Annual Report 2008

Hügli Holding AG, Steinach

Contents

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.

Annual General Meeting of Shareholders

Wednesday, 13 May 2009

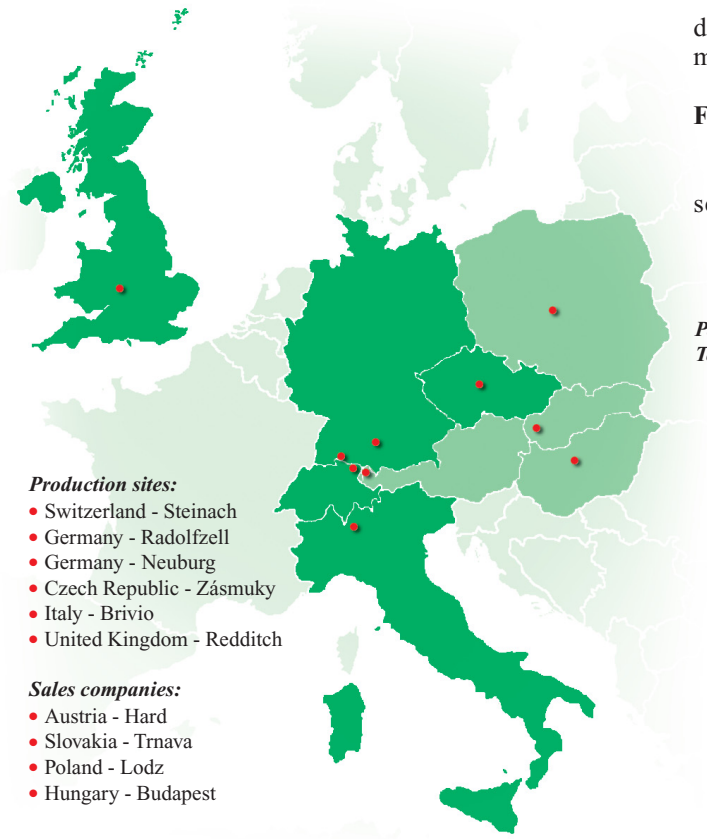
4.30 pm

Seeparksaal, 9320 Arbon, Switzerland

The Hügli Group

Our History

The principal firm was established in Arbon 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 750 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 Zasmuky, Czech Republic. From Zasmuky, Hügli has been developing the Group's sales and distribution business in other Eastern European countries, having made acquisitions in Poland in 2002, in Slovakia in 2003 and in Hungary in 2005. The most recent geographical expansions occurred through the acquisition of specialised production sites in 2007 at the Southern foot of the Alps in Brivio, Italy, and in 2008 in Redditch, in the heart of the United Kingdom.



Our Mission

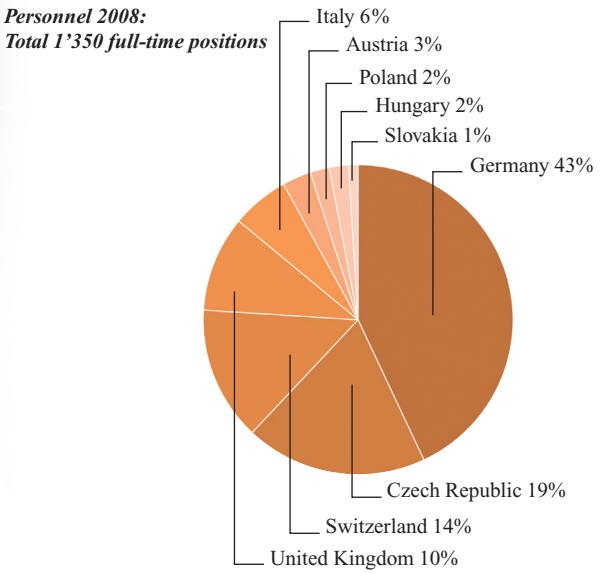
Hügli specialises in the creative development and efficient production of foods in the convenience segment, primarily comprising of soups, sauces, bouillons, seasonings, instant meals, desserts and antipasti. Sales and distribution concentrate on selected countries, in which Hügli can offer customers a higher quality than the competition. 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. The lean corporate structures are in operating terms clearly focused on production, sales and distribution. Along with the flat management hierarchy they shorten decision paths and thanks to a motivated and Group-minded staff they turn Hügli into a sought-after and personal business partner.

Our Divisional Sales and Distribution Structure

The Group consists in four 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 segment, Hügli is the third biggest supplies, after Maggi (Nestlé) and Knorr (Unilever). A comprehensive sales organisation with over 250 vendors in 8 countries reaches more than 35'000 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.

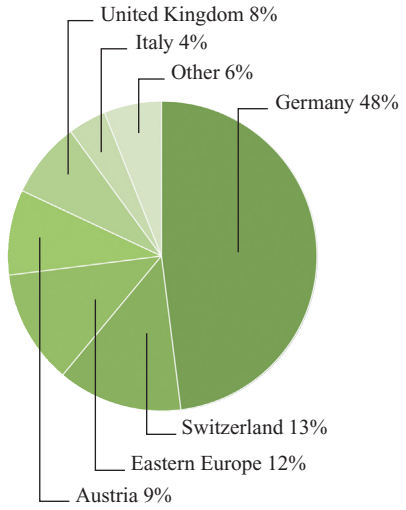
Private Label LEH

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

Industrial Foods

Hügli has been manufacturing semi-finished products for the food industry for more than 30 years. Innovation and full concentration on customer needs are the requisites of this success, which is reflected in the prospering of Hügli's technically demanding products in this customer segment. The focus is on sales and distribution of flavouring and functional ingredients that are developed in close cooperation with the customers.

Sales 2008 based on location of customers:
Total CHF 400.8 million



Health and Natural Food

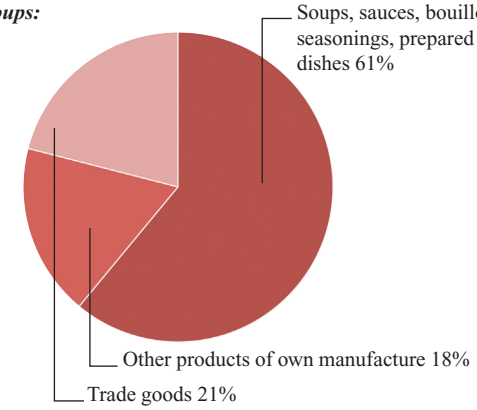
Hügli is one of the largest manufacturers of soups, bouillons and sauces for the European organic products market. This division supplies the specialised trade – predominantly the health food stores, natural food and drug stores – exclusively with biologically controlled products, from Hügli's own production, as well as with further organic specialities. The Group's presence in the market is based on own brands such as Heirler, Cenovis, Natur Compagnie and Erntesegen. The trend towards healthy nutrition has in the recent years led to an over-proportional increase of organic products.

Our Objectives

Hügli's strategy is long-term orientated and aims at sustained growth. The Group wants to grow over-proportionally and achieve an organic sales increase of more than 5% on a long-term basis. Potential acquisitions are periodically taken into consideration as they round off the product assortment as well as the production technology and serve the market development in a new country. The sales and distribution of own products are a main objective; the product line, however, is supplemented with selected trade goods according to customer needs.

Growth is supported by all sales and distribution divisions. The Hügli Group 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 sustained growth, continuous improvement of processes and consistent cost management. This is the best foundation for a continually and solidly growing Group that is locally rooted and in its business active all across Europe.

Product groups:



Hügli Holding AG

BOARD OF DIRECTORS

Dr. Alexander Stoffel, *Chairman*	*Arbon*
Reto Consoni, *Representative of bearer shareholders*	*Horn*
Fritz Höchner	*Romanshorn*
Dr. Christoph Lechner	*Hettlingen*
Dr. Ernst Lienhard	*Glarus*
Dr. Jean Gérard Villot, *Vice President and Delegate*	*Rorschacherberg*

GROUP MANAGEMENT

from left to right:

Thomas Bodenmann	*Country Manager for Austria, Switzerland / Head of Food Service Division*
Andreas Seibold	*Chief Financial Officer (CFO)*
Erik Linke	*Country Manager for United Kingdom / Head of Industrial Foods Division*
Dr. Jean Gérard Villot	*Chief Executive Officer (CEO) / Head of Private Label Division*
Alexander Moosmann	*Country Manager for Germany / Head of Health and Natural Food Division*

STATUTORY AUDITORS

OBT AG
St. Gallen

Key figures in brief

million CHF

Key figures of the group	2008	Variance in CHF	Variance in *local currency*	2007
Sales	400.8	+ 16.0%	*+ 19.6%*	345.4
Operating profit before depreciation (EBITDA) as % of sales	41.1 10.3%	+ 9.6%		37.5 10.9%
Operating profit (EBIT) as % of sales	29.5 7.4%	+ 9.9%		26.8 7.8%
Net profit as % of sales	18.8 4.7%	+ 0.2%		18.8 5.4%
Net profit per bearer share (CHF)	39.40	0.0%		39.39
Cash flow from operating activities as % of sales	26.1 6.5%	+ 131.9%		11.3 3.3%
Investments (tangible and intangible assets)	11.0	+ 1.1%		10.9
Cash flow acquisitions, net	8.8	– 36.8%		13.9
	31.12.2008			**31.12.2007**
Invested capital (Net operating assets)	236.7	+ 2.1%		231.8
Equity as % of total assets	116.3 41.4%	+ 2.7%		113.2 41.8%
Net debt Gearing (Ratio to equity)	95.6 0.82	– 3.6%		102.1 0.90
Return on invested capital (ROIC)	9.9%			10.3%
Return on equity (ROE)	16.3%			18.2%
Number of employees (full-time positions)	1’350			1’164

Key figures of geographical segments		2008	Variance in CHF	Variance in *local currency*	2007
Germany	Sales	214.8	+ 7.8%	*+ 11.6%*	199.3
	EBIT as % of sales	19.5 9.1%	+ 8.5%		18.0 9.0%
Switzerland / Rest of Western Europe	Sales	133.8	+ 33.0%	*+ 39.1%*	100.5
	EBIT as % of sales	10.4 7.8%	+ 23.1%		8.5 8.4%
Eastern Europe	Sales	52.2	+ 14.6%	*+ 9.4%*	45.5
	EBIT as % of sales	– 0.5 – 0.9%	– 244.6%		0.3 0.7%

Sales by customer segments / divisions

Food Service	165.8	+ 11.2%	*+ 13.0%*	149.1
Private Label	87.3	+ 22.3%	+ 24.3%	71.4
Industrial Foods	70.6	+ 42.2%	*+ 52.8%*	49.7
Health & Natural Food	55.3	+ 4.7%	*+ 8.2%*	52.8
Other	21.7	– 2.9%	*+ 0.5%*	22.3

Report of the Board of Directors

Ladies and Gentlemen

On behalf of the Board of Directors of Hügli Holding AG, we present the Annual Report, Balance Sheet and Income Statement of Hügli Holding AG, together with the consolidated financial statements of the Hügli Group for the financial year 2008.

Sustained strong organic sales growth Currency effects slow down profits development

In the business year 2008, the Hügli Group has again given proof of its good strategic positioning and operative strength based on solid organic sales growth in the Group's established markets and the development of new growth areas. With regard to revenue growth – of operating results (EBIT) and profits – we have not fully reached our objectives in spite of a factually sound operative development due to substantial losses caused by negative currency effects. Let us now consider the details in the individual sectors:

Group sales reached CHF 400.8 million corresponding to an increase of 16.0% despite 3.6% negative currency effects. We especially value the Group's organic growth of 11.1% with a gain of 7.0% of sales volume. This also stands for a continued strengthening of Hügli's market position in all of the segments in which we are active. It is a central point in Hügli's strategy to work only in those market areas – customer segments, product domains and geographical markets –, in which we can efficiently implement our specific strengths and excel in meeting our customer's needs. The average organic growth of 7.7% per year – without currency fluctuations and acquisitions – that we have attained in the past five years confirms that our strategy has been remarkably successful.

Within the **geographical segments**, *Germany* achieved an organic sales growth of 11.6% and an increase of EBIT by CHF 1.5 million to 9.1% of sales and thereby accomplished an outstanding result to which all sales divisions as well as a stringent control of operating and administrative costs had contributed.

In the segment *Switzerland and Rest of Western Europe*, organic sales also grew by favourable 11.1%. Rendered in Swiss Francs and showing an increase of 33.0%, sales amounted to CHF 133.8 million, whereof CHF 25.9 million were acquisition-related. The integration of the Italian company Ali-Big in the Hügli Group, which was acquired during 2007, has progressed very well. The antipasti produced by Ali-Big are successfully being sold in all of the countries in which our Food Service divisions are positioned; and Ali-Big's liquid sauces have established an additional well-equipped product pipeline. The EBIT of the segment Switzerland and Rest of Western Europe rose by CHF 1.9 million thanks to very good results in Switzerland and Austria. In comparison with sales, however, we had to register a decrease from 8.4% to 7.8%; the main reason being the value loss of the British currency that by the end of 2008 had fallen by approximately 1/3 as compared to the Swiss Franc. This development significantly affected the profitability of our important exports to England. On the other hand, it indicates that our

acquisition of the British company Contract Foods on 31.01.2008 may in future assume an important role for the Hügli Group.

The country segment *Eastern Europe* looks back at a difficult year. The restructuring of crucial management positions that was carried out at the beginning of 2008 has proven itself as the right decision, and starting from the second semester we have been seeing operative progress. Negative currency effects nevertheless also considerably impeded the financial result in Eastern Europe. We supply our sales companies in Slovakia, Poland and Hungary from the Czech Republic. Since September 2008, the Hungarian Forint and Polish Zloty have massively fallen in value compared to the Czech crown. This has caused significant export losses in the Czech Republic and led to the depreciation of our receivables in Poland and Hungary. The organic sales growth of Hügli Eastern Europe still amounted to 9.4%, but EBIT fell by CHF 0.8 million.

On pages 10-16 of this report, you will find detailed comments of the country segment and division heads on the development in their areas of responsibility.

The **consolidated income statement**, with a strong *sales growth* of 16.0%, displays an increase of *operating result (EBIT)* by 9.9%, corresponding CHF 2.7 million to CHF 29.5 million respectively. We consider the EBIT growth still favourable against a background of negative currency effects that we assess to come to approximately CHF 4 million. In absolute numbers, this is Hügli's best result. Rendered in percentages of sales, the EBIT, however, decreased from 7.8% to 7.4%. We nonetheless still target a medium-term rate of 8% – 9%. The netted *financial expenses* slightly increased because of marginally higher interest rates, the partial shift from short-term to long-term financing and particularly due to the elimination of an extraordinary financial income of the previous year of around CHF 2 million by CHF 2.7 million. With taxes remaining unchanged, we can therefore report – as anticipated in our half-year report – *profits* of CHF 18.8 million that are unchanged when compared to the previous year.

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

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

In this year, we remain cautious in our considerations of **the further outlook**. Let us first consider the positive perspectives of the *current macroeconomic conditions*: Inflation is at a remarkable low and it is, from a medium-term view, expected to remain low, although – when perceived from a long-term standpoint – it is difficult to discern how the individual countries will be able to reduce the now additionally accumulated horrendous national debts without active inflating. Interests are similarly low and anticipated to remain so. Thus, no significant cost increases caused by inflation-related salary raises are to be expected. Raw material prices – a pronounced concern in 2007 and in the first semester of 2008 – have stabilised on a high level. These are all relevant positive factors. Yet, a strongly negative

impact evidently emanates from the economic recession that is being affected by the crisis in the banking sector to a still not fully clarified extent. Moreover, the financial and banking crises have led to abrupt changes in the currency structure and they impede attempts to achieve a new balance. The impending danger is that, as with all abrupt corrections, these attempts may swing to the other extreme.

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

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

Finally, we thank all who in the past years have been contributing to the prospering of Hügli, especially our staff and you, our shareholders. We look forward to continue collaborating on building Hügli's successful future even in these difficult times.

Steinach, March 2009

Dr. Alexander Stoffel
Chairman of the Board of Directors

Dr. Jean Gérard Villot
CEO, Vice President of the Board of Directors

Development and Segments of Sales

Geographical Segments of Sales 2004–2008 (based on location of customers)*

Year	Switzerland		Germany		Austria		Eastern Europe		United Kingdom		Other countries	
	mio. CHF	%	mio. CHF	%	mio. CHF	%	mio. CHF	%	mio. CHF	%	mio. CHF	%
2004	30.4	13.1	125.7	53.9	29.3	12.5	22.8	9.8	8.7	3.7	16.3	7.0
2005	35.0	12.9	140.3	51.6	29.8	11.0	31.5	11.6	12.5	4.6	22.6	8.3
2006	42.9	14.1	157.6	51.7	30.4	10.0	36.4	11.9	14.1	4.6	23.6	7.7
2007	41.7	12.1	173.7	50.3	32.3	9.4	45.5	13.2	16.0	4.6	36.1	10.5
2008	**50.3**	**12.5**	**193.6**	**48.3**	**37.0**	**9.2**	**48.4**	**12.1**	**30.8**	**7.7**	**40.7**	**10.1**

* Geographical Segments of Sales based on location of assets (segment reporting) see page 36.

