



Half-Year Report

2016

Culinary expertise.
Creativity.
Speed.



Key Figures 5-Year Summary

GROUP

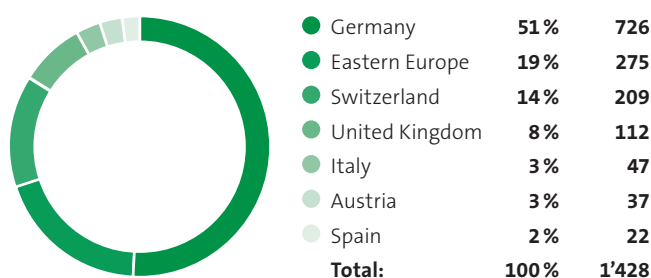
		H1 2016	H1 2015	H1 2014	H1 2013	H1 2012
	Unit					
Sales	m. CHF	190.1	187.0	185.0	182.4	164.4
Change relative to previous year	%	1.7	1.1	1.5	10.9	-3.4
Organic growth	%	-1.6	5.6	2.1	-0.2	1.0
Operating profit before depreciation (EBITDA)	m. CHF	23.4	22.7	22.9	20.8	18.4
As % of sales	%	12.3	12.1	12.4	11.4	11.2
Change relative to previous year	%	3.3	-1.2	10.3	13.0	-16.7
Operating profit (EBIT)	m. CHF	16.4	16.3	16.0	14.0	12.3
As % of sales	%	8.7	8.7	8.7	7.7	7.5
Change relative to previous year	%	0.9	1.6	14.3	13.8	-25.8
Net Group profit	m. CHF	12.0	11.9	11.7	10.0	8.5
As % of sales	%	6.3	6.4	6.3	5.5	5.2
Change relative to previous year	%	1.0	1.8	16.3	18.1	-24.3
Cash flow from operating activities	m. CHF	25.4	26.9	24.4	25.0	15.3
As % of sales	%	13.4	14.4	13.2	13.7	9.3
Investments (tangible and intangible assets)	m. CHF	17.8	10.4	9.6	5.3	6.7
Number of employees (FTEs at balance sheet date)		1'428	1'403	1'373	1'354	1'262
Invested capital (Net operating assets)	m. CHF	240.3	214.2	218.1	218.9	209.8
Net working capital	m. CHF	83.9	88.8	86.3	88.2	90.0
Tangible and intangible assets	m. CHF	156.4	125.4	131.8	130.7	119.9
Equity	m. CHF	153.1	135.2	139.9	126.9	119.6
As % of total assets	%	53.7	53.2	54.4	49.4	48.7
Net debt	m. CHF	67.3	54.8	57.4	73.8	69.3
Gearing (Net debt/Equity)		0.44	0.41	0.41	0.58	0.58
Net debt to EBITDA ratio (Net debt/EBITDA) ¹		1.5	1.2	1.3	1.9	1.9
Interest coverage ratio (EBIT/Interest expenses) ¹		29.2	36.6	25.6	12.5	12.1

Definitions

¹ 12 months rolling, 01.07. – 30.06.

