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Hügli saw moderate organic sales growth in 2011
Earnings affected by high raw materials prices and strong Swiss Franc

The Hügli Group saw moderate organic sales growth of +1.4% in the business year 2011, having faced challenging conditions and remaining below target with a sales total of CHF 332 million. The Swiss Franc's strength affected sales and caused considerable translation losses of CHF -33 million. Hügli's presence in currency regions outside the Swiss Franc's impact, however, prevented the Group from incurring significant negative effects on its profitability.
Considering the unsatisfactory growth rate and the substantial price increases of raw materials, we anticipate the EBIT margin for 2011 to lie within the strategic target range of 8% to 9%, which would stand far below the previous year's best result of 10.2%.
Although continuing uncertainties are still affecting the markets, the outlook for 2012 expects sales to increase by a solid +4% to +5% and the operating result to grow in a comparable rate.

Sales development in CHF and organic (continued activities in local currencies) broken down by geographical segments and by sales divisions is structured as follows:

Sales 2011	CHF million	Change in % in CHF	Change in % organic
Germany	175.0	-9.8%	+1.2%
Switzerland / Rest of Western Europe	120.7	-6.5%	-0.6%
Eastern Europe	36.4	-26.0%	+9.2%
Group total	**332.0**	**-10.8%**	**+1.4%**
Food Service Division	139.9	-8.8%	-0.6%
Private Label Division	69.6	-13.7%	+5.5%
Industrial Foods Division	62.1	-12.3%	+2.4%
Health and Natural Food Division	44.2	-9.4%	+1.3%
Other	16.3	-12.9%	-2.3%
Group total	**332.0**	**-10.8%**	**+1.4%**

When compared with the extraordinary growth rate achieved in the previous year, the first half of 2011 showed a very modest start with a sales growth of +0.1% in local currencies. While still not closing the gap to the anticipated level of +4%, the second half of 2011 was marked by a more favourable development with a sales growth of +2.6%. The difficult economic conditions in particular affected our biggest division, Food Service, which faced the biggest challenges in its European gastronomy business (restaurants, hotels). The organic sales growth of +1.4%, attained in 2011, resulted in total Group sales of CHF 332.0 million. Hügli's sales total was slowed down by translation losses due to the strong Swiss Franc (CHF -33 million) and by the disinvestment of a product line effected in the previous year (CHF -12 million). At year-end, it stood with -10.8% clearly far below the previous year's amount of CHF 372.2 million.

Despite substantial price spikes in the raw materials market, sales price increases could be implemented only to some extent and with a considerable delay, averaging +1.1% and heavily affecting the gross margin. Volume growth attained in the business year exceeded the previous year's level by a slight +0.3%.
Brought about by translation of sales in foreign currencies into the reporting currency CHF, the negative currency effect amounted to a massive -8.8%. As Hügli's production sites are mostly based in the same currency regions, costs are expected to drop by a comparable rate and to soften the negative currency effect's impact on results.

The **Group's geographic segments** underwent differing developments. Eastern Europe achieved a satisfactory organic +9.2% (continued operations) overall, the Czech Republic and Poland showing good growth rates while Hungary experienced a slowdown due to the economic situation. Germany stood with +1.2% to a moderate extent above the previous year's rate, although in its core segment (soups, sauces, bouillons) the market had dropped. Higher sales to industrial clients made a positive contribution. The segment Switzerland / Rest of Western Europe showed the strongest positive and negative spikes scattered around the mean value of -0.6%. The UK and Austria experienced favourable sales developments. Italy, on the other hand, closed the year with a double-digit minus. This is not only a consequence of the extraordinarily challenging external market conditions but also due to staff problems in the Food Service division's sales department that had been restructured.