Divisions / Customer Segments 2004–2008

Year	Food Service		Private Label		Industrial Foods		Health & Natural Food		Other	
	mio. CHF	%	mio. CHF	%	mio. CHF	%	mio. CHF	%	mio. CHF	%
2004	100.6	43.2	57.7	24.7	36.2	15.5	35.9	15.4	2.8	1.2
2005	111.1	40.9	64.2	23.6	40.2	14.8	44.9	16.5	11.3	4.2
2006	127.4	41.8	64.3	21.1	41.7	13.7	47.2	15.5	24.4	8.0
2007	149.1	43.2	71.4	20.7	49.7	14.4	52.8	15.3	22.3	6.5
2008	**165.8**	**41.4**	**87.3**	**21.8**	**70.6**	**17.6**	**55.3**	**13.8**	**21.7**	**5.4**

Product Group Segments 2004–2008

Year	Soups/bouillons sauces/seasonings prepared dishes		Other products of own manufacture		Trade goods		Fresh products		Frozen products	
	mio. CHF	%	mio. CHF	%	mio. CHF	%	mio. CHF	%	mio. CHF	%
2004	144.5	61.9	25.9	11.1	22.8	9.8	24.6	10.6	15.4	6.6
2005	172.6	63.5	32.7	12.1	27.6	10.1	23.6	8.7	15.2	5.6
2006	198.4	65.1	33.9	11.1	32.8	10.7	23.9	7.8	15.9	5.2
2007	217.7	63.0	45.9	13.3	38.9	11.3	26.1	7.6	16.8	4.9
2008	**244.3**	**61.0**	**71.7**	**17.9**	**43.9**	**11.0**	**25.1**	**6.3**	**15.7**	**3.9**

Segment **Germany**

In Radolfzell, the Group's largest production site, Hügli manufactures products for all four divisions (Food Service, Private Label, Industrial Foods and Health and Natural Foods). The plant's focus is on mass production of soups, sauces and instant meals in small-scale packages for the Private Label Division. The great output volumes require production to be highly efficient and automated, which we achieve thanks to our qualified staff and state-of-the-art production equipment.

At Hügli's second German site, in Neuburg an der Kammel, soups and sauces are prepared and packaged for the Group subsidiaries Inter-Planing and OSCHO that are also based in Neuburg. These products are mostly sold in tin container bundles directly to private households.

Hügli Radolfzell plant 1, Germany

Retrospect of 2008

In 2008, sales totalling CHF 214.8 million and thereby sales growth of 7.8% (11.6% in local currencies) were achieved. According to division breakdown the Private Label Division in Germany realised the highest sales increase, the other divisions' also developed positively within the expected budget range. Sales related investments that the Food Service division had undertaken in the previous years now showed favourable effects and formed the basis for sales growth above market. The Health and Natural Food Division succeeded in increasing sales significantly thanks to additional assortments and a reinforcement of the drug store business. The Private Label Division also yielded extraordinary sales growth, which is attributed to a surplus of orders from the previous year and to discount business profiting from a beneficial economic climate.

Radolfzell's workforce has grown by 42 to a total 527 employees as per the end of 2008. New staff was primarily hired for production. The workforce in Neuburg an der Kammel comprises of 55 employees.

The steep price increases that spread widely across the raw materials and agricultural markets have in the business year generated lower gross profits, although prices could be augmented in stages and the improved product mix, containing a larger share of own higher value products, showed a positive impact. It was only due to an efficient utilisation of capacity, further optimisation of processes and a consistent cost management that corporate expenses rose under-proportionally by 7.9%. The EBIT increased by 8.5%, or CHF 1.5 million, respectively, to CHF 19.5 million. This results in an EBIT margin of sales of 9.1% as compared to 9.0% in the previous year.

Apart from the usual investments in regular equipment replacement and various efforts of rationalisation, Hügli invested in the qualitative optimisation of the plants. The total investments amounted to CHF 4.8 million (CHF 4.7 million in the previous year). The depreciation totalling CHF 4.6 million along with the amortisation of acquired brands approximated the level reached in the previous year.

Hügli Radolfzell plant 2, Germany

Outlook for 2009

The portfolio optimisation of the Private Label Division on the one hand, as well as a moderate growth of the other divisions on the other hand, are expected to yield sales comparable to the level achieved in the previous year. The focus is clearly on maintaining and as far as possible increasing the earning power of the Hügli Group's sites in Germany.

Segment Switzerland / Rest of Western Europe

The Swiss production site specialises on the one hand in small and medium series production, on the other hand in the manufacture of customised dry blends. These two production processes require not just highly qualified staff but also machinery installed on a modular basis, ensuring maximum flexibility combined with the highest possible quality standard at all times. At the Swiss site, we mostly manufacture products for the three divisions Food Service, Industrial Foods and Health and Natural Food. Around 50% of the volume is exported, going mainly to the Group's distribution companies in Austria, Germany, United Kingdom and Italy.

Hügli Steinach, Switzerland

Retrospect of 2008

From a market perspective, the country cluster Switzerland / Rest of Western Europe presents itself as remarkably heterogeneous. Sales have developed very dynamically – from CHF 100.5 million to CHF 133.8 million, whereof 11.1% were organically attained – thanks to the acquisitions of Ali-Big Italy and Contract Foods UK. The divisions Food Service and Industrial Foods alone achieved more than 90% of sales.

Within the country cluster Switzerland / Rest of Western Europe, these two divisions can draw on the three specialised production sites Switzerland, Italy and United Kingdom. The Swiss production site concentrates more and more on the two core technologies "salted dry blends" and "liquid dressings". With regard to filling sizes, the focus is on medium and large-scale packages. Contract Foods covers the production domain "sweet dry blends" with specialised retail filling lines. Ali-Big, as producer of liquid sauces and Italian specialities, has practically no overlap with the two production sites in Switzerland and the United Kingdom, as far as the production technology is concerned.

We were able to increase the EBIT from CHF 8.5 million to CHF 10.5 million which corresponds to a growth of 23%. It must be taken into account, however, that the two acquisitions in Italy and England have had a slightly negative effect on the EBIT margin of the country cluster Switzerland / Rest of Western Europe. Both production sites still need to raise the key figures relating to their productivity. Nonetheless, the first programmes for an increase in productivity have begun to show positive results. It is not the profits structure of the two recently acquired companies, however, that has had by far the most negative effect on the EBIT but the value loss of the British Pound. The British currency has depreciated by 1/3 in the past two years, and thereby aggravated the EBIT in this cluster by up to 20%.

The number of staff grew from 308 to 441, a fact that can be fully attributed to the acquisition of Contract Foods UK. Investments in tangible fixed assets, in comparison with the previous year, slightly increased by CHF 0.6 million to CHF 5.0 million; they comply with the internal benchmarks.

Outlook for 2009

The consistently increasing competitiveness of the three specialised production sites will benefit the sales divisions that will be better equipped to exploit the prevalent market potential in all of the countries, in which Hügli operates. We therefore anticipate growing volumes with a positive impact on our earning power. There remains uncertainty as to the currency development that is very difficult to predict.

Segment **Eastern Europe**

Hügli's production in its Eastern European plants targets the Food Service and Private Label markets in the Czech Republic, Poland, Slovakia and Hungary, as well as the Industrial Foods markets in the Czech Republic and Slovakia. With regard to production, we rely on our Eastern European site in Zasmuky (Czech Republic) that supplies Hügli's own distribution companies. The purchasing centres of many large retail trade businesses are located in Prague, which is one of reasons why Hügli is also active in direct exports to countries such as Romania, Bulgaria and Slovenia.

Hügli Zasmuky plant 1, CZ

Retrospect of 2008

As we had previously announced, we replaced several managers holding crucial management positions at our production site Zasmuky (Czech Republic) at the beginning of the year. We have succeeded to achieve key figures according to our strategy and attained a sales growth of 14.6% as compared to the previous year; the growth rate is 9.4% in local currencies. Sales amounted to CHF 52.2 million as compared to CHF 45.5 million in the previous year. With respect to the EBIT, we report a minus of CHF 0.5 million in the first semester and the same amount for the entire year. This yields an EBIT – rendered as percentage of sales – of -2.1% for the first semester and -0.9% for the entire year. After the adjustment of these results for currency losses relating to transactions and receivables from subsidiaries, the revised EBIT amounts to -1.2% for the first semester and 2.5% for the second semester. We were in the fourth quarter of 2008 particularly affected by massive currency losses in the Polish market. The Polish Zloty depreciated in the course of one quarter by more than 10% as compared to the Czech Crown. The Hungarian Forint also saw heavy currency fluctuation and compared to the Czech Crown depreciated with a double-digit percentage. The speed of devaluation currently generates a short-term competitive advantage for domestic competitors/producers in Poland and Hungary. With today's mutual interpenetration of economies, however, it is obvious that the medium-term effect of such depreciations will lead to massive price increases. We are very well positioned in the four aforementioned markets, the Czech Republic, Poland, Slovakia and Hungary, and in operative terms, we are on the planned track. The production site Zasmuky has until recently catered only for the Eastern European markets. Towards the end of the business year 2008, we have begun to manufacture products also for Western European customers. It is self-evident that the production site Zasmuky complies with the same rigorous control and quality norms as all of the Group's sites. In future, we will further strengthen the development of the Zasmuky site into a production site that also caters for Western Europe.

Hügli Zasmuky plant 2, CZ

Outlook for 2009

We expect a further over-proportional growth of all divisions in 2009. Our focus is on earnings. It must be noted, however, that results will temporarily continue to be burdened by the costs for market investments and market development. The uncertainties of the foreign exchange markets, especially with respect to the Polish and the Hungarian currencies, will remain an unpredictable influence factor. We are nevertheless confident about the future thanks to the performance capacity of the Eastern European production site, innovative potential of our local product development and the high quality of our staff.

Division **Food Service**

The Food Service Division operates exclusively in the out-of-home catering market. This includes such customer segments as restaurants, canteens, hospitals, institutions, caterers, armed forces, etc. Alongside our core assortment of sauces, bouillons and soups, we supply our customers with additional products such as desserts, base items, dressings and Italian specialities. We have also strengthened our product portfolio in the different countries to include carefully selected, exclusive assortments and trading products.

Retrospect of 2008

With an organic sales growth of 13.0% in local currencies, thereof 6.8% organic and 6.2% acquisitions-related, our results lie within the budgeted range. Exceptionally positive is the outstanding development in the country cluster D-A-CH (Germany, Austria and Switzerland). Owing to organisational provisions, we have in this area succeeded to achieve an over-proportional growth and at the same time to increase the earning power in a significant measure. We are in return not satisfied with the development in the country cluster EAST (Czech Republic, Slovakia, Hungary and Poland) for a variety of reasons. In the Czech Republic and in Slovakia we were in the first semester confronted with a difficult start, which however was corrected in the second semester. In Poland, we also could not attain our objectives fully – the anticipated jump in sales has not reached the expected measure. Conversely, Hungary has developed positively from the first to the last day of the year and exceeded our expectations. In Italy, we have been able to expand the sales staff, and find this expansion, along with other factors, to be reflected in the dynamic sales development. The great challenge generated by the massively increased raw materials prices has been well met by the Food Service Division. We have succeeded in shifting the price growth in a 1:1 measure and also in extending the earning power thanks to a systematic assortment-mix adjustment. Nonetheless, we have had to contend with the exorbitant depreciation of the Polish Zloty and the Hungarian Forint since the fourth quarter of 2008.

It is self-evident that devaluations of 10% to 20% that occur within a few months cannot be compensated for and will have an impact on earning power. Despite such adverse conditions on the currency front we nevertheless stay on course to reach our long-term objectives – the market development in Central Europe.

Outlook for 2009

As all businesses, we are directly and indirectly affected by the economic decline. In comparison to other companies, we own the advantage to work in a non-cyclical industry and in addition to rely on strong sales teams on site. We are on the other hand also aware of the fact that closed-down canteens cannot serve meals and that our customers in the catering trade clearly depend on their clients' disposition to consume. Our institutional customers (hospitals, retirement homes, armed forces, etc.) are notwithstanding very resistant to economic trends. Weighing the pluses and minuses, we assume that we are well situated with our market position, strategy, our structures and processes, and that we shall emerge strengthened from this economic crisis. Overall, we are therefore cautiously optimistic and anticipate the greatest challenges to be found on the currency front.

Thomas Bodenmann
Head of Food Service Division

Division **Private Label LEH**

The Division Private Label LEH caters for retail trade companies in Eastern and Western Europe. The product line comprises of soups, sauces and bouillons in various package sizes. We also produce instant noodles, instant rice and desserts which yield an increasing share of sales. The Private Label Division's assortment is not sold under the Hügli brand, but supplies products that food retail trade companies sell under their own label, or that are traded under one of our own service brands, such as Radolf or Bonita. The Private Label product line is manufactured at Radolfzell (Germany), Zasmuky (Czech Republic) and Redditch (United Kingdom). The three production sites also stand for a product development that meets consumers' needs in an ideal manner.

Retrospect of 2008

The first semester of 2008 was affected by strong price increases within the raw materials acquisition. The augmentation of prices of individual products, partly by double-digit percentages, was inevitable. The pricing pressure bore on all food producers and even brand manufacturers had to resort to an increase of market prices. In the second semester, the pricing situation saw an abatement that was as sudden as the price explosion, which had come about in the middle of 2007. The aggravation of the financial crisis in the fourth quarter 2008 brought about a general price decrease. Nevertheless, our prices have certainly not yet reached the low level of the first quarter of 2007. As anticipated, the division developed overall well in the business year 2008. Sales growth amounts to 22.3% as compared to the previous year; it comes to 24.3% in local currencies. In absolute numbers, sales totalled CHF 87.3 million in 2008 as compared to CHF 74.1 million in 2007. This development is particularly favourable because it was achieved with a wide support in all markets, in Western Europe as well as in Eastern Europe. We are also satisfied with the development of our products and can report growth in all of the product categories that we supply.

Outlook for 2009

After the tempestuous unfolding of the business year 2008, we expect a consolidation for the coming year. We clearly anticipate an increase in Eastern Europe within the double-digit percentage range. Western Europe may see a decline in growth when compared to the extraordinarily successful previous year. We nevertheless expect to be well positioned thanks to our assortments. It is conceivable that the Private Label Division could profit from the financial crisis and the accompanying recession, should they persist. We rely on products with an outstanding price-performance formula.

Dr. Jean Gérard Villot
Head of Private Label Division

Division **Industrial Foods**

The products of the Industrial Foods Division serve as basic ingredients, for example in soups, sauces, instant food and snacks. These are flavouring blends, which also carry additional functional characteristics.

With the acquisition of Contract Foods in United Kingdom in 2008, the division has taken an important step. On the one hand, it has given us the status of a "local player". On the other hand, we can now utilise the product pipeline and the know-how of the meanwhile renamed company Huegli UK. With the acquisition, we have developed a general new market potential in the areas of slimming, sports and functional foods. These segments are growing all over Europe and the British market, occupying the role of a forerunner, indicates the volumes that can be traded in these domains.

Market Environment

The food ingredients market is self-evidently also affected by the worldwide economic crisis. Nonetheless, the effects vary in their characteristics and some may even emerge to be positive for a part of the market participants. We recognize a trend towards less expensive recipes with flavour enhancers, aromas and food dyes especially in countries, which had, against the background of a booming economy, shifted towards expensive clean recipes. Based on the segmentation of the market into budget, standard and luxury products mainly in countries such as the UK, Holland and Switzerland, brand leaders as well as retail traders can maintain several "clean" products at high prices in the market. However, this appears to be a fig leaf. The volume products have been migrated to less expensive recipes and this process will continue in future. The forerunner is, as so often, United Kingdom.

The impact of these market trends on Hügli Industrial Foods should be neutral. On the one hand, we can again sell dry blends to customers that have used only fresh products until now. Organic semi-finished products, one of our main segments, are on the other hand expected to be affected by the economic situation.

The explosion of raw materials prices, which we reported in the previous year, has in the meantime partially abated. As several raw materials categories keep on being extremely volatile, a continued very active price policy along with a detailed cost control are still one of the main tasks within our daily business.

Retrospect of 2008

Hügli Industrial Foods has again grown faster than the food ingredients market, with organic 13.5%. We are also still one of the Hügli Group's "growth divisions".

The successfully completed integration of Contract Foods in the established organisation of Huegli UK was legally settled on 2 March 2009. Most of the preparatory measures, however, were implement in the course of 2008 and constituted a core task for the division.

From the perspective of regional importance, Switzerland has now been again overtaken by the United Kingdom. Organic sales growth of the Swiss companies turned out to be extraordinarily strong nevertheless, and Switzerland remains our market with the highest market shares. Outstanding work is being performed in Switzerland. The situation is more difficult in the traditional export business of food ingredients. Because of the increasing amount of technical and declaratory requirements in Europe, exports are limited and only feasible with carefully selected and efficient partners.