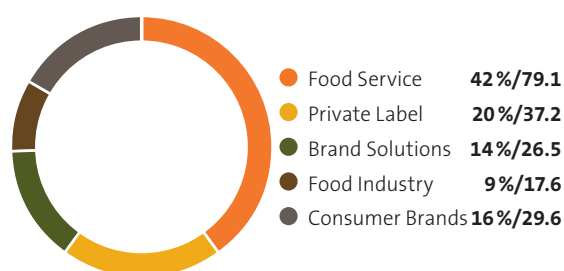
Personnel 30.06.2016

in %/Number of full-time positions



Share of sales H1 2016

in %/in million CHF



Key Figures 5-Year Summary

SEGMENTS/DIVISIONS

		H1 2016	H1 2015	H1 2014	H1 2013	H1 2012
	Unit					
Key figures of geographic Segments						
Sales Germany	m. CHF	114.3	116.5	111.1	108.2	86.5
Change relative to previous year	%	-1.9	4.9	2.7	25.0	-2.4
Organic growth	%	-5.3	10.1	3.3	4.3	2.9
EBIT Germany	m. CHF	7.9	10.8	10.7	11.3	7.4
As % of sales	%	6.9	9.2	9.7	10.5	8.5
Sales Switzerland/Rest of Western Europe	m. CHF	60.6	57.0	58.6	57.6	59.8
Change relative to previous year	%	6.3	-2.6	1.7	-3.7	-4.3
Organic growth	%	3.5	-1.1	1.2	-4.0	-2.9
EBIT Switzerland/Rest of Western Europe	m. CHF	7.2	4.6	4.5	2.4	4.3
As % of sales	%	11.9	8.0	7.7	4.1	7.1
Sales Eastern Europe	m. CHF	15.2	13.5	15.3	16.6	18.1
Change relative to previous year	%	12.9	-12.2	-7.4	-8.3	-4.8
Organic growth	%	9.1	1.5	-2.8	-9.4	5.5
EBIT Eastern Europe	m. CHF	1.4	0.9	0.8	0.4	0.7
As % of sales	%	8.9	7.0	5.3	2.1	4.0
Sales of Divisions						
Food Service	m. CHF	79.1	74.9	81.8	83.0	68.1
Change relative to previous year	%	5.6	-8.5	-1.4	21.9	-6.9
Organic growth	%	2.8	2.4	0.3	-1.5	-2.3
Private Label	m. CHF	37.2	37.5	35.0	34.9	34.7
Change relative to previous year	%	-0.8	6.9	0.4	0.6	2.1
Organic growth	%	-4.0	22.7	1.4	-1.1	8.1
Brand Solutions	m. CHF	26.5	27.0	26.9	24.5	21.8
Change relative to previous year	%	-1.8	0.3	9.6	12.7	7.5
Organic growth	%	-3.4	9.9	10.2	9.9	11.1
Food Industry	m. CHF	17.6	16.7	19.1	17.7	19.0
Change relative to previous year	%	5.5	-12.7	7.9	-6.7	-7.9
Organic growth	%	4.9	-8.6	3.1	-10.5	-6.9
Consumer Brands	m. CHF	29.6	30.8	21.8	22.1	20.8
Change relative to previous year	%	-3.9	41.6	-1.6	6.4	-5.8
Organic growth	%	-10.9	-0.5	-1.1	4.4	-0.7

Hügli maintains profitability in demanding market environment

- ... Sales increase by +1.7 % to CHF 190.1 million
- ... EBIT margin unchanged at 8.7 %
- ... Profit maintained at previous year's level
- ... Solid balance sheet with equity ratio of 53.7 %
- ... Outlook 2016: Sales at previous year's level, EBIT slightly below level of 2015

DEAR READERS

Market changes and macroeconomics put brakes on growth

While Hügli had generated an average annual organic growth of +3.1 % in the preceding three financial years, the first half of 2016 was marked by macroeconomic uncertainties, heightened competition and changes to distribution structures. Organic sales dropped by -1.6 % in the first half of 2016, while this includes the handicap inherited from the previous year's high growth level (+5.6 % in 2015). Based on a positive currency translation effect the sales increased from CHF 187.0 million last year to CHF 190.1 million in the first half year 2016. The segment Eastern Europe (Czech Republic, Slovakia, Poland, Hungary) achieved a notably pleasant sales increase of +9.1 %, allotted to all divisions. An actual sales boost in the two-digit range was achieved by the country organisation in Italy, based on the strong demand for liquid sauces and soups. At the same time, orders of key account customers slumped in the UK, mainly in the area of Health & Nutrition, making it impossible to attain the previous year's sales level. In addition, the strong Swiss Franc still affected the gastronomy sector and caused sales to drop further in Switzerland. Owing to the considerable Italian contribution, the Switzerland/Rest of Western Europe segment nevertheless saw positive results with a sales plus of +3.5 % in local currencies.

