Annual Report 2013

One Group. Many Teams. One Goal.

Key Figures in brief

367.3

M. CHF **SALES.** INCREASE OF 13.1 % TO PREVIOUS YEAR.

42.8

M. CHF **EBITDA**. INCREASE OF 27.7 % TO PREVIOUS YEAR (33.6 M. CHF).

29.3

M. CHF **EBIT.** THAT CORRESPONDS TO AN EBIT-MARGIN OF 8.0 %.

20.8

M. CHF **GROUP NET PROFIT**. INCREASE OF 38.8 % TO PREVIOUS YEAR.

136.9

M. CHF **SHAREHOLDERS' EQUITY**. THAT CORRESPONDS TO AN EQUITY RATIO OF 53.4 %.

65.4

M. CHF **NET DEPT**. THE NET DEPT IN THE PREVIOUS YEAR AMOUNTED TO 86.8 M. CHF.

43.41

CHF NET PROFIT **PER BEARER SHARE.** IN THE PREVIOUS YEAR THIS AMOUNT WAS CHF 31.18.

16.3

PERCENTAGE **RETURN ON EQUITY**.

1'321

EMPLOYEES (FTES). THAT MEANS AN INCREASE OF 69 FTES TO 2012.

One Group. Many Teams. One Goal.

Hügli was founded in Switzerland in 1935. Today it is one of the leading European companies for the development, production and marketing of dry blends in the convenience segment such as soups, sauces, bouillons, ready to serve meals, desserts, functional food as well as Italian specialities. Hügli caters to the kitchens of the professional out of home market, manufactures products for brand companies, food industry as well as for food retailers. With its flavour-adding semi-finished products, Hügli partners with food manufacturers and sells own brands, mostly of organic quality, to consumers.

••• Content

One Group. One Goal ••• The Hügli Group

••• Our History

The principal firm was established in Arbon, Switzerland, in 1935 by the industrial entrepreneur Beat Stoffel. He was prompted by the future Group's name giver Otto Hügli, who was the company's first manager and a gifted product developer. The first steps of expansion took the firm in 1959 around Lake Constance to Hard in Austria and in 1964 to Radolfzell in Germany. Today, Hügli has 800 employees and is one of most important employers in the Lake Constance area. The expansion was taken further in 2000, when the Group acquired a new production site in Zasmuky, Czech Republic. From Zasmuky, Hügli has been developing the Group's sales and distribution business in other Eastern European countries, in Poland in 2002, in Slovakia in 2003 and in Hungary in 2005. 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 Vision

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

••• Our Mission

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

••• Our Objectives

Hügli's strategy has a long-term focus on sustainable growth. The Group wants to grow overproportionally and achieve sales growth of above 5 % on the long term. Potential company acquisitions are taken into consideration periodically as they round off the product line, and production technology, and serve the market development in a new country. The sale of own products is a main objective while the product line is supplemented with selected trade goods in line with customer needs. Growth is to be broadly achieved throughout all sales divisions. Hügli is committed to its economic and social responsibility towards its stakeholders – employees, business partners, shareholders and investors – and strives to achieve an adequate return on the invested capital through sustainable growth, continuous process improvement and consistent cost management. This is the best foundation for a steadily and solidly growing company that is rooted locally and active all across Europe.

••• Strategic Objectives

Group

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

Countries

DEVELOPMENT OF EXISTING MARKETS/EVALUATION OF FURTHER DISTRIBUTION COUNTRIES

Divisions

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

••• Core Competences

Markets

SELECTED PRODUCTS IN **NICHE MARKETS**

Customers

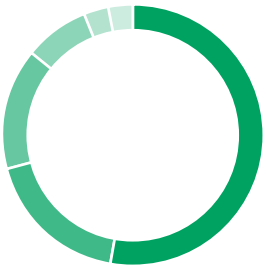
CUSTOMER-ORIENTED PRODUCTION AT FIVE LOCATIONS

Employees

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

Personnel 2013

in %/Number of full-time positions



- Germany **53 %/696**
- Eastern Europe **18 %/243**
- Switzerland **15 %/203**
- United Kingdom **8 %/107**
- Italy **3 %/35**
- Austria **3 %/37**

Total: 100 %/1'321

••• Our Divisional Sales and Distribution Structure

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

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

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

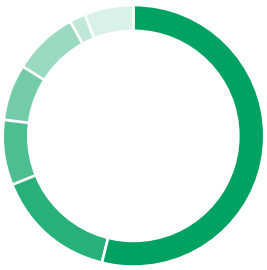
Brand Solutions ••• The customers of the Brand Solutions Division are marketing and sales organisations with own brands. We produce for these customers consumer packages under their own brands, beside the Hügli core product line also in the range of dressings, liquid sauces, slimming and dietary products as well as sports nutrition. In addition to the manufacturing of brand products ready for sale, Hügli offers a comprehensive range of product related services in culinary art, trends and technology.

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

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

Sales based on location of customers 2013

in %



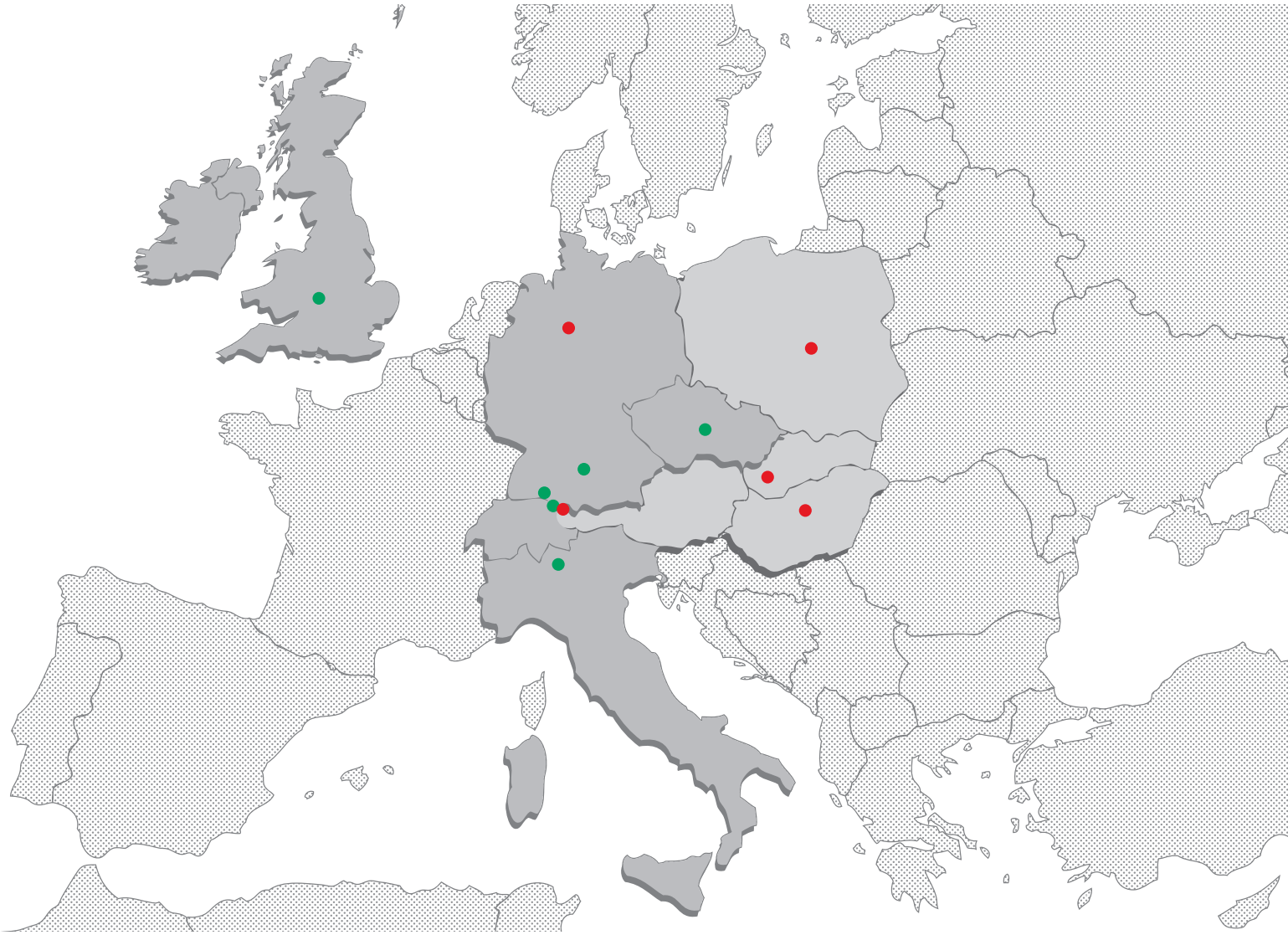
- Germany **54 %**
- Switzerland **15 %**
- Eastern Europe **8 %**
- Austria **7 %**
- United Kingdom **8 %**
- Italy **2 %**
- Others **6 %**

Product groups 2013

in %

- Soups, sauces, bouillons, seasonings, prepared dishes **65 %**
- Trade goods **18 %**
- Other products of own manufacture **17 %**

••• Well positioned in Europe



Production sites
- Switzerland – site Steinach and St. Gallen
- Germany – site Radolfzell (2) and Neuburg/Kammel
- United Kingdom – site Redditch
- Italy – site Brivio
- Czech Republic – site Zásmuky

Sales companies
- Austria – Hard
- Slovakia – Trnava
- Poland – Lodz
- Hungary – Budapest
- Germany – Hameln

Hügli's profits soar in 2013, positive outlook

- **Revenues up in 2013 by +13.1 % to CHF 367.3 million**
- **EBIT margin lifts to 8.0 %**
- **2013 profit up by +38.8 % to CHF 20.8 million**
- **Higher dividend of CHF 14.00 per share proposed**
- **2014 outlook: Continued organic revenue growth, increase in EBIT margin**

Dear Readers,

Excellent position on European foodstuffs market ••• Hügli's consolidated revenues increased by +13.1 % to CHF 367.3 million, with the effect from acquisitions amounting to +9.6 %, and +1.1 % due to the positive changes in exchange rates. Organic revenue growth gained pace substantially in the second half of the year after a weak first six months (–0.2 %) – with a low basis for comparison – to +5.0 % to result in a full-year figure of 2.4 % in 2013. This growth means that we hold an excellent position compared to the stagnating or slightly falling developments in demand on the European foodstuffs market. Our largest segment Germany enjoyed particularly pleasing organic revenue growth of +4.9 % in the face of a highly competitive market. Taken together with the acquired Vogeley revenues, revenues even grew by a total of +25.1 %. In the segment Switzerland/Rest of Western Europe revenues were up by organic +1.4 %, mostly driven by excellent growth in the UK. The other countries (Switzerland, Austria and Italy) all moved at around the previous year's level on highly demanding markets. In the Eastern Europe Segment, the Czech Republic headed the negative developments, and the positive growth in Poland and Hungary was not able to compensate for this. In total, the segment recorded a downturn of –6.8 % in local currencies.

Varied growth in the sales divisions ••• In the sales divisions, two divisions recorded very positive growth: Brand Solutions (production of products for branded-goods companies) grew organically by +17.8 % and the Consumer Brands division (production and sale of own branded products) grew organically by +5.0 %. In both divisions, demand for products from organic agriculture was above average. The Food Industry division suffered perceptibly from the downturn in purchases by key accounts for consumer packages. However, business with flavor-adding semi-finished products enjoyed excellent growth, although it was only able to partially compensate for the downturn in consumer packages, resulting in revenues falling in total by an organic –4.4 %. The Private Label division (organic –1.4 %) was depressed by the in some cases temporary lack of production orders from major retailers. The largest division, Food Service, was able to record slight organic growth of +0.3 % despite the continued reserved consumer behavior in the gastronomy segment. Germany and Hungary in particular fared well. The turnaround in Poland was particularly satisfactory, with the reorganised sales organisation recording high growth rates. Revenue growth in the Czech Republic was significantly lower than expectations. As a result of the successful integration of sales activities at the location in Germany from Vogeley, which was acquired in 2013, Food Service grew by a total of +22.8 % year-on-year, and accounts for 45 % of revenues with 40'000 customers, and it holds a central position in the Hügli.