Outlook for 2009

Against the background of the crisis of the global economy, formulating an outlook has rarely been as difficult as for the year 2009. Hügli Industrial Foods clearly expects further growth. Contrary to the previous years, we shall use the existing and partially just implemented structures (e.g. Contract Foods) to generate a profitable increase, rather than making further major investments in new structural development.

The outlook for this strategy is very promising. Thanks to the new site in England and its portfolio, which is new to the division, we expect new opportunities of supplying the division's existing customers with products from other sites. Ali-Big in Italy lends itself especially well to such an enhancement of the product assortment.

As a matter of course, we further promote the development of the successful "flavour systems" range. Substitute products for glutamate and seasonings – which form part of this product line – may be given less priority for cost reasons. Aromas – the remaining part of the product line – are expected to benefit from the crisis.

We anticipate the previously mentioned partial slowdown of the raw materials markets to have a positive effect. It will encourage customers and suppliers to re-enter long-term contracts, and this will free their capacities for value creating activities.

Overall, we are still very optimistic about the development of the division. If there is no catastrophic macroeconomic influence on our markets, we expect that the growth trend of the previous years will continue unbroken in 2009.

Erik Linke
Head of Industrial Foods Division

Division **Health and Natural Food**

The Health and Natural Food Division, with its traditional points of sale, the health food stores and increasingly also the natural food and drug stores, achieve their main sales in Germany. These domains of specialised trade are mostly supplied with the brands Natur compagnie, Erntesegen, Heirler, Cenovis and neuco. In their respective sales markets, these brands occupy leader positions and consistently expand them.

The assortment comprises of own products in the categories soups, sauces, bouillons, seasonings and instant food as well as trading goods consisting mainly in dairy products, oils, delicatessen and products that constitute alternatives to meat – each in organic quality. With our activities for the Private Label Division we also cater for the additional demand of trade labels for the specialised trade. Our export of own brands and Private Label products chiefly targets the European market.

Retrospect of 2008

In comparison to the previous year, we have been able to increase division sales by 4.7% (8.2% in local currencies). The natural food market that has in the past years shown double-digit growth rates, for the first time saw a marked decline in sales growth in 2008. Our brands Natur compagnie and Erntesegen, which are established in this segment, were affected by this trend, but achieved an over-proportional increase nevertheless. Exports and our business with Private Label clients have again significantly grown, especially so in the drug stores domain. The health food market that is supplied by Heirler and Cenovis once more followed a downward trend. A positive compensation for this decline was provided by the newly developed competence assortments (meat and dairy-analogous products produced on the basis of soy and wheat protein, lactose-free fresh products and allergen-free dry products) that have been additionally sold in the natural food market since 2008.

Outlook for 2009

The expansion of distribution which was successfully launched in 2008 with the brands Cenovis and Heirler will be further sustained and promoted in 2009. Regarding the product line the focus is on the continued expansion of the above mentioned competence assortments. Further opportunities rest with the marketing of new products from new Hügli businesses that have been equipped with additional technology. For the Private Label division and for exports we anticipate a further significant sales growth. The difficult economic conditions can in general lead to decreases in sales within the specialised trade that operates on a higher price level. Yet, we also assume that the specialised trade's buyer clientele reacts less sensitively to the macroeconomic situation. The continuing trend towards organic products of higher value and the growing demand for problem-solving food is expected to have an overall positive effect on the business development of the Health and Natural Food Division.

Alexander Moosmann
Head of Health and Natural Food Division

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 trust in the company and its management and it ensures that stakeholders – shareholders, investors, staff and business partners – can exercise their interests and rights. 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 Guideline of the SIX Swiss Exchange. If not mentioned differently, the information reflects the situation on 31 December 2008.

1. Group Structure and Shareholders

Group Structure

The Hügli Company consists of one single business unit with the business operating area to develop, produce and distribute dry blended food products. The segmentation is based on the geographic responsibilities of the production sites and their associated distribution companies. The segment **Germany** covers all associated German companies, the segment **Switzerland / Rest of Western Europe** the companies in Switzerland, Austria, United Kingdom and Italy, the segment **Eastern Europe** the companies in Czech Republic, Slovakia, Poland and Hungary. Detailed information of the Group companies can be seen on page 63.

In addition four cross-national Divisions have been created reflecting the customer segments of the Hügli Group. These Divisions mainly focus on customer needs and are responsible for sales development as well as the design of Marketing and Sales. In this area Hügli is organized as a matrix. The **Food Service Division** covers the "Out of Home Market" with sales to hotels, restaurants, institutions such as company caterers, hospitals, residential homes and other caterers. The **Health and Natural Food Division** is responsible for the sale of organic products to the European specialist trade, i.e. natural food outlets, health food stores and in some cases also drugstores and chemists. The **Private Label Division** supplies big European retail trade organisations, primarily discounters and mass retailers, with products sold under their own labels. The **Industrial Foods Division** specialises in the sale of semi-finished and finished products to the European food industry

A detailed segment reporting is found on page 36.

The only **listed company** in the scope of consolidation is Hügli Holding AG, 9323 Steinach, Switzerland. Its bearer shares are quoted on the SIX Swiss Exchange in Zurich (security no. 464795). On 31 December 2008, the closing price for the Hügli bearer share was CHF 460, corresponding to a market capitalisation of CHF 223 million. Of this total, CHF 129 million are represented by the stock capitalisation of the listed bearer shares and CHF 94 million by unlisted registered shares.

Major Shareholders

- Dr. A. Stoffel Holding AG / Dr. A. Stoffel, 9320 Arbon, Switzerland:
  37'930 bearer shares with a par value of CHF 9.50 each (13.5% of bearer share capital)
  410'000 registered shares with a par value of CHF 4.75 each (100% of the registered share capital)
  64.9% of the voting rights, equivalent to 50.1% of the share capital
- Hügli Holding AG, 9323 Steinach, Switzerland (own shares):
  7'132 bearer shares with a par value of CHF 9.50 each (2.5% of bearer share capital)

1.0% of voting rights, equivalent to 1.5% of the share capital

- Free Float:
  234’938 bearer shares with a par value of CHF 9.50 each (83.9% of bearer share capital)
  34.1% of voting rights, equivalent to 48.4% of the share capital

Cross-Shareholdings

There are no cross-shareholdings.

2. Share Capital Structure

The share capital is devided into:	
280'000 bearer shares with a par value of CHF 9.50 each (listed)	CHF 2’660’000
410'000 registered shares with a par value of CHF 4.75 each (not listed)	CHF 1’947’500
Total share capital	CHF 4’607’500

Each share grants one vote at the General Meeting of the Shareholders. The dividend entitlement of all the registered and bearer shares is calculated in proportion to their par value. For details see page 28 “proposed appropriation of available earnings”. There is no conditional or approved capital and there are no profit participation or dividend rights certificates.

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	31.12.2008	Change 2008
Share capital	4’607’500	– 5’335’000
Reserves	46’444’772	9’965’146
Profit carried forward	25’918’858	4’749’823
Total equity	76’971’130	9’379’969

in CHF	31.12.2007	Change 2007
Share capital	9’942’500	– 5’092’500
Reserves	36’479’626	4’969’642
Profit carried forward	21’169’035	5’413’333
Total equity	67’591’161	5’290’475

in CHF	31.12.2006	Change 2006
Share capital	15’035’000	– 5’092’500
Reserves	31’509’984	19’952’963
Profit carried forward	15’755’702	– 13’532’562
Total equity	62’300’686	1’327’901

3. Board of Directors

Members of the Board of Directors

Alexander Stoffel, born 1928, a Swiss national, Chairman of the Board of Directors of Hügli Holding AG since 1966. He graduated from the Higher Commercial Institute (now 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 at the time of 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 and he has been its chairman ever since. On 31.12.2002 he retired from the chairmanship of the Group Management Committee but remained Chairman of the Board of Directors.

Reto Consoni, born 1940, a Swiss national, member of the Board of Directors of Hügli Holding AG since 2001. He graduated from the University of St. Gallen in 1966 with a degree in economics (lic. oec.). He went on to work in marketing and sales in the food and paper industry. From 1974 to 1996, Reto Consoni held various senior positions with Nestlé AG, including that

of Director of Maggi Switzerland and Frisco Findus Rorschach. From 1996 to 2000, he was CEO and Chairman of the Board of Directors of Spühl AG in St. Gallen. Since 2001 he has been working as an independent consultant and maintains a seat in the Board of Directors of the Bank CA St. Gallen. In the General Meeting of 2007 he was elected as representative of the bearer shares for a three year term of office.

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 work experience courses, 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.

Christoph Lechner, born 1967, a German national, member of the Board of Directors of Hügli Holding AG since 2001. After his degree in political economy (USA) and business administration (USA) he

received his doctorate and professorship at the University of St. Gallen. Between 1987 and 1995 he operated in various functions for the Deutsche Bank Group. He was Guest professor at the University Connecticut (USA) in 2002/2003 and at the Wharton School at the University of Pennsylvania. Since 2004 he is professor for Strategic Management at the University of St. Gallen as well as Director of the Institute of Business Administration (IfB). He is member of the Board of Directors of Helvetia Holding AG.

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 member of the Board of Directors of Dätwyler Holding AG as well as of other Swiss family-owned companies and group companies.

Jean Gérard Villot, born 1952, a French national, member of the Board since 2002, Chief Executive Officer since 2003 and Vice President of the Board of Directors of Hügli Holding AG since 2007. He completed a doctorate at Strasbourg University and, after

holding various positions in industry, worked as a management consultant, most recently as director of management consultancy and member of the Management Committee 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. At the General Meeting in May 2002 he was elected to the Board of Directors of Hügli Holding AG. In addition to his duties as CEO, Mr Villot represents the interests of the Private Label Division on the Group Management Committee and is responsible for coordination of production, quality assurance and materials management activities within the Hügli Group.

All the members of the Board of Directors, with the exception of Jean Gérard Villot, are non-executive.

Material Interests / Cross-shareholding

Ernst Lienhard remained a member of the executive management of a bank providing important services to Hügli (CS Zurich) until 2004. Christoph Lechner advises Hügli on strategic matters. The other non-executive members have no significant business relations with the Hügli Group. Alexander Stoffel is the majority shareholder in Hügli Holding AG through a family holding company (see "Major Shareholders").

There are no cross-shareholding interests with reciprocal positions on the Board of Directors of listed (or unlisted) companies.

Election and Term of Office

The members of the Board of Directors are elected by the General Meeting for a three year term of office. There is no limitation on the term of office. The period between one General Meeting and the next is regarded as a year of office. Members of the Board of Directors are elected in general collectively. With one consent Fritz Höchner, Dr. Christoph Lechner, Dr. Ernst Lienhard and Dr. Alexander Stoffel have been re-elected till 2010 at the General Meeting of 2007. Jean Gérard Villot has been elected to the Board of Directors until the General Meeting of 2011.

Internal Organisation

The Chairman, Alexander Stoffel, is responsible for preparing the meetings of the Board of Directors and for coordinating its work. He is primarily concerned with strategic issues, controlling and coordination between the Board of Directors and the Group Management Committee. He works closely with the CEO and delegate of the Board of Directors. The main contribution of Reto Consoni to the work of the Board of Directors is his knowledge of the consumer goods industry, in particular the food industry. Christoph Lechner assesses measures which are planned and taken in the light of scientific business management considerations. Ernst Lienhard and Fritz Höchner are the financial experts on the Board of Directors. Jean Villot is the CEO and delegate of the Board of Directors. He represents the interests of the operational business on the Board of Directors.

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. determination of compensation for the Group Management Committee), the members concerned withdraw from the meeting.

The Board of Directors meets according to business requirements, normaly four to six times a year full-time. Additional meetings are convened to deal with important events. 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 five whole-time meetings as well as a three-day workshop together with the group management.

Terms of Reference

The respective responsibilities of the Board of Directors and Group Management Committee are defined in the organisational rules of procedure of those bodies. The main points are as follows:

The Board of Directors assigned operating group management responsibility to the CEO and delegate to the Board of Directors, Jean Villot.

In addition to the seven tasks which are reserved exclusively for the Board of Directors by article 716a OR (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 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 Management Committee and the national managers, and determination of their compensation
- the Board of Directors may – as it bears ultimate responsibility for the company – act in all areas of the business if it regards that as necessary for the proper performance of its tasks. However, it takes care not to intervene unnecessarily in areas of operational, delegated responsibility.

Information and Controlling Instruments

The internal Management Information System (MIS) of the Board of Directors contains the consolidated figures of the group and the sales divisions, the key figures of the group companies as well as commentaries thereto. A written copy of the MIS is given to each Board member.

The monthly reporting contains sales figures of the international subsidiaries and the sales divisions including variance analysis to previous year and budget as well as commentaries to the current course of business. Quarterly a widespread view for the Hügli Group and the geographical segments (income statement, balance sheet, statement of changes in equity, cash flow statement) is prepared as well as a consolidated division reporting of the cross-national sales organisations and customer segment based subunits, with focus on group contribution margins of sales and marketing. This reporting contains a variance analysis to previous year and budget. Moreover, the Board receives twice a year a forecast to the yearly figures. Once a year, a three-years rolling strategic plan is realised.

The Delegate and CEO presents and comments on the course of business and all important topics at the Board meetings. Depending on the agenda item (budget, yearly financial statements, projects, acquisitions) also the other group management members present information on the actual situation.

The Chairman of the Board of Directors and the CEO inform and consult each other regularly on all important business matters. The Chairman visits corporate subsidiaries and has discussions with country and division management to see for himself their operations and how they are implementing the group strategies. The Board attends the annual three-day workshop of group management and obtain direct and detailed information about current operating projects and achieved goals.

From the external auditors the Board receives the audit reports and management letters of the group as well as from important group companies. A workshop is held on the occasion of the approval of the annual statement of accounts with the holding auditor and, where appropriate, with the auditors of subsidiary companies. Internal audit reports on behalf of the Board are also included in this meeting.

The Board of Directors and the group management attach considerable importance to careful handling of strategic, financial and operative risks. During the reporting year, the risk management was deepened and extended by analytical processes.

4. Group Management

The responsibilities, working method and delimitation of the terms of reference from those of the Board of Directors are set out in the rules of procedure of the Group Management.

The Group Management is the senior operational management body of the Hügli Group. It reports to the Board of Directors and consists of five members.

Jean Gérard Villot, born 1952, a French national, has been an executive member of the Board of Directors and CEO since 2003, making him Chairman of the Hügli Group Management Committee. See notes on page 19 under “Members of the Board of Directors”.

Thomas Bodenmann, born 1962, a Swiss national, has been a member of the Group Management Committee since 2001. He is in charge of the Food Ser-

vice Division. Following basic commercial training, Thomas Bodenmann graduated from the St. Gallen University of Applied Sciences with a degree in management and went on to take various courses of further training at the University of St. Gallen and at Harvard Business School, Boston, USA. After holding various positions in industry, he became Swiss sales manager at Benckiser (Schweiz) AG, Winterthur, a position which he held until 1995. Thomas Bodenmann joined Hügli Switzerland in 1995 as export manager and member of the Management Committee. In 1997, he became Managing Director of Hügli Switzerland, to which the position of Managing Director of Hügli Austria was added in 1999. In addition to his duties as a member of the Group Management Committee and Head of the Food Service Division, he remains Managing Director of Hügli Switzerland and Hügli Austria.

Erik Linke, born 1966, a German national, has been a member of the Group Management Committee since 2001. He is in charge of the Industrial Foods Division and has been Managing Director of the British Hügli companies, Contract Foods Ltd. and Huegli UK Ltd., since 2008. Erik Linke graduated in commerce from the University of Erlangen-Nürnberg. Before working for Hügli he held various posts with Lidl Germany, one of the leading German discounters, and most recently a senior position with Lidl UK. In 1997 he moved to Hügli Switzerland as export manager.

Alexander Moosmann, born 1950, a German national, has been a member of the Group Management Committee since 2001. He is in charge of the Health and Natural Food Division. After taking his university entrance examinations, Alexander Moosmann studied economics, management and law at the University of Giessen (without graduating). He held various positions in industry before becoming marketing and distribution manager at Hellma Gastronomie Service in Hemmingen, near Stuttgart, Germany. In 1988, he joined Hügli as Head of Food Service Germany and was also appointed Head of Health and Natural Food Germany in 1996. In addition to his duties as member of the Group Management Committee and Head of the Health & Natural Food Division, Alexander Moosmann is also the General Manager of Hügli Germany.

Andreas Seibold, born 1964, a Swiss national, became Chief Financial Officer and member of the Group Management Committee in March 2004. After the swiss certificate in business administration, he acquired the high-school diploma and studied economic sciences at Zurich University (lic. oec. publ.). He went on to qualify as a chartered accountant at the Swiss Institute of Certified Accountants while continuing his professional employment. After working for many years as an auditor with KPMG Zurich he changed 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 is responsible for Investor Relations.

No member of the Group Management Committee has any other important activities or material interests. Hügli Holding AG and its subsidiary companies have not concluded any **management agreements** with third parties.

