477
Exchange differences	–11	191	0	171	–230	45		166
At 31.12.	**–279**	**–9'207**	**–4'670**	**–8'235**	**–5'639**	**–2'925**		**–30'954**
Goodwill 01.01.	0	0	0	0	0	5'972		5'972
Goodwill 31.12.	**0**	**0**	**0**	**0**	**0**	**4'388**		**4'388**

The goodwill equals the surplus of the acquisition cost over the fair values of the acquired net assets, and represents the expected future economic benefit of the acquired companies that cannot be identified and valued separately. The goodwill positions resulting from the acquisition mainly reflect the expected synergies, future products and the acquired employees.
The goodwill positions are assigned to the cash generating units (CGU) mentioned in the table, which consist either of Group units that comprise several companies, or of single Group companies. The goodwill positions, which are not fully amortised, are tested for impairment at least annually at the CGU level. The value in use is based on future projected discounted cash flows. Usually, the cash flows correspond to detailed financial plans that were approved by management and cover the period of the first 3 years. For the subsequent years, expected growth rates are taken into consideration and for years 11 and beyond, an infinite cash flow value is included in the calculation. The projections use expected EBITDA growth rates of 5 % based on the assessment of future economic developments. After a period of 10 years, zero growth is applied. The discount rate is between 7.5 % and 9.0 %, considering specific risk premiums on the base of the weighted average cost of capital (WACC) of Hügli Group of 7.0 %. Because the cash flow projections are determined after taxes, the established discount rates also allow for the specific tax effects.
Based on the impairment tests and sensitivity analyses as of closing date, the values of all goodwill positions are supported. No realistically possible changes are expected to affect the applied key assumptions (discount rate, growth rate) that may result in recoverable amounts of goodwill, which exceed the respective carrying amounts. This excludes unforeseen circumstances.

8. Financial Assets

in CHF 1'000	2015	2014
Securities	20	21

The securities currently consist in marginal assets set aside with the legal requirement to allocate assets to cover provisions for employee benefits.

9. Financial Liabilities

in CHF 1'000	2015	2014
Current financial liabilities	36'108	42'509
Non-current financial liabilities	42'870	27'000
Total	**78'978**	**69'509**
thereof secured mortgages	0	0
Planned maturity		
up to 1 year	36'108	42'509
up to 2 years	0	10'000
up to 3 years	35'870	7'000
up to 4 years	0	10'000
up to 5 years	7'000	0
Breakdown to currencies		
CHF	41'100	37'500
EUR	25'561	19'257
CZK	6'874	6'554
GBP	4'787	5'243
HUF	656	955

The financial liabilities primarily consist of fixed advances from banks in the currencies. None are secured by mortgages. Non-current financial liabilities with maturity terms of 1 to 5 years are at fixed interest rates. The interest rates for current financial liabilities are adjusted to market level several times a year. The interest-bearing foreign capital has a number of financial covenants, which among other requisites, requires the observance of financial operating figures such as the net debt to EBITDA ratio (max. 3.0x) and the minimum equity to asset ratio (min. 35 %). These financial covenants

were observed at the balance sheet date (net debt to EBITDA ratio 1.5x, equity to asset ratio 54.1 %). For financial liabilities in total, the average interest rate amounted to 1.3 % (1.5 % in the previous year).

10. Accrued Expenses and Deferred Income

in CHF 1'000	2015	2014
Personnel/social securities	3'593	3'090
Accrued vacation and overtime	1'730	2'435
Customer related liabilities	1'961	2'362
Derivative financial instruments	2'002	1'201
Sundry accrued expenses/ deferred income	7'057	5'556
Total	**16'343**	**14'644**

11. Deferred Tax Assets and Liabilities

The deferred tax assets and liabilities are allocated to the following balance sheet positions:

in CHF 1'000	2015	2014
Inventories	632	975
Land and buildings	4'073	4'385
Other fixed assets	1'038	1'446
Provisions	2'352	3'120
Other balance sheet positions	2'683	400
Total tax liabilities	**10'778**	**10'325**
Inventories	134	250
Land and buildings	3	0
Other fixed assets	1'096	1'783
Provisions	0	0
Other balance sheet positions	1'472	868
Total tax assets	**2'706**	**2'901**
Deferred tax liabilities, net	**9'501**	**7'984**
Deferred tax assets, net	**1'426**	**560**

Deferred tax liabilities and tax assets based on temporary valuation differences are recorded with their gross amounts. Appropriate netting of deferred tax liabilities and tax assets is performed in consolidation.

Tax assets on loss carry-forwards are only capitalised if seems probably that they can be realised. In countries and subsidiaries, respectively, in which the utilisation of loss carry-forwards cannot be foreseen, capitalisation is foregone.

Detailed information to capitalised and not capitalised loss carry-forwards can be found in note 23.

12. Employee Benefit Provisions

in CHF 1'000	2015	2014
At 01.01.	1'486	1'789
Increase	124	164
Utilisation	–84	–358
Decrease	0	–75
Exchange differences	–142	–34
At 31.12.	**1'384**	**1'486**

The employee benefit provisions for retired individuals as well as the partial retirement accounts payable in Germany, Austria and Italy are periodically calculated by an actuary.