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

Gross margin stabilised, profitability substantially increased ••• The prices for raw materials and packaging stabilised at a high level in mid-2013, which means that the gross margin was able to recover slightly in the second half of 2013 – for the first time in three years. Staff numbers increased as a result of the acquisition by 69 to a total of 1'321 FTEs as of the balance sheet date. It has been possible to cut operating expenses in both of the past two years thanks to excellent cost management, and these only increased during the fiscal year as a result of the revenues that were acquired in Germany. After a difficult previous year, it was possible to lift EBIT by +36.1 % to CHF 29.3 million during 2013. The Group's EBIT margin improved from 6.6 % in the previous year to 8.0 % in 2013. As a result, this has returned to the normal range, both in terms of the average figure over the past ten years, and also in terms of the low end of the strategic target corridor of 8 %–9 %. Hügli's consolidated profits improved significantly despite higher taxation by +38.8 % to CHF 20.8 million. This resulted in a profit margin of 5.7 % in fiscal year 2013.

Balance sheet structure solid, strong cash flow ••• The slight deterioration in financial indicators at the end of 2012 as a result of the acquisition improved again substantially in 2013 as a result of the cash flow from operating activities of CHF 40.2 million. It was possible to reduce net debt from CHF 86.8 million in the previous year to CHF 65.4 million, and thus to the lowest figure in the past nine years. At the same time, equity increased by CHF 11.4 million to CHF 136.9 million, which corresponds to an equity ratio of 53.4 %. As anticipated, our net debt/EBITDA ratio also relaxed significantly from 2.6x in the previous year to 1.5x as of the end of 2013. In addition, the return on invested capital (ROIC) was also increased again substantially to 9.8 %, with corresponding added value being recorded.

Higher dividends ••• The Board of Directors is proposing a higher dividend of CHF 14.00 (previous year: CHF 12.00) to the General Meeting on 21 May 2014. This corresponds to a disbursement ratio of 32 %. This disbursement rate, which is once again in excess of the long-term corridor of 25 % to 30 % shows Hügli's confidence that it will be able to further reinforce its profitability in the coming years.

Outlook 2014: Moderate organic revenue growth with increase in EBIT margin ••• Hügli enjoys an excellent position to avail of all of the opportunities that present themselves and to record profitable growth. This is the case even though the underlying economic conditions continue to be very demanding. We are forecasting moderate organic revenue growth in 2014 similar to the previous year and a further increase in the EBIT margin.

Steinach, March 2014

Dr Jean Gérard Villot
Chairman of the Board of Directors

Thomas Bodenmann
CEO, President of the Group Executive Management

Many Teams ••• Divisions and Production

164
M. CHF **SALES**
DIVISION
FOOD SERVICE

71
M. CHF **SALES**
DIVISION
PRIVATE LABEL

52
M. CHF **SALES**
DIVISION
BRAND SOLUTIONS

36
M. CHF **SALES**
DIVISION
FOOD INDUSTRY

44
M. CHF **SALES**
DIVISION
CONSUMER BRANDS





Division Food Service

40'000

CUSTOMERS SUCH AS RESTAURANTS/HOTELS/ CANTEENS/HOSPITALS/ CATERER

Market presence

UNDER THE BRANDS **HÜGLI, SUPRO, TUTTO GUSTO, VOGELEY**

Sales organisation

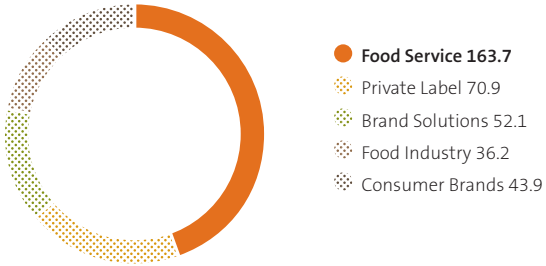
TO **BULK CONSUMERS** AND CUSTOMERS IN **GASTRONOMY**

Own products

AND **TRADING GOODS** AS COMPLETION

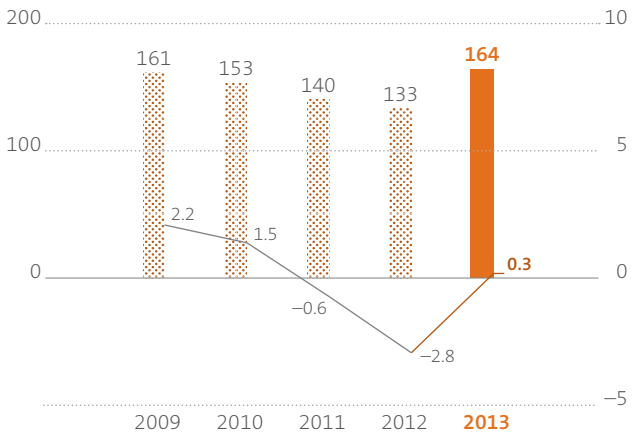
Share of sales 2013

in million CHF



Development of sales/organic growth 2009–2013

in million CHF/in % (■ Development of sales/ — organic growth)



The Food Service division exclusively serves the 'out of home' market. Our customer segments here include gastronomy, canteens, hospitals, institutes and institutions, caterers, the armed forces and others. In addition to our core product lines of sauces, bouillons and soups, we also offer our customers additional products from our own production including desserts, basic products, dressings and Italian specialities. We have also strengthened our product portfolio in the various countries with selected exclusive and commercial product ranges.

Stable growth on difficult markets ••• 2013 was also characterised by falling markets in all countries. On the whole, we can see that we have been able to maintain our position, and in some cases even expand it. This is due, in particular, thanks to a stabilisation in our sales structures, the launch and relaunch of product ranges, and by focusing on our core ranges.

Successful integration of Vogeley ••• In Germany, 2013 was characterised in particular by the integration of Vogeley Food Service Organisation. This spanned both the strategic review and reorientation of sales, as well as linking in to the new production and administration processes in Radolfzell. Thanks to the tremendous commitment by all of those involved, at the end of 2013 it was possible to successfully conclude the integration of a good 70 sales employees who together recorded revenues of more than CHF 28 million. However, the Hügli sales organisation in Germany also recorded pleasing revenue growth during the fiscal year, while the two other countries in the D-A-CH region, Switzerland and Austria, were only able to record the previous year's level in the face of falling markets.

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

Italy has passed the lowest point ••• We did not meet the targets we had set ourselves in Italy, however we recorded positive growth in the last two quarters. The activities we have put in place are increasingly bearing fruit, and confirm the course towards reorganisation that we have chosen.

EAST with diverging growth ••• In the Czech Republic we had to fight difficult underlying conditions once again in 2013 with regard to both the general economic environment and also the out-of-home market. We were not able to reach our targets, despite far-reaching activities, and had to accept lower revenues. In contrast, developments in Poland were in a totally different direction. Here, the activities put in place last year clearly made themselves felt, which led to double-digit growth in 2013. A stable structure and successful work with our key accounts allowed us to once again record year-on-year growth in Slovakia. The approach we have taken in Hungary is characterised by continuity and strong commitment, and also paid off in 2013. Despite the continuing difficult environment in this country, we were once again able to record revenue growth.

Challenges in 2014 ••• We are not expecting the material underlying conditions to change in 2014 in the countries that we serve. However, we believe that we are excellently equipped to face this challenging environment, in particular with our customer-oriented concepts, which we will use to combat the statutory changes on the food service market in the EU from 2014. The turnaround in Italy and Poland continues to show that we can still exploit a good deal of potential. We are forecasting revenues to grow moderately and faster than the market in 2014.

Division Private Label

70.9

M. **SALES** IN 2013

In 33

COUNTRIES HÜGLI PRIVATE LABEL PRODUCTS ARE **PRESENT**

8 of 10

OF THE LARGEST **EUROPEAN RETAIL TRADE** CHAINS RELY ON HÜGLI

200'000'000 times each year

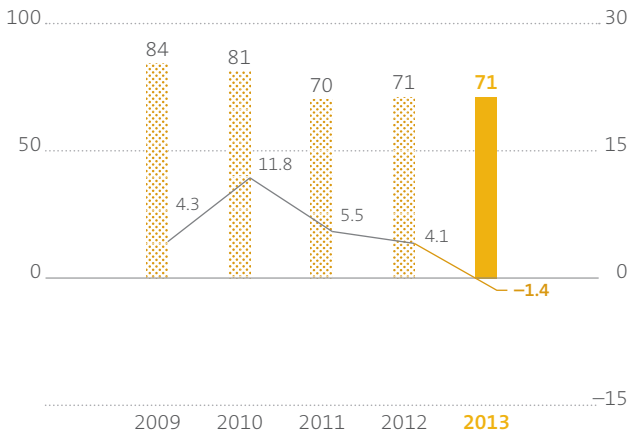
CUSTOMERS IN EUROPE CHOOSE A **HÜGLI PRODUCT**

Share of sales 2013

in million CHF

Development of sales/organic growth 2009–2013

in million CHF/in % (■ Development of sales/ — organic growth)



The Private Label LEH division supplies retail organisations throughout Europe. The product range consists of soups, sauces and bouillons in various pack sizes. Ready-to-serve pasta and rice meals and desserts are also offered, and account for a growing share of sales. Private label means that our products are not sold as Hügli-brand products, but rather under the brand – the label – of the relevant name of the food retailer. The private label product range is mostly manufactured at three sites: in Radolfzell (Germany), Zasmuky (Czech Republic) and also in Redditch (UK). High investments in the production of original Italian pasta sauces at Hügli's facility in Brivio are now also offering opportunities outside the various segments for our powdered products. All of our offers are coordinated to the needs of the specific customers and countries in close cooperation with our local product development departments.

Focus on income level ••• After having grown by +9.8 % in the past two years, in 2013 the division focused on improving the unsatisfactory level of income. This resulted from the high intensity of competition and the fact that the cost of raw materials continued to be at a high level. The existing business were analysed with regard to their profitability, and the necessary steps were put into place. As a result of price increases and the cessation of unprofitable business, revenues fell by –1.4 % in 2013. At the same time it was possible to significantly improve profitability together with cost savings, however without reaching the desired target corridor. Further efforts will have to be made in this regard in future.

New product areas/new countries ••• It has been possible to compensate for the downturn on the European markets previously served for dehydrated products via new offerings, in particular Italian pasta sauces. In addition, it was also possible to enter the market in new countries such as Spain. Despite heterogeneous market and competitive structures, the sales region Eastern Europe has enormous potential for the future, which we plan to further develop.

Profitable growth forecast ••• Sales processes were optimised in 2013, and the portfolio was adjusted, and in 2014 we shifted our focus to new challenges. These stem, in particular, from our customers' increasing internationalisation, coupled with high demands for quality and readiness to deliver. We are confident that our flexible production structure in various countries and our customer-oriented, multinational sales organisation offer the best possible conditions to grow by gaining market shares in a consolidating market.

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

Division Brand Solutions

52.1

M. **SALES** IN 2013

17.8

PERCENTAGE **ORGANIC GROWTH** IN 2013

Contribution to growth

DYNAMIC GROWTH IN THE **ORGANIC** AND **HEALTH & NUTRITION** SECTOR

Customised solutions

EXTENSIVE **PORTFOLIO OF SERVICES**, CUSTOMISED SOLUTIONS

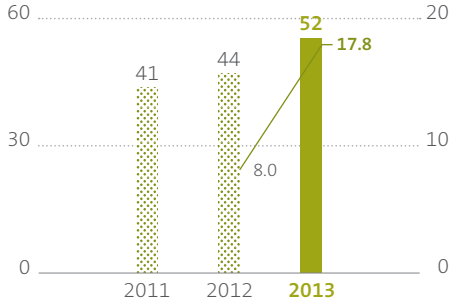
Share of sales 2013

in million CHF

Food Service 163.7
Private Label 70.9
Brand Solutions 52.1
Food Industry 36.2
Consumer Brands 43.9

Development of sales/ organic growth 2011–2013

in million CHF/in % (■ Development of sales/ — organic growth)



Brand Solutions – the division for sales and marketing companies. We offer an extensive portfolio of services for brand owners without their own production – from advice on new product lines, through to product development, support in package design, through to the finished product and the desired marketing support. Tailored to the customer's needs. We offer these services in all of Hügli's product categories and in the sales segments Weight Management, Balanced Nutrition and Sports Nutrition ("Health & Nutrition"), conventional products ("Classic") and organically grown products ("Organic"). We believe that we are the European market leader in the Organic segment.

Ambitious targets for 2013 more than met ••• In 2013 the Brand Solutions division once again substantially surpassed its ambitious targets for organic growth of +17.8 %. We are particularly pleased that we have been able to record this tremendous growth on a broad-scale basis in all of our product and customer segments. While Classic and Organic have already recorded double-digit growth rates, the pace of growth for Health & Nutrition increased substantially for the second consecutive year.