The largest segment Germany registered an unexpectedly severe sales slump of -5.3 %. This is even more surprising because Germany had in the past three years been a growth driver with an average annual sales increase of above +6 %. There are numerous reasons for this. On the one hand, fewer tenders from key accounts were won due to the heightened competition, and on the other hand, a number of production orders were actively discontinued because of their unsatisfactory margin. The significant slowdown of sales in German health food stores, owed to the expansion of the organic product line in the retail food trade at the expense of the specialist trade distribution channels, as well as the tightened competition had a depressing effect on this financial year.

Private Label Retail/Consumer Brands declined, Food Industry achieved turnaround

The Private Label Retail division (brands of the retail food trade) lost and actively cut back part of the sizeable sales volume it had built up in the previous two years (+14.5 % in 2015 and +10.7 % in 2014) in the course of optimising its product line. The sales decline of -4.0 % in local currencies in the first half of 2016 resulted from the negative results in Germany, whereas the regions EAST and UK achieved pleasing growth figures.

Selling Hügli's own organic brands, the Consumer Brands division was affected by the significant reduction of market shares of the health food market and by the steepened pressure from the competition among vegetarian/vegan meat replacement products. The resulting adverse effects could not

be compensated by our brands “Ernteseegen” and “Natur Compagnie” despite their positive development. The division registered a total drop in sales of –10.9% in the first half of 2016. Corresponding measures have been implemented.

The Food Industry division very favourably increased sales by +4.9% in the foodstuffs industry in 2016. Thanks to a well filled innovative project pipeline, new orders were won in all countries served by this division. With +2.8%, the Food Service division developed according to plan and positively influenced by the very good progress of the EAST countries, despite the considerable currency based slowdown of Switzerland’s gastronomy market.

Profitability maintained thanks to good cost control

Stable raw materials prices laid the foundation for an increase of the gross margin resulting from the production of former trade goods (insourcing). This includes products of the EDEN and granoVita brands acquired in 2015 as well as the increase in our own production of meat replacements. The Group’s staff decreased slightly by 8 to a total of 1’428 full-time positions in the first half of 2016. Personnel expenses in local currencies stood at the previous year’s level. Costs were mainly accumulated for strategic projects only, above all the further build-up of the production plant for meat replacement alternatives, and the expansion of the production site Radolfzell (Germany) to one of Europe’s most state-of-the-art and most efficient production plants for high quality dry blend products. Owing to these measures, EBIT was maintained at the previous year’s level with CHF 16.4 million, just like the EBIT margin with 8.7%. Group net profit also remained constant at CHF 12.0 million, which corresponds to a profit margin from sales (ROS) of 6.3%.

Strong balance sheet

The balance sheet presents itself unchanged and very solid with an equity ratio of 53.7%. The only remarkable balance sheet item is the under construction position of CHF 28 million that reflects the ongoing expansion of the Radolfzell production plant. The plant is expected to be put into service at the beginning of 2017. With CHF 67.3 million, net debt remained almost unchanged in the first half of 2016 due to the good internal financing and despite high investment expenses of CHF 17.8 million and the dividend payout of CHF 7.7 million effected in the first half of the year. The financial key figure net debt to EBITDA remained constant with a factor of 1.5x when compared to 2015.

Outlook 2016: Sales at previous year’s level, EBIT slightly below level of 2015

For the second half of 2016 we anticipate a sales development in local currencies comparable to that of the first half of the year. Nevertheless, the macroeconomic and political uncertainties may depress customer demand. Correspondingly we expect sales 2016 to attain the previous year’s level. In order to safeguard long-term growth and optimize business processes, we will continue all projects in spite of the dent in growth and start several new projects. Accordingly, we anticipate costs to rise slightly in the second half and EBIT 2016 to drop slightly below the previous year’s level.

Vote of Thanks

In a demanding environment, our employees support Hügli every day in the Group's achievement of its ambitious goals with great commitment, flexibility and loyalty. We sincerely thank our staff for their engagement, all our business partners for the good and constructive cooperation, and our shareholders for the trust they put in us..