13. Employee Benefits

Economic benefit/economic provisions and employee benefit expenses:

	Surplus/-deficit according to Swiss GAAP FER		Economical part of the organisation		Change to prior year period or recognised in the current result of the period, respectively	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	2015	2015	2015	2014
in CHF 1'000								
Pension institutions with surplus	0	0	0	0	0	1'508	1'508	1'411
Total	**0**	**0**	**0**	**0**	**0**	**1'508**	**1'508**	**1'411**

Swiss Group companies sponsor a legally independent pension plan foundation according to Swiss legislation. The actuarially assumed surplus of the employee benefit foundation of Hügli Nährmittel AG amounts to CHF 9.4 million in the financial year (CHF 10.0 million in the previous year). This corresponds to a weighted coverage rate according to article 44 BVV2 of 123 %, based on an assumed interest rate of 2.5 % and BVG 2010 (in the previous year: 125 %, assumed interest rate 2.5 %). As the reserve for value fluctuations that is being accumulated has not yet reached the target value of CHF 11.4 million or 22 % of assets, respectively, no positive dotation capital is stated in the balance sheet. No surplus can be determined as under Swiss GAAP FER 16, a surplus would require positive non-committed funds in the dotation capital.
The surplus is not at disposal to the Group for economic use in the form of reduction or repayment of contributions. The employee benefit costs included in the personnel costs relates to the ordinary payment of contributions of the affiliated Group companies.

14. Financial Instruments and Financial Risk Management

Financial Risk Management Principles
The international business activities of the Hügli Group are exposed to various financial risks, in particular credit risk, market risk (including currency, interest rate and price risk) and liquidity risk. The risk management principles are geared to identifying and analysing the risks to which the Group is exposed in a volatile market environment and to establish the appropriate control mechanisms. The Group's department of Finance and Controlling hedges certain defined risks in close cooperation with the divisions. The Board of Directors bears ultimate responsibility for risk management.

Credit Risk
The credit risk is the Group's risk of suffering financial loss if a customer is unable or unwilling to meet contractual business obligations. The Hügli Group's main credit risks arise from trade accounts receivable. Such liabilities are monitored continuously and systematically. The danger of cluster risks is limited due to the large number and wide geographical spread of customers. Hügli enters into bank transactions only with

important financial institutions. The credit risk is mainly limited to current bank accounts, and secondarily to transactions involving derivative financial instruments. The maximum credit risk is confined to the carrying amounts stated for the individual financial assets. Hügli has not entered into any guarantees or similar obligations.

Currency Risk

Hügli operates internationally and is therefore exposed to currency risks. These financial risks occur in connection with transactions, in particular the purchase and sale of goods, which are effected in currencies that differ from the functional currency (local currency). Such transactions are performed mainly in Swiss Francs (CHF), Euro (EUR), British Pounds (GBP), Czech Crowns (CZK), Polish Zloty (PLN) and Hungarian Forint (HUF). Hügli reduces currency risks considerably by purchasing and producing goods in the functional currency ("congruency" rule). Where this is not possible or only to a limited extent, currency exposure is generated, predominantly concerning the exchange rates CHF/GBP, CHF/EUR, EUR/GBP, CZK/PLN and CZK/HUF. We also restrict the Group's external financing where possible to currencies, in which medium-term free cash flows can be expected.

As per 31.12.2015 currency futures with a maturity of 1 to 12 months for the partial hedging of currency risks of future highly probable accruals of foreign currencies in EUR, GBP, PLN and HUF are outstanding. The open contract values (nominal values of hedge transactions) and the positive/negative replacement values (potential return on closure of contracts or unrealised profits/losses before taxes) are as follows:

in CHF 1'000	2015	2014
Contract value (EUR, GBP, PLN, HUF)	6'588	2'817
Replacement value profits/(losses)	70	–11

Interest-rate Risk

The interest-rate risk is caused by changes in market interest rates and in the risk premiums of the capital markets, which relate to the Group's investments. The risk of fluctuating interest rates can be limited through the ratio of fixed-interest to variable interest liabilities and the ratio of short-term and long-term financial liabilities, which agrees with our risk policy. Due to financial liabilities being stated at par value, changes in interest rates have no impact on the income statement. A 1%-point increase (or reduction) of the average interest rate for short-term variable interest advances would have increased (or reduced) group profit by CHF 0.4 million (CHF 0.4 million in the previous year).

in CHF 1'000	2015	2014
Contract value (EUR, GBP, PLN, HUF)	35'870	25'000
Replacement value profits/(losses)	–2'055	–1'173

In 2015, various forward interest rate swaps were used to hedge future periods with the aim to fix the interest rates for a highly probably basic funding of CHF 25 million and EUR 10 million and hedge it to offset future interest increases. The first tranche begins in 2018, the last ends in 2024. The weighted average of the fixed base rates amounts to 1.43%. Due to decreasing capital market interest rates negative replacement values of TCHF –2'055 (previous year positive replacement values of TCHF –1'173) have resulted and were recognised in equity.

Price Risk

Hügli is exposed to crucial price risks in the area of the purchasing of materials as these represent the largest cost factor of around 50 % of the sales volume of the Group. The purchasing prices of raw materials, in particular of important raw goods such as dairy products, grain, vegetables, vegetable oils, yeasts and spices, depend on the interaction of supply and demand. Price shifts arise on the supply side, based on climate-related harvest failures or can be caused by the higher purchasing power of populous countries or the strong demand for biological products. Hügli limits the market price risks of the most important products through storage measures and through settled purchasing contracts with fixed maturities. Under certain circumstances, Hügli can hedge the raw materials price risk indirectly through the purchase of Agriculture Commodity Indices.

Liquidity Risk

The liquidity risk is the risk that Hügli will be unable to meet its financial obligations when they are due. Liquidity management consists in maintaining sufficient liquidity reserves to offset the usual liquidity fluctuations. At the same time, the Group has unused credit lines at its disposal that it can apply in the event of more serious fluctuations. The total amount of unused credit lines as per 31. 12. 2015 was CHF 70.9 million (CHF 77.1 million in the previous year). The credit lines are spread over several banks so that there is no excessive dependence on any one financial institution.

15. Operating Leases/Lease Contracts

The liabilities from operating leases and ongoing long-term lease contracts are due as follows:

in CHF 1'000	2015	2014
Due within 1 year	3'074	3'643
Due between 1 to 5 years	6'575	6'541
Due after 5 years	3'002	4'373
Total	**12'652**	**14'556**

The leasing contracts predominantly consist of motor vehicles for the sales force. The long-term lease obligations comprise multi-year lease contracts at the production sites in Switzerland, Italy and the UK.