Strategic alliances reinforced ••• In Organic we have further reinforced our strategic alliances with key branded goods companies in Europe thanks to innovative products for the European organic market. Together with our customers, we are very happy with the great success of their organic brands on the European market.

A lot of light, but also some shadows for Health & Nutrition ••• Health & Nutrition continues to enjoy highly dynamic growth, and enjoyed great progress in 2013 – as well as a couple of set-backs. In this area, in addition to our highly successful customer acquisitions, we were also faced by downturns in the brands we supply, in particular in the United Kingdom, which prevented us from recording an even better result. We have been very successful in continuing our work to establish our company as a provider for this world of products by making numerous new acquisitions.

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

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

Division Food Industry

36.2

M. **SALES** IN 2013

Market presence

MAINLY ACTING IN THE COUNTRIES **SWITZERLAND**, **GERMANY** AND THE **UK**

Customer groups

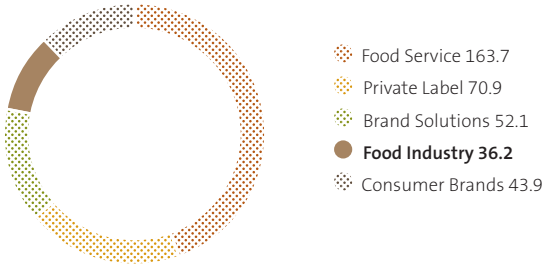
GLOBAL GROUPS IN THE **FOODSTUFFS INDUSTRY**/ SMALL AND MEDIUM-SIZED MANUFACTURERS

Outsourcing services

RELIABLE PARTNER FOR **OUTSOURCED MIXING SERVICES**

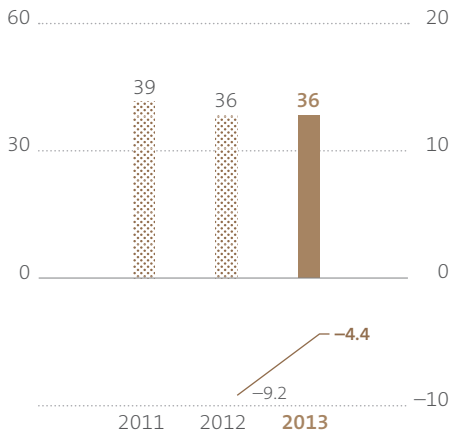
Share of sales 2013

in million CHF



Development of sales/ organic growth 2011–2013

in million CHF/in % (Development of sales/ organic growth)



Customers in the Food Industry division are global groups in the foodstuffs industry as well as small and medium-sized manufacturers in our industries. They buy customised services from Hügli in the form of consumer packs using their brands for the retail segment in the product categories soups, sauces, bouillons, convenience foods, desserts, dressings, tomato sauces and Health & Nutrition. In addition we supply our customers with top-quality flavorings for further processing (ingredients) and we are a reliable partner for outsourced mixing services.

Revenue targets not reached/profitability reinforced ••• For the second successive year it was not possible to fully meet the Food Industry division's targets. Revenues fell once again, down –4.4%. On the other hand, our improved product mix and an adjustment to our sales structure made a pleasing improvement to our margins and income.

Consolidation on our customers' sales markets ••• During 2013 many brands in the food industry changed owners. As part of the resulting review of marketing strategies, the sales of some products we produce in the Consumer Packs Food area were shelved. However, we were able to successfully place several new products on the market together with existing customers. A key account for Consumer Packs Health & Nutrition recorded substantially lower revenues as a result of changes in competition, and these also led to substantial reductions in our sales volumes.

Expansion of strategic segments ••• The continued positive growth in Snack Seasonings, a strategic segment for the Ingredients product group, was faced with a difficult situation on the market in our Compounds segment. We have successfully launched marketing for newly developed flavoring components for the downstream processing industry. These components work completely without additives and undesired ingredients, however they were not able to fully compensate for the downturns as a result of the general market developments.

Substantial opportunities for growth ••• We believe that there are significant opportunities for Hügli in the coming years. There continues to be substantial potential for all of the division's areas. For Consumer Packs, over the next few years Hügli will further expand its excellent position on the market as a highly competitive provider, and we hare a highly competent provider for ingredients as a result of our culinary and functional competence. As a result, the Food Industry division will contribute again to the Hügli Group's growth in future.

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

Division Consumer Brands

43.9

M. **SALES** IN 2013

Brands

HEIRLER, CENOVIS, NEUCO, NATUR COMPAGNIE, ERNTESEGEN, TELLOFIX AND **OSCHO**

Markets

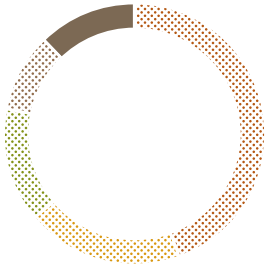
NATURAL FOOD STORES, ORGANIC FOOD STORES, **RETAIL TRADE ORGANISATIONS**, DIRECT SALES

Answers to nutrition trends

GLUTEN – AND LACTOSEFREE PRODUCTS, **SUBSTITUTES TO MEAT PRODUCTS,** MOSTLY OF **ORGANIC QUALITY**

Share of sales 2013

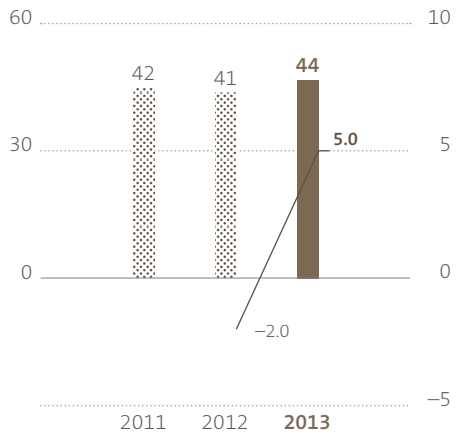
in million CHF



Food Service 163.7
Private Label 70.9
Brand Solutions 52.1
Food Industry 36.2
Consumer Brands 43.9

Development of sales/ organic growth 2011–2013

in million CHF/in % (▒ ■ Development of sales/ — organic growth)



The division Consumer Brands exclusively sells Hügli's own brands in end-consumer containers via various sales channels in Europe, focusing on Germany. We use the Heirler, Cenovis, Erntesegen and Natur Compagnie brands, mostly to serve the specialist trade and also increasingly the grocery retail sector. The Tellofix and Oscho brands are primarily sold via merchants specialising in direct sales, and also via mail order.

Success via new sales channels ••• Germany's specialist stores comprise natural food stores and organic food stores. These two types of businesses have been growing apart over the past few years. Natural food stores are continuing to loose market share, with organic food stores regularly recording above average growth rates. We took this market development into account by opening up the Heirler and Cenovis brands, which were originally reserved for natural food stores, for sale in organic food stores and, more recently, also the retail segment. Our business with specialist re-sellers with a strong focus on the rural, southern German region and the Tellofix brand with a key focus on bouillons in cans, has been stable for years.

Strong position for own brands/Excellent growth for select branded trading goods ••• In Hügli's core product range of soups, sauces and bouillons, this division, with its Cenovis, Erntesegen and Natur Compagnie brands, leads the market in specialist trade, and its sales growth parallels the total market. Products from organic agriculture and products that are free from unwanted ingredients were in particular demand. In the fresh foods sector, mostly with the Heirler brand, our product range of alternative meat products is becoming increasingly important, in particular in traditional grocery stores.

Solid positioning for the future ••• In 2013 the division recorded total organic revenue growth of +5.0%. As a result of the positive growth in new sales channels mentioned above, and in some individual product categories, we will also be able to record further growth in the coming year.

Matthias Grün
Head of Consumer Brands/
Member of the
Group Executive Management

High-performance machines for the production

Continuing specialisation and formation of production clusters for certain technologies offer key potential for optimisation for Hügli. As a result of the locations' different sizes and locations, a wide range of requirements can be covered in the value triangle of costs, complexity and speed. As a result, it was possible to realise key gains in efficiency in 2013.

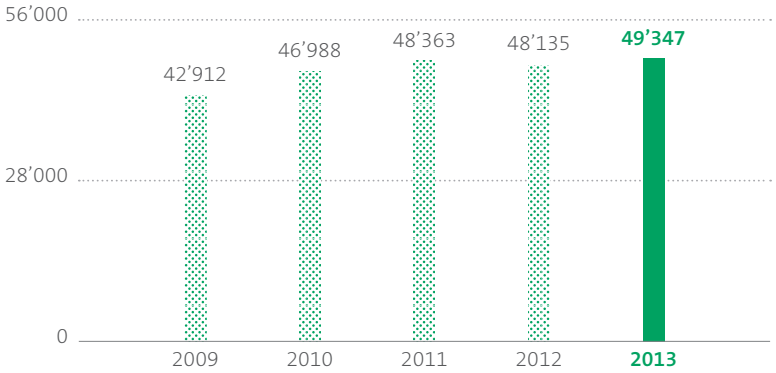
Production increases in CZ and UK ••• The Hügli production locations in Radolfzell (DE), Steinach (CH) and Langenhaslach (DE) have already been working highly efficiently for several years. Capacity uptake is high and investments in expansion can be foreseen as a result of the continuing growth. In 2013 it was possible to record excellent progress in productivity in particular in Zasmuky (CZ) and Redditch (UK), which means that these two plants are now fully integrated into the "Dehydrated " production cluster as their performance, process and system landscape are of equal value. Almost unrestricted use of all dehydrated locations while considering the existing focal areas in production is thus ensured. A further focus is placed on linking the production locations in to centralised process data evaluations. This instrument can be used to compare performance and work out optimisation potential. It thus allows more central monitoring of quality parameters.

Specialisation to benefit all locations ••• We have thus reached our target of specifically selecting the production location and being able to control performance centrally. This continues to take place while considering customer needs and proximity to the market, however it also considers production focus (specialisation) to a greater extent than previously, that results, for example, via the technology employed, technical equipment and also the available capacities. Selecting locations in a target-oriented manner can thus exploit the production facility's strengths, and distribute capacity up take more evenly, which further increases the ability of Hügli's products to compete. We continue to constantly review any available improvements, trends and additions to existing technology. In addition to the continuing automation, in the technology cluster Dehydrated these include, in particular, ease of cleaning, avoidance of cross contamination, and in the technology cluster Liquids these include more gentle preservation methods. We believe that we will be able to further improve our productivity thanks to ongoing, optimally coordinated improvement projects, thus allowing us to use one of the very best of the technologies available.

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

Production tonnage 2009–2013

in tons



11.9

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

Automation

AND FLEXIBILITY, **ROBOT SYSTEMS AND HIGH-PERFORMANCE MACHINES** WITH LOW REFIT AND EQUIPPING TIMES

MES-Systems

RECORDING MACHINE AND OPERATING DATA, **INTERNATIONAL BENCHMARKING**

Business development of the Segments

••• Segment Germany

The Germany segment comprises the group's largest production location in Radolfzell with Plants 1 and 2, the production location in Neuburg an der Kammel and the sales facility in Hameln.

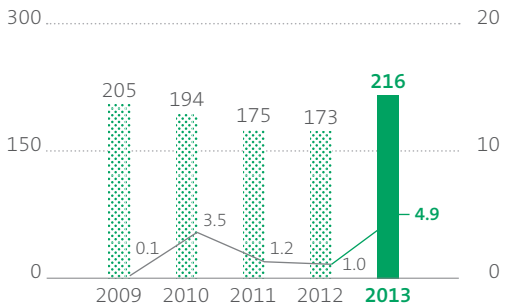
See page 52/ Segment Reporting

Business Development Germany

	Unit	2013	2012	Variance in %
Sales	m. CHF	216.0	172.6	25.1
EBIT	m. CHF	21.5	14.6	46.8
EBIT margin	%	9.9	8.5	
Number of employees (full-time positions)	FTE	696	586	18.8
Investments	m. CHF	14.8	5.4	174.9

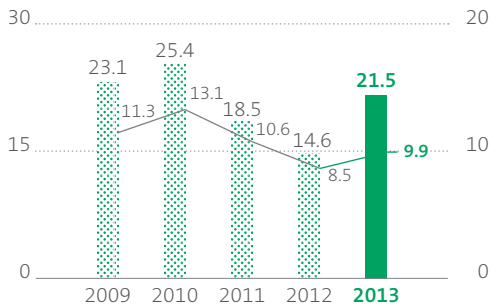
Development of sales/organic growth 2009–2013

in million CHF/in % (Development of sales/ organic growth)



EBIT/EBIT margin 2009–2013

in million CHF/ in % (EBIT/ EBIT margin)



Radolfzell produces products for all five divisions. The focus is on large-series production of soups, sauces and convenience foods in small packages. This requires highly efficient and automated production, accomplished with similarly qualified staff and ultra-modern factory equipment. The facility in Neuburg an der Kammel specializes in filling cans.