Steinach, August 2016



Dr Jean Gérard Villot
Chairman of the Board of Directors



Thomas Bodenmann
CEO, President of the Group Executive Management

Consolidated Income Statement

	Jan.–June 2016		Jan.–June 2015		Jan.–Dec. 2015	
	in CHF 1'000	in %	in CHF 1'000	in %	in CHF 1'000	in %
Sales	190'144	100.0	187'000	100.0	378'346	100.0
Sales deductions	-3'929	-2.1	-4'028	-2.2	-7'751	-2.0
Net sales	186'215	97.9	182'972	97.8	370'595	98.0
Change in inventory of finished and unfinished goods	3'659	1.9	943	0.5	-858	-0.2
Operating revenue	189'874	99.9	183'915	98.4	369'737	97.7
Material expenses	-87'573	-46.1	-86'150	-46.1	-176'186	-46.6
Personnel expenses	-44'774	-23.5	-43'442	-23.2	-87'571	-23.1
Other operating expenses, net	-34'098	-17.9	-31'639	-16.9	-61'988	-16.4
Operating profit before depreciation and amortisation (EBITDA)	23'429	12.3	22'684	12.1	43'992	11.6
Depreciation tangible fixed assets	-5'747	-3.0	-5'329	-2.8	-11'191	-3.0
Amortisation intangible assets	-1'233	-0.6	-1'050	-0.6	-2'233	-0.6
Operating profit (EBIT)	16'448	8.7	16'305	8.7	30'568	8.1
Interest expenses	-518	-0.3	-411	-0.2	-946	-0.3
Interest income	3	0.0	8	0.0	12	0.0
Other financial result	-283	-0.1	-138	-0.1	-223	-0.1
Profit before taxes	15'651	8.2	15'764	8.4	29'411	7.8
Income taxes	-3'631	-1.9	-3'862	-2.1	-6'068	-1.6
Net Group profit	12'020	6.3	11'902	6.4	23'343	6.2
Earnings per bearer share in CHF (not diluted and diluted)	24.93		24.73		48.49	

Consolidated Cash Flow Statement

	Jan.–June 2016	Jan.–June 2015	Jan.–Dec. 2015
in CHF 1'000			
Net Group profit	12'020	11'902	23'343
Income taxes	3'631	3'862	6'068
Interest expenses/Interest income	515	403	934
Depreciation/Amortisation	6'981	6'379	13'424
Increase/(Decrease) in provisions for employee benefits	41	12	41
Loss/(Profit) from disposal of non-current assets	10	-69	-71
Other non-cash result	506	570	666
Operating cash flow before the change of net working capital	23'703	23'059	44'405
Change in net working capital			
(Increase)/Decrease in receivables	3'456	827	-1'081
(Increase)/Decrease in inventories	-2'630	-156	-671
Increase/(Decrease) in liabilities	3'099	5'143	3'939
Income taxes paid	-2'189	-1'952	-5'437
Cash flow from operating activities	25'439	26'921	41'155
Investments tangible fixed assets	-17'482	-9'453	-32'286
Investments intangible assets	-335	-952	-1'792
Cash flow from acquisitions (net of cash)	0	-10'782	-14'515
Disposals of tangible assets	0	279	2'531
Disposals of financial assets	0	0	1
Interest received	3	8	12
Cash flow from investing activities	-17'814	-20'900	-46'049
Increase/(Repayment) of short-term financial liabilities	-1'545	5'172	7'357
Repayment of long-term financial liabilities	0	-10'210	-10'210
Increase of long-term financial liabilities	0	10'210	15'628
Dividend payment	-7'715	-7'704	-7'704
Interest paid	-425	-411	-839
Sale of own shares (Stock ownership plans)	0	269	611
Cash flow from financing activities	-9'685	-2'674	4'843
Total cash flow	-2'059	3'347	-51
Translation adjustments on cash and cash equivalents	-248	-1'402	-1'004
Change in cash and cash equivalents	-2'307	1'945	-1'055
Cash and cash equivalents at 01.01.	12'012	13'067	13'067
Cash and cash equivalents at 30.06./31.12.	9'705	15'012	12'012