16. Contingent and Future Liabilities, Capital Commitments

As per 31 December 2015 and 31 December 2014, there were no positions requiring disclosure.

The Group is currently involved in various legal cases that have arisen from normal business developments. For these ongoing legal cases, there are in justified cases short-term provisions to cover risks that the Group assumes to be foreseeable risks. Therefore, the effects neither in individual cases nor in total have a significant influence on the financial position and profitability.

17. Capital Management and Shareholders' Equity

Within capital management, the management of consolidated equity primarily aims at maintaining a solid balance sheet structure with an appropriate equity ratio (based on continuing values), ensuring the necessary financial scope in order to be able to make investments and acquisitions in the future, and achieving a ROE (return on equity) appropriate for the risk.

The monitoring of equity is performed based on following ratios:

- Equity ratio: 54.1 %/56.8 % in the previous year (equity to total assets)
- Gearing: 0.44/in the previous year: 0.38 (interest bearing net debt to equity)
- Return on equity (ROE): 16.4 %/in the previous year: 16.6 % (group profit in percentage of average equity).

These ratios are reported to the Board of Directors at regular intervals by internal financial reporting. Based on strategic objectives, the medium target for the equity ratio is to maintain it over 40 % and to keep gearing below 1. The return on equity should be kept above 15 %.

Hügli pursues a results-oriented dividend policy with a ratio of 30 % to 40 % of the Group's profit per share. The Board of Directors is proposing to the General Meeting of Shareholders on 25 May 2016 a dividend of CHF 16.00 (payout in the previous year: CHF 16.00) per bearer share and CHF 8.00 (payout in the previous year: CHF 8.00) per registered share, respectively. The payout aligns with 33 % (in the previous year: 33 %) of Group profits.

The shareholders' equity per balance sheet date consisted of the following:

in CHF 1'000	2015	2014
Share capital consists of fully paid-in 280'000 bearer shares CHF 1.00 410'000 registered shares CHF 0.50	485	485
Bearer shares valued at average acquisition costs of CHF 509.19 (PY: CHF 509.19)	–1'448	–2'061
Capital reserves	19'891	19'893
Retained earnings	132'733	131'838
Total	**151'661**	**150'155**
Own shares at 01.01. (in units)	4'048	5'558
Sales via stock ownership program	–1'205	–1'510
Purchase of own shares	0	0
Own shares at 31.12. (in units)	2'843	4'048

Complying with Swiss GAAP FER, acquired goodwill of TCHF 597, was recognised in equity at the time of acquisition.

The capital reserves change by the result from the sale of own shares. The amount of TCHF 100 (TCHF 193 in the previous year) relating to the recognised costs of stock ownership plans was expensed in the income statement. The directly stated results in the retained earnings are mainly related to translation adjustments of net assets of Group companies and equity-like Group loans denominated in foreign currencies due to the valuation at the balance sheet date. In addition, due to hedge accounting, the valuation of cash flow hedges was reported with the amount of TCHF –743 (TCHF –1'419 in the previous year) and the replacement value TCHF 800 (TCHF –1'545 in the previous year) minus deferred taxes of TCHF 57 (TCHF 126 in the previous year), respectively.

The fair value changes of cashflow hedges arose as follows:

in CHF 1'000	2015	2014
Withdrawal from reserve: Transferred to income statement	28	–24
Appropriation to reserve:	215	–28
Fair value adjustments	–1'043	–1'493
Deferred taxes on cashflow-hedges	57	126
Total	**–743**	**–1'419**

The Swiss National Bank discontinued the minimum exchange rate of 1.20 Swiss Francs per Euro as per 15 January 2015. The Swiss Franc thereupon soared against the Euro and other currencies relevant for Hügli what caused highly negative translation differences in equity.
Translation gains and losses recorded in equity arose as follows:

in CHF 1'000	2015	2014
Translation gains/(losses) of net investments	–3'357	–1'219
Translation gains/(losses) of corporate loans, net	–10'147	–1'601
Total	**–13'504**	**–2'820**

In order to maintain the stock ownership plans, it was decided to acquire further Hügli shares on the market as from 2011. Neither in 2015 nor 2014 shares were acquired.
The consolidated reserves include legally required reserves of CHF 14.7 million (CHF 15.0 million in the previous year). Based on local law of the respective countries, the reserves cannot be paid out to shareholders.
There is no contingent or authorised capital. Furthermore, no conversion or option rights are outstanding.

18. Sales

The segment reporting is presented on page 62 of this annual report. >> see page 62

In addition, a breakdown of sales according to product groups and geographic markets (location of customers) is displayed on page 4.
>> see page 4

19. Personnel Expenses

in CHF 1'000	2015	2014
Salaries and wages	73'577	74'071
Social benefits	13'261	14'490
Other personnel costs	732	886
Total	**87'571**	**89'447**

Stock Ownership Plan

In accordance with a senior management participation program established by the Board of Directors, members of senior management are enabled to use a limited part of the bonus to acquire shares (owned by the company) at a preferential price of 75 % of the market value.
The offer is given out in April. In 2015, 563 shares were obtained at a price of CHF 478.50 per share, in the previous year 743 shares at a price of CHF 387.40 per share. Furthermore, based on regulations regarding the optional share-based payment to the Board of Directors, in November 2015, 642 shares were transferred to Board members at the discounted rate of CHF 540.00 per share, in the previous year 767 shares at a price of CHF 454.50 per share instead of cash compensation. The enactment of both share programs is subject to a retention period of 3 years and during that time remains in the custody of Hügli Holding AG.
The difference between market value and the discount granted on the basis of the share participation plan is recognised as personnel expense (with an offsetting entry in equity) in the income statement, with any gain or loss recognised in income. The costs in the financial year amount to TCHF 100 (TCHF 193 in the previous year).