Integration Vogeley ••• The first few months of 2013 were characterised, in particular, by the integration of the new acquisition Vogeley into the Hügli Group. A wide variety of departments in Radolfzell, from IT, development, purchasing, production, quality management and logistics through to finance and HR were involved in the integration. All in all, several hundred recipes, the associated raw materials and 68 new sales employees had to be integrated. As a result of the acquisition, and also as a result of the otherwise excellent growth in sales volumes, meant that staff numbers increased by a total of 110 to 696 FTEs.

Positive development ••• The Germany segment was able to record pleasing revenue growth of +4.9 %, which is higher than the market level. 2012 was sluggish (+1.0 %), however all of the sales channels enjoyed positive growth, and some of them enjoyed excellent growth. Taken together with the acquired Vogeley revenues, Germany was able to grow by a total of +25.1 %. A large proportion of the

investments made during the fiscal year in the amount of CHF 14.8 million were related to the intangible assets acquired from Vogeley (brands, recipes, customers). Investments in property, plant and equipment relate to replacement investments and investments to improve efficiency in the production infrastructure. The excellent revenue growth, coupled with the absence of increases in the prices of raw materials and strict cost management, as well as up-and-running synergies from the acquisition meant that it was possible to increase profitability again for the first time in 2013 after the downturns in the past three years. The EBIT margin increased from 8.5 % in the previous year to a good 9.9 % in 2013, however without being able to link in to the highs recorded in 2010 and 2011.

••• Segment Switzerland/Rest of Western Europe

The Switzerland/Rest of Western Europe segment groups together the four countries of Switzerland, Austria, Italy and the UK.

Business Development Switzerland/Rest of Western Europe

	Unit	2013	2012	Variance in %
Sales	m. CHF	119.3	117.8	1.3
EBIT	m. CHF	7.0	5.9	18.2
EBIT margin	%	5.9	5.0	
Number of employees (full-time positions)	FTE	382	394	–3.0
Investments	m. CHF	6.6	7.5	–11.7

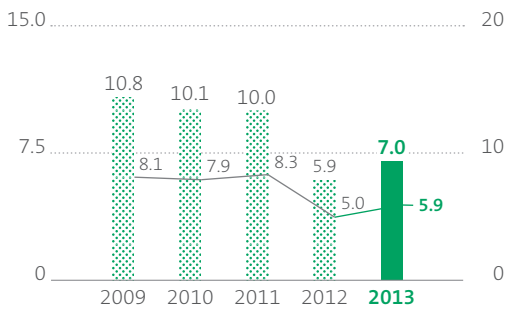
See page 52/ Segment Reporting

Development of sales/organic growth 2009–2013

in million CHF/in % (■ Development of sales/ — organic growth)

EBIT/EBIT margin 2009–2013

in million CHF/in % (■ EBIT/ — EBIT margin)



Switzerland production site ••• The production site in Steinach (Switzerland) has specialised in both small and medium-series production and in the production of "customised" mixed dried-food products. In addition to dried foods, there is state-of-the-art liquid production in St. Gallen for salad dressings and dip sauces. The production site in Switzerland was able to record an increase in the quantity produced in 2013 due to increased demand. In particular key accounts, which suffered from downturns in the past few years, enjoyed a recovery. Investments in the site were mostly used to further optimise workflows, however they were lower than in the previous years. In addition to investments in production, a photovoltaic system of 1'100 m² was taken into operation in Steinach. This will feed up to 95'000 kWh of electricity into the local grid. The efficient production and excellent capacity uptake, coupled with consistent cost management meant that the facility in Switzerland increased its staff by 7 % and maintained its excellent profitability. Switzerland has been making a substantial contribution to Hügli's positive results for years, and enjoys an excellent position despite challenging costs and exchange rates.

Italy production site ••• Our facility in Northern Italy produces mostly tomato-based liquid pasta sauces in jars, which are mostly sold in the Private Label and Brand Solutions divisions and produces and sells Italian specialities such as grilled vegetables, artichokes and mushrooms in oil, which are sold in all countries, mostly in our Food Service division. The facility has once again mostly invested in technology, safety and automation for liquid sauces. The highly efficient, fully-automated filling line, together with culinary competence, offer the best conditions to further reinforce the position on the market in this product segment, which has already been shown in the sales figures and customer contacts in 2013. As a result of a strategic make or buy decision, the production of certain product lines has been comprehensively outsourced, which led to a major reduction in staff, in particular in production. While the Food Service business in Italy has been falling for years, and has not been providing the desired results, it has been possible to increase exports to Hügli companies and customers abroad. We believe that the activities put in place for re-orientation, and also the increases in efficiency will lead to perceptible improvements in profitability, which has been under substantial pressure for several years.

United Kingdom production site ••• Our production site in Redditch specialises in the manufacturing of mixed dried-food products in the area of 'weight management', 'balanced nutrition' and 'sports nutrition'. We cover a broad range of production-related services, making the site a proven and approved partner for the foodstuffs industry. In 2013 this location was once again able to record excellent revenue growth, which was driven, in particular, by the Brand Solutions division. The Private Label division, which enjoyed strong growth in the past few years, had to adjust its portfolio due to the unsatisfactory profitability, which slowed revenue growth. After high investments in previous years in a state-of-the-art production infrastructure, during the year under review numerous smaller investments were made to increase efficiency and health and safety at work.

••• Segment Eastern Europe

See page 52/ Segment Reporting

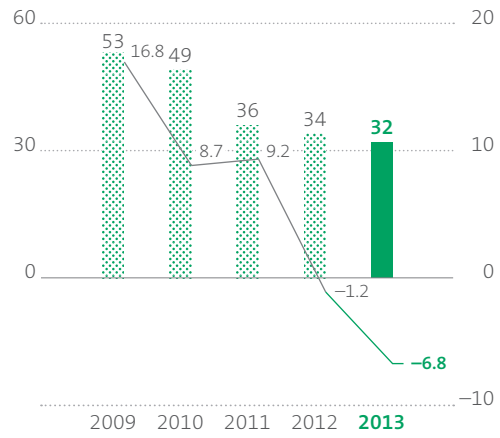
In Eastern Europe, Hügli East caters for the Food Service and Private Label markets in the Czech Republic, Poland, Slovakia and Hungary. Production in Eastern Europe is performed at the Czech facility in Zasmuky, which supplies the group's three own sales subsidiaries and increasingly also export markets.

Business Development Eastern Europe

	Unit	2013	2012	Variance in %
Sales	m. CHF	32.0	34.4	–7.0
EBIT	m. CHF	0.8	1.0	–14.3
EBIT margin	%	2.6	2.9	
Number of employees (full-time positions)	FTE	243	272	–10.7
Investments	m. CHF	0.5	0.9	–45.7

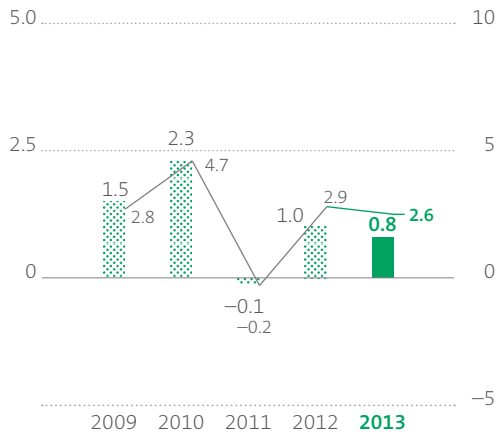
Development of sales/organic growth 2009–2013

in million CHF/in % (Development of sales/ organic growth)



EBIT/EBIT margin 2009–2013

in million CHF/in % (EBIT/ EBIT margin)



Improvement of efficiency ••• Perceptible reductions in revenues had to be accepted in the Eastern Europe segment. The Czech Republic was the front runner in the downturn, as a result of the failure of larger private label orders to materialise and also substantial reductions in Food Service revenues. In total, the segment recorded a downturn of –6.8 % in local currency. As a result of the cost-cutting activities performed during the past few years, in particular in production in Zasmuky (lean project), it was possible to cushion the negative revenue growth with only a slight reduction in profitability. The number of FTEs fell by 29 to 243 at the end of 2013. The EBIT margin fell from 2.9 % in the previous year to 2.6 % in the current year. The facility was able to record excellent progress for productivity and efficiency, and in future it will play a more important role in large series production.

Corporate Governance

Hügli attaches great value to maintaining a good and responsible corporate governance. The Group acknowledges its economic and social responsibility. High transparency contributes to strengthening the stakeholders' – shareholders, investors, staff and business partners – trust in the company and its management. Our corporate governance rests on clearly laid out structures, precisely allocated areas of responsibility, efficient decision processes and appropriate control routines.

The following report is in line with the Corporate Governance Directive of SIX Swiss Exchange. If not mentioned differently, the information reflects the situation on 31 December 2013.
The Compensation Report can be found in a separate chapter on pages 35 to 39.

Having come into force on 1 January 2014, the "Ordinance Against Excessive Compensation in Listed Stock Companies" (OaEC) entails several amendments to statutory requirements. At the ordinary Annual General Meeting 2014, all already elected members of the Board of Directors have to be elected for one year as is the Chairman, irrespective of the hitherto observed election cycle. All members of the Compensation Committee are from now on elected also for one year. For the first time, the Annual General Meeting 2014 will elect an independent proxy. The ordinary Annual General Meeting 2015 is to be presented with a proposal of extensive amendments to the Articles of Incorporation that result in the compensation ordinance being included into the Articles of Incorporation.

••• 1. Group Structure and Shareholders

See page 79| Group companies

Group Structure ••• The Hügli Group consists of one single business unit with a uniform strategy defined by the Board of Directors that focuses on the development, production and distribution of Hügli's core product line (soups, sauces, bouillons and further dry blended products). The management of all Group subsidiaries is centralised and performed by the Board of Directors and the CEO based on the designated Group strategy. Group Executive Management chaired by the CEO makes all relevant decisions. The segmentation is based on the geographic responsibilities relating to production sites and their associated distribution companies. The country segment Germany covers all associated German companies, the country segment Switzerland/Rest of Western Europe includes the companies in Switzerland, Austria, United Kingdom and Italy, and the country segment Eastern Europe comprises the companies in Czech Republic, Slovakia, Poland and Hungary.
In addition, cross-national sales organisations/divisions were created, reflecting the customer segments of the Hügli Group. These sales divisions mainly focus on customer needs and are responsible for a dynamic sales development as well as the optimal organisation of the area of marketing and sales. With regard to this area, the Hügli Group has adopted a matrix organisation. The Food Service Division covers the "Out of Home Market" with sales to hotels, restaurants, institutions such as corporate canteens, hospitals, residential homes and other caterers. The Private Label Division LEH supplies big European retail trade organisations, primarily discounters and consumer markets, with products sold under their own labels. The Brand Solutions Division produces for customers with own marketing and sales organisations consumer packages under their own brands. The Food Industry Division specialises in the sale of semi-finished and finished products to the European food industry. The Consumer Brands Division sells Hügli's own brands, predominately in organic quality, to health food stores, natural food as well a to the food retail trade.
The only listed company in the scope of consolidation is Hügli Holding AG, 9323 Steinach, Switzerland. Its bearer shares are listed on the SIX Swiss Exchange in Zurich (security no. 464795). On 31 December 2013, the closing price for the Hügli bearer share was CHF 516.50, corresponding to a market capitalisation of CHF 250 million. Of this total, CHF 144 million are represented by the stock capitalisation of the listed bearer shares and CHF 106 million by unlisted registered shares.