Consolidated Balance Sheet

	30.06.2016		31.12.2015		30.06.2015	
	in CHF 1'000	in %	in CHF 1'000	in %	in CHF 1'000	in %
Assets						
Cash and cash equivalents	9'705		12'012		15'012	
Trade accounts receivable	45'819		50'311		46'125	
Other accounts receivable	5'732		5'260		5'394	
Accrued income and prepaid expenses	1'743		62'991		1'571	
Inventories	64'729		1'878		59'763	
Current assets	127'728	44.8	132'452	47.3	127'865	50.4
Land and buildings	63'126		63'683		58'612	
Technical equipment and machinery	43'654		43'922		40'669	
Other tangible fixed assets	9'053		9'355		6'210	
Under construction	28'019		15'995		6'709	
Intangible assets	12'561		13'431		13'240	
Financial assets	20		20		20	
Deferred tax assets	1'100		1'426		530	
Non-current assets	157'532	55.2	147'832	52.7	125'990	49.6
Assets	285'260	100.0	280'284	100.0	253'855	100.0
Liabilities and shareholders' equity						
Short-term financial liabilities	34'154		36'108		32'591	
Trade payables	21'670		21'026		20'167	
Other current liabilities	1'697		1'391		1'346	
Accrued expenses and deferred income	20'446		16'343		17'579	
Current liabilities	77'967	27.3	74'868	26.7	71'683	28.2
Long-term financial liabilities	42'860		42'870		37'210	
Deferred tax liabilities	9'954		9'501		8'490	
Provisions for employee benefits	1'423		1'384		1'299	
Non-current liabilities	54'237	19.0	53'755	19.2	46'999	18.5
Liabilities	132'205	46.3	128'623	45.9	118'682	46.8
Share capital	485		485		485	
Capital reserves	19'891		19'891		19'875	
Own shares	-1'448		-1'448		-1'774	
Retained earnings	134'127		132'733		116'587	
Shareholders' equity	153'055	53.7	151'661	54.1	135'173	53.2
Total liabilities and shareholders' equity	285'260	100.0	280'284	100.0	253'855	100.0

Consolidated Statement of Changes in Equity

	Share capital	Capital-reserves	Own shares	Retained earnings			Total
				Other retained earnings	Changes in value hedge accounting	Translation differences	
in CHF 1'000							
Balance at 31.12.2014	485	19'893	-2'061	155'149	-1'089	-22'222	150'155
Purchase of own shares			0				0
Stock ownership plans							
Sale of own shares		-18	287				269
Recognition of share-based payments				72			72
Valuation of cashflow hedges					1		1
Net Group profit				11'902			11'902
Dividend				-7'704			-7'704
Translation differences						-19'522	-19'522
Balance 30.06.2015	485	19'875	-1'774	159'419	-1'088	-41'744	135'173
Balance at 31.12.2015	485	19'891	-1'448	170'291	-1'832	-35'726	151'661
Purchase of own shares			0				0
Stock ownership plans							
Sale of own shares		0	0				0
Recognition of share-based payments				59			59
Valuation of cashflow hedges					-1'599		-1'599
Net Group profit				12'020			12'020
Dividend				-7'715			-7'715
Translation differences						-1'370	-1'370
Balance at 30.06.2016	485	19'891	-1'448	174'655	-3'431	-37'096	153'055

Foreign exchange rates

	Balance Sheet			Income Statement		
	30.06.2016	31.12.2015	30.06.2015	Jan.–June 2016	Jan.–June 2015	Jan.–Dec. 2015
EUR (1)	1.086	1.087	1.042	1.096	1.057	1.068
GBP (1)	1.310	1.473	1.469	1.407	1.442	1.471
CZK (100)	4.000	4.020	3.820	4.050	3.840	3.910
PLN (100)	24.480	28.490	24.870	25.090	25.540	25.540
HUF (100)	0.343	0.344	0.331	0.351	0.344	0.345