20. Other Operating Expenses, net

in CHF 1'000	2015	2014
External logistics	18'514	18'266
Distribution costs	17'922	18'181
Production costs	7'054	7'251
Management Services, Others	19'875	19'370
./. Other operating income	–1'377	–227
Total	**61'988**	**62'840**

Other operating income primarily contains expense credits, through cost transfers of packaging/postage and discounts, income from other periods as well as rental incomes, among others. Gains in the amount of TCHF 71 resulted from the disposal of fixed assets (losses of TCHF –5 in the previous year).

21. Development Costs

Development costs of TCHF 2'904 (TCHF 2'955 in the previous year) were recognised in 2015. Development serves mainly the creation of new products and improvement of the existing product range and is included in the personnel and other operating costs and depreciation positions. Development costs were at no time capitalised.

22. Financial Results

in CHF 1'000	2015	2014
Interest expenses	946	1'056
Other financial expenses	223	67
Financial expenses	**1'169**	**1'123**
Interest income	–12	–26
Other financial income	0	–120
Financial income	**–12**	**–146**
Financial expenses, net	**1'157**	**977**

The financial expenses decreased owing to considerably lower short-term interest rates of the capital market in spite of a higher level of debt, which on average decreased by CHF 3 million. Overall, the average interest rate on financial liabilities resulted in 1.3 % (1.5 % in the previous year).

23. Income Taxes

in CHF 1'000	2015	2014
Current income taxes	5'364	6'326
Deferred income taxes	704	1'589
Total	**6'068**	**7'915**

The variance between the expected income tax expense, based on the expected income tax rate, and the effective income tax expense recorded in the consolidated income statement depends on the following determining factors. At the same time, the Group's expected income tax rate is based on profit/loss before taxes and the tax rate pertaining to each individual subsidiary in the fiscal year.

in CHF 1'000	2015	2014
Profit before taxes	29'411	31'338
Expected income tax rate	23.6 %	23.1 %
Expected income tax expense	**6'941**	**7'252**
Effect of non-recognition of tax loss carry-forwards in the financial year	30	256
Use of unrecognised tax loss carry-forwards	–46	–4
Recognition (reassessment) of loss carry-forwards of previous years	–982	0
Derecognition (reassessment) of recognised loss carry-forwards	0	313
Effect of tax rate changes on deferred taxes	19	18
Effect of non-deductible expenses	103	85
Tax result of previous periods	3	–6
Effective tax expenses	**6'068**	**7'915**
Effective income tax rate	20.6 %	25.3 %

Tax loss carry-forwards are only recognised if they are expected to be used in the five years ahead depending on the profitability of the company, or the fiscal unity, respectively. This recognition is subject to annual reassessment based on current estimates of management. Tax carry-loss forwards of a subsidiary are not recognised if is not foreseeable that they can be offset with future profits.

As per 31.12.2015, tax loss carry-forwards of CHF 4.3 million (previous year: CHF 3.3 million) were recognised based on current estimates, generating deferred tax assets of CHF 1.2 million (previous year: CHF 0.8 million). The non-recognised loss carry-forwards amounted to CHF 4.3 million (previous year: CHF 9.7 million) as per 31.12.2015, with non-recognised positive tax effects of CHF 1.2 million (previous year: CHF 2.6 million). Of these non-recognised loss carry-forwards, CHF 0.2 million (previous year: CHF 0.6 million) will expire within 5 years, while CHF 4.1 million (previous year: CHF 9.1 million) are not subject to expiry according to current tax law.
Deferred income taxes of TCHF –57 (previous year: TCHF –126) and the related underlying transactions were recognised directly in equity.

24. Transactions with Related Parties

Related parties include the Board of Directors, members of the Group Executive Management, the pension fund and important shareholders as well as companies under the control of these persons, or decisively influenced by them. Transactions with related parties are generally conducted at arm's length.
The members of the Board of Directors (7 members) are remunerated with a fixed salary or optionally with own shares at a price of 25 % below market value. The Chairman of the Board of Directors receives additional compensation based on earnings. The members of Group Executive Management (7 members), receive a fixed salary, additional compensation based on earnings and furthermore the possibility to purchase own shares with a retention period of 3 years at a price of 25 % below market value with a portion of the earnings based compensation. All compensation elements are included in the personnel expenses.

Total remuneration to the Board of Directors and Group Executive Management:

in CHF 1'000	2015	2014
Short-term benefits	4'059	3'889
Social expenses/ Benefit obligation	727	724
Stock ownership program	151	176
Total	**4'937**	**4'789**

Social security and employee benefit contributions include the employees' and the employer's contributions as well as the obligatory state social insurance and the corporate pension plan.
The Swiss pension fund was administrated by the Hügli Group and the Group was compensated with TCHF 26 (TCHF 26 in the previous year). Furthermore, as in the previous year, there were neither accounts receivable nor accounts payable to related parties. No other considerable transactions with related parties were effected.

25. Earnings per Bearer Share

	2015	2014
Group profit	23'343'000	23'423'000
Average number of bearer shares with par value of CHF 1.00	276'381	275'127
Average number of registered shares with par value of CHF 0.50	410'000	410'000
Total bearer shares – equivalents	481'381	480'127
Profit per bearer share (in CHF)	**48.49**	**48.79**

The average number of outstanding bearer shares is based on the number of the issued shares less the weighted average number of own shares. Since neither conversion nor option rights are outstanding, the earnings per share are not diluted.

26. Subsequent Events after Balance Sheet Date

The consolidated financial statements were approved and released for publication by the Board of Directors on 23 March 2016. They are furthermore subject to approval at the Annual General Meeting on 25 May 2016.

No further events occurred between 31 December 2015 and the approval of the consolidated financial statements by the Board of Directors on 23 March 2016 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.