Major Shareholders •••

- Dr A. Stoffel Holding AG/Dr A. Stoffel, 9320 Arbon, Switzerland:
  39'797 bearer shares with a par value of CHF 1.00 each (14.2 % of bearer share capital)/
  410'000 registered shares with a par value of CHF 0.50 each (100 % of the registered share capital)/65.2 % of the voting rights, equivalent to 50.5 % of the share capital
- Hügli Holding AG, CH-9323 Steinach, Switzerland (own shares):
  5'558 bearer shares with a par value of CHF 1.00 each (2.0 % of bearer share capital)/
  0.8 % of voting rights, equivalent to 1.1 % of the share capital
- Free Float:
  234'645 bearer shares with a par value of CHF 1.00 each (83.8 % of bearer share capital)
  34.0 % 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 divided into:

Share capital in CHF	2013
280'000 bearer shares with a par value of CHF 1.00 each (listed)	280'000
410'000 registered shares with a par value of CHF 0.50 each (not listed)	205'000
Total share capital	**485'000**

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

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

Shareholders' equity in CHF	Change in %	31.12.2013	31.12.2012	31.12.2011
Share capital	0.0	485'000	485'000	485'000
Reserves	16.3	113'672'907	97'709'356	81'378'575
Profit carried forward	–11.8	27'634'838	31'346'016	33'251'762
Total equity	**9.5**	**141'792'745**	**129'540'372**	**115'115'337**

••• 3. Board of Directors

Members of the Board of Directors

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

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

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

Dr Christoph Lechner ••• born 1967, a German and Swiss national, member of the Board of Directors of Hügli Holding AG since 2001. After his degree in national economy (USA) and business administration (Germany), he received his doctorate and professorship in economics at the University of St. Gallen. Between 1987 and 1995, he worked in various functions for Deutsche Bank Group. He was Guest professor at the University of Connecticut (USA) in 2002/2003 and the Wharton School at the University of Pennsylvania. Since 2004, he has been a professor for Strategic Management at the University of St. Gallen as well as Chairman of the Directorate of its Institute of Business Administration (IfB). He is a member of the Board of Directors of Helvetia Holding AG.

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

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

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

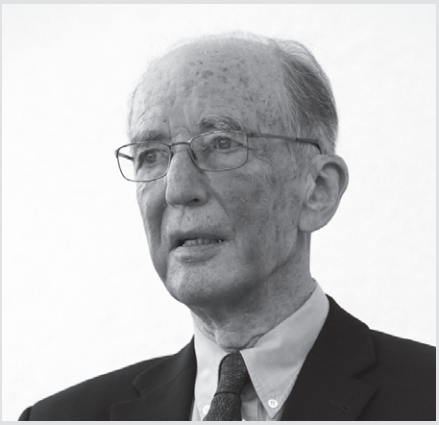
Dr Jean Gérard Villot

Dr Ida Hardegger

Fritz Höchner

Dr Christoph Lechner

Dr Ernst Lienhard



Dr Alexander Stoffel

see page 27| Major Shareholders

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

Election and Term of Office ••• With the "Ordinance Against Excessive Compensation in Listed Stock Companies" (OaEC), new legal norms have come into force on 1 January 2014 that limit the term of office to a duration of one year. The Articles of Incorporation had hitherto defined the term of office to last three years. The term of office will thus end for all Board members with the Annual General Meeting 2014, including those that had been elected by the previous two General Meetings for a longer term. A re-election for the time until the next ordinary Annual General Meeting is possible for each individual member. From 2014, the Special Council of holders of bearer shares will annually elect its representative in the Board of Directors, in line with article 709 CO (Swiss Code of Obligations). There is not limitation on the term of office.
When selecting new members, the Board of Directors thrives for a balanced consideration of expertise, competencies and entrepreneurial experience, all of which are necessary for the top leadership and supervision of the executive management of an international food corporation.

Internal Organisation ••• In accordance with the new regulation (OaEC), the Annual General Meeting 2014 will for the first time elect the Chairman of the Board of Directors as well as the members of the Compensation Committee, comprises the entire Board of Directors, separately. Furthermore, the Board of Directors will continue constituting itself. The Chairman, Jean Villot, is responsible for preparing the meetings of the Board of Directors and for coordinating its work. He is primarily concerned with strategic issues, long-term investment planning and the evaluation of acquisitions. He works closely with the Chairman of the Group Executive Management (CEO), whom he supervises directly. Christoph Lechner evaluates the planned and implemented measures from a strategic perspective and against the background of scientific findings. Alexander Stoffel and Jean Villot are contributing their extensive experience and expertise gained throughout their professional activities in the food industry. Ida Hardegger evaluates legal issues and contributes her expertise on the food industry and retail trade. Fritz Höchner and Ernst Lienhard are the financial experts on the Board of Directors. They assess measures in consideration of the financial risk management.
The Board of Directors has decided not to set up any board committees for the time being. Because of its small size, the Board performs the necessary tasks under the joint responsibility of all its members. In the event of possible conflicts of interest (e. g. establishment of compensation), the members concerned withdraw from the meeting.
The Board of Directors meets according to business requirements, normally five to six times a year for an entire day. Each member may ask the Chairman to call an immediate meeting, stating the reasons for his request. In the reporting year, the Board of Directors held five all-day meetings as well as a three-day management meeting with the Group's executive staff.

Division of Powers ••• The division of responsibilities between the Board of Directors and Group Executive Management are defined in the organisational regulations of those bodies. The main points are as follows: The Board has delegated the coordination of the Board and the Group Executive Management to its Chairman Jean Villot. The operative Executive Management of the Group is the responsibility of CEO Thomas Bodenmann.

In addition to the seven tasks, which are reserved exclusively for the Board of Directors by article 716a CO (Swiss Code of Obligations), and partly for the performance of those tasks, the Board has reserved the following powers for itself:

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

Information and Controlling Instruments ••• The internal Management Information System (MIS) prepared for the Board of Directors includes the consolidated income and balance sheet figures of the Group and the country segments as well as commentaries thereto. Furthermore, a Group contribution margin statement of the sales divisions, broken down by customer segments, is prepared. A written copy of the MIS is provided to each Board member. The monthly reporting contains sales figures and gross margins of the international subsidiaries and the sales divisions including variance analyses regarding the previous year and budget as well as commentaries on the current course of business. A widespread overview of the Hügli Group and the geographical segments (income statement, balance sheet, statement of changes in equity, cash flow statement) as well as a consolidated division reporting of the cross-national sales organisations and customer segment based subunits are prepared quarterly with a focus on Group contribution margins of sales and marketing. This reporting contains variance analyses regarding the previous year and budget. Moreover, the Board receives forecasts of the expected yearly figures. Once a year, a three-year rolling strategic plan is realised.
At the meetings of the Board of Directors, the Chairman of the Group Executive Management presents and comments on the course of business and important topics. Depending on the agenda item (budget, yearly financial statements, projects) the other members of the Group Executive Management also present information on specific topics.
The Chairman of the Board of Directors and the Chairman of the Group Executive Management inform and consult each other regularly on all important business matters. The Chairman consults with country and division management, and visits corporate subsidiaries to see for himself how their operations are run and how they are implementing the Group strategy. The entire Board attends the annual three-day management meeting of the Group's executive staff and obtains direct and detailed information about current strategic and operating projects, and achieved goals.
The external auditors provide the Board with audit reports and management letters of the Group as well as those of important Group subsidiaries. Aside from the Hügli Holding AG auditor, external auditors are once a year commissioned to give a presentation in a Board meeting and participate in a consultation with the Board of Directors. Further, specific internal audit reports on behalf of the Board are included in the internal audit.
The Board of Directors and the Group Executive Management attach considerable importance to careful handling of strategic, financial and operative risks. The controlling of risk management procedures and the continuous updating of risk identification are carried out through periodic meetings with department heads and managers performing Group functions. Significant changes are subject to in-depth analysis and assessed in compliance with the Group-wide risk management.

••• 4. Group Executive Management

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

Members of the Group Executive Management

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

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

Endrik Dallmann ••• born 1968, a German national, has been a member of the Group Executive Management and Head of the Key-Account Divisions Brand Solutions and Food Industry since 1 July 2011. The graduate in business administration (VWA) studied law and economics at the universities of Köln and Konstanz (without graduating). He joined Hügli Radolfzell in 1994 and managed various operating projects. From 2005, he was Managing Director of the German Hügli subsidiaries Inter-Planing GmbH and Oscho GmbH. Mr Dallmann is Managing Director of Hügli Germany since 2014.

Matthias Grün ••• born 1963, a German national, has been a member of the Group Executive Management since 2013. Since 1.1.2014 he is Head of the Consumer Brands Division. Grün has a degree as Agricultural Engineer (Dipl. Ing. agr.) as well as an M.B.A. Subsequent to his studies, he worked seven years for Kraft Foods in Germany and Argentina. After having acquired marketing and sales expertise outside of the food industry, he was General Manager of Importhaus Wilms (Germany) with a main responsibility for the company's strategic reorientation. From 2010 to mid-2013, Matthias Grün worked as an independent consultant, his specialties were brand and sales strategy as well as interim executive management, among others in the sector of natural foods.

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

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

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

••• 5. Compensations, Shareholding Interests and Loans

In compliance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the Swiss Code of Obligations, Hügli discloses information on the compensation paid to the Board of Directors and Group Executive Management in a separate chapter "Compensation Report" on pages 35 to 39 of the annual report.

see page 35| Compensation Report

••• 6. Shareholders' Rights of Participation

There are no limitations on voting rights. Each share grants one vote.
There are no statutory quorum requirements.
There are no rules deviating from statutory provisions in respect of the convening of the General Meeting. Bearer shareholders' invitations are published in the Swiss Official Gazette of Commerce (SHAB). The registered shareholder is invited by letter at the address last provided to the Board of Directors. The statutory rules relating to the placing of items on the agenda are less strict than the law. Shareholders representing shares with a par value of at least CHF 25'000 have the right to place an item on the agenda. The request listing the proposals is to be presented to the Board of Directors in writing and at least 60 days before the General Meeting of shareholders.

••• 7. Change of Control and Safeguarding Measures

Obligation of Purchase Offer ••• 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 stock exchanges and share trading), 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 Executive Management or other executive staff. The notice period for members of Group Executive Management ranges from six to twelve months. They are entitled to receive salary and compensation based on earnings within this period.

••• 8. Statutory Auditors

Duration of Mandate and Term of Office of the Auditor in Charge ••• OBT AG, St. Gallen, Switzerland is the statutory auditor for Hügli Holding AG. This firm was appointed for the first time in 1962 as the statutory auditing company to Hügli Nährmittel AG and then as auditing company to Hügli Holding AG following its incorporation in 1966. The audit mandate runs for one year with the possibility of reappointment under article 19 of the articles of incorporation. The auditor in charge, Christian Siegfried, has held his position since the financial year 2007.

Audit Fees ••• In 2013, OBT AG, St. Gallen, invoiced the sum of TCHF 98 to Hügli Holding AG and its Swiss subsidiary companies for services provided in connection with the audit of the annual statement of accounts and consolidated accounts.
No additional fees were paid to OBT AG or to persons or companies affiliated to it.

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

••• 9. Information Policy

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

Key dates in 2014:

Sales report	29 January 2014
Media and analysts' conference (Annual Report 2013, Sales Q1 2014)	15 April 2014
General meeting in Arbon	21 May 2014
ex-dividend date	23 May 2014
Dividend payment	28 May 2014
Half-Year Report 2014	20 August 2014

Further dates, reports and media releases can be found at http://ir.huegli.com.
The company's official publication is the Swiss Official Gazette of Commerce (SHAB).

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

Compensation Report

Hügli's compensation policy is based on the conviction that the company's success depends essentially on the quality and the commitment of all employees. The compensation systems and the shareholding plans for the Board of Directors and Group Executive Management are linked to achieving sustainable profits, aiming to safeguard the company's long-term success and at the same time to create added value for shareholders.

Overview in brief ••• The compensation systems are defined by the full Board of Directors with a long-term focus and reviewed annually. Their structure is clear, simple and comprehensible. The compensation systems for the Board of Directors and Group Executive Management are governed by the same principles. They are to provide a total compensation in line with the market and with performance, aiming to attract individuals with the necessary skills and character traits, and to retain them for the long term.
The non-executive members of the Board of Directors receive a fixed compensation; the Chairman receives an additional profit share. Each member can obtain company shares at a preferential price, which is 25 % below the market value, instead of the compensation. These shares are subject to a retention period of 3 years and delivered subsequently. The Chairman's profit share is calculated based on the organic increase of Group net profit above a threshold value defined by the Board of Directors. The total compensation paid to the entire Board of Directors (6 members) in 2013 grew by +9 % to TCHF 1'184 when compared to the previous year. The fixed compensation remained unchanged. Only the Chairman's profit share and the calculation of the compensation value of shared-based payments have increased.
The members of Group Executive Management receive a fixed salary and a variable component of salary. For all members, this variable component of salary depends on the organic increase of Group net profit above a threshold value defined by the Board of Directors. The calculation of the variable component of salary for members of Group Executive Management with responsibility for an operational segment additionally depends on the organic increase of the supervised contribution margin. The members of Group Executive Management may also use a limited amount of the compensation to buy company shares at the same conditions as the Board of Directors (preferential price 25 % below market value, retention period of 3 years). The total compensation of the entire Group Executive Management (8 members, one member retired as per 31.12.2013) rose in 2013 by +4 % to TCHF 3'566 when compared to the previous year. This was mainly due to the increase of the variable salary components as derived from a higher Group net profit.