5. Compensations, Shareholding Interests and Loans

Content and Procedure for Fixing Compensation and Shareholding Programmes

The principles of the compensation policy are designed to provide simple and clearly structured salary systems that ensure fair remuneration and are transparent for the corporation's employees. Individual compensation is determined by the specifications of the position (complexity, responsibility, technical and personal requirements), competencies, performance and the corporation's business success. The amount and the elements of the compensation are also tailored to the respective sector and labour market. The fixed base salary is determined primarily by the manager's tasks, responsibility, skills and experience. The performance related bonus depends on the business success of the corporation and is measured by two financial drivers: results of the segments in charge and group net profit of the year. The bonus of the segment depends on the results of the year compared to the results achieved

in the past. The bonus of the group net profit is derived from the reported group net profit exceeding a defined bottom threshold. The objectives are set by the Board of Directors and clearly focus on the group net profit covering 60 to 100 percent of the performance related bonus. Both components have no ceiling. If the threshold for the criterion in question is not reached no bonus will apply. The bonus should be under normal conditions in the range of 30 to 60 percent of the total compensation.

The non-executive members of the Board of Directors receive a fixed salary; in addition, the Chairman also receives a profit share. The members of the Group Management Committee receive a fixed salary and a profit share which is linked to the overall results of the group and the results of the respective segments. They also have the possibility of using a limited part of their bonus to buy shares of the company with a retention period of 3 years at a preferential price, which is 25% below the market price.

The Swiss members of the Group Management Committee are insured in the pension fund with their wages covered by the AHV; in addition and in accordance to the general valid rules the employer-savings premiums are covered. There are no additional regulations for the pension fund. Moreover, every member of the Group Management is provided with a company car. Furthermore, no other significant non-cash benefits are made.

Former members of the Board of Directors and Group Management Committee do not receive any remuneration.

All compensation figures are decided annually by the Board of Directors; members directly concerned (Chairman, Delegate) leave the meeting during these deliberations.

Compensation for Serving Members of the Corporate Bodies

Total compensation of CHF 2.990 million was paid to the executive member of the Board of Directors and to the members of the Group Management (5 persons in all) in the financial year 2008. This consists of fixed components of CHF 2.031 million (salary, lump-sum allowances, pension plan, company car) as well as of variable elements of CHF 0.959 million (variable compensation, stock ownership program).

A total of CHF 0.791 million was paid to non-executive members of the Board of Directors (5 persons) in the financial year 2008. For the Chairman of the Board the total compensation was CHF 0.518 million, thereof CHF 0.264 million fixed components and CHF 0.254 million variable compensation.

Further details for compensation and shareholdings of the Board of Directors and the Group Management according to Swiss law articles 663b to CO (Swiss Code of Obligations) can be found on page 30.

No separate severance compensation was paid.

Compensation for Former Members of Corporate Bodies

No compensation was paid to former members of corporate bodies.

Allocation of Shares in the Year Under Review

In the year under review, the executive member of the Board of Directors and the members of the Group Management Committee purchased a total of 637 bearer shares on the stated preferential terms (CHF 468.00 per bearer share). No allocations were made to any persons having a close relationship to these members. No shares were allocated to non-executive members of the Board of Directors or to persons close to them.

Share Ownership

Together all the executive members of the Board of Directors and the members of the Group Management Committee and persons close to them hold 3’199 bearer shares.

All the non-executive members of the Board of Directors and persons close to them together own 40’121 bearer shares and 410’000 registered shares. This figure includes the 37’930 bearer shares and 410’000 registered shares which are owned by the Dr. A. Stoffel Holding AG / Dr. A. Stoffel (see section 1,

Major Shareholders).

Options

No options have ever been issued on shareholding rights in Hügli Holding AG, either to executive or to non- executive members of the Board of Directors or to members of the Group Management Committee.

Additional Fees and Remuneration

In the fiscal year no additional fees were paid to members of the Board of Directors or the Group Management Committee.

Loans to Members of Corporate Bodies

There are no loans, advances or credits outstanding with respect to members of the Board of Directors or the Group Management Committee, or to persons close to them.

Maximum Total Compensation

The maximum total compensation paid to a member of the Board of Directors in the financial year 2008 was CHF 0.840 million.

6. Shareholders' Rights of Participation

There are no **limitations on voting rights**.

There are no **statutory quorum** requirements, apart from the statutory provisions of articles 703 and 704 CO (Swiss Code of Obligations).

There are no rules deviating from statutory provisions in respect of the **convening of the General Meeting**.

There are no rules deviating from articles 699 and 700 CO relating to the **placing of items for discussion on the agenda** and time limits.

Entry in the share register: Pursuant to article 8, paragraph 4, of the articles of incorporation of the company, changes in the ownership of registered shares are no longer taken into account after invitations have been issued to attend the General Meeting.

7. Change of Control and Safeguard Measures

Obligation to Offer for Purchase

Under article 5 of the articles of incorporation, a bidder is only required to make a public purchase offer as specified in article 32 of BEHG (Swiss federal law on share trading and the stock exchange) if he holds more than 49% of the voting rights in the company (opting-up).

Change of Control Clauses

No such agreements exist with the members of the Board of Directors, the Group Management Committee or other executive staff.

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, Mr. Christian Siegfried, has held his position since the financial year 2007.

Audit Fees

In 2008 OBT AG, St. Gallen, invoiced the sum of CHF 0.102 million 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 in Relation to the external Audit

The Board of Directors examines the audit reports of Hügli Holding AG, the group audit and the management letters of the main subsidiary companies. A workshop is held on the occasion of the approval of the annual statement of accounts with the group auditors and, where appropriate, with the auditors of individual subsidiary companies. At this meeting the commentary reports and important issues of the management letters were discussed in detail as well as the audit focuses explained.

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 for all issues concerning external communication.

Hügli informs twice a year with the annual and the half-year report about the course of business and the financial situation. Important businesses and events which may have an impact on share price are published routinely (ad hoc publicity).

Key dates in 2009:

- Sales report: 27 January 2009
- Media- and analyst conference (annual report 2008, report for first quarter 2009): 15 April 2009
- General Meeting of Shareholders: 13 May 2009
- Reduction in par value / Dividend: 7 August 2009
- Half-year report 2009: 14 August 2009

Further dates, reports and media releases can be found at www. huegli.com under Investor Relations.
The responsible person for investor relations is:
Andreas Seibold, CFO
Tel. +41 71 447 22 50, Fax. +41 71 447 22 51
andreas.seibold@huegli.com

Balance Sheet of Hügli Holding AG

Assets	31.12.2008	31.12.2007
	CHF	CHF
Cash and cash equivalents	8’414’306	222’585
Accounts receivable from subsidiaries	1’460’122	491’627
Other receivables	13’711	42’497
Current assets	**9’888’139**	**756’709**
Loans to subsidiaries	93’808’683	71’709’097
Investments	65’283’297	65’283’297
Intangible assets	1	1
Own shares	344’722	379’626
Fixed assets	**159’436’753**	**137’372’021**
Total assets	**169’324’892**	**138’128’730**
Liabilities and shareholders’ equity		
Short-term bank debts	27’274’480	16’411’574
Accounts payable to subsidiaries	260’000	0
Accrued expenses and deferred income	883’582	1’194’995
Long-term bank debts	45’935’700	34’931’000
Provision for currency differences	4’000’000	4’000’000
Provision for investments	14’000’000	14’000’000
Liabilities	**92’353’762**	**70’537’569**
Share capital	4’607’500	9’942’500
General reserves	11’100’000	11’100’000
Reserve for own shares	344’772	379’625
Free reserve	35’000’000	25’000’000
Profit carried forward	11’282’342	10’868’517
Net profit for the year	14’636’516	10’300’519
Shareholders’ equity	**76’971’130**	**67’591’161**
Total liabilities and shareholders’ equity	**169’324’892**	**138’128’730**

Income Statement of Hügli Holding AG

Income	2008	2007
	CHF	CHF
Income from investments (Dividends)	13’425’300	4’374’828
Income from subsidiaries	3’966’222	3’812’093
Financial income from subsidiaries	4’585’638	3’781’650
Other financial income	310’822	3’363’270
Other operating income	60’000	60’000
Total income	**22’347’982**	**15’391’841**
Expenses		
Personal expenses	– 2’008’066	– 1’956’183
Other operating expenses	– 315’109	– 579’706
Financial expenses	– 5’219’460	– 2’073’187
Taxes	– 168’831	– 482’246
Total expenses	**– 7’711’466**	**– 5’091’322**
Net profit for the year	**14’636’516**	**10’300’519**

Proposed Appropriation of Retained Earnings

	31.12.2008	31.12.2007
	CHF	CHF
Net profit of the year	14’636’516	10’300’519
Profit carried forward	11’169’036	10’755’702
Decrease of reserve for own shares / Dividends on own shares	113’306	112’815
Retained earnings	**25’918’858**	**21’169’036**
The Board of Directors proposes the following appropriation of the retained earnings to the General Meeting:		
Appropriation to the free reserve	10’000’000	10’000’000
Dividend of CHF 2.50 per bearer share / CHF 1.25 per registered share	1’212’500	0
Balance to be carried forward	14’706’358	11’169’036
The Board of Directors proposes the following share capital reduction:		
Reduction of CHF 8.50 per bearer share / CHF 4.25 per registered share	4’122’500	5’335’000
Share capital after reduction	485’000	4’607’500

Payment per Share

Subject to approval by the General Meeting the payment per share is:		
Bearer share (new par value CHF 1.00)		
Payback of par value	8.50	11.00
Dividend, gross	2.50	0.00
./. Withholding tax 35%	– 0.875	0.00
Payment per bearer share, net	**10.125**	**11.00**
Registered share (new par value CHF 0.50)		
Payback of par value	4.25	5.50
Dividend, gross	1.25	0.00
./. Withholding tax 35%	– 0.4375	0.00
Payment per registered share, net	**5.0625**	**5.50**

Payment will be effected from Friday 7 August 2009 with coupon no. 13 to all shareholders holding shares at 6 August 2009.
The bearer shares will be traded ex dividend and with the new nominal value of CHF 1.00 at the SIX Swiss Exchange starting 7 August 2009 (security number 464795).

- Sureties, guarantee commitments and pledges in favour of third parties total to CHF 41.0 million (CHF 41.7 million in the previous year).

- No assets have been pledged or assigned to secure own commitments. There are no reservations of ownership.

- For details of investments, see separate list on page 63 of the annual report.

- Own shares held by the company: 7'132 bearer shares (7'853 in the previous year) with a par value of CHF 9.50 (CHF 20.50 in the previous year) each. In the year reporting, 721 shares (628 in the previous year) were sold to staff as part of a stock owner-ship program at the reduced price of CHF 468.00 (CHF 412.50 in the previous year) per share.

- The negative currency differences 2008 reported on group and bank loans in the amount of CHF 2'679'146 were put in the income statement. In the previous year positive currency differences in the amount of CHF 3'133'053 were put in the income statement, thereof CHF 1'564'167 due to the dissolution of a currency accrual.

Disclosures on the Performance of Risk Assessment According to Swiss Law

The Board of the Directors of Hügli Holding AG is the Group's highest authority for risk assessment. The Group-wide risk assessment consists of controlling of risk management procedures and periodic reporting of Group Management to the Board of Directors regarding risk identification, analysis and monitoring. To guarantee early identification and management of risks, risk management was assigned to the operating departments within the country organisations, which perform Group functions in the areas of financial accounting and reporting, treasury, quality management and production. The reporting on the effectiveness of risk management to Group Management is carried out by the executive managements of the countries and divisions.

Disclosures on financial risk management are presented in note 14 in the Notes to the Consolidated Financial Statements.

Compensation

– Compensation to Members of the Board of Directors 2008

in CHF 1'000	Compensation fix	Compensation variable [1]	Shares variable [2]	Company Car [3]	Pension and social insurance [4]	Total 2008	Total 2007
Dr. Alexander Stoffel, Chairman	208	254		4	52	518	521
Dr. Jean Gérard Villot, Vice President and Delegate [5]	50				6	56	44
Reto Consoni	50					50	40
Fritz Höchner	50				3	53	42
Beat Kaufmann [6]	0					0	42
Dr. Christoph Lechner	50				6	56	45
Dr. Ernst Lienhard	50				6	56	45
Total Board of Directors	**458**	**254**	**0**	**4**	**75**	**791**	**779**

– Compensation to Members of the Group Management 2008

in CHF 1'000	Compensation fix	Compensation variable [1]	Shares variable [2]	Company Car [3]	Pension and social insurance [4]	Total 2008	Total 2007
Total Group Management	**1'460**	**923**	**36**	**39**	**532**	**2'990**	**2'937**
thereof maximum total compensation:							
Dr. Jean Gérard Villot, CEO [7]	374	230	12	8	160	784	772

Shareholdings

– Shareholdings as per December 31, 2008

	Number of bearer shares	Number of registered shares	voting rights
Dr. Alexander Stoffel	37'930	410'000	64.9%
Reto Consoni	900		0.1%
Fritz Höchner	1'291		0.2%
Dr. Christoph Lechner	0		0.0%
Dr. Ernst Lienhard	0		0.0%
Total Board of Directors	**40'121**	**410'000**	
Dr. Jean Gérard Villot	1'757		0.3%
Thomas Bodenmann	502		<0.1%
Erik Linke	362		<0.1%
Alexander Moosmann	106		<0.1%
Andreas Seibold	472		<0.1%
Total Group Management	**3'199**	**0**	

1) The variable compensation is based on a plan, which has been approved by the Board of Directors. The amount is determined by the financial result and the result in the segments, the individual members are responsible for. Payment will be made in 2009.
2) Share-related remuneration is based on a senior management participation program. For a limited part of the bonus it is possible to acquire shares at a preferential price of 75% of the market value. The shares underlie a retention period of 3 years. Due to the retention period they show a discounted value in the compensation value. The Group Management bought 637 bearer shares at a price of CHF 298 thousand. The discounted market value amounted to CHF 334 thousand.
3) The private part of the company car was determined by tax values. Real travel expenses are not included.
4) Social insurance includes the obligatory employer's and employees' contributions and the AHV/IV and the SUVA (Group Management: CHF 265 thousand / Board of Directors: CH 75 thousand). The pension plan includes obligatory and non-mandatory contributions to the pension fund (Group Management: CHF 268 thousand / Board of Directors: CH 0 thousand).
5) Excluding compensation as Chief Executive Officer of CHF 784 thousand.
6) Beat Kaufmann retired at the General Meeting of Shareholders on May 8, 2007.
7) Excluding compensation as Board Member of CHF 56 thousand.

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, statement of changes in equity and notes for the year ended December 31, 2008.