Notes to the Consolidated Financial Statements

SEGMENT REPORTING

The first half-year of 2016	Germany	Switzerland/ Rest Western Europe	Eastern Europe	Elimination/ Not allocated	Total Group		
in CHF 1'000							
Sales to third parties	114'332	60'623	15'190		190'144		
Inter-segment sales	3'643	8'579	4'240				
Total sales	117'927	69'202	19'430	-16'462			
EBITDA	11'429	9'963	2'038		23'429		
Depreciation	-2'625	-2'513	-609		-5'747		
Amortisation	-907	-254	-72		-1'233		
EBIT	7'897	7'195	1'356		16'448		
EBIT margin	6.9%	11.9%	8.9%		8.7%		
Financial result, net					-798		
Income taxes					-3'631		
Net Group profit					12'020		
Investments	14'338	3'120	359		17'817		
Assets	160'040	104'892	26'042	-5'714	285'260		
Liabilities	23'816	23'057	3'928	81'404	132'205		
Personnel (full-time equivalents)	726	427	275		1'428		
The first half-year of 2016	Food Service	Private Label	Brand Solutions	Food Industry	Consumer Brands	Others	Total Group
Sales	79'092	37'156	26'478	17'602	29'602	214	190'144
The first half-year of 2015							
Sales to third parties	116'510	57'031	13'459				187'000
Inter-segment sales	3'650	13'313	3'741				
Total sales	120'160	70'344	17'200	-20'705			
EBITDA	13'956	7'183	1'544				22'684
Depreciation	-2'372	-2'419	-538				-5'329
Amortisation	-809	-181	-60				-1'050
EBIT	10'775	4'584	946				16'305
EBIT margin	9.2%	8.0%	7.0%				8.7%
Financial result, net							-541
Income taxes							-3'862
Net Group profit							11'902
Investments	6'873	2'441	1'091				10'405
Acquisitions	9'777	1'005	0				10'782
Assets	138'884	96'691	25'011	-6'731			253'855
Liabilities	22'514	19'320	5'172	71'676			118'682
Personnel (full-time equivalents)	737	402	264				1'403
The first half-year of 2015	Food Service	Private Label	Brand Solutions	Food Industry	Consumer Brands	Others	Total Group
Sales	74'873	37'451	26'966	16'681	30'798	231	187'000

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL-STATEMENTS

General

The half-year report comprises the unaudited consolidated interim financial statements of Hügli Holding AG and its Swiss and foreign subsidiaries (all controlled 100% by the Group) for the period from 1 to 30 June 2016 (hereafter “interim reporting period”). They are prepared in accordance with the existing guidelines prescribed by Swiss GAAP FER (Accounting and Reporting Recommendations), in particular Swiss GAAP FER 31 “Recommendations for Listed Companies”. The new rules on sales recognition (Swiss GAAP FER Conceptual Framework, FER 3 and FER 6), which came into force on 1 January 2016, had no influence on the accounting of the Group and did not entail any adjustments to the half-year statement of accounts. The accounting policies and methods of computation applied in these consolidated interim financial statements are consistent with the corporate accounting principles presented in the consolidated annual financial statements 2015. The consolidated interim financial statements do not include all information when compared with the annual financial statements. They should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015 as they provide an update of the previously reported information for the interim reporting period.

The preparation of the interim financial statements requires management to make estimates and assumptions to the best judgment that affect the reported amounts of revenues, expenses, assets, liabilities and contingent liabilities at the date of the interim financial statements. Actual results may differ from these estimates. The preparation of the interim financial statements is based on the same material estimates and assumptions used in the consolidated financial statements 2015.

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

Changes in Scope of Consolidation

The scope of consolidation has not changed within the interim reporting period 2016. In the first half year of 2015 Hügli acquired the brands “EDEN” and “granoVita” in Germany and the shares of Granovita UK Ltd. in the UK.

Seasonality

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

Dividend payment

The Annual General Meeting held on 25 May 2016 approved a gross dividend of CHF 16.00 per bearer share and CHF 8.00 per registered share. The distribution of altogether CHF 7.7 million was effected on 31 May 2016 and recognised in retained earnings. In the previous year, the disbursement amounted to CHF 7.7 million.