Introduction ••• The present compensation report includes information about the compensation policy, the procedure for fixing compensations and the terms of the shareholding programmes. It is based on section 5 referring to "Compensations, shareholdings and loans" of the SIX Swiss Exchange Directive on Information relating to Corporate Governance. Moreover, this report discloses the compensations recorded in 2013 and 2012. The compensations and participations in line with article 663b bis and article 663c of the Swiss Code of Obligations presented in this report in the tables below are also listed in the Notes to the Financial Statements of Hügli Holding AG.

Compensation policy ••• The principles of the compensation policy for the members of the Board of Directors and Group Executive Management are designed to provide simple and clearly structured salary systems that ensure fair remuneration and are transparent for the company's employees. The salary is determined by the job specifications and competencies of the function (complexity of the task, responsibility, technical and personal requirements), the company's business success and the measurable individual performance of operational segments. The variable performance-related component is a supporting controlling instrument that aims to achieve the overarching goal of contributing to

the company's long-term success. The stock ownership programmes also include a direct financial participation in the medium-term performance of the Hügli share and support the consolidation of interests.

Decision-making powers/Compensation Committee ••• The Board of Directors, due to its small size, decided not to set up a separate Compensation Committee and to perform the task under the joint responsibility of all its members. The Board of Directors defines the compensation systems for the members of the Board of Directors and Group Executive Management. The compensation system is defined with a long-term focus and reviewed annually. This review is commensurate with easily accessible information on companies of comparable size and to characteristics of the labour market. The compensation system of the Board of Directors was last adjusted in 2010, that of Group Executive Management in 2013.

Compensation of the Board of Directors ••• The compensations reflect the level of responsibility and scope of activities performed by each member. The members are compensated from the time of their election until the next Annual General Meeting. The non-executive members receive a one-off compensation in December; the Chairman receives a monthly compensation.
The compensation system of the five non-executive members of the Board of Directors has provided a fixed basic compensation of net TCHF 60 since 2011. The individual social security contributions are paid entirely by the employer side. As there are no board committees, this compensation covers the whole scope of activities. The remuneration does not include a variable performance-related component. Instead of the basic compensation, each member may obtain company shares according to the regulations on the optional share-based payment. The purchase price equals the average unweighted share price within the 12-month period 01.11.–31.10., or the lower share price on the cut-off date 31.10. of the year, in which the transaction is performed. The purchase offer is valid during two weeks in November. If the purchase option is not exercised, it is forfeited and the basic compensation is paid out. The purchase price is 25 % below the market price. The shares remain in the custody of Hügli Holding AG during a retention period of 3 years and are subsequently transferred to the members. The resulting compensation value is calculated according to Circular 37 of the Swiss Federal Tax Administration and represents a shared-based compensation.
As an executive member, the Chairman of the Board of Directors has a full time workload. Alongside a Chairman's responsibilities (preparing the meetings of the Board of Directors, coordinating its tasks, working with the CEO), he takes on further functions in the company. The Board of Directors' directives govern these additional functions, which comprise mainly strategic long-term investment planning and the evaluation of acquisitions. In addition to a fixed monthly compensation, the Chairman of the Board of Directors receives a profit share. The profit share is derived from the increase of Group net profit above a threshold value defined by the Board of Directors. It is based on organic profit increase without acquisition and divestment effects. For such changes in the business areas, the Board of Directors defines a correctional factor on the profit level. This profit share has no ceiling. No profit share will apply if the lower threshold, determined by a minimum profit amount for the coverage of costs of equity, is not reached. Under normal conditions, the profit share should represent around 10 % to 40 % of the basic compensation. In the financial year, it equalled 24 %, in the previous year 9 %.
In addition, the Chairman of the Board of Directors can use up to twice the amount granted to non-executive members to buy shares as part of the above mentioned stock ownership programme. Furthermore, the full-time Chairman belongs to the corporate pension plan and is insured in the Swiss pensions fund with his wages covered by the AHV. The employer-savings premiums are covered in accordance with the general regulation that applies to all employees. The Chairman is also provided with a company car.
The following tables present the breakdown of components of the individual compensations paid to the members of the Board of Directors. In November 2013, 749 shares (previous year: 888) were transferred to Board members based on the regulation regarding optional share-based payments. The

purchase price totaled TCHF 292 (CHF 390 per share), in the previous year TCHF 348 (CHF 392.25 per share). The discounted value amounted to TCHF 327 (previous year: TCHF 367).
The private share of the company car was determined by tax values. Real travel expenses are not included. Pension and social expenses include both the employer's and the employees' contributions.

2013	Compensation net		Stock ownership plans		Company Car	Compen-sation to Mgmt	Pension and social Insurance	Total 2013
	Fix	Variable						
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Dr. Jean Gérard Villot, President	519	123	157	7	8	**657**	167	**824**
Dr. Ida Hardegger	60	0	148	7	0	**67**	9	**76**
Fritz Höchner	60	0	148	7	0	**67**	5	**72**
Dr. Christoph Lechner	60	0	0	0	0	**60**	8	**68**
Dr. Ernst Lienhard	60	0	148	7	0	**67**	5	**72**
Dr. Alexander Stoffel	60	0	148	7	0	**67**	5	**72**
Total Board of Directors	**819**	**123**	**749**	**35**	**8**	**985**	**199**	**1'184**

2012	Compensation net		Stock ownership plans		Company Car	Compen-sation to Mgmt	Pension and social Insurance	Total 2012
	Fix	Variable						
	in CHF 1'000	in CHF 1'000	Anzahl	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Dr. Jean Gérard Villot, President	519	49	300	6	8	**582**	161	**743**
Dr. Ida Hardegger	60	0	147	3	0	**63**	8	**71**
Fritz Höchner	60	0	147	3	0	**63**	5	**68**
Dr. Christoph Lechner	60	0	0	0	0	**60**	8	**68**
Dr. Ernst Lienhard	60	0	147	3	0	**63**	5	**68**
Dr. Alexander Stoffel	60	0	147	3	0	**63**	5	**68**
Total Board of Directors	**819**	**49**	**888**	**18**	**8**	**894**	**192**	**1'086**

Compensation to Group Executive Management ••• The compensation system for the members of Group Executive Management is defined by the full Board of Directors with a long-term focus and reviewed annually. The compensation includes a fixed basic salary, a variable component of salary, the option to participate in the stock ownership programme, non-cash benefits (mostly company car) and corporate pension plan benefits. The fixed salary is determined mainly by task, responsibility and qualification. The variable component of salary depends on attainment of organic business success. It is measured by two financial objectives: Contribution margin per supervised segment and Group net profit. Members of Group Executive Management without responsibility for a segment are assessed on the basis of Group net profit only. The variable component of salary as derived from contribution margin per segment is calculated as a part of the increase or decrease of contribution margin recorded since a fixed date in the past. The profit share is derived from the increase of the Group net profit above a threshold value defined by the Board of Directors. It is based on the organic increase in contribution margin and profit, respectively, without acquisition and divestment effects. For such changes in the business areas, the Board of Directors defines a correctional factor. This profit share has no ceiling. No profit share will apply if the lower threshold, determined by a minimum profit amount for the coverage of costs of equity, is not reached. Under normal conditions, the variable component of salary

should represent around 10 % to 40 % of the basic compensation. In the financial year, it ranged from 0 % to 21 %, depending on the individual member, in the previous year from 0 % to 22 %.

The members of Group Executive Management may use a limited amount of the compensation to buy company shares at the same conditions as the Board of Directors. The purchase price equals the average unweighted share price within the 12-month period 01. 01.– 31. 12., or the lower share price on the cut-off date 31. 12. of the previous year. The purchase offer is valid during two weeks. If it is not consummated, it becomes void. The purchase price is 25 % below the market price. The shares remain in the custody of Hügli Holding AG during a retention period of 3 years and are subsequently transferred to the members. The resulting compensation value is calculated according to Circular 37 of the Swiss Federal Tax Administration and represents a shared-based compensation. The Swiss members of Group Executive Management belong to the corporate pension fund with their wages covered by the AHV. The employer-savings premiums are covered in accordance with the general regulation that applies to all employees. There are no other special regulations relating to the pension fund. Moreover, every member of Group Executive Management is provided with a company car.

The following tables present the breakdown of components of the individual compensations paid to Group Executive Management, including the highest amount paid to a member. In April 2013, Group Executive Management purchased 895 shares (previous year: 586) based on the regulation pertaining to the stock ownership programme. The purchase price totaled TCHF 336 (CHF 375 per share), in the previous year TCHF 249 (CHF 425.00 per share). The discounted fair value amounted to TCHF 390 (previous year: TCHF 299).
The private share of the company car was determined by tax values. Real travel expenses are not included. The members of Group Executive Management are subject to the same expense regulations approved by the tax office as the other senior managers (expense regulations, additional regulations for lump-sum allowance). Pension and social expenses include both the employer's and the employees' contributions.

2013	Compensation net		Stock ownership plans		Company Car	Compen-sation to Mgmt	Pension and social Insurance	Total 2013
	Fix	Variable						
	in CHF 1'000	in CHF 1'000	Anzahl	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Total Group Executive Management	**2'658**	**287**	**895**	**54**	**49**	**3'048**	**518**	**3'566**
thereof maximum total compensation Thomas Bodenmann, CEO	562	123	266	16	8	**709**	169	**878**

2012	Compensation net		Stock ownership plans		Company Car	Compen-sation to Mgmt	Pension and social Insurance	Total 2012
	Fix	Variable						
	in CHF 1'000	in CHF 1'000	Anzahl	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Total Group Executive Management	**2'640**	**182**	**586**	**50**	**47**	**2'919**	**526**	**3'445**
thereof maximum total compensation Thomas Bodenmann, CEO	562	49	235	20	9	**640**	164	**804**

Further Compensation, Loans to Corporate Bodies and Change of Control Clauses ••• In 2013, no further compensation was paid to members of the Board of Directors, of Group Executive Management, or to persons close to them. No compensation was paid to former members of corporate bodies. No severance compensation was paid. In 2013, no loans or credits were granted to serving or former members of corporate bodies, or persons close to them. Furthermore, there are no such claims outstanding. The ordinary notice period for members of Group Executive Management has a maximum duration of 12 months. Within this period, they are entitled to receive salary and compensation based on earnings. The employment contracts do not include change of control clauses.

Shareholdings of Members of the Board of Directors and Group Executive Management ••• As per 31 December 2013 and 2012, the members of the Board of Directors and Group Executive Management owned following number of shares. The number includes both the shares in the custody of Hügli Holding AG that are subject to a retention period, and the unrestricted shares in individual ownership.