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Hügli Holding AG, which comprise the consolidated income statement, consolidated cash flow statement, consolidated balance sheet, consolidated statement of changes in equity and notes (pages 58 to 84), for the year ended December 31, 2015.

Board of Directors' responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

St. Gallen, March 23, 2016
OBT AG

Stefan Traber
Licensed Audit Expert
Auditor in Charge

Willi Holdener
Licensed Audit Expert

Balance Sheet of Hügli Holding AG

in CHF	Explanations Note	31.12.2015	31.12.2014
Assets			
Cash and cash equivalents	2.1	158'932	161'901
Other accounts receivable from third parties		44'118	14'928
Other accounts receivable from subsidiaries	2.2	4'111'657	3'149'452
Accrued income and prepaid expenses	2.3	168'000	0
Current assets		**4'482'707**	**3'326'281**
Loans to subsidiaries	2.4	175'584'060	167'007'779
Investments in subsidiaries	2.5	71'862'238	65'283'297
Intangible assets		1	1
Non-current assets		**247'446'299**	**232'291'077**
Total assets		**251'929'006**	**235'617'358**
Liabilities and shareholders' equity			
Short-term financial liabilities to third parties	2.6	28'561'750	34'990'800
Short-term accounts payable to third parties		56'762	25'934
Short-term accounts payable to subsidiaries		56'821	47'005
Short-term provisions	2.7	4'000'000	14'000'000
Accrued expenses and deferred income	2.8	1'064'000	907'000
Short-term liabilities		**33'739'333**	**49'970'739**
Long-term financial liabilities	2.6	42'870'000	27'000'000
Long-term liabilities		**42'870'000**	**27'000'000**
Liabilities		**76'609'333**	**76'970'739**
Share capital	2.9	485'000	485'000
Legal capital reserves			
Capital reserves	2.10	10'860'000	10'860'000
Legal reserves			
General legal reserves		240'000	240'000
Free reserves			
General free reserves		125'000'000	110'000'000
Retained earnings			
Profit brought forward		16'418'566	13'485'155
Net profit for the year		23'763'724	25'637'651
Own shares	2.11	–1'447'617	–2'061'187
Shareholders' equity		**175'319'673**	**158'646'619**
Total liabilities and shareholders' equity		**251'929'006**	**235'617'358**

Income Statement of Hügli Holding AG

in CHF	Explanations Note	2015	2014
Income from investments	2.12	18'460'000	20'602'700
Financial income	2.13	5'485'464	6'360'373
Other income	2.14	4'098'629	4'330'353
Total income		**28'044'093**	**31'293'426**
Financial expenses	2.15	–11'177'230	–2'537'902
Personnel expenses		–2'070'374	–2'140'297
Other operating expenses	2.16	–536'072	–517'792
Ordinary result before taxes		**14'260'417**	**26'097'435**
Extraordinary, one-off and out-of-period income	2.17	10'000'000	0.
Profit before taxes		**24'260'417**	**26'097'435**
Taxes		–496'693	–459'784
Net profit for the year		**23'763'724**	**25'637'651**

Proposed Appropriation of Retained Earnings

in CHF	31.12.2015	31.12.2014
Profit carried forward	14'301'619	10'844'838
Net profit of the year	23'763'724	25'637'651
Increase/Decrease of reserve for own shares/Dividends on own shares	2'116'947	579'130
Retained earnings	**40'182'290**	**37'061'619**
The Board of Directors proposes the following appropriation of the retained earnings to the General Meeting:		
Appropriation to the free reserves	20'000'000	15'000'000
Dividend payment	7'760'000	7'760'000
280'000 bearer shares (par value: CHF 1.00):		
CHF 16.00 dividend payment per share (PY: CHF 16.00 per share)		
410'000 registred shares (par value: CHF 0.50):		
CHF 8.00 dividend payment per share (PY: CHF 8.00 per share)		
Balance to be carried forward	12'422'290	14'301'619
Total	**40'182'290**	**37'061'619**

[1] The dividend is based on the total of share capital. No dividend payments for own shares.

Payment per Bearer Share

Subject to approval by the General Meeting on 25 May 2016 the payment per share is:

Bearer share (par value CHF 1.00)	2015	2014
in CHF		
Dividend, gross	16.00	16.00
./. Withholding tax 35 %	–5.60	–5.60
Payment per bearer share, net	**10.40**	**10.40**

The payment less 35 % withholding tax will be effected from Tuesday 31 May 2015 with coupon no. 21 to all shareholders holding Hügli shares on Thursday 26 May 2016 at the close of the stock exchange. The bearer shares (security number 464 795) will be traded ex dividend at the SIX Swiss Exchange starting 27 May 2016.

Notes to the Financial Statements of Hügli Holding AG

1. Priciples

1.1 General

These financial statements were prepared for the first time under the provisions of the Swiss Financial Reporting Law (32nd title of the Swiss Code of Obligations). In order to ensure comparability, the previous year's figures are restated in the balance sheet, income statement and notes to the new classification requirements. The essential accounting policies not prescribed by law are as follows.

Since Hügli Holding AG, headquartered in Steinach (Switzerland), prepares consolidated financial statements in accordance with the recognised financial reporting standard Swiss GAAP FER, and in compliance with the legal provisions stated in Art. 961d paragraph 1 of the Swiss Code of Obligations, it is not disclosing neither a management report nor a cash flow statement or additional information in the notes.

1.2 Loans to subsidiaries

Loans in foreign currencies are converted at the closing rate. Loans to group subsidiaries are recognised at nominal values, taking into consideration any value adjustments required. In addition, further flat-rate value adjustments can apply.

1.3 Investments in subsidiaries

Investments are stated at historical acquisition cost. The recoverable amount of shareholdings is reviewed annually and, when required, value-adjusted in accordance with the principle of individual valuation. In addition, further flat-rate value adjustments can apply.

1.4 Intangible assets

Current costs for the management and protection of brands are recognised as expenses.