Stock Ownership Plans/Own Shares

With the new regulations on the optional share-based payment to the Board of Directors and the employee stock ownership programme, the Board of Directors has as of 2016 merged the two previous programmes that had basically been designed in the same manner. November was set uniformly as the date of exercise for both programmes; the employee stock ownership programme had hitherto been exercised in April. Correspondingly, no stock ownership programme was exercised in the first half of 2016. In April of the financial year 2015, 563 (shares were sold to employees based on the senior management participation programme (reduced purchase price of 75 % of the market value, retention period of 3 years) at a price per share of CHF 479. Personnel expenses accrued in the interim reporting period 2016 for these share-based

payments totalled TCHF 59 (TCHF 72 in the previous year).

No shares were acquired in the reporting period as well as in the previous period.

The number of own shares thereby remained unchanged since 31.12.2015 at the amount of 2'843.

Financial Liabilities

	30.06.2016	31.12.2015
in CHF 1'000		
Current financial liabilities	34'154	36'108
Non-current financial liabilities	42'860	42'870
Total	77'014	78'978
Planned maturity		
up to 1 year	34'154	36'108
up to 2 years	35'860	0
up to 3 years	0	35'870
up to 4 years	7'000	0
up to 5 years	0	7'000
Breakdown to currencies		
CHF	45'900	41'100
EUR	20'852	25'561
CZK	6'440	6'874
GBP	3'472	4'787
HUF	350	656

The financial liabilities consist of fixed advances from banks. These have a number of financial terms of credit (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 53.7%). For financial liabilities in total, the average interest rate amounted to 1.3%. 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. All tranches begin in 2018, the last ends in 2024. The weighted average of the fixed base rates amounts to 1.43%.

Income Taxes

The average tax rate based on the ordinary result amounts to 23.4% (previous year: 24.7%). 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. Tax carry-loss forwards of a subsidiary are not recognised if it is not foreseeable that they can be offset with future profits.

The effect of non-recognition of tax loss carry-forwards amounted in the reporting period to TCHF 0 (previous year: TCHF 0), the effect of the use of unrecognised tax loss carry-forwards is TCHF 39 (previous year: 33).

Earnings per Bearer Share

	Jan.–June 2016	Jan.–June 2015
in CHF 1'000		
Group profit	12'020'000	11'902'000
Average number of bearer shares with par value of CHF 1.00	277'157	276'233
Average number of registered shares with par value of CHF 0.50	410'000	410'000
Total bearer shares – equivalents	482'157	481'233
Profit per bearer share (in CHF)	24.93	24.73

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.

FINANCIAL REPORT

Income Statement

In the first half of 2016, Hügli's recorded Group turnover grew by +1.7%, or CHF +3.1 million respectively, to CHF 190.1 million, mainly based on a positive currency translation effect. Organic sales dropped by -1.6% (price effect: 0.0%). However, this includes the handicap inherited from the previous year (H1 2015: organic +5.6%), and a slowdown of this increase in the second half of the year (H2 2015: organic +1.2%).

The gross margin in H1 2016 stood overall +0.7%-points above the previous year's level. The margin's increase resulted particularly from our own production of former trade goods (insourcing EDEN/granoVita) and the reduction of the share of trade goods. The raw materials prices remained relatively constant overall. Personnel expenses in local currencies matched the previous year's level, despite the number of full-time equivalents having risen slightly. There were no salary increases or only to a very small extent, with the exception of Germany, where wage increases from collective agreements again exceeded 2%. In the current year, the number of employees decreased by -0.6%, from 1'436 full-time equivalents as of the beginning of the year to 1'428 as per 30.06.2016. On a comparable basis, other operating expenses rose by +4% at constant currency exchange rates. Cost increases were registered with regard to material costs of production (mostly due to the build-up of the meat replacements production), quality management and IT. Depreciation rose year-on-year due to higher material investments, even though the plant under construction in Radolfzell will only be depreciated starting with its being put into service at the beginning of 2017.