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, 2008 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, 20 March 2009

OBT AG

Christian Siegfried
Swiss Certified Accountant
Auditor in Charge

Urs Frei
Swiss Certified Accountant

Consolidated Balance Sheet

in CHF 1'000

Assets	Note	31.12.2008	%	31.12.2007	%
Cash and cash equivalents	2	14'328		5'538	
Trade receivables	3	54'774		52'495	
Other receivables	4	6'808		6'162	
Inventories	5	59'518		54'879	
Current assets		**135'428**	**48.2**	**119'074**	**44.0**
Land and buildings	6	73'984		80'756	
Technical equipment and machinery	6	29'340		29'139	
Other tangible assets	6	8'998		9'141	
Intangible assets	7	32'452		31'529	
Financial assets	8	37		275	
Deferred income tax assets	11	564		656	
Fixed assets		**145'375**	**51.8**	**151'496**	**56.0**
Total Assets		**280'803**	**100.0**	**270'570**	**100.0**
Liabilities and shareholders's equity					
Borrowings	9	52'505		53'404	
Trade payables		25'752		21'189	
Tax liabilities		3'973		3'697	
Other current liabilities	10	13'757		12'973	
Current liabilities		**95'987**	**34.2**	**91'263**	**33.7**
Borrowings	9	57'472		54'249	
Deferred tax liabilities	11	9'453		9'959	
Provisions for employee benefits	12	1'615		1'890	
Non-current liabilities		**68'540**	**24.4**	**66'098**	**24.4**
Liabilities		**164'527**	**58.6**	**157'361**	**58.2**
Share capital	17	4'608		9'943	
Reserves	17	111'668		103'266	
Shareholders' equity		**116'276**	**41.4**	**113'209**	**41.8**
Total liabilities and shareholders' equity		**280'803**	**100.0**	**270'570**	**100.0**

Consolidated Statement of Changes in Equity

in CHF 1'000	Share capital	Share premium	Own shares	Retained earnings	Changes in value hedge accounting	Translation differences	Total
Balance at 31.12.2006	15'035	16'758	– 410	59'173	0	6'991	**97'547**
Translation adjustment						2'848	2'848
Transfer of realised currency gains to income statement						– 1'242	– 1'242
Profit an losses directly recorded in equity							1'606
Net profit				18'790			18'790
Total recognised income and expenses							20'396
Reduction in par value	– 5'092	82					– 5'010
Sale of own shares		215	30				245
Recognition of share-based payments				31			31
Balance at 31.12.2007	9'943	17'055	– 380	77'994	0	8'597	**113'209**
Translation adjustment						– 10'673	– 10'673
Transfer of realised currency gains to income statement						– 853	– 853
Valuation of cashflow hedges, net					657		657
Net income recognised directly in equity							– 10'869
Net profit				18'822			18'822
Total recognised income and expenses							7'953
Reduction in par value	– 5'335	78					– 5'257
Sale of own shares		296	35				331
Recognition of share-based payments				40			40
Balance at 31.12.2008	4'608	17'429	– 345	96'856	657	– 2'929	**116'276**

Foreign exchange rates

	Balance Sheet		Income Statement	
	31.12.2008	**31.12.2007**	**2008**	**2007**
EUR (1)	1.491	1.659	1.587	1.643
GBP (1)	1.539	2.250	2.001	2.402
CZK (100)	5.576	6.245	5.381	5.935
SKK (100)	4.981	4.949	5.094	4.878
PLN (100)	36.160	46.080	45.450	43.540
HUF (100)	0.564	0.655	0.634	0.655

Consolidated Income Statement

in CHF 1'000

	Note	2008	%	2007	%
Sales	18	**400'754**	**100.0**	**345'357**	**100.0**
Sales deductions		– 9'426	– 2.4	– 6'544	– 1.9
Net sales		**391'328**	**97.6**	**338'813**	**98.1**
Change in inventories		3'285	0.8	3'877	1.1
Operating revenue		**394'613**	**98.5**	**342'690**	**99.2**
Material expenses		– 197'547	– 49.3	– 168'037	– 48.7
Personnel expenses	19	– 89'305	– 22.3	– 79'464	– 23.0
Other operating expenses, net	20	– 66'637	– 16.6	– 57'668	– 16.7
Operating profit before depreciation and amortisation (EBITDA)		**41'124**	**10.3**	**37'521**	**10.9**
Depreciation	6	– 10'404	– 2.6	– 9'462	– 2.7
Amortisation	7	– 1'263	– 0.3	– 1'246	– 0.4
Operating profit (EBIT)		**29'457**	**7.4**	**26'813**	**7.8**
Interest expenses	22	– 5'215	– 1.3	– 3'706	–1.1
Interest income	22	158	0.0	88	0.0
Other finacial result	22	634	0.2	1'876	0.5
Profit before taxes		**25'034**	**6.2**	**25'071**	**7.3**
Income taxes	23	– 6'212	– 1.6	– 6'281	– 1.8
Net profit		**18'822**	**4.7**	**18'790**	**5.4**
Earnings per share (in CHF)	25	39.40		39.39	

Consolidated Cash Flow Statement

in CHF 1'000

	Note	2008	2007
Net profit		18'822	18'790
Depreciation / Amortisation	6 / 7	11'667	10'708
Increase / (Decrease) in provisions	12	– 34	– 26
Interest expenses, net	22	5'057	3'618
Income taxes	23	6'212	6'281
Other non-cash result		737	– 1'962
Change in net working capital			
(Increase) / Decrease in receivables		– 8'747	– 6'481
(Increase) / Decrease in inventories		– 9'486	– 9'806
Increase / (Decrease) in liabilities		7'578	– 4'151
Income taxes paid		– 5'701	– 5'714
Cash flow from operating activities		**26'105**	**11'257**
Investments in tangible fixed assets	6	– 10'980	– 10'856
Cash flow from acquisitions, net	1	– 8'757	– 13'859
Disposals of tangible assets	6	78	1'163
Investments / Disposals of financial assets	8	501	130
Interest received		158	88
Cash flow from investing activities		**– 19'000**	**– 23'334**
Increase / (Repayment) of short-term borrowings	9	6'356	– 2'415
Increase / (Repayment) of long-term borrowings	9	11'919	24'374
Repayment of finance lease liabilities	9	– 5'618	– 100
Repayment of par value		– 5'257	– 5'010
Interest paid		– 5'136	– 3'688
Sale of own shares		331	245
Cash flow from financing activities		**2'568**	**13'406**
Total cash flow		**9'673**	**1'329**
Translation adjustment on cash and cash equivalents		– 883	70
Change in cash and cash equivalents		**8'790**	**1'399**
Cash and cash equivalents at 01.01.		5'538	4'139
Cash and cash equivalents at 31.12.		14'328	5'538

Segment Information

in CHF 1'000

2008	Germany	Switzerland / Rest Western Europe	Eastern Europe	Elimination / Not allocated	Total Group
Consolidated sales	214'817	133'773	52'164		400'754
Inter-segment sales	7'687	12'486	165		
Total sales	222'504	146'259	52'329	– 20'338	
EBITDA	25'108	14'587	1'429		41'124
Depreciation	– 4'607	– 3'880	– 1'917		– 10'404
Amortisation	– 1'000	– 259	– 4		– 1'263
EBIT	19'501	10'449	– 493		29'457
EBIT-Margin	*9.1%*	*7.8%*	*– 0.9%*		*7.4%*
Financial result, net					– 4'423
Income taxes					– 6'212
Net profit					18'822
Investments in tangible fixed assets	4'782	4'954	1'244		10'980
Acquisitions (at costs)	0	10'753	0		10'753
Assets	121'652	125'573	37'033	– 3'455	280'803
Liabilities	17'633	23'336	7'689	115'869	164'527
Personnel (full-time positions)	582	441	327		1'350

2008	Food Service	Private Label	Industrial Foods	Health & Natural Foods	Others	Total Group
Sales	165'784	87'324	70'642	55'314	21'690	400'754

2007	Germany	Switzerland / Rest Western Europe	Eastern Europe	Elimination / Not allocated	Total Group
Consolidated sales	199'311	100'547	45'499		345'357
Inter-segment sales	4'906	8'739	165		
Total sales	204'217	109'286	45'664	– 13'810	
EBITDA	23'786	11'645	2'090		37'521
Depreciation	– 4'762	– 2'955	– 1'745		– 9'462
Amortisation	– 1'043	– 199	– 4		– 1'246
EBIT	17'981	8'491	341		26'813
EBIT-Margin	*9.0%*	*8.4%*	*0.7%*		*7.8%*
Financial result, net					– 1'742
Income taxes					– 6'281
Net profit					18'790
Investments in tangible fixed assets	4'733	4'398	1'725		10'856
Acquisitions (at costs)		13'859			13'859
Assets	128'430	103'492	39'735	– 1'087	270'570
Liabilities	17'617	19'138	4'735	115'871	157'361
Personnel (full-time positions)	536	308	320		1'164

2007	Food Service	Private Label	Industrial Foods	Health & Natural Foods	Others	Total Group
Sales	149'116	71'382	49'694	52'828	22'337	345'357

Notes to the Consolidated Financial Statements

Corporate Accounting Principles

General

The consolidated financial statements of the Hügli Group give a true view of the consolidated financial position, results of operation and cash flows in accordance with the International Reporting Standards (IFRS) and comply with Swiss law.

The following new interpretations on the International Reporting Standards (IFRS) have come into effect for the financial year 2008:
- IFRIC 11 / IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 / IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 39 / IFRS 7 – Financial Instruments: Recognition and Measurement / Disclosures (Reclassification of Assets)

These new interpretations and standards have no material effect on the present financial statements.

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 goodwill, 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, it is first necessary to 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 result in 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.

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 investment properties, derivative financial instruments and further financial assets that are stated at fair value.

The Board of Directors of Hügli Holding AG passed the consolidated financial statements 2008 on 20 March 2009. They must also be approved at the Annual General Meeting on 13 May 2009.

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, liabilities and contingent liabilities of the acquired subsidiary is cleared against the acquisition cost at the time of acquisition. A positive difference will be recognised as goodwill. 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 included in the consolidated financial statements using the equity method of accounting and on the consolidated balance sheet presented separately as investments in associates. The share in profit or loss is recognised and presented separately in the consolidated income statement.
Investments with a voting power of less than 20% are stated at fair value and presented under other financial assets, with the unrealised gains and losses recognised directly in the consolidated income statement. An overview of the consolidated group of companies is provided on page 63.

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).
Corporate subsidiaries 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 rate. Foreign currency gains and losses resulting from transactions and from the translation of balance sheet items denominated in foreign currencies 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 income statement.

For consolidation purposes, the financial statements of the foreign entities 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. Any translation adjustment resulting from the translation of balance sheets and income statements, as well as the foreign exchange gains and losses arising from the translation of equity-like corporate loans denominated in foreign currencies, which are a component of net investments in a subsidiary and the repayment of which is neither planned nor intended, are recognised at the spot rate directly in equity as translation differences. When realised through the sale of a foreign subsidiary or the repayment of equity-like corporate loans, the corresponding accumulated translation differences are carried forward to the income statement.

Accounting Policies

Hedge Transactions and Hedge Accounting
To hedge the foreign currency and interest risks Hügli occasionally makes use of forward currency contracts, option contracts and swaps, and thereby aims at reducing volatility in the income statement. For a hedging relationship to qualify as a hedging transaction, it must fulfil various criteria relating to documentation, the probability of occurrence, the effectiveness of the hedging instrument, and the reliability of the valuation. On conclusion of a hedging transaction, the Group documents the purpose and the relationship of a hedging instrument with the hedged item based on the Group's hedging strategy. When hedges which 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 probably cash flows arising from an expected future transaction (Cash Flow Hedge), or hedging a net investment in a foreign subsidiary.
Fluctuations in the market value 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 shareholders' equity if all above mentioned requirements are fulfilled. 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 balance sheet item on the date of recognition of the corresponding underlying transaction. In such cases, in which the requirements for hedging transactions are no longer fulfilled, the subsequent value fluctuations are recognised immediately in the consolidated income statement, whereas the accumulated value fluctuations previously recognised in shareholders' equity are recognised in the consolidated income statement on the date of occurrence of the corresponding underlying transaction.

The congruent financing of the purchasing price of a foreign acquisition with its local functional currency, which does not correspond to the Group's functional currency, constitutes hedging of investments in a foreign subsidiary. The allocated bank loans are translated at year-end rates and the unrealised gains and losses are recognised directly in equity, corresponding to the translation adjustment in the balance sheets of acquired foreign companies, but only as long as the net assets exceed the loans taken up. If loans taken up are higher than the net assets of a subsidiary, the differences resulting from foreign currency exchange that form the amount exceeding the loans taken up are recognised with any gain or loss. All external financing is formally documented and monitored. The effectivity results from currency congruency and manifests itself in offsetting inclusions of income generated by the hedge instrument and translation differences of consolidation in the Group's equity.

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 (including direct and indirect labour and materials used). If the net realisable value is lower, valuation adjustments are made accordingly. In addition, valuation adjustments are made for inventories with an unsatisfying turnover or are difficult to sell.

Tangible Fixed Assets
Tangible fixed 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 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 in connection with the adoption of IFRS. Non-operating buildings are valued at fair value; the unrealised gains and losses resulting from periodic revaluations, are recognised in the consolidated income statement.
The useful lives of buildings are 25 to 50 years, of infrastructure 10 to 25 years, of machinery and equipment 5 to 15 years, of furniture and vehicles 4 to 10 years and for EDP (hardware and software) 3 to 6 years. Repair and maintenance expense is as a matter of principle directly charged to the consolidated 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 of minimum lease payments or fair value. Assets are depreciated

on a straight-line basis through the 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 consolidated income statement, and amounts related to the repayment of the financial lease liabilities. Operating lease payments are charged to the consolidated income statement as incurred.

Intangible Assets
Acquired intangible assets, which yield a financial benefit, such as licenses, trademarks and client lists are capitalised and amortised on a straight-line basis over their expected useful life, usually 5 to 10 years.
Goodwill, which represents the difference between the acquisition cost and the fair value of the acquired net assets, is capitalised. Goodwill and other intangible assets (trademarks) with an indefinite useful life are, in accordance with IFRS 3, not systematically amortised. These assets are allocated to the appropriate cash-generating units and tested annually for impairment. If necessary, impairment charges are recognised in the consolidated income statement.

Research and Development
All research costs are recognised in the consolidated income statement as incurred. In general, the spending on development costs is not capitalised as an asset in the balance sheet but booked in the income statement as expenses (IAS 38 not fulfilled).

Financial assets
Marketable securities and other financial assets are stated at fair value, with unrealised gains and losses recognised in the consolidated income statement. 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 loss is recognised in the consolidated income statement.

Financial Liabilities
Financial liabilities, upon their entering, are stated at fair value less transaction costs, and are later recognised at amortised cost, which generally correspond to the nominal value. The related interest income is recognised using the effective interest method in the consolidated income statement

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.

Taxes
Current income taxes are calculated on taxable profits. Deferred taxes are calculated by applying the balance sheet liability method for the 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. Netting of tax assets and liabilities is performed if they concern the same taxable entity and the same tax authorities. Deferred tax assets on tax loss carry forwards are only recognised in the consolidated balance sheet to the extent that it is probable that future taxable profits will be available, against which the assets can be utilised. Provisions for taxes withheld at source on undistributed profits in foreign subsidiaries are only recorded, if the Group intends dividend payments in the near future.

Employee Benefits
Swiss Group companies sponsor a legally independent pension plan foundation according to Swiss legislation. This foun-

dation performs 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. This pension plan qualifies as a defined benefit plan in accordance with IAS 19. Accordingly, the defined benefit obligation is calculated applying the projected unit credit method, based on actuarial assumptions such as expected salary and pension increases and a discount rate. Calculated current service costs are recognised in the consolidated income statement. Actuarial gains and losses arise mainly from changes in assumptions and from differences between actuarial assumptions and realised amounts. They are recognised in the consolidated income statement on a straight-line basis over the average remaining service years to the extent that they exceed the higher of 10% of the fair value of assets, or 10% of the present value of the defined benefit obligations ("corridor") Actuarial gains and losses are realised in the income statement and not recognised in equity. Deficits arising from such calculations as of the balance sheet date are recognised according to this mechanism. Employee benefit surpluses are, in compliance with IFRIC 14, only capitalised, if they are actually available to the Group in the form of expected refunds from the fund or reductions in contributions to the fund.
The other Group companies have no material independent pension plan. Pension provisions for retired individuals and other employee benefit obligations are actuarially calculated and recorded in the provisions.
Social security plans run by the government, which do not include any future financial commitments, are qualified as defined contribution plans. The funding of defined contribution plans normally is based on fixed percentages of the insured salaries. The employer contributions paid into these plans are recognised directly in the consolidated income statement.

Stock Ownership Program
A stock ownership program allows members of senior management to obtain a limited amount of compensation in form of Group stock at 75% of the fair market value. This special offer is subject to a retention period of 3 years. The difference between market value and preferential price is recognised as personnel expense.

Segment Reporting
The Hügli Group consists of only one single business unit whose purpose is to develop, produce and distribute food products, namely dry blended products.
The segment reporting reflects the operational and production related structure of the Hügli Group. This structure is based on the production sites including the associated sales companies (country clusters based on the location of assets); these segments are the basis for risks and returns. Primary segment reporting is prepared according to geographic criteria.
The segment "Germany" contains every active Group company in the country; the segment "Switzerland / Rest of Western Europe" includes companies in Switzerland (including insignificant Group functions), Austria, United Kingdom and Italy. The "Eastern Europe" segment includes companies in the Czech Republic, the Slovak Republic, Poland and Hungary.

In accordance with IAS 14, the allocation of segment assets and segment borrowing costs based on geographic criteria does not allocate the financial liabilities and tax assets. The segment result before interest and taxes (EBIT) can therefore be related to operative net assets.
The breakdown of sales based on customer-related geographic markets does not differ significantly (more than 10% of group sales) from the primary segments.
Due to the various customer segments, a secondary segment reporting of sales figures relates to divisions / client segments. An objective allocation of the manufacturing facilities (assets and investments) to the sales divisions is not feasible; the relevant information is consequently not disclosed.

New IASB Standards that have been approved but not yet applied
The following new and revised standards and interpretations had been approved by the IASB by the time the consolidated financial statements were authorised for issue by the Board of Directors. However, they do not take effect until later on and were not adopted early in preparing this set of consolidated financial statements. Since their effect on the consolidated financial statements of the Hügli Group has not yet been systematically analysed, the anticipated effects are merely an initial estimate on the part of the Executive Committee.

Standard / Interpretation		*Effective date*	*Date planned for adoption by Hügli*
IAS 1 rev. – Presentation of Financial Statements	*	January 1, 2009	Financial year 2009
IFRS 8 – Operative Segments	*	January 1, 2009	Financial year 2009
IFRS 3 rev. – Business Combinations	**	July 1, 2009	Financial year 2010
IAS 27 rev. – Consolidated and Separate Financial Statements	**	July 1, 2009	Financial year 2010

* Mainly, it is expected that the consolidated financial statements of Hügli will be affected by adjustments and / or additional disclosures.

** The effects on the consolidated financial statements of Hügli relate to future transactions and therefore cannot yet be determined with sufficient certainty.