1.5 Short-term and long-term financial liabilities

Interest-bearing liabilities are stated at nominal value. Loans in foreign currencies are converted at the closing rate.

1.6 Own shares

Own shares are recognised at the acquisition date at acquisition cost in equity as a negative position. The profit or loss arising from a sale is stated as financial income or financial expenses in income.

1.7 Share-based payment

When own shares are used for the share-based payment to members of the Board of Directors, the shares' allocation value is recorded as personnel expenses.

2. Information on balance sheet and income statement positions

2.1 Cash and cash equivalents

Cash and cash equivalents include bank accounts in Swiss Francs and foreign currencies.

2.2 Other accounts receivable from subsidiaries

These receivables include outstanding financial and other income from group subsidiaries.

2.3 Accrued income and prepaid expenses

This position includes the accrual of the payment made in December 2015 to non-executive members of the Board of Directors for the current term from June 2015 to May 2016.

2.4 Loans to subsidiaries

Business activities and acquisitions of group subsidiaries are financed through group loans instead of local bank loans whenever possible and suitable. The increase sustained year-on-year reflects an acquisition and high requirements for capital due to intensive investment activities abroad.

2.5 Investments in subsidiaries

The increase is based on direct acquisitions in the financial year.

All direct and indirect shareholdings of Hügli Holding AG are presented on the following page on group companies. They are all directly or indirectly in a 100 % ownership of Hügli Holding AG.

>> see page 94

2.6 Short-term and long-term financial liabilities to third parties

The balance sheet positions include only unsecured bank loans in Swiss Francs and foreign currencies. Non-current financial liabilities with maturity terms of 1 to 5 years are at fixed interest rates. The interest rates for current financial liabilities are adjusted to market level several times a year.

The financial covenants underlying the bank loans were maintained at balance sheet date.

2.7 Short-term provisions

These provisions mainly relate to investments and group loans in foreign currencies.

2.8 Accrued expenses and deferred income

Accrued expenses and deferred income largely comprises the variable compensation for employees, deferred tax and interest expenses as well as further financial expenses.

2.9 Share capital

The share capital comprises 280'000 bearer shares listed on the Swiss Stock Exchange at a par value of CHF 1.00, and 410'000 privately held registered shares at a par value of CHF 0.50. There is no contingent or authorised capital.

2.10 Legal capital reserves

The reserves from capital contributions include the premium from the capital increases in 1986/87 and 1990.

2.11 Own shares

Own shares are used for shareholdings programmes offered to the Board of Directors and to employees. Both programmes are subject to the same conditions, which include a reduced purchase price 25 % below market value and a retention period of 3 years. In April of this financial year, the company sold 563 shares (743 in the previous year) to employees at the reduced price of CHF 478.50 (CHF 387.40 in the previous year) per share. In November, it transferred 642 bearer shares (767 in the previous year) to the members of the Board of Directors at the discounted price of CHF 540.00 (CHF 454.50 in the previous year) instead of a cash compensation.

In order to maintain the shareholding programmes over the medium-term, Hügli shares are periodically acquired on the market. In the financial year as well in the previous year, no further own shares were acquired. The amount of own shares was 2'843 bearer shares (4'048 in the previous year) at balance sheet date, the average purchase costs came to CHF 509.19 per share.

2.12 Income from investments

The income from investments comprises profit distribution in the form of dividends from investments.

2.13 Financial income

The financial income mainly includes interest income from group subsidiaries, and secondarily also the profit from the sale of own shares.

2.14 Other income

The other income primarily comprises license income of group subsidiaries for the use of managed registered brands, and Hügli's actual trademark rights, respectively, as well as allocated costs for the recognition of group functions.

2.15 Financial expenses

The financial expenses include the interest expenses for bank loans and foreign currency losses from loans to shareholdings, and secondarily also losses from the sale of own shares.

The increase sustained year-on-year is based on massively risen foreign currency losses due to significantly worsened currency relations after the Swiss National Bank's decision to discontinue the Euro minimum exchange rate. Interest expenses decreased slightly year-on-year.

2.16 Other operating expenses

The other operating expenses contain the Holding's management expenses for the organisation of the Annual General Meeting, the production of

the Annual Report, external consultancy fees and expenses for brand management and protection.

2.17 Extraordinary, one-off and out-of-period income

The out-of-period income comprises the release of provisions for group loans relating to the high valuation losses from foreign currency loans in the financial year.

3. Additional information

3.1 Full-time positions

In the financial year, the annual average of full-time positions stood below 10.

3.2 Securities provided for liabilities to third parties

The group provided securities for CHF 24.2 million (CHF 25.9 million in the previous year). In essence, these secure the credit line contracts provided to group subsidiaries by banks.

3.3 Major shareholders

Dr A. Stoffel Holding AG/Dr A. Stoffel hold 410'000 registered shares (410'000 in the previous year) and 40'031 bearer shares (39'924 in the previous year) at balance sheet date.This is equivalent to 50.5 % of the share capital and 65.2 % of the voting rights in the financial as well as in the previous year.

3.4 Net release of hidden reserves

The release of lump-sum provisions for investments/group loans in the financial year resulted in a decrease of hidden reserves that was recorded in the out-of-period income.

3.5 Subsequent events after balance sheet date

No subsequent events occurred after the balance sheet date that would require an adjustment to the carrying amounts of assets or liabilities, or would need to be disclosed under this heading.