Reported EBIT rose slightly by CHF 0.1 million to CHF 16.4 million, or +0.9% year-on-year, respectively. Germany registered a notable EBIT reduction with CHF -2.9 million, mostly due to significantly lower sales of -5.3%. EBIT increased by CHF +2.6 million in the segment Switzerland/Rest of Western Europe, supported by a considerable growth contribution of Italy after the country's

turnaround achieved in 2015. Switzerland, too, made a positive contribution to the EBIT increase despite lower third party sales. This was due to the elimination of value losses sustained by the devaluation of the EUR in H1 2015 as well as to the improved capacity uptake of production with products for other Hügli subsidiaries and consistent cost management. In the UK, the lower sales level prompted profitability to drop below the previous year's level. The favourable sales growth in the EAST segment, along with an over-proportional EBIT increase of CHF +0.4 million, or +43% respectively, lifted the EBIT margin up, closer to Group level.

Interest expenses rose slightly year-on-year owing to the average debt having increased by CHF 8 million to CHF 78 million. The average interest rate stood at 1.3%. The other financial result mainly includes devaluation losses from GBP receivables, based on the -11% drop of the GBP/CHF exchange rate at the balance sheet date.

The tax rate stood at 23.2% in the first half of 2016 and thus slightly below the previous year's value. The main reason were lower profits in Germany with an above average tax rate of approximately 30%.

Overall, consolidated profits grew slightly by CHF +0.1 million to CHF 12.0 million, or +1.0% respectively, thereby achieving a profit margin from sales (ROS) of 6.3%.

Balance Sheet

Hügli's consolidated balance sheet as of 30.06.2016 presents no significant changes except for the under construction position (Radolfzell) that rose to CHF 28.0 million. Among the total investments of CHF 17.8 million in H1 2016 the under construction item alone had increased by CHF 12.1 million. Trade accounts receivables have declined currency-adjusted by CHF -3.8 million year-on-year yet still within the expected range of days of sales outstanding. Inventories grew by CHF +2.6 million due to the increase in own products.

The equity ratio declined from 54.1% to 53.7%, mainly owing to the dividend payout of CHF 7.7 million effected in H1 2016. Net debt remained with CHF 67.3 million more or less at the level registered at the beginning of the year. Net debt to EBITDA remained unchanged at 1.5x when compared to the end of 2015.

Brexit effects

By mid-2016, the GBP exchange rate to CHF as well as to EUR was –11% lower than at the beginning of the year due to the outcome of the Brexit referendum on 23 June 2016. Hügli Group is represented by two subsidiaries in the UK, Huegli UK Ltd. (production, sales), and Granovita UK Ltd. (sales). The combined sales of both companies are currently contributing less than 10% to Group sales. The translation effect of approximately –1% is therefore not significant. However, as both Hügli Switzerland and Hügli Germany are selling products in the UK, the gross margins from these

exports will be affected perceptibly by the adverse adjustments to the exchange rate. In addition, the UK subsidiaries are purchasing raw materials and trade goods in EUR, which will increase their cost of goods. The sustainable effect on Group EBIT from all of these currency effects combined is less than –5% on an annual basis. In H2 2016 we still rely on some hedges with positive replacement values of CHF 0.2 million as per 30.06.2016. The full impact of the negative currency effect will become apparent in 2017.

Subsequent Events after Balance Sheet Date / Approval

No further events occurred between 30 June 2016 and the approval of the consolidated financial statements by the Board of Directors on 17 August 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.

... **Hügli online**

www.huegli.com/en/investor-relations

... **Investor Relations**

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... **Agenda**

31 January 2017 / 07.00 a. m.

Sales 2016

11 April 2017 / 07.00 a. m.

Annual Report 2016 / Sales Q1 2017

11 April 2017 / 10.30 a. m.

Media and Analysts' Conference
Widder Hotel, Zurich

17 May 2017 / 04.30 p. m.

Annual General Meeting of Shareholders, Seeparksaal Arbon

18 August 2017 / 07.00 a. m.

Half-Year Report 2017

... **Forward-looking statements**

All statements in this report that do not relate to historical facts are forward-looking statements and no guarantees of future performance.

Forward-looking statements involve risks and uncertainties, namely in reference to basic macro-economic conditions, consumption behaviour, foreign exchange rates, financing opportunities, changes of legal provisions or in the political and social environment, the actions of competitors, availability of raw material, and general market conditions. Such circumstances can lead to variance between anticipated and actual results.

... **Translation**

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

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