Further amendments, of which no or no significant impacts are expected on the consolidated financial statements of Hügli:

Standard / Interpretation	*Effective date*	*Date planned for adoption by Hügli*
IFRIC 13 – Customer Loyalty Programms	July 1, 2008	Financial year 2009
IAS 23 rev. – Borrowing Costs	January 1, 2009	Financial year 2009
IFRS 2 – Share based Payment - Vesting Conditions and Cancellations	January 1, 2009	Financial year 2009
IAS 32 – Financial Instruments and IAS 1– Presentation of Financial Statements: Puttable Financial-Instruments and Obligations Arising on Liquidation	January 1, 2009	Financial year 2009
IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements	January 1, 2009	Financial year 2009
IFRIC 15 – Agreements for the construction of Real Estate	January 1, 2009	Financial year 2009
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	October 1, 2008	Financial year 2009
IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items	July 1, 2009	Financial year 2010
IFRIC 17 – Distributions of Non-cash Assets to Owners	July 1, 2009	Financial year 2010

Notes to the consolidated financial statements

1 Changes in Scope of Consolidation

In the current year, an acquisition was effected in the United Kingdom, in the previous year in Italy.
As per 01 January 2007 the Hügli Industrial Foods AG, Steinach, Switzerland, was merged with Hügli Nährmittel AG, Steinach, Switzerland (absorption fusion). The fusion did not affect the Group's operational activities or the net assets, financial position and results of operations.
An overview of all Group companies (all fully consolidated) is presented on page 63 of this annual report.

Name, registered office, investment and acquisition date of the acquired companies:

Contract Foods Ltd., Redditch, UK	100%	31.01.2008
Ali-Big s.r.l., Brivio, Italy	100%	30.06.2007

In both acquisitions, directly 100% of the shares were acquired.
Contract Foods Ltd. was established in 1981 near Birmingham. The company manufactures dry blends in the functional foods domain, which includes food supplements, sports and slimming nutrition, and instant beverages. Relying on a staff of more than 120, Contract Foods provides a broad range of production-related services, and has become a reliable and approved outsourcing partner of the foods and pharmaceutical industry.
Ali-Big was founded as a family business in the early 1960ies in Brivio at the Southern foot of the Alps. With 70 employees and high-quality products in the domains of liquid sauces and antipasti, the company has successfully established its Brand "TuttoGusto" in the domestic and the export market.
The book values of acquired assets and liabilities are as follows:

2008	TCHF	Book values before acquisition	Revaluation	Acquisition values
	Cash and cash equivalents	909		909
	Accounts receivable	2'054		2'054
	Inventories	1'396		1'396
	Tangible fixed assets	1'141	1'054	2'196
	Operating liabilities	– 2'173	– 520	– 2'693
	Financial liabilities	– 193		– 193
	Provisions / Deferred Taxes	– 102	– 150	– 252
	Net operating assets	**3'032**	**384**	**3'416**
	Goodwill			7'337
	Acquisitions values			**10'753**
	Acquired cash and cash equivalents			– 909
	Deferred part of purchase price			– 1'087
	Cash flow acquisitions, net			**8'757**
	Thereof: directly costs of acquisition			415

2007	TCHF	Book values before acquisition	Revaluation	Acquisition values
	Cash and cash equivalents	316		316
	Accounts receivable	5'845		5'845
	Inventories	4'600	– 46	4'554
	Tangible fixed assets	1'310	7'707	9'017
	Immaterielle Anlagen	701	8'280	8'981
	Operating liabilities	– 5'219		– 5'219
	Financial liabilities	– 5'242	– 5'939	– 11'181
	Provisions / Deferred Taxes	– 527	– 666	– 1'193
	Net operating assets	**1'784**	**9'336**	**11'120**
	Goodwill			3'055
	Acquisitions values			**14'175**
	Acquired cash and cash equivalents			– 316
	Cash flow acquisitions, net			**13'859**
	Thereof: directly costs of acquisition			430

The book values before the acquisition dates were valued based on cost-benefit considerations and not under IFRS.
In connection with the acquisition of Contract Foods in the current period no intangible assets were identified, as it was not possible to clearly separate neither a trademark nor a client base. In the previous year, a trademark of TCHF 8'280 was identified for Ali-Big. The goodwill resulting from the acquisitions represents the expected future economic benefit of the acquired company that cannot be identified and valued separately. This benefit mainly includes expected synergy effects due to the development of the production sites on the basis of the acquired infrastructure and the specialised staff.

The deferred share of the purchase price is calculated depending on the business development 2008/2009 of Contract Foods Ltd. and may still vary. The final amount of goodwill can therefore be determined only at the end of the business year 2009.
Detailed information on the intangible assets is disclosed in note 7.

Acquisition factors since time of acquisition (included in the consolidated financial statements, in TCHF)	
Sales 2008	16'242
EBIT 2008	592
Sales 2007	8'532
EBIT 2007	– 5

Had the acquisitions taken place on 1 January of the respective years, consolidated sales 2008 would have increased by CHF 1.7 million, and for 2007 by CHF 9.1 million respectively, and group profits 2008 would have risen by CHF 0.2 million and for 2007 by CHF 0.0 million.

2 Cash and Cash Equivalents

TCHF	**2008**	**2007**
Bank accounts and cash on hand	14’328	5’538

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

3 Trade Accounts Receivable

TCHF	**2008**	**2007**
Trade accounts receivable, gross	55’690	53’320
./. Valuation allowance	– 916	– 1’078
Total	**54’774**	**52’495**

The ageing structure of trade accounts receivable was at year-end date as follows:

TCHF	**2008**	**2007**
Not due	35’618	38’135
Overdue within 1 month	13’171	11’369
Overdue between 1 to 3 months	4’878	2’717
Overdue over 3 months	2’023	1’352
./. Valuation allowance	– 916	– 1’078
Total	**54’774**	**52’495**

Value adjustments on trade accounts receivable have changed as follows:

TCHF	**2008**	**2007**
At 01.01.	1’078	921
Increase, affecting net income	310	291
Decrease / Utilisation	– 390	– 262
Acquisition of subsidiaries	0	101
Exchange differences	– 82	27
At 31.12.	**916**	**1’078**

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 Other Accounts Receivable

TCHF	2008	2007
Tax receivables	0	283
Forward exchange contracts	657	0
Other receivables	4’315	3’996
Prepaid expenses / accrued income	1’836	1’883
Total	**6’808**	**6’162**

5 Inventories

TCHF	2008	2007
Raw materials (incl. packaging material)	25’314	21’017
Manufactured products	27’026	26’427
Trade goods	7’712	7’883
./. Valuation allowance	– 534	– 448
Total	**59’518**	**54’879**

6 Tangible Fixed Assets

2008 TCHF	Land and Buildings	Tech. Equip./ Machinery	Other tangible assets	**TOTAL 2008**
Acquisition values				
At 01.01.	107’287	75’188	46’177	228’652
Additions	1’163	6’010	3’807	10’980
Disposals	0	– 649	– 1’789	– 2’438
Transfers	270	0	0	270
Acquisition of subsidiaries	43	2’137	16	2’197
Exchange differences	– 8’031	– 7’183	– 3’765	– 18’979
At 31.12.	**100’732**	**75’504**	**44’446**	**220’682**
Accumulated depreciation				
At 01.01.	– 26’531	– 46’049	– 37’036	– 109’616
Planned depreciation	– 2’449	– 4’787	– 3’168	– 10’404
Disposals	0	632	1’728	2’360
Exchange differences	2’232	4’040	3’028	9’300
At 31.12.	**– 26’748**	**– 46’164**	**– 35’448**	**– 108’360**
Carrying values at 01.01.	80’756	29’139	9’141	119’036
Carrying values at 31.12.	**73’984**	**29’340**	**8’998**	**112’322**

2007 TCHF	Land and Buildings	Tech. Equip./ Machinery	Other tangible assets	**TOTAL 2007**
Acquisition values				
At 01.01.	97’462	64’413	43’793	205’668
Additions	2’608	5’975	2’273	10’856
Disposals	– 808	– 404	– 1’274	– 2’486
Acquisition of subsidiaries	5’480	3’191	346	9’017
Exchange differences	2’545	2’013	1’039	5’597
At 31.12.	**107’287**	**75’188**	**46’177**	**228’652**
Accumulated depreciation				
At 01.01.	– 23’833	– 41’294	– 33’986	– 99’113
Planned depreciation	– 2’218	– 3’834	– 3’410	– 9’462
Disposals	174	245	1’143	1’562
Exchange differences	– 654	– 1’166	– 783	– 2’603
At 31.12.	**– 26’531**	**– 46’049**	**– 37’036**	**– 109’616**
Carrying values at 01.01.	73’629	23’119	9’807	106’555
Carrying values at 31.12.	**80’756**	**29’139**	**9’141**	**119’036**

Land and buildings includes non-operating real estate, which is measured at its fair valued of TCHF 1'835 (CHF 2'157 in the previous year). The measurement is based on external assessment. There is no evidence of major changes in this value. The lease contracts of this property amount to TCHF 424 (TCHF 648 in the previous year), the operational expenses to TCHF 303 (TCHF 252 in the previous year). A rental income liability of TCHF 205, which was valuation adjusted in the past, was collected in the previous year. This extraordinary factor had an impact on the stated rental incomes.
Investments in finance leases are disclosed under tangible fixed assets. Their net book value amounts to TCHF 2'335 (TCHF 7'628 in the previous year). There have not been any non-cash additions to investments in finance leases.

The fire insurance value of tangible fixed assets totals TCHF 210'751, whereof TCHF 109'003 is for buildings and TCHF 101'748 for other tangible assets. In the previous year, the total was TCHF 198'415, whereof TCHF 98'518 was for buildings and TCHF 99'897 for other tangible assets.
Pledged tangible fixed assets for financial liabilities include: Real estate mortgage rights totalling TCHF 48'162 (TCHF 53'735 in the previous year), thereof the utilised credit amounted to TCHF 20'997 (TCHF 23'942 in the previous year).

7 Intangible Assets

2008 TCHF	Goodwill	Brands, other intangible assets	**TOTAL 2008**
Acquisition values			
At 01.01.	13'579	21'339	34'918
Additions	0	0	0
Transfers	0	– 270	– 270
Acquisition of subsidiaries	7'337	0	7'337
Exchange differences	– 3'284	– 1'961	– 5'245
At 31.12.	**17'632**	**19'108**	**36'740**
Accumulated depreciation			
At 01.01.	0	– 3'389	– 3'389
Planned amortisation	0	– 1'263	– 1'263
Exchange differences	0	364	364
At 31.12.	**0**	**– 4'288**	**– 4'288**
Carrying values at 01.01.	13'579	17'950	31'529
Carrying values at 31.12.	**17'632**	**14'820**	**32'452**

2007 TCHF	Goodwill	Brands, other intangible assets	**TOTAL 2007**
Acquisition values			
At 01.01.	10'338	12'030	22'368
Additions	0	0	0
Disposals	0	0	0
Acquisition of subsidiaries	3'055	8'980	12'035
Exchange differences	186	329	515
At 31.12.	**13'579**	**21'339**	**34'918**
Accumulated depreciation			
At 01.01.	0	– 2'077	– 2'077
Planned amortisation	0	– 1'246	– 1'246
Disposals	0	0	0
Exchange differences	0	– 66	– 66
At 31.12.	**0**	**– 3'389**	**– 3'389**
Carrying values at 01.01.	10'338	9'953	20'291
Carrying values at 31.12.	**13'579**	**17'950**	**31'529**

In connection with the acquisition in the current period, no intangible assets could be separated; in the previous year, a trademark of TCHF 8'280 had been identified.
The acquired intangible assets were valued based on the income oriented Discounted Cash Flow method ("Relief from Royalty-Method") using a discount rate of 7.5%.
The resulting 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 cash generating units (CGU), which consist either of Group units that comprise several companies, or of single Group companies. The allocation of goodwill and the trademarks to the CGUs was as follows:

2008 TCHF	Goodwill	Brands	TOTAL	Discount rate before taxes
CGU Inter-Planing, Germany	6'240	3'407	9'647	12.9%
CGU Fino, Germany	0	2'483	2'483	12.9%
CGU Fino, Switzerland	0	184	184	10.2%
CGU Supro, Switzerland	3'170	1'000	4'170	10.2%
CGU UK, United Kingdom	277	0	277	12.5%
CGU Ali-Big, Italy	2'751	7'455	10'206	13.1%
CGU Contract Foods, United Kingdom	5'194	0	5'194	12.5%
Total	**17'632**	**14'529**	**32'161**	

2007 TCHF	Goodwill	Brands	**TOTAL**	Discount rate before taxes
CGU Inter-Planing, Germany	6'943	4'370	11'313	12.9%
CGU Fino, Germany	0	3'229	3'229	12.9%
CGU Fino, Switzerland	0	215	215	10.6%
CGU Supro, Switzerland	3'170	1'150	4'320	10.6%
CGU UK, United Kingdom	405	0	405	12.9%
CGU Ali-Big, Italy	3'061	8'295	11'356	12.9%
Total	**13'579**	**17'259**	**30'838**	

The book value of not amortised trademarks amounts to TCHF 7'455 (TCHF 8'295 in the previous year), that of trademarks normally amortised over 10 years to TCHF 7'074 (TCHF 8'964 in the previous year).
The existing goodwill positions and trademarks 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 the period of 10 years, zero growth is applied. The discount rate is between 8.5% and 9.0%, considering specific risk premiums on the base of the weighted average cost of capital (WACC) of Hügli Group of 8.0%. 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. Particularly included in this support of goodwill positions is the Group's latest acquisitions, whose goodwill and trademark are subsumed under the CGU Ali-Big, and goodwill under the CGU Contract Foods respectively.

8 Financial Assets

TCHF	2008	2007
Securities	37	275

Securities were reduced through sale and currently consist in marginal assets set aside with the legal requirement to allocate assets to cover provisions for employee benefits.

9 Financial Liabilities

TCHF	2008	2007
Current financial liabilities	52’505	53’404
Non-current financial liabilities	57’472	54’249
Total	**109’977**	**107’653**
thereof lease payables	495	5’766
thereof secured mortgages	20’997	23’942
Planned maturity:		
up to 1 year	52’505	53’404
1 to 5 years	57’472	49’787
over 5 years	0	4’462
Breakdown to currencies:		
CHF	38’012	24’336
EUR	44’402	61’543
CZK	21’746	18’111
PLN	2’288	2’481
HUF	800	1’182
GBP	2’729	0

Financial liabilities primarily consist of fixed advances from banks in the currencies CHF, EUR and CZK. These are secured by mortgages in the extent of TCHF 20’997 (TCHF 23’942 in the previous year). Non-current financial liabilities with maturity terms of usually 3 or 5 years are at fixed interest rates. The interest rates for current financial liabilities where adjusted to market level at maturity. The interest-bearing foreign capital has a number of financial terms of credit (financial covenants), which among other requirements, requires the observance of financial operating figures such as the net debt to EBITDA ratio and the minimum equity to asset ratio. These terms of credit were observed. For financial liabilities in total, the average interest rate amounted to 4.8% (4.1% in the previous year). The increase can be distinctly traced to both the on average higher indebtedness, which is since mid-year 2007 particularly acquisition-related, and the consistently higher short-term money market interest in the first three quarters of 2008. The fair value of financial liabilities, due to the long-term fixed income bank loans, deviates from the fair value amount. The fair value of CHF 111.6 million at the balance sheet date was thus marginally higher than the book value of CHF 110.0 million.

10 Other Current Liabilities

TCHF	2008	2007
Personnel / social securities	3’945	4’623
Accrued vacation and overtime	2’116	1’614
Customer related liabilities	3’759	2’852
Other liabilities	1’124	1’251
Accrued expenses and deferred income	2’813	2’633
Total	**13’757**	**12’973**

11 Deferred Tax Assets and Liabilities

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

TCHF	2008	2007
Inventories	777	907
Land and buildings	5'078	6'473
Other fixed assets	1'972	1'115
Provisions	2'223	1'910
Other balance sheet positions	126	92
Total Tax Liabilities	**10'176**	**10'497**
Inventories	403	395
Land and buildings	199	101
Other fixed assets	92	0
Provisions	42	51
Loss carry-forward	551	647
Total Tax Assets	**1'287**	**1'194**
Deferred Tax Liabilities, net	**9'453**	**9'959**
Deferred Tax Assets	**564**	**656**

Deferred tax liabilities and assets based on temporary valuation differences are recorded at their gross amounts. Appropriate netting of deferred tax assets and liabilities is performed in consolidation. This effect of netting such amounts was TCHF 723 (TCHF 538 in the previous year).

Tax assets on loss carry-forwards are only capitalised when their realisation is probable. In countries and subsidiaries, in which the utilisation of loss carry-forwards is not foreseeable capitalisation is foregone. The unrecognised deferred tax assets total CHF 0.5 million, the respective potential tax effect amounts to CHF 0.1 million. They will expire in 5 years.
As per 31.12.2008, tax loss carry-forwards of CHF 2.4 million were capitalised resulting in a deferred tax asset of CHF 0.6 million (CHF 0.9 million in the previous year). Their expiry is as follows: up to 1 year CHF 0, from 2 to 5 years CHF 0.4 million, without expiry CHF 0.2 million.
In accordance with IAS 12.39, no deferred tax liabilities on undistributed profits of foreign subsidiaries were recognised.