	Number of bearer shares		Number of registered shares		Voting rights	
	2013	2012	2013	2012	2013	2012
	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in %	in %
Dr. Jean Gérard Villot, President	1'300	1'143			0.2	0.2
Dr. Ida Hardegger	777	247			0.1	<0.1
Fritz Höchner	1'933	1'785			0.3	0.3
Dr. Christoph Lechner	111	111			<0.1	<0.1
Dr. Ernst Lienhard	542	394			<0.1	<0.1
Dr. Alexander Stoffel	39'797	38'439	410'000	410'000	65.2	65.0
Total Board of Directors	**44'460**	**42'119**	**410'000**	**410'000**	**65.9**	**65.5**
Thomas Bodenmann	1'000	762			0.1	0.1
Dirk Balzer	214	117			<0.1	<0.1
Endrik Dallmann	133	0			<0.1	0.0
Matthias Grün (since 14.10.2013)	0	0			0.0	0.0
Manfred Jablowski	0	0			0.0	0.0
Jörg Meyer (since 19.11.2012)	133	0			<0.1	0.0
Alexander Moosmann (until 31.12.2013)	728	595			0.1	<0.1
Andreas Seibold	820	464			0.1	<0.1
Total Group Executive Management	**3'028**	**1'938**			**0.4**	**0.3**

Information for Investors

••• **Bearer shares are traded at the Swiss Stock exchange since 1986, whereas registered shares are not listed. There are no restrictions of transferability. Every stock allows one vote at the General Annual Meeting of Shareholders. There exist no convertible bonds or options to ownership rights.**

Share capital structure ••• The share capital is divided into:

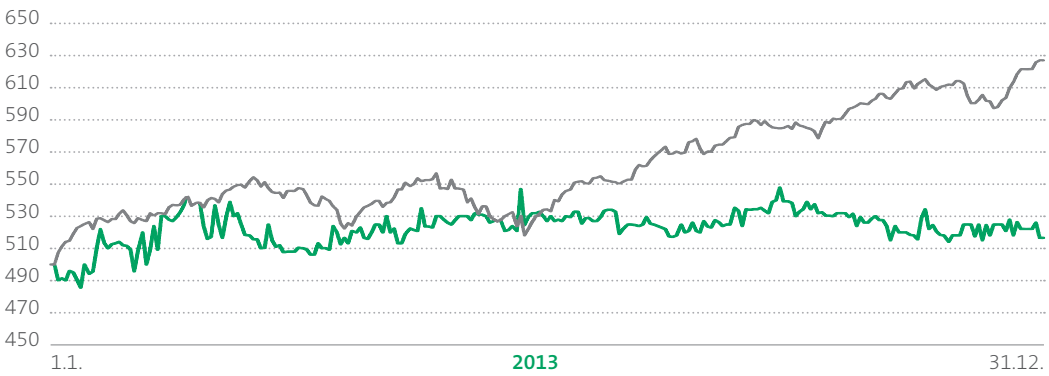
Share capital in CHF	2013
280'000 bearer shares with a par value of CHF 1.00 each (listed)	280'000
410'000 registered shares with a par value of CHF 0.50 each (not listed)	205'000
Total share capital	**485'000**

Market capitalisation ••• On 31 December 2013, the closing price for the Hügli bearer share was CHF 516.5, corresponding to a market capitalisation of CHF 250 million. Of this total, CHF 144 million are represented by the stock capitalisation of the listed bearer shares and CHF 106 million by unlisted registered shares.

Listing	
ISIN	CH0004647951
Security no.	464795
SIX symbol	HUE

Share price development 2013

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



Major Shareholders/Free Float as per 31 December 2013 •••

- Dr A. Stoffel Holding AG/Dr A. Stoffel, 9320 Arbon, Switzerland:
  39'797 bearer shares with a par value of CHF 1.00 each (14.2 % of bearer share capital)
  410'000 registered shares with a par value of CHF 0.50 each (100 % of the registered share capital) 65.2 % of the voting rights, equivalent to 50.5 % of the share capital
- Hügli Holding AG, CH-9323 Steinach, Switzerland (own shares):
  5'558 bearer shares with a par value of CHF 1.00 each (2.0 % of bearer share capital)
  0.8 % of voting rights, equivalent to 1.1 % of the share capital
- Free Float:
  234'645 bearer shares with a par value of CHF 1.00 each (83.8 % of bearer share capital)
  34.0 % of voting rights, equivalent to 48.4 % of the share capital

Obligation of Purchase Offer ••• 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 stock exchanges and share trading), if he holds more than 49 % of the voting rights in the company (opting-up).

Agenda 2014

Sales report	29 January 2014
Media and analysts' conference (Annual Report 2013, Sales Q1 2014)	15 April 2014
General meeting in Arbon	21 May 2014
Ex-dividend date	23 May 2014
Dividend payment	28 May 2014
Half-Year Report 2014	20 August 2014

Distribution ••• The Board of Directors will propose to the General Meeting on 21 May 2014 a dividend pay-out of CHF 14.00 per bearer share (CHF 12.00 in the previous year). The end-year rate corresponds to a dividend yield of gross 2.7 %.

Informationen for shareholders ••• Financial reports, information on corporate governance and on the Hügli share listed on the SIX Swiss Exchange can be retrieved from our Investor Relations website: http://ir.huegli.com

Key data Hügli bearer share

		2013	2012	2011	2010	2009
	Unit			in %		
Net profit per bearer share.	CHF	43.41	31.18	40.51	57.09	48.44
Dividend (proposal 2013).	CHF	14.00	12.00	15.50	15.50	13.50
Payout ratio	%	32	38	38	27	28
Equity per bearer share	CHF	282	259	247	230	218
Market price 31. 12.	CHF	517	500	567	689	500
Markte price high	CHF	550	670	761	700	556
Markte price low	CHF	486	472	520	495	400
Enterprise Value 31. 12.	m. CHF	316	329	345	403	329
Price/Earnings Ratio 31. 12.		**11.9**	**16.0**	**14.0**	**12.1**	**10.3**
Enterprise Value/EBITDA 31. 12.		**7.4**	**9.8**	**8.7**	**8.3**	**7.1**

One Group ••• Financial Reporting

367.3

M. CHF **SALES**.
THAT MEANS AN INCREASE
OF 13.1 %

29.3

M. CHF **EBIT**; 8.0 % EBIT MARGIN

53.4

% **EQUTIY RATIO**

••• Content

Financial report for the consolidated financial statements

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

••• Revenue growth, cost management and synergy effects lead to higher profits/stronger cash flow improved financial indicators

As a result of higher sales, mostly due to acquisitions, of +13.1 %, Hügli marked a significant turnaround in its operating results and profits. EBIT was up by 36.1 % to CHF 29.3 million. At the same time the EBIT margin of 8.0 % was once again in the strategic target corridor after an unsatisfactory 6.6 % in the previous year. Consolidated profits increased by 38.8 % from CHF 15.0 million to CHF 20.8 million. The equity ratio totaled 53.4 % on the balance sheet date, and net debt/EBITDA ratio fell from 2.6x to 1.5x.

Sales growth on excellent track ••• Hügli's consolidated revenues increased by +13.1 % in 2013 to CHF 367.3 million, with the effect from acquisitions amounting to +9.6 %, and +1.1 % due to the positive changes in exchange rates. Organic revenue growth gained pace substantially in the second half of the year after a weak first six months (–0.2 %) – however with a low basis for comparison – to +5.0 % to result in a full-year figure of +2.4 %. This increase was mostly due to the higher quantities sold; the price effect totaled just +0.5 %. This growth means that we hold an excellent position compared to the stagnating or slightly falling developments in demand on the European foodstuffs market.

Successful mainstay ••• Our largest country segment Germany enjoyed very satisfactory growth with strong organic growth in local currency of +4.9 %. The German group companies accounted for 53 % of consolidated revenues in the previous year, and the Vogeley acquisition meant that this rose to 59 % in 2013. As a good 10 % of revenues go to export, Germany as a sales country now accounts for 54 % and thus more than half of consolidated revenues. Although the German food market is certainly one of the most competitive and price-sensitive in Europe, we can see that an ultra-modern fleet of machines, lean structures and efficient workflows, with a focus on core competences, allow us to record above-average margins and a corresponding return on invested capital.

Profitable core with potential from periphery ••• In the segment Switzerland/Rest of Western Europe revenues were up by an organic +1.4 %, mostly driven by excellent growth in the UK. The other countries (Switzerland, Austria and Italy) all moved at around the previous year's level on demanding markets. However, with regard to profitability and the return on invested capital this segment mostly comprises the core country of Switzerland, which is comparable with Germany. The associated production companies in the UK and Italy made still insufficient contributions after restructuring. However the trend in both countries is positive, and an improvement in profitability can be foreseen.

Lean in the upswing ••• In the Eastern Europe Segment, the Czech Republic took a negative direction due to the failure of key orders to materialise, while the other countries of Poland, Hungary and Slovakia continued to enjoy reserved positive growth. In total, the segment recorded a downturn of –6.8 % in local currency. However, the lower revenues for the second successive year are also linked to a "lean project", in which operating costs are brought into line with the lower capacity uptake. As a result, it was possible to almost fully retain profitability, albeit still at a low level. The Eastern Europe Segment is excellently equipped for an upswing, with sales channels increasingly being sought for exports.

Stabilisation in gross margin ••• The prices for raw materials and packaging stabilised at a high level in mid-2013, which means that the gross margin loss – totaling –3.4 percentage points in the previous two fiscal years – has come to an end. In the second half of 2013 the gross margin increased again slightly year-on-year. Together with the new Vogeley revenues the gross margin increased by a total of +1.5 percentage points.
This development is also due to the revision of the product range and the resulting positive effects on the product mix. In so doing, the products are constantly reviewed for their cost-effectiveness, and low-margin articles (small series with a poor cost structure) are delisted or renegotiated. A further focus continues to be placed on the multi-location optimisation of purchasing, with risk-oriented procurement management.

Staff numbers increased as a result of the acquisition ••• Staff numbers increased by 69 (+5.5 %) to a total of 1'321 FTEs as of the balance sheet date. In view of the geographic segments, there was a total increase in Germany of 110 jobs. 68 FTEs taken over from Vogeley's sales operations, and 42 jobs were created, mostly in production/internal logistics. However, roughly the same number of jobs were also decreased in this area in the Czech Republic and Italy. The personnel expenses in the income statement increased currency adjusted by +9.2 %. This figure includes the increase in the number of employees and the increase in average salaries associated with the staff changes, and also the country-specific (collective agreement) salary increase of +1.8 % on average and higher variable salary components.

Operating expenses higher due to revenues ••• The increase in operating expenses is purely due to the higher revenues in Germany as a result of the acquisition. In the remainder of the group these were on a par with the previous year. In total, this figure increased currency adjusted by +12.4 % after having been reduced in each of the past two years as a result of cost management. The external logistics costs increased roughly proportionately to revenues, however the cost of materials associated with the elaborate direct sales increased at a higher than average rate. As a result of the existing production capacities, this area was only affected to a minor extent with regard to material costs. Expenses for operating management services, such as procurement or quality management only increased to a moderate extent. However, there was a strong increase in logistics for finished goods, as the acquired revenues relate to Food Service, and as a result from 2013 product shipments for several thousand new customers will be processed at the Radolfzell location. As a result of several expansion investments in machines in the previous year, depreciation increased currency adjusted in the fiscal year by +6.5 %. In contrast, amortisation increased substantially as a result of the intangible assets acquired as of 1 January 2013 (brands, recipes) from CHF 1.4 million to CHF 2.1 million in 2013. Detailed information on the intangible assets acquired and their amortisation can be found in item 1 of the notes to the consolidated financial statements.

EBIT margin returns to normal range ••• After a substantial slump in EBIT in the previous year, in 2013 it was possible to lift EBIT by +36.1 % to CHF 29.3 million, which clearly compensated for the blip in earnings in the previous year and even slightly exceeded the 2011 EBIT of CHF 28.5 million. The bulk of the increase in earnings stemmed from Germany, which also recorded excellent organic growth in addition to the acquisition. The segment Switzerland/Rest of Western Europe made a smaller contribution, with the restructuring activities in the periphery starting to bear fruit.
The Group's EBIT margin improved from 6.6 % in the previous year to 8.0 % in 2013. As a result, this is exactly in line with the average figure over the past ten years, and also meets the low end of the strategic target corridor of 8 %–9 %.

Interest lower, taxes higher ••• Interest expenses fell again as a result of very low short-term interest rates on the capital markets to a low of CHF 1.5 million, although average debt increased as a result of the acquisition. On the whole, the average interest rate on financial liabilities was 1.7 % (previous year: 2.5 %).
The effective tax rate increased from 23.8 % in the previous year to 25.2 %, mostly due to the higher profit in Germany which resulted in an above-average tax rate end.

Profits soar ••• Hügli's consolidated profits improved significantly compared to last year's result despite higher taxation by +38.8 % to CHF 20.8 million. This resulted in a profit margin of 5.7 % in fiscal year 2013.

••• Strong Equity Basis

Solid balance sheet structure, equity basis reinforced ••• As of 1 January 2013, Hügli's consolidated balance sheet was characterised by the purchase price allocation for the Vogeley acquisition payments made in the previous year (end of 2012: advance payments for intangible assets with a value of CHF 16.4 million). In so doing, the identifiable intangible assets (brands CHF 8.8 million, recipes CHF 1.2 million) were capitalised, the acquired capital commitments to employees of CHF 0.4 million were carried under benefit commitments for personnel. The resulting goodwill of CHF 7.3 million was netted directly with equity according to Swiss GAAP FER. Net current assets fell slightly from CHF 93.1 million in the previous year to CHF 90.6 million, property, plant and equipment remained practically constant.