3.6 Shareholdings of the Board of Directors, Group Executive Management and persons close to them

as per 31. December

	Number of bearer shares		Number of registered shares		Voting rights	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
					in %	in %
Dr Jean Gérard Villot, President	1'414	1'414			0.2	0.2
Dr Andreas Binder (since May 2015)	107				<0.1	
Dr Ida Hardegger	829	722			0.1	0.1
Fritz Höchner	1'967	2'060			0.3	0.3
Dr Christoph Lechner	218	111			<0.1	<0.1
Dr Ernst Lienhard	776	669			0.1	0.1
Dr Alexander Stoffel	40'031	39'924	410'000	410'000	65.2	65.2
Total Board of Directors	**45'342**	**44'900**	**410'000**	**410'000**	**66.0**	**65.9**
Thomas Bodenmann	732	850			0.1	0.1
Dirk Balzer	330	343			<0.1	<0.1
Endrik Dallmann	255	203			<0.1	<0.1
Frank von Glan (since November 2015)	0				0.0	
Matthias Grün (until Oktober 2015)		70				<0.1
Manfred Jablowski	0	0			0.0	0.0
Jörg Meyer	270	195			<0.1	<0.1
Andreas Seibold	370	400			0.1	0.1
Total Group Executive Management	**1'957**	**2'061**			**0.3**	**0.3**

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Hügli Holding AG, which comprise the balance sheet, income statement and notes (pages 86 to 92) for the year ended December 31, 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

St. Gallen, March 23, 2016

OBT AG

Stefan Traber
Licensed Audit Expert
Auditor in Charge

Willi Holdener
Licensed Audit Expert

Group Companies

	Participation		Nominal capital	
	31.12.2015	31.12.2014		31.12.2015
	in %	in %	Currency	in 1'000
Hügli Holding AG Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com			CHF	485
Hügli Nährmittel AG Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com	100	100	CHF	1'100
Supro-Nährmittel AG, Steinach, CH Telephone +41 71 314 64 74, E-Mail: info@supro.ch	100	100	CHF	1'000
EPS Holding AG, Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com	100	100	CHF	250
Hügli Nährmittel-Erzeugung GmbH, Hard, AT Telephone +43 5574 6940, E-Mail: huegli@huegli.com	100	100	EUR	765
Huegli UK Ltd., Redditch, GB Telephone +44 1527 514 777, E-Mail: info@huegli.co.uk	100	100	GBP	1
Ali-Big Industria Alimentare s.r.l., Brivio, IT Telephone +39 039 5320 555, E-Mail: alibig@ali-big.it	100	100	EUR	94
Ali-Big Export s.r.l., Brivio, IT Telephone +39 039 5320 555, E-Mail: alibig@ali-big.it	100	100	EUR	10
Granovita UK Ltd., Wellingborough, GB Telephone +44 1933 273 717, E-Mail: info@granovita.co.uk	100	0	GBP	1
Granovita S.A., La Vall d'Uixó (Castellón), ES Telephone +34 964 697 910, E-Mail: gestion@granovita.com	100	0	EUR	541
Hügli Nahrungsmittel GmbH, Radolfzell, DE Telephone +49 7732 8070, E-Mail: huegli@huegli.de	100	100	EUR	25'500
Heirler Cenovis GmbH, Radolfzell, DE Telephone +49 7732 8071, E-Mail: info@heirler-cenovis.de	100	100	EUR	2'929
Vogeley Nahrungsmittel GmbH, Hameln, DE Telephone +49 5151 40040, E-Mail: onlineservice@vogeley.de	100	100	EUR	153
Natur Compagnie GmbH, Radolfzell, DE Telephone +49 7732 8073, E-Mail: info@natur-compagnie.de (Merger as per 01. 01. 2015 with Heirler Cenovis GmbH)	0	100	EUR	0
Erntesegen Naturkost GmbH, Radolfzell, DE Telephone +49 7732 807 620, E-Mail: info@erntesegen.de (Merger as per 01. 01. 2015 with Heirler Cenovis GmbH)	0	100	EUR	0
Inter-Planing GmbH, Neuburg, DE Telephone +49 8283 99 880, E-Mail: info@inter-planing.de	100	100	EUR	260
OSCHO GmbH, Neuburg, DE Telephone +49 8283 99 860, E-Mail: info@oscho-versand.de	100	100	EUR	26
Hügli Food s.r.o., Zásmuky, CZ Telephone +420 321 759 611, E-Mail: info@huegli.cz	100	100	CZK	80'000
Hügli Food Polska sp.z o.o., Lodz, PL Telephone +48 42 611 00, E-Mail: robert.matysiak@huegli.com.pl	100	100	PLN	50
Hügli Food Slovakia s.r.o., Trnava, SK Telephone +421 33 535 4773, E-Mail: maria.binovska@huegli.sk	100	100	EUR	7
Hügli Food Kft., Budapest, HU Telephone +36 450 00 32, E-Mail: zoltan.molnar@huegli.hu	100	100	HUF	3'000