12 Employee Benefit Provisions

TCHF	2008	2007
At 01.01.	1'890	1'327
Increase	102	107
Utilisation	– 54	– 133
Decrease	– 136	0
Acquisition of subsidiaries	0	548
Exchange differences	– 187	41
At 31.12.	**1'615**	**1'890**

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

13 Employee Benefits

The Swiss employee pension plan, which qualifies as a defined benefit plan according to IFRS, legally qualifies as a contribution plan according to Swiss law. On 31 December 2008 an actuarial calculation of the plan was obtained, which was used as a basis for the current year amounts.

According to the actuarial valuation under IAS 19, the following unrecognised net pension assets ensue based on the calculated benefit obligations and fair values of plan assets:

TCHF	2008	2007
Present value of defined benefit obligations 01.01.	**30'021**	**28'840**
Current service cost, net	1'392	1'142
Employees' contributions	624	586
Interest cost	975	946
Benefits paid	– 1'552	– 937
Actuarial (gains) / losses	– 1'928	– 556
Present value of defined benefit obligations 31.12.	**29'532**	**30'021**
Fair value of plan assets 01.01.	**36'820**	**35'560**
Expected return on plan assets	1'570	1'527
Employer's contributions	624	586
Employees' contributions	1'181	1'097
Benefits paid	– 1'552	– 937
Actuarial gains / (losses)	– 7'742	1'013
Fair value of plan assets 31.12.	**30'901**	**36'820**

Funding of defined benefit obligations and effect of experience adjustments:

TCHF	2008	2007	2006
Present value of defined benefit obligations 31.12.	– 29'532	– 30'021	– 28'840
Fair value of plan assets 31.12.	30'901	36'820	35'560
Net pension asset 31.12.	**1'369**	**6'799**	**6'720**
Non-recognised part of over funding	– 1'369	– 6'799	– 6'720
Over funding recognised in balance sheet	**0**	**0**	**0**
Experience adjustments DBO	– 110	679	– 3'668
Experience adjustments plan assets	– 7'742	– 1'013	1'597

An over funding is not capitalised in accordance with IAS 19.58.
The long term expected return on plan assets was based on the strategic asset allocation of 4.25% (4.25% in the previous year). This expected return is on a regular basis compared with the realised return, currently -15.8% (2.4% in the previous year). The actual return on plan assets totals TCHF -6'172 (TCHF 514 in the previous year).

Asset allocation of funded defined benefit plans is as follows:

	Long-term target	2008	2007
Equity securities	30-45%	35%	43%
Debt securities	30-60%	48%	44%
Real estate	0-15%	10%	8%
Cash, accounts receivable	0-10%	7%	5%
Total		**100%**	**100%**

The employee benefit costs for the defined benefit plan in the consolidated income statement are comprised as follows:

TCHF	2008	2007
Current service cost, net	– 1'392	– 1'142
Interest costs	– 975	– 946
Expected return on plan assets	1'570	1'527
Non-recognised benefit earnings	– 384	– 536
DBP employee benefit costs	**– 1'181**	**– 1'097**

The following represents the movements in the net over-funding of the defined benefit plan:

TCHF	2008	2007
Over funding as at 01.01.	**0**	**0**
Calculated net benefit cost, net	– 797	– 561
Non-recognised benefit earnings	– 384	– 536
Paid employer's contributions	1'181	1'097
Over funding as at 31.12.	**0**	**0**

The expenses for defined contribution plans, of which a majority is governmental and the Group's total costs for defined benefit plans amount to:

TCHF	2008	2007
Cost of defined contribution plans	– 4'213	– 4'315
Cost of defined benefit plans	– 1'181	– 1'164
Employee benefit costs, total	**– 5'394**	**– 5'479**

The employer's contributions for defined benefit plans expected for the financial year 2009 total TCHF 1'180.

The basic assumptions used in the actuarial valuation to determine employee benefit costs were established as follows:

	2008	2007
Salary increase rate	1.5%	2.0%
Pension increase rate	0.0%	0.5%
Discount rate	3.3%	3.3%
Long-term rate of return on assets	4.25%	4.25%
Labour turnover rate	BVG 2005	BVG 2005

14 Financial Instruments and Financial Risk Management

The following table presents the book values of all financial instruments.

TCHF	2008	2007
Cash and cash equivalents	14'328	5'538
Trade accounts receivables	54'774	52'495
Other accounts receivables	4'972	3'996
Financial assets	37	275
Forward exchange contracts	657	0
Total financial assets	**74'768**	**62'304**
Bank debts	111'073	101'870
Lease payables	503	5'766
Trade accounts payable	25'752	21'189
Other accounts payable	12'870	12'453
Total financial liabilities	**150'198**	**141'278**

The book values deviate from the market values only with regard to long-term bank and lease payables. Furthermore, the market values are higher by a total TCHF 1'599 owing to the lower long-term refinancing interest rates.

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.

Further disclosures on the performance of risk assessment according to the Swiss Code of Obligations (article 663b paragraph 12) are presented in the Notes to the Financial Statements of Hügli Holding AG.

Credit Risk

The credit risk is the 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 wider geographical spread of customers. Hügli enters into bank transactions only with important Swiss, German and Austrian 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 presented in above table. 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 different 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 risks decisively 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 in the exchange rates CHF/GBP, CHF/EUR, EUR/GBP, CZK/PLN und CZK/HUF. We also restrict the Group's external financing where possible to currencies, in which medium-term free cash flows can be expected.

At present, currency futures with a maturity of 1 to 18 months for the partial hedging of currency risks of future highly probable accruals of foreign currencies in EUR are outstanding. The open contract values (nominal values of hedge transactions) and the positive replacement values (potential return on closure of contracts, or unrealised profits before taxes) are as follows:

TCHF	**2008**	**2007**
Contract value (in EUR)	12'893	0
Positive replacement values	821	0

The following sensitivity analysis of relevant foreign currencies is based on the assumption that monetary balance sheet items in foreign currency are affected by an exchange rate change of +/– 10% and indicates the impact on Group profits 2008. All other variables, particularly interest rates, remain unchanged.

million CHF	Change	**2008**	**2007**
CHF/EUR	+/– 10%	0.4	0.1
CHF/GBP	+/– 10%	0.2	0.3
CHF/CZK	+/– 10%	0.1	0.0
EUR/GBP	+/– 10%	0.1	0.0
CZK/PLN	+/– 10%	0.2	0.2
CZK/SKK	+/– 10%	0.1	0.1

Because of the scope of implementation of IFRS the unrecognised business transactions during the year were not included. The transaction differences during the business year have an essentially higher impact on Group profit with volatile currencies.

A change of +/-1% of equity invested in a specific currency as per 31.12.2008 would have increased or decreased the Group's equity by the following contributions:

million CHF	Change	**2008**	**2007**
EUR	+/– 1%	0.8	0.6
GBP	+/– 1%	0.1	0.0
CZK	+/– 1%	0.1	0.0

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 related to the Group's investments. The risk of fluctuating interest rate 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 acquisition cost, changes in interest rates have no impact on the income statement. A 1% increase (or reduction) of the average interest rate for short-term variable interest advances would have increased (or reduced) group profit by CHF 0.5 million (CHF 0.4 million in the previous year).

Price Risk

The assets set aside as required by law and held in marketable securities to cover recognised provisions for employee benefits are subject to the price risk (changes in market price). Their extent is not relevant for the Group.
Hügli is exposed to considerably higher risks with regard to the purchase of raw materials that constitutes the largest cost factor. 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 supply and demand. Price shifts arise on the supply side, based on climate-related harvest failures or the use of agricultural areas for the production of (bio) ethanol, among others. On the demand side, price shifts 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 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 is unable to meet its financial obligations when they fall due. Liquidity management consists in holding sufficient liquidity reserves to offset the usual fluctuations. At the same time, the Group has unused credit lines at its disposal in the event of more serious fluctuations. The total amount of unused credit lines as per December 31, 2008 was CHF 31.2 million. The credit lines are spread over several banks so that there is no excessive dependence on any one financial institution.

The following table shows the maturity profile of contractual financial liabilities (including interests) as per the end of the reporting period:

2008 TCHF	**Carrying values**	**Contracted cash flows**	**up to 6 months**	**6 to 12 months**	**1 to 5 years**	**over 5 years**
Bank debts	109'482	115'724	53'360	1'151	61'213	0
Lease payables	495	535	153	153	229	0
Trade accounts payable	25'752	25'752	25'752	0	0	0
Other accounts payable	12'870	12'870	12'870	0	0	0
Total	**148'599**	**154'881**	**92'135**	**1'304**	**61'442**	**0**

2007 TCHF	Carrying values	Contracted cash flows	up to 6 months	6 to 12 months	1 to 5 years	over 5 years
Bank debts	101'887	108'474	54'027	1'012	52'575	860
Lease payables	5'766	7'157	460	459	2'128	4'110
Trade accounts payable	21'189	21'189	21'189	0	0	0
Other accounts payable	12’453	12’453	12’453	0	0	0
Total	**141’295**	**149’273**	**88’129**	**1'471**	**54'703**	**4'970**

15 Operating Leases

The operating lease liabilities are due as follows:

TCHF	2008	2007
Due within 1 year	2’534	2’581
Due between 2 to 5 years	2’146	2’597
Due after 5 years	0	0
Total	**4’680**	**5’178**

The leasing contracts predominantly consist of motor vehicles for sales force.

16 Contingent and Future Liabilities, Capital Commitments

As per 31 December 2008 and 31 December 2007, 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 foreseeable risks so that 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: 41.4% / 41.8% in the previous year (equity in percentage of total assets)
- Gearing: 0.82 / 0.90 in the previous year (ratio of interest bearing net debt to equity)
- Return on equity (ROE): 16.3% / 18.2% in the previous year (group profit in percentage of average equity)

These ratios are reported to the Executive Committee and 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%.
A financial covenant of a bank requires a minimal equity ratio that must therefore be maintained above of 35%.

Hügli pursues a results-oriented dividend policy with a ratio of 25% to 30% of the Group’s profits per share. Since 2005, the dividend had been paid out through reduction in par value. The Board of Directors is proposing to the General Meeting of Shareholders on 13 May 2009 the payout of a dividend in the form of a par value reduction in the extent of CHF 8.50 per bearer share (CHF 11.00 in the previous year) and CHF 4.25 per registered share (CHF 5.50 in the previous year), alongside a dividend payout of CHF 2.50 per bearer share, and CHF 1.25 per registered share respectively (no dividend in the previous year). The total payout aligns with the level of the previous year

and corresponds to 28% (28% in the previous year) of Group profits. Following the distribution, the par value of the Hügli bearer share will be CHF 1.00 and the par value of the Hügli registered share CHF 0.50.

The shareholder equity per balance sheet date consists in the following:

TCHF	**2008**	**2007**
Share capital	4’608	9’943
consists of fully paid-in		
280'000 bearer shares CHF 9.50 (PY: CHF 20.50)		
410'000 registered shares CHF 4.75 (PY: CHF 10.25)		
Own shares	– 345	– 380
Bearer shares valued at average		
acquisition costs of CHF 48.34		
Share premium	17’429	17’055
Retained earnings	94’584	86’591
Total	**116’276**	**113’209**
Own shares at 01.01. (in units)	7’853	8’481
Sales via stock ownership program	– 721	– 628
Own shares at 31.12. (in units)	7’132	7’853

The reduction of share capital in the fiscal year was executed by a reduction (CHF 11.00 in the par value of bearer shares) on 8 August 2008 as decided by the Board of Directors. The share premium increases by the profit from the sale of own shares. The amount of TCHF 40 (TCHF 31 in the previous year) relating to the recognised costs of the senior management participation program was expensed in the income statement. The directly stated results in the retained earnings mainly relate to translation adjustments of net assets of Group companies and that of equity-like Group loans denominated in foreign currencies due to the valuation at the balance sheet date. The translation differences resulting from equity-like Group loans denominated in foreign currencies, which were previously directly recognised in equity, were in the period of review recognised in the consolidated income statement due to the realisation of accumulated foreign exchange profits amounting to TCHF 853 (TCHF 1’242 in the previous year). The new valuation as per balance sheet date resulted in a loss of TCHF -10’673 (a gain of TCHF 2’848 in the previous year). In addition, due to hedge accounting, the valuation of cash flow hedges in the amount of TCHF 657 (replacement value TCHF 821 minus deferred taxes of TCHF 164) was reported for the first time.
There is no contingent or authorised capital. Furthermore, no conversion or option rights are outstanding.

18 Sales

The segment reporting is presented on page 36 of this annual report. In addition, a breakdown of sales according to product groups and geographic markets (location of customers) is displayed on page 9.

19 Personnel Costs

TCHF	**2008**	**2007**
Salaries and wages	74’159	65’170
Social benefits	8’957	8’062
Employee benefit costs	5’394	5’479
Other personnel costs	795	753
Total	**89’305**	**79’464**

Stock Ownership Programme

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 March; the acceptance is effected by paying the purchase price by the end of April. The shares underlie a retention period of 3 years. According to IFRS 2, the difference between market value and the discount are recognised as a personnel expense, with an offsetting entry in equity. The costs in the financial year amount to TCHF 40 (TCHF 31 in the previous year). In 2008, 721 shares were obtained at a price of CHF 468.00 per share, in the previous year 628 shares at a price of CHF 412.50 per share.

20 Other Operating Costs, Net

TCHF	**2008**	**2007**
Marketing and sales	46’831	40’429
Other costs	22’430	19’591
./. Other operating income	– 2’624	– 2’352
Total	**66’637**	**57’668**

Other operating income primarily contains expense credits, i.e. through cost transfers of postage / packaging and discounts, income from other periods as well as rental incomes and gains resulting from the disposal of fixed assets.

21 Development Costs

Development costs of TCHF 3’625 (TCHF 3’552 in the previous year) were recognised in 2008. 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

TCHF	**2008**	**2007**
Interest expenses	5’215	3’706
Other finacial expenses	410	25
Financial expenses	**5’625**	**3’731**
Interest income	– 158	– 88
Other financial income	– 1’044	– 1’901
Financial income	**– 1’202**	**– 1’989**
Financial expenses, net	**4’423**	**1’742**

The financial expenses increased owing to the on average higher level of debt, in particular due to acquisitions since midyear 2007 and the short-term interest rates, which were higher in the first three quarters of 2008 for all relevant currencies. Overall, the average interest rate on financial liabilities resulted in 4.8% (4.1% in the previous year). The other financial expenses predominantly comprise of foreign exchange losses from intercompany financing, the other financial income mainly of realised foreign exchange profits of the refinancing of CHF bank debts with CZK bank financing (in the previous year CZK and EUR bank financing).

23 Income Taxes

TCHF	**2008**	**2007**
Current income taxes	6’365	7’171
Deferred income taxes	– 153	– 890
Total	**6’212**	**6’281**

The reconciliation between the income taxes calculated based on the theoretical, weighted tax rate of the Group of 25.9% (29.0% in the previous year) and the effective income taxes results is as follows:

TCHF	**2008**	**2007**
Profit before taxes	25’034	25’071
Theoretical income taxes	6’491	7’259
Use of unrecognised tax assets	– 79	– 258
Losses without tax reductions	142	0
Changes in deferred tax rate	– 699	– 826
Non-deductible expenses	155	549
Capitalised loss carry-forward	0	– 446
Other temporary differences	202	4
Total income taxes	**6’212**	**6’281**

Income taxes of TCHF 164 (TCHF 0 in the previous year) and the related underlying transactions were recognised directly in equity.

24 Transactions with Related Parties

Related parties include the Board of Directors, members of group 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 non-executive members of the Board of Directors (5 members, 6 in the previous year) are remunerated with a fixed salary. The Chairman of the Board of Directors receives additional compensation based on earnings. The members of group management, including the executive members of the Board of Directors (5 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 management:

TCHF	**2008**	**2007**
Short-term benefits	3'138	3'117
Social expenses	339	320
Benefit obligations	268	255
Discount stock ownership program	36	24
Total	**3'781**	**3'716**

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 compensated with TCHF 40 (TCHF 40 in the previous year).
Furthermore, as in the previous year, there were neither accounts receivable nor accounts payable to related parties. No other considerable related party transactions were effected.
Additional information on the compensation and participation of the Board of Directors and group management as per Swiss Code of Obligations (article 663b bis), is presented in the notes to the Financials Statements of Hügli Holding AG on page 29 of this annual report.

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25 Earnings per Share

	2008	2007
Group profit (in CHF)	18’822’000	18’790’000
Average number of bearer shares with par value of CHF 9.50 (previous year: CHF 20.50)	272’688	271’990
Average number of registered shares with par value of CHF 4.75 (previous year: CHF 10.25)	410’000	410’000
Total bearer shares - equivalents	477’688	476’900
Profit per bearer share (in CHF)	39.40	39.39

The average number of outstanding bearer shares is base 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

Hügli has merged the business operations of the two Group companies Contract Foods Ltd. and Huegli UK Ltd. as per 2 March 2009 into one entity at the Redditch site. The merger was performed through the transferral of all assets and liabilities of Contract Foods Ltd. to its parent company Huegli UK Ltd. As per that date, Huegli UK Ltd., Redditch, register number 3712422, acts as the sole legal entity in the market. This transaction has no significant impact on the operating activities and the Consolidated Financial Statements.