The development of sales in the international **sales divisions** also showed various patterns. The Private Label division – sales to large retail companies using their own brands – again made the largest contribution with +5.5% organic sales growth, with a good growth dynamic in the Czech Republic and another successful market expansion in the UK.
The Industrial Foods division suffered from the reduction of orders from major customers and at the same time profited from new orders issued by reputable key accounts, thereby attaining a net plus of +2.4% in organic sales.
The Food Service division – sales to all providers in the 'out of home' market – in many countries faced adverse conditions. The above-mentioned problems in Italy had a particularly harmful effect on sales and resulted in the overall division's sales decline of -0.6%.
The Health and Natural Food division achieved a slight improvement in its brand business when compared to the previous year. The export business continued to develop favourably. Overall, it grew organically by +1.3%.

Hügli aims to focus on its customers' needs in an even more targeted manner. The Group therefore decided to **restructure and expand the sales divisions starting on 01.01.2012**. For this purpose, customers of the food processing industry are consolidated in the new "Food Industry" division. Also starting in 2012, the "Brand Solutions" division will manage companies specialising in marketing and sales of products under their own brands. Alongside these new key account customer segments, all Hügli-owned brands (Cenovis, Heirler, Natur Compagnie, Erntesegen, Tellofix, Oscho, among others) that are sold to consumers directly or through trade channels will be incorporated in the "Consumer Brands" division. Customers from the 'out of home' market will still be attended by the "Food Service" division's sales team. Products for the food retailers will continue to be managed by the “Private Label” division. There will be no changes to the staff. Endrik Dallmann, previously head of the “Industrial Foods” division, will now head both key account divisions "Food Industry" and "Brand Solutions". Alexander Moosmann, formerly head of the “Health and Natural Food” division, is now responsible for the branding strategy of the “Consumer Brands” division.

Considering the moderate organic sales development along with the substantially increased raw materials costs as well as the currency losses due to the strong Swiss Franc, we anticipate the EBIT margin for the **business year 2011** to lie within the strategic target range of 8% to 9%, which would stand far below the previous year's best result of 10.2%.

The cautiously optimistic outlook on the already begun business year 2012, despite the continuing uncertainties in the markets, on the one hand still anticipates a solid sales growth in the range of +4% to +5%. On the other hand, the raw materials costs, as they remain stable at a high level, will continue to affect the gross margin also in the new business year. This will allow EBIT to grow only with a comparable rate.
CEO Thomas Bodenmann comments on the focus 2012 as follows: "We are working on a systematic development of defined market potentials. This includes expanding market shares and augmenting earnings through a more targeted management of division portfolios.”

Hügli continues to maintain its **strategic target** of achieving long-term organic sales growth of more than 5% alongside an over-proportional increase in earnings. Hügli relies on motivated employees and excellent products, and even in unstable times stands for stability and reliability.

Detailed information on the financial year 2011 and the Q1 2012 sales report will be published at the Media and Analysts’ Conference on 12 April 2012.

Financial calendar

12 April 2012	07.30 a.m.	Media Release: Annual Report 2011, Sales Q1 2012
	10.30 a.m.	Media/Analysts’ Conference, Widder Hotel, Zurich
23 May 2012	04.30 p.m.	Annual General Meeting, Seeparksaal, Arbon
25 May 2012		Ex-dividend date
31 May 2012		Dividend payment (coupon no. 17)
17 August 2012	07.30 a.m.	Media Release: Half-Year Report 2012

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This information and further financial details as well as the annual report, information on corporate governance and Hügli shares, can be found at our Investor Relations website: http://ir.huegli.com
Hügli is listed on the SIX Swiss Stock Exchange (HUE / Security number 464795).

Hügli – one group, many teams, one goal

Hügli was founded in Switzerland in 1935. Today it is one of the leading European food 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 as well as Italian specialities. Hügli caters to the kitchens of the professional out of home market (Food Service), manufactures products for brand companies (Brand Solutions) as well as for food retailers (Private Label). With its flavour-adding semi-finished products, Hügli partners with food manufacturers (Food Industry) and sells own brands, mostly of organic quality, to consumers (Consumer Brands). 1300 employees in 9 countries link Hügli directly with its customers, and generate annual sales of more than CHF 330 million.

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