Key Figures 5-Year Summary

SEGMENTS/DIVISIONS

	Unit	2015	2014	2013	2012	2011
Key figures of geographic Segments						
Sales Germany	m. CHF	**233.4**	**229.0**	**216.0**	**172.6**	**175.0**
Change relative to previous year	%	1.9	6.0	25.1	–1.3	–9.8
Organic growth	%	6.1	7.3	4.9	1.0	1.2
EBIT Germany	m. CHF	**17.1**	**20.5**	**21.5**	**14.6**	**18.5**
As % of sales	%	7.3	9.0	9.9	8.5	10.6
Change relative to previous year	%	–16.9	–4.3	46.8	–21.1	–26.9
Sales Switzerland/Rest of Western Europe	m. CHF	**117.2**	**117.9**	**119.3**	**117.8**	**120.7**
Change relative to previous year	%	–0.6	–1.2	1.3	–2.4	–6.5
Organic growth	%	–1.6	–1.9	1.4	–2.8	–0.6
EBIT Switzerland/Rest of Western Europe	m. CHF	**11.3**	**10.4**	**7.0**	**5.9**	**10.0**
As % of sales	%	9.6	8.8	5.9	5.0	8.3
Change relative to previous year	%	9.0	48	18.2	–40.7	–1.3
Sales Eastern Europe	m. CHF	**27.7**	**30.1**	**32.0**	**34.4**	**36.4**
Change relative to previous year	%	–7.9	–5.8	–7.0	–5.6	–26.0
Organic growth	%	4.5	–0.8	–6.8	–1.2	9.2
EBIT Eastern Europe	m. CHF	**2.2**	**1.4**	**0.8**	**1.0**	**–0.1**
As % of sales	%	7.9	4.6	2.6	2.9	–0.2
Change relative to previous year	%	56.3	65.5	–14.3	n.a	–103.2
Sales of Divisions						
Food Service	m. CHF	**149.0**	**161.6**	**163.7**	**133.3**	**139.9**
Change relative to previous year	%	–7.8	–1.3	22.8	–4.7	–8.8
Organic growth	%	2.7	0.3	0.3	–2.8	–0.6
Private Label	m. CHF	**78.5**	**77.4**	**70.9**	**70.9**	**69.6**
Change relative to previous year	%	1.4	9.1	0.0	1.9	–13.7
Organic growth	%	14.5	10.7	–1.4	4.1	5.5
Brand Solutions	m. CHF	**55.5**	**56.1**	**52.1**	**43.5**	**41.0**
Change relative to previous year	%	–1.1	7.7	19.8	7.7	
Organic growth	%	8.0	7.1	17.8	8.0	
Food Industry	m. CHF	**32.7**	**36.7**	**36.2**	**35.8**	**39.1**
Change relative to previous year	%	–10.8	1.4	1.2	–8.6	
Organic growth	%	–10.5	0.7	–4.4	–9.2	
Consumer Brands	m. CHF	**62.2**	**44.6**	**43.9**	**41.0**	**42.1**
Change relative to previous year	%	39.5	1.4	7.3	–4.6	
Organic growth	%	–5.9	2.8	5.0	–2.0	

Key Figures 5-Year Summary

GROUP

	Unit	2015	2014	2013	2012	2011
Sales	m. CHF	**378.3**	**377.0**	**367.3**	**324.8**	**332.0**
Change relative to previous year	%	0.4	2.6	13.1	–2.2	–10.8
Organic growth	%	3.4	3.6	2.4	–0.6	1.4
Operating profit before depreciation (EBITDA)	m. CHF	**44.0**	**45.9**	**42.8**	**33.6**	**39.8**
As % of sales	%	11.6	12.2	11.7	10.3	12.0
Change relative to previous year	%	–4.1	7.1	27.7	–15.8	–18.3
Operating profit (EBIT)	m. CHF	**30.6**	**32.3**	**29.3**	**21.5**	**28.5**
As % of sales	%	8.1	8.6	8.0	6.6	8.6
Change relative to previous year	%	–5.4	10.2	36.1	–24.3	–24.7
Net Group profit	m. CHF	**23.3**	**23.4**	**20.8**	**15.0**	**19.5**
As % of sales	%	6.2	6.2	5.7	4.6	5.9
Change relative to previous year	%	–0.3	12.5	38.8	–22.9	–28.8
Cash flow from operating activities	m. CHF	**41.1**	**31.9**	**40.2**	**23.8**	**25.8**
As % of sales	%	10.9	8.5	10.9	7.3	7.8
Investments (tangible and intangible assets)	m. CHF	**34.1**	**16.3**	**21.9**	**13.8**	**20.7**
Number of employees (FTEs at balance sheet date)		**1'436**	**1'378**	**1'321**	**1'252**	**1'298**
Invested capital (Net operating assets)	m. CHF	**240.1**	**228.6**	**220.7**	**230.9**	**204.0**
Net working capital	m. CHF	93.7	97.8	90.6	93.1	83.7
Tangible and intangible assets	m. CHF	146.4	130.8	130.1	137.8	120.3
Equity	m. CHF	**151.7**	**150.2**	**136.9**	**125.5**	**119.7**
As % of total assets	%	54.1	56.8	53.4	48.0	50.5
Net debt [1]	m. CHF	**67.0**	**56.4**	**65.4**	**86.8**	**69.9**
Gearing (Ratio to equity)		0.44	0.38	0.48	0.69	0.58
Net debt to EBITDA ratio		1.5	1.2	1.5	2.6	1.8
Interest coverage ratio (EBIT/Interest expenses)		32.3	30.6	20.0	11.2	13.5
Return on invested capital (ROIC) [2]	%	**10.8**	**10.9**	**9.8**	**7.8**	**10.6**
Return on equity (ROE) [3]	%	**16.4**	**16.6**	**16.3**	**12.2**	**16.6**
Information per bearer share (security no. 464795)						
Net profit per bearer share	CHF	48.49	48.79	43.41	31.18	40.51
Dividend (proposal for 2015)	CHF	16.00	16.00	14.00	12.00	15.50
Payout ratio	%	33	33	32	38	38
Equity per bearer share	CHF	313	310	282	259	247
Market price 31.12.	CHF	759	724	517	500	567
Market price high	CHF	789	739	550	670	761
Market price low	CHF	651	516	486	472	520
Enterprise Value 31.12.	m. CHF	435	407	316	329	345
Price/Earnings Ratio 31.12.		**15.7**	**14.8**	**11.9**	**16.0**	**14.0**
Enterprise Value/EBITDA 31.12.		**9.9**	**8.9**	**7.4**	**9.8**	**8.7**

Definitions

1 Net debt = Interest bearing financial debts – Cash and equivalents

2 Return on invested capital (ROIC) = NOPAT (EBIT × (1 – actual tax rate))/ NOA (Average Net working capital and Tangible and intangible assets)

3 Return to equity (ROE) = Net profit/Average equity

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Agenda
13 April 2016/07.30 a. m.
Media Release:
Annual Report 2015/Sales Q1 2016
13 April 2016/10.30 a. m.
Media and Analysts' Conference
Widder Hotel, Zurich
25 May 2016/04.30 p. m.
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Translation: The original of this Annual 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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