No further events occurred between 31 December 2008 and the approval of the consolidated financial statements by the Board of Directors on 20 March 2009 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 balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes for the year ended December 31, 2008.

Board of Directors' Responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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 as well as International Standards on Auditing. 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, 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS, as published by the International Accounting Standards Board, 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, 20 March 2009

OBT AG

Christian Siegfried
Swiss Certified Accountant
Auditor in Charge

Urs Frei
Swiss Certified Accountant

Commentary on the consolidated financial statements 2008

Systematic implementation of corporate strategy increases sales and EBIT despite aggravating economic conditions

Hügli has again proven that the systematic implementation of the Group's strategy and the concerted development of defined sales channels can further strengthen the Group's market position. This is reflected in the over-proportional organic sales growth of annually 7.7% that has been achieved throughout the past five years. Moreover, Hügli made two important acquisitions in the last two business years, which effectively support the Group's market development in Italy and the United Kingdom with specialised production companies.

As anticipated, the second semester of 2008 showed solid results in spite of a difficult economic environment. Sales growth amounted to 7.4%, after a strikingly dynamic first semester dominated by cyclical sales and yielding an extraordinary rate of increase of 15.3%. The Group's organic growth of 11.1% represents a further strengthening of all segments; sales volume increased by 7.0%. In 2008, the two acquisitions contributed CHF 25.9 million to Group sales, which total CHF 400.8 million. Negative currency effects yielded a reduction by -3.6%, mostly owing to the lower value of GBP (-16.7%) and EUR (-3.4%). In the segments Germany and Switzerland / Rest of Western Europe, sales rose organically by remarkable +11.6% and +11.1%, respectively. Eastern Europe, until recently one of the strong growth segments, in 2008 slowed down to a growth rate of 9.4% after having undergone an extensive restructuring. From the perspective of Hügli's divisions, a significant share of the reported increase is attributed to the cyclical Private Label Division with +24.3%. The other divisions, however, have also succeeded in generating considerable growth rates of 6.8% (Food Service), 8.2% (Health & Natural Food) and 13.5% (Industrial Foods).

Whereas gross profits had yet felt the full weight of increasing raw materials prices until midyear 2007, the subsequent steep price increases that spread widely across the raw materials and agricultural markets have been massively affecting gross profits. In the first half of 2008, gross profits stood -2.9% points below the previous year's profits attained in the first semester. The raw materials price have in the second half of 2008 finally abated at a high level. We were able to increase prices and these measures showed – after a turnover of the raw materials inventories – a favourable impact. Moreover, thanks to an improved product mix, in particular with a higher share of own products, profits were further raised. The partially extreme currency depreciation that occurred in the fourth quarter of 2008 especially affected the exchange rates of GBP to CHF/EUR and CZK to PLN/HUF, had substantial negative effects. This transaction currency exposure incurred through differing currencies of production costs and sales is currently heightening the pressure on gross profits. We have nonetheless achieved an overall increase of profits of +0.4% points in the second semester as compared to the same period in the previous year. Consequently, the gross profits reduction for the entire business year 2008 resulted in -1.2% points to the previous year.

The personnel costs grew by 12.4%, considering the currency and acquisition effect by 6.9%. This growth in essence corresponds to the necessary adjustments of personnel capacity for the production volumes that increased by 11.7% to 45'300 tons, as well as to the duly raised salaries at the Group company's individual sites. In comparison to the end of 2007, the number of full time positions rose organically by 49 or 4.2, respectively; the acquisition of the manufacturing company Contract Foods Ltd. contributed 137 positions to the increase of staff.

While the other operating expenses in the business year 2007 had been maintained at the same level as in the previous year, in the period under review they grew by 15.6%, currency and acquisition adjusted by 10.3%. This increase ensued mainly in the areas of external cargos, internal logistics, marketing and sales. Depreciation grew by 10.0%, not considering the acquisitions, it stood only slightly above the previous year (+1.1%) as did the planned amortisation of acquired brands. The above-described factors – sales growth alongside reduced gross profits, and under-proportionally rising operating costs – have increased EBIT by 9.9% to CHF 29.5 million. The EBIT margin nevertheless fell slightly from 7.8% to 7.4%, almost exclusively caused by the dilution effect of implemented price increases of +4.1%, which were based on the augmented raw materials costs. This nominal sales growth leads to a computed reduction of the EBIT margin of more than 0.3% points, despite an unvarying absolute EBIT and therefore a return on invested capital.

The interest expenses 2008, which increased by 40% to CHF 5.2 million were mainly incurred because of an acquisition-related indebtedness prevailing since July 2007. The 2008 average of the gross debt amounted to CHF 108 million, whereas in 2007 it had stood at CHF 90 million. In addition, the short-term interest rates of the capital market kept rising until the beginning of the fourth quarter of 2008, which led to a higher average interest of overall 4.8%, as compared to 4.1% in 2007. The conditions of financing and loan margins remained unchanged. The other financial

income contains foreign exchange gains realised in 2008 through the debt conversion of CHF bank debts to CZK bank debts. The profit from the Group refinancing of the previous year, particularly against the EUR, was non-recurring and did not arise in 2008. The reported tax rate of 24.8% profited in the business year from the tax rate reduction 2009 in the canton of St. Gallen, and respectively the income resulting from the revaluation of deferred tax liabilities. However, the most important influence factor for the reduction of the theoretical tax rate of 29.0% in the previous year to 25.9% in 2008 was the corporate tax reform in Germany, which caused a substantial tax rate decrease.

Solid balance sheet structure

The increase of the net operating assets with 2.1% to CHF 236.7 million at first sight appears to be only moderate. Nevertheless, this is the result of considerably lower year-end rates, for example that of EUR with -10.1%, CZK with -10.7% and GBP with -31.6%. With respect to the net current assets an operating additional investment of CHF +10.7 million was effected; on the one hand in receivables as a resultant of sales increased by 11.1%, on the other hand in the form of larger strategic raw materials inventories. Investments in tangible assets of CHF +11.0 million were at a balance with a depreciation of CHF -10.4 million, so that there were no significant changes in operating terms. The effect of revaluation of tangible assets alone added up to CHF -9.7 million nevertheless. An additional impact had the acquisition of Contract Foods, through the purchasing costs of CHF +10.8 million, whereof CHF 7.3 million were recognised as intangible assets (goodwill).

Regarding the financing, borrowings of CHF 107.7 million in the previous year increased to CHF 110.0 in the year under review. This change includes an operating increase, overall CHF +12.7 million, as well as a negative revaluation effect. The maturity structure comprises of fixed loans of CHF 57.5 million (52%) with maturities between 1 and 5 years, and short-term fixed advances of CHF 52.5 million (48%) that are usually extended several times in the year, depending on the current market situation. Equity rose by 2.7% to CHF 116.3 million, which corresponds to an equity ratio of 41.4% of total assets. Along with the reinforcement through retained profits of annually around 70% to 75% – the foreseen payout rate amounts to 25% - 30% – equity was under massive pressure owing to Group companies' translation adjustments in foreign currencies and unrealised losses of equity-like corporate loans, which on the whole totalled CHF 10.7 million. Despite this strong effect, the ratio of equity to net debt, the gearing, was reduced from 0.90 to 0.82.

Increasing operating cash flow

The operating cash flow (cash flow from operating activities) before changes of net current assets increased by 16.0% to CHF 36.8 million. This corresponds to the highest cash flow value Hügli has ever achieved, after CHF 31.7 million in 2007, CHF 24.5 million in 2006, CHF 29.3 million in 2005 and CHF 24.0 million in 2004. In the business year 2008, CHF 10.7 million thereof were tied up in net current assets, CHF 11.0 million were invested in new tangible assets, and CHF 8.8 million were utilised for the acquisition of a new Group company. The distribution to shareholders in the form of a repayment of par value of CHF 5.3 million and to creditors in the form of interest payments of CHF 5.2 million resulted in a substantial expenditure. The required financing was covered through borrowings of a total of CHF 12.7 million. Within the financing, a property, until now recognised under a financing lease contract, was purchased and released with a long-term fixed loan.

Profitability below target

The return on invested capital (ROIC) declined from 10.3% to 9.9%. In relation to the internally set weighted average cost of capital (WACC) of 8.0% this resulted in an additional economic value of 1.9% points. This result is clearly below our internal target of 3.0% points and a ROIC of 11.0%. This key figure for profitability was burdened by the acquisitions performed in the preceding two years, which acquired invested net assets of over CHF 31 million (approximately 13% of the total) and still do not show sufficient earning power due to integration costs and restructurings. The return on equity (ROE) decreased from 18.2% to 16.3%. The return should in accordance with internal targets and relating to medium-term projections remain above 15.0% and further strengthen the equity base.

Distribution of dividends

It will be proposed to the Annual General Meeting of Shareholders on 13 May 2009 to approve of a dividend payout of CHF 11.00, the amount remaining unchanged as compared to the previous year. Due to the limitation of reduction in par value to CHF 8.50 – through the reduction in par value of CHF 9.50 to CHF 1.00 per bearer share – an additional dividend of gross CHF 2.50 is repaid, which corresponds to a net repayment after deduction of the withholding tax of CHF 10.125. With regard to the end-year rate of CHF 460 of the Hügli share as per 31 December 2008 this relates to a dividend yield of gross 2.4%.

Key Figures 5-Year Summary

		2008	2007	2006	2005	2004
Sales	mio. CHF	400.8	345.4	305.0	271.7	233.2
Change relative to previous year	*%*	*16.0*	*13.2*	*12.2*	*16.5*	*10.3*
Operating profit before depreciation (EBITDA)	mio. CHF	41.1	37.5	31.6	32.6	25.6
As % of sales	%	10.3	10.9	10.4	12.0	11.0
Change relative to previous year	*%*	*9.6*	*18.7*	*– 3.1*	*27.5*	*39.3*
Operating profit (EBIT)	mio. CHF	29.5	26.8	22.5	25.0	18.9
As % of sales	%	7.4	7.8	7.4	9.2	8.1
Change relative to previous year	*%*	*9.9*	*19.1*	*– 9.9*	*32.3*	*57.3*
Income taxes	mio. CHF	6.2	6.3	4.2	4.8	2.3
Net profit	mio. CHF	18.8	18.8	15.9	19.3	15.5
As % of sales	%	4.7	5.4	5.2	7.1	6.7
Change relative to previous year	*%*	*0.2*	*18.0*	*– 17.3*	*24.2*	*54.7*
Cash flow from operating activities	mio. CHF	26.1	11.3	23.0	21.5	24.8
As % of sales	%	6.5	3.3	7.5	7.9	10.6
Change relative to previous year	*%*	*131.9*	*– 51.0*	*7.1*	*– 13.4*	*44.3*
Depreciation / amortisation	mio. CHF	11.7	10.7	9.1	7.6	6.7
Investments (tangible and intangible assets)	mio. CHF	11.0	10.9	16.3	12.3	15.3
Number of employees (full-time positions at balance sheet date)		1'350	1'164	1'047	967	815
Total assets	mio. CHF	280.8	270.6	215.9	197.9	155.5
Invested capital (Net operating assets)	mio. CHF	236.7	231.8	180.7	165.2	124.6
Net working capital	mio. CHF	91.9	81.2	53.9	49.3	37.0
Tangible and intangible assets	mio. CHF	144.8	150.6	126.8	115.9	87.6
Equity	mio. CHF	116.3	113.2	97.5	82.8	64.1
As % of total assets	%	41.4	41.8	45.2	41.9	41.2
Net debt [1]	mio. CHF	95.6	102.1	68.7	67.1	47.3
Gearing (Ratio to equity)		0.82	0.90	0.70	0.81	0.74
Net dept / EBITDA		2.3	2.7	2.2	2.1	1.9
Return on invested capital (ROIC) [2]	%	9.9	10.3	10.9	14.8	13.7
Return on equity (ROE) [3]	%	16.3	18.2	18.2	26.9	27.7
Information per bearer share (security no. 464795)						
Net profit per bearer share	CHF	39.40	39.39	33.45	40.69	33.62
Repayment of par value / dividend (proposal 2008)	CHF	11.00	11.00	10.50	10.50	8.50
Payout ratio	%	28	28	31	26	25
Equity per bearer share	CHF	240	233	201	171	132
Market price 31.12.	CHF	460	625	550	580	325
Market price high	CHF	640	675	627	608	325
Market price low	CHF	324	545	549	320	199
Price / Earnings Ratio 31.12.		11.7	15.9	16.4	14.3	9.7
Enterprice Value / EBITDA 31.12.		7.8	10.8	10.6	10.7	8.0

Definitions:

1) Net debt	Interest bearing financial debts - Cash and equivalents
2) Return on invested capital (ROIC)	(EBIT - Taxes) / (Average Net working capital + Tangible and intangible assets)
3) Return to equity (ROE)	Net profit / Average equity

Group Companies

	Participation in % 31.12.2008	31.12.2007	Nominal capital in thousand	
Hügli Holding AG Steinach/Switzerland Telephone +41 71 4472211, E-Mail: info@huegli.com			CHF	4'608
Hügli Nährmittel AG Steinach/Switzerland Telephone +41 71 4472211, E-Mail: info@huegli.com	100	100	CHF	1'100
Supro Nährmittel AG St. Gallen/Switzerland Telephone +41 71 3146474, E-Mail: info@supro.ch	100	100	CHF	1'000
EPS Holding AG Steinach/Switzerland Telephone +41 71 4472211, E-Mail: info@huegli.com	100	100	CHF	250
Hügli Nährmittel-Erzeugung GmbH Hard/Austria Telephone +43 5574 6940, E-Mail: huegli@huegli.com	100	100	EUR	765
Huegli UK Ltd. Redditch/United Kingdom Telephone +44 1527 514 777, E-Mail: info@contractfoods.co.uk	100	100	GBP	1
Huegli Foods Ltd. Redditch/United Kingdom Telephone +44 1527 514 777, E-Mail: info@contractfoods.co.uk	100	100	GBP	60
Hügli Italia s.r.l. Brivio/Italy Telephone +39 039 932 2886, E-Mail: giorgio.ravasini@huegli.com	100	100	EUR	10
Ali-Big Industria Alimentare s.r.l. Brivio/Italy Telephone +39 039 5320 555/6, E-Mail: alibig@ali-big.it	100	0	EUR	94
Hügli Nahrungsmittel GmbH Radolfzell/Germany Telephone +49 7732 8070, E-Mail: huegli@huegli.de	100	100	EUR	25'150
Heirler Cenovis GmbH Radolfzell/Germany Telephone +49 7732 8071, E-Mail: info@heirler-cenovis.de	100	100	EUR	2'929
Diasana Vertrieb GmbH Radolfzell/Germany	100	100	EUR	153
Küchenchef Feinkost GmbH Berlin/Germany	100	100	EUR	250
Sauermann Grundstücksverwaltung GmbH Radolfzell/Germany	100	100	EUR	256
Natur Compagnie GmbH Radolfzell/Germany Telephone +49 7732 8073, E-Mail: info@natur-compagnie.de	100	100	EUR	30
Erntesegen Naturkost GmbH Radolfzell/Germany Telephone +49 7732 807 620, E-Mail: info@erntesegen.de	100	100	EUR	26
Inter-Planing GmbH Neuburg (Kammel)/Germany Telephone +49 8283 99 880, E-Mail: info@inter-planing.de	100	100	EUR	260
OSCHO GmbH Neuburg (Kammel)/Germany Telephone +49 8283 99 860, E-Mail: info@oscho-versand.de	100	100	EUR	26
Hügli Food s.r.o. Zásmuky/Czech Republic Telephone +420 321 759 611, E-Mail: info@huegli.cz	100	100	CZK	80'000
Hügli Food Polska sp. z o.o. Lodz/Poland Telephone +48 42 611 00, E-Mail: robert.zaranski@huegli.com.pl	100	100	PLN	50
Hügli Food Slovakia s.r.o. Trnava/Slovakia Telephone +421 33 535 4773, E-Mail: maria.binovska@huegli.sk	100	100	SKK	200
Hügli Food Kft. Budapest/Hungary Telephone +36 450 00 32, E-Mail: zoltan.molnar@huegli.hu	100	100	HUF	3'000

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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 macroeconomic 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 Annual Report is written in German. In the case of inconsistencies between the German original and this English translation, the German version shall prevail.

Hügli on the Internet

Reports, Media Releases and Share Information:
www.huegli.com → Investor Relations

Investor Relations

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Agenda

15 April 2009

- 07.30 a.m.
  Media Release: Annual Report 2008
- 10.30 a.m.
  Media/Analysts' Conference,
  Hotel Widder, Zürich

13 May 2009

- 04.30 p.m.
  Annual General Meeting of Shareholders,
  Seeparksaal, Arbon

7 August 2009

Repayment of par value / Dividend

14 August 2009

- 07.30 Uhr
  Media Release: Half-Year Report 2009

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