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Good financial year 2010 for Hügli
Organic sales growth at +3.2%, adverse impact of strong Swiss Franc

Hügli recorded sales totalling CHF 372.2 million in the financial year 2010. The Group thereby increased its sales in local currencies and without the effect of a divestiture by +3.2%. The sale of a product line caused a loss of 1.5% of sales on a comparable basis. The strong Swiss Franc, in contrast to all Group currencies, had an impact of -6.4% on the sales reported for the financial year.
As many Hügli products are manufactured and sold in the same currency, the influence of these unfavourable exchange rates on EBIT was considerably weakened. Owing to an improved product mix and improvements in efficiency and cost management, we still expect a higher EBIT when compared to 2009, and therefore best results for Hügli.

Sales growth in CHF and organic (in local currencies and without divestiture effect) by geographic segments and sales-divisions is broken down as follows:

		Variance in %	
Sales 2010	CHF million	in CHF	organic
Germany	194.0	-5.2%	+3.5%
Switzerland / Rest of Western Europe	129.0	-2.9%	+0.9%
Eastern Europe	49.2	-6.8%	+8.7%
Group total	**372.2**	**-4.7%**	**+3.2%**
Food Service Division	153.4	-4.6%	+1.5%
Private Label Division	80.6	-3.9%	+11.8%
Industrial Foods Division	70.8	-1.8%	+1.0%
Health and Natural Food Division	48.7	-8.8%	-0.7%
Other	18.7	-7.2%	+1.3%
Group total	**372.2**	**-4.7%**	**+3.2%**

The speed of growth of +4.6% in local currencies recorded in H1 2010 could not be maintained and was slowed to +1.7% in H2 2010 due to the continuing difficult economic situation. However, it must be acknowledged that the previous year's higher basis could not be easily surpassed. A favourable +4.1% was achieved in H2 2009 after the +2.7% recorded in H1 2009.

In view of the adverse underlying conditions and the strategic product portfolio adjustments, we consider the organic sales growth of +3.2% in 2010 as a good result, particularly so as we were able to achieve sales growth of +4.6% with self-produced products. Volume growth totalled +2.8% in the financial year.

The negative currency effect caused by the translation of foreign currency sales to the reporting currency CHF rose rapidly by -3.0% in the first half of the year to a very high -10.1% in the second half of 2010. A currency-induced distortion of the reported sales figures in CHF that bears such proportions cannot adequately reflect the economic performance of an international corporation. This applies even more if most of the expenditures, due to local country companies, are made in the respective foreign currencies. Converted to CHF, these expenses will subsequently also turn out substantially lower and while the impact on operating earning power will still be painful, these so-called “natural hedges” can exert decisive control over them.

All of the **Group’s geographic segments** enjoyed positive growth, with Eastern Europe – without the effect of divestiture of the product line “chocolate-based spreads” – standing out by achieving the highest growth rate of +8.7% in local currencies, which nevertheless could not match the previous year's excellent growth rate of +16.8%. The results attained in the Czech Republic, Slovakia and Hungary are well above average. The performance accomplished in Poland is still not satisfactory.

Germany is the largest segment and showed a further increase with +3.5% in local currencies. As in the previous year, 2010 was a year of consolidation in which we aimed for an increase of profits and consequently abandoned unprofitable sales.

The Switzerland / Rest of Western Europe segment attained a sales growth in local currencies of only +0.9%. The growth rate varied considerably from country to country. An excellent performance was achieved in Switzerland. Austria was heavily affected by the adverse economic environment. In Italy, the most relevant impact on performance was induced by the shutdown of an unprofitable sales channel, which resulted in a loss of sales. At the same time, the recently introduced new and innovative products, to which we attribute good market potential, showed promising first results. The company acquired in 2008 in the UK was exposed to a very high cyclicity. The sales leap of around 40% experienced in 2009 was followed by a slump of -25% in the financial year 2010. Nevertheless, thanks to a pipeline well filled with projects we are confident that positive figures can soon be expected again.

In the international **sales divisions**, the sales development was inconsistent. The Private Label division – which caters to large retail trade organisations using their brands – enjoyed the highest increase with +11.8% organic growth, owing to a good growth dynamic in the Czech Republic and a successful market entry in the UK. The demand for products with a good price-performance-ratio continues to rise, and these products are beginning to score higher than brand products in tests conducted by independent consumer organisations.

The Food Service division – which serves the “out of home” market –, with sales growth of +1.5%, is still affected by the stagnating sales of restaurants and hotels, and in particular the development in the domain of tourism. The country organisation in Austria did not generate any sales growth whereas Germany achieved an above average increase. Favourable increases were also attained in the smaller countries Hungary and Slovakia.

The Industrial Foods division – which sells finished and semi-finished products to the food industry – was heavily affected by the absence of cyclic sales in the UK. The key account business in Switzerland, on the other hand, enjoyed a strong boost from new incoming orders. Nevertheless, an overall growth of +1.0% clearly cannot fulfil our expectations.

The Health and Natural Food division – which sells organic products to the specialised trade – was faced with stagnating sales of -0.7% in local currencies, along with the reluctance to buy higher priced biological products, particularly in the health food trade, that relates to the tight economic situation. The current animal feed scandal that has been spreading across Germany, however, emphasises the strong value of food produced on an organic basis that also justifies higher prices.

Despite the slow-down of sales development caused by the difficult economic situation and in spite of currency-related losses, we are forecasting a good **financial year 2010**.Thanks to an improved mix of products with a higher percentage of Hügli products as well as to the continuous improvements in efficiency and cost management, we again expect a higher EBIT and thus best results for Hügli.

The cautiously optimistic **outlook** on the financial year 2011 anticipates moderate organic growth in a continuously challenging economic environment. The projected growth will probably be more than eliminated by the current exchange rates and the remaining effect of divestiture of reported sales. We therefore expect slightly lower sales in CHF. As a result of the increase of commodities prices, we are expecting material expenses to be higher in 2010 and, accordingly, EBIT to reach figures comparable to the previous year.

Hügli is sticking to its **strategic target** of recording solid organic sales growth of more than 5% over the long term, with an above average increase in income. We also constantly review market opportunities, with the aim of increasing the profitability of our infrastructure and our sales capacity.

Detailed information on the financial year 2010 and the Q1 2011 sales report will be published at the media and analysts' conference on 14 April 2011.

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Financial calendar

14 April 2011	7.30 a.m.	Media release: Annual Report 2010, Sales Q1 2011
	10.30 a.m.	Media/Analysts' Conference, Widder Hotel, Zurich
11 May 2011	4.30 p.m.	Annual General Meeting, Seeparksaal, Arbon
16 August 2011	7.30 a.m.	Media release: Half-Year Report 2011

Hügli – one group, many teams, one goal

The Hügli Group, headquartered in Steinach, Switzerland, is one of the leading European food companies for the innovative development, the efficient production and the marketing of dry blends in the convenience segment comprising soups, sauces, bouillons, ready to serve meals, desserts, functional food as well as Italian specialities. The customer-oriented production and direct sales to professional clients are core elements of the Group strategy, which aims for sustainable and profitable growth. Hügli strives to heighten the customer benefit with excellent products – and these are recognised not least by their flavour. More than 1400 employees in 9 countries link Hügli directly with its customers, and generate annual sales of around CHF 370 million. For further information, please visit www.huegli.com.