Financial covenants observed ••• It was possible to reduce financial liabilities substantially from CHF 97.1 million to CHF 76.3 million in 2013, while equity increased from CHF 125.5 million to CHF 136.9 million. The equity ratio on the balance sheet date totaled 53.4 % compared to 48.0 % in the previous year. Gearing, or the ratio of net debt to equity, thus fell from 0.69 to 0.48. Net debt/EBITDA ratio also relaxed significantly from 2.6x in the previous year to 1.5x as of the end of 2013. The agreed financial covenants, maximum net debt/EBITDA ratio (max. 3.0x) and equity financing level (minimum 35 %) were thus well maintained on the balance sheet date.

••• High Free Cash Flow

Strong Cash Flow from operating activities ••• As a result of the increased profitability and the lower capital lock-up in net current assets it was possible to increase the cash flow from operating activities from CHF 23.8 million to CHF 40.2 million. In the previous year, in particular the advance payment for intangible assets of CHF 16.4 million and also the investments in property, plant and equipment led to a high level of cash used in investing activities of CHF 30.3 million. The amount disclosed in 2013 of CHF 11.5 million mostly results from the ordinary investments in property, plant and equipment.

High de-financing ••• As a result of the high free cash flow on the whole, it was possible to reduce financial liabilities in a total amount of CHF 20.5 million to the financing banks. The payment to equity investors (dividends) led to an outflow of funds of CHF 5.8 million. Including the interest paid and the cash flows from transactions with own shares, the net funds used in financing activities totaled CHF 28.1 million.

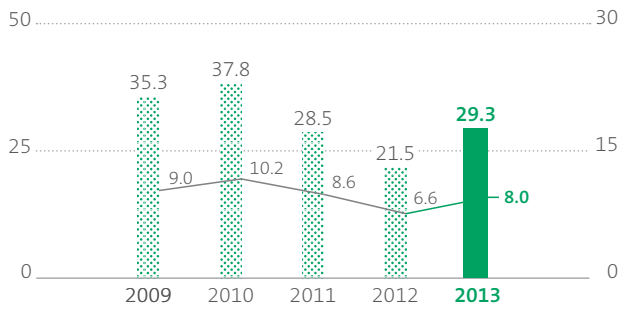
••• Increase in Profitability

Profitability up, target not yet reached ••• The return on invested capital (ROIC) was increased substantially to 9.8 %, above the average WACC set internally of 7.0 %, with corresponding added value being recorded. The internal target of 11.0 % set by the board of directors has thus not yet been reached, however given the planned activities it has moved within reach. The previous year's figure of 7.8 % was thus clearly a low point in the multi-year comparison. The return on equity (ROE) also increased from 12.2 % in the previous year to 16.3 % in fiscal year 2013.

see graphics below: NOA[1]/ROIC[2]

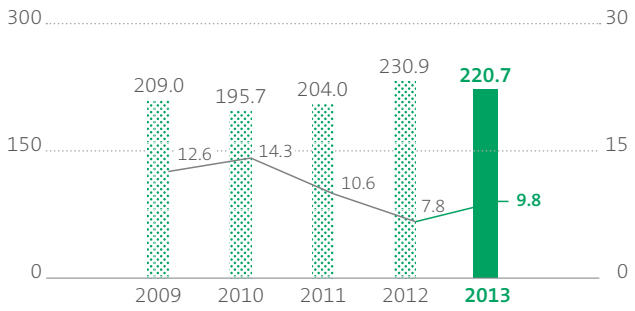
EBIT/EBIT margin 2009–2013

in million CHF/in % (▒ ■ EBIT/ — — EBIT margin)



NOA/ROIC 2009–2013

in million CHF/in % (▒ ■ NOA/ — — ROIC)



[1] *NOA = Net Operating Assets: Net working capital and tangible and intangible assets as at balance sheet date*

[2] *ROIC = Return on Invested Capital: NOPAT (EBIT × (1 – actual tax rate))/average NOA*

Consolidated Income Statement

	Explanations	2013		2012	
	Note	in CHF 1'000	in %	in CHF 1'000	in %
Sales	18	**367'308**	**100.0**	**324'756**	**100.0**
Sales deductions		–7'167	–2.0	–6'652	–2.0
Net sales		**360'141**	**98.0**	**318'104**	**98.0**
Change in inventory of finished and unfinished goods		–3'461	–0.9	2'161	0.7
Operating revenue		**356'680**	**97.1**	**320'265**	**98.6**
Material expenses		–166'154	–45.2	–154'800	–47.7
Personnel expenses	19	–86'834	–23.6	–78'637	–24.2
Other operating expenses, net	20	–60'845	–16.6	–53'268	–16.4
Operating profit before depreciation and amortisation (EBITDA)		**42'847**	**11.7**	**33'560**	**10.3**
Depreciation tangible fixed assets	6	–11'460	–3.1	–10'654	–3.3
Amortisation intangible assets	7	–2'061	–0.6	–1'361	–0.4
Operating profit (EBIT)		**29'326**	**8.0**	**21'545**	**6.6**
Interest expenses	22	–1'470	–0.4	–1'920	–0.6
Interest income	22	65	0.0	93	0.0
Other financial result	22	–93	0.0	–30	0.0
Profit before taxes		**27'828**	**7.6**	**19'688**	**6.1**
Income taxes	23	–7'008	–1.9	–4'683	–1.4
Net Group profit		**20'820**	**5.7**	**15'005**	**4.6**
Earnings per bearer share (in CHF) *(not diluted and diluted)*	25	43.41		31.18	

Consolidated Cash Flow Statement

in CHF 1'000	Explanations Note	2013	2012
Net Group profit		20'820	15'005
Income taxes	23	7'008	4'683
Interest expenses/Interest income	22	1'405	1'827
Depreciation/Amortisation	6/7	13'521	12'015
Increase/(Decrease) in provisions for employee benefits		–101	62
Loss/(Profit) from disposal of non-current assets		–206	14
Other non-cash result		106	–174
Operating cash flow before the change of net working capital		**42'553**	**33'432**
Change in net working capital			
(Increase)/Decrease in receivables		–4'247	567
(Increase)/Decrease in inventories		3'121	–2'483
Increase/(Decrease) in liabilities		4'229	–2'282
Income taxes paid		–5'452	–5'389
Cash flow from operating activities		**40'204**	**23'845**
Investments tangible fixed assets	6	–11'126	–12'903
Investments intangible assets	7	–767	–850
Advance payment intangible values	7	0	–16'390
Acquisition of subsidiaries	7	0	–533
Disposals of tangible assets		288	280
Disposals of financial assets		12	1
Interest received		65	93
Cash flow from investing activities		**–11'528**	**–30'302**
Increase/(Repayment) of short-term financial liabilities	9	–14'359	13'694
Increase/(Repayment) of long-term financial liabilities	9	–6'140	7'410
Dividend payment	17	–5'766	–7'466
Interest paid		–1'471	–1'827
Purchase of own shares	17	–1'046	–1'406
Sale of own shares (Stock ownership plans)	19	643	624
Cash flow from financing activities		**–28'139**	**11'029**
Total cash flow		**537**	**4'572**
Translation adjustments on cash and cash equivalents		50	31
Change in cash and cash equivalents		**587**	**4'603**
Cash and cash equivalents at 01.01.		10'291	5'688
Cash and cash equivalents at 31.12.		10'878	10'291

Consolidated Balance Sheet

	Explanations	31.12.2013		31.12.2012	
	Note	in CHF 1'000	in %	in CHF 1'000	in %
Assets					
Cash and cash equivalents	2	10'878		10'291	
Trade accounts receivable	3	51'546		47'194	
Other accounts receivable		4'852		4'439	
Accrued income and prepaid expenses	4	2'721		2'494	
Inventories	5	54'968		57'964	
Current assets		**124'965**	**48.8**	**122'382**	**46.8**
Land and buildings	6	67'026		68'626	
Technical equipment and machinery	6	44'154		41'513	
Other tangible fixed assets/under construction	6	7'291		8'502	
Intangible assets	7	11'642		2'803	
Advance payment intangible values	7	0		16'390	
Financial assets	8	23		35	
Deferred tax assets	11	1'012		1'117	
Non-current assets		**131'148**	**51.2**	**138'986**	**53.2**
Assets		**256'113**	**100.0**	**261'368**	**100.0**
Liabilities and shareholders' equity					
Short-term financial liabilities	9	38'166		59'085	
Trade payables		19'766		16'745	
Other current liabilities		946		1'215	
Accrued expenses and deferred income	10	13'671		11'340	
Current liabilities		**72'549**	**28.3**	**88'385**	**33.8**
Long-term financial liabilities	9	38'140		38'035	
Deferred tax liabilities	11	6'773		7'986	
Provisions for employee benefits	12	1'789		1'445	
Non-current liabilities		**46'702**	**18.3**	**47'466**	**18.2**
Liabilities		**119'251**	**46.6**	**135'851**	**52.0**
Share capital	17	485		485	
Capital reserves	17	19'767		19'206	
Own shares	17	–2'573		–1'609	
Retained earnings	17	119'183		107'435	
Shareholders' equity		**136'862**	**53.4**	**125'517**	**48.0**
Total liabilities and shareholders' equity		**256'113**	**100.0**	**261'368**	**100.0**

Consolidated Statement of Changes in Equity

					Retained earnings			
	Explanations	Share capital	Capital reserves	Own shares	Other retained earnings	Changes in value hedge accounting	Translation differences	Total
in CHF 1'000	Note							
Balance at 31.12.2011		**485**	**18'657**	**–278**	**120'705**	**–8**	**–19'857**	**119'704**
Purchase of own shares	17			–1'406				–1'406
Stock ownership plans								
Sale of own shares	19		549	75				624
Recognition of share-based payments	19				74			74
Valuation of cashflow hedges	17					–216		–216
Net Group profit					15'005			15'005
Dividend	17				–7'466			–7'466
Translation differences							–802	–802
Balance at 31.12.2012		**485**	**19'206**	**–1'609**	**128'318**	**–224**	**–20'659**	**125'517**
Acquired goodwill recognised in equity	17				–5'209			–5'209
Purchase of own shares	17			–1'046				–1'046
Stock ownership plans								
Sale of own shares	19		561	82				643
Recognition of share-based payments	19				93			93
Valuation of cashflow hedges	17					554		554
Net Group profit					20'820			20'820
Dividend	17				–5'766			–5'766
Translation differences							1'257	1'257
Balance at 31.12.2013		**485**	**19'767**	**–2'573**	**138'255**	**330**	**–19'402**	**136'862**

Foreign exchange rates

	Balance Sheet		Income Statement	
	31.12.2013	31.12.2012	2013	2012
EUR (1)	1.228	1.207	1.231	1.205
GBP (1)	1.479	1.486	1.450	1.486
CZK (100)	4.480	4.810	4.740	4.800
PLN (100)	29.550	29.690	29.330	28.850
HUF (100)	0.413	0.414	0.415	0.417

Notes to the Consolidated Financial Statements

••• Segment Reporting

2013 in CHF 1'000		Germany	Switzerland/ Rest Western Europe	Eastern Europe	Elimination/ Not allocated		Total Group
Consolidated sales		**216'023**	**119'327**	**31'958**			**367'308**
Inter-segment sales		7'537	17'688	1'479			
Total sales		223'560	137'015	33'437	–26'704		
EBITDA		**28'058**	**12'412**	**2'377**			**42'847**
Depreciation		–5'059	–5'051	–1'350			–11'460
Amortisation		–1'528	–351	–182			–2'061
EBIT		**21'471**	**7'010**	**845**			**29'326**
EBIT margin		9.9 %	5.9 %	2.6 %			8.0 %
Financial result, net							–1'498
Income taxes							–7'008
Net Group profit							**20'820**
Investments		14'756	6'629	475			21'860
Assets		130'621	105'028	25'919	–5'455		256'113
Liabilities		18'814	19'303	4'525	76'609		119'251
Personnel (full-time positions)		696	382	243			1'321
	Food Service	Private Label	Brand Solutions	Food Industry	Consumer Brands	Others	Total Group
Sales	**163'699**	**70'927**	**52'093**	**36'172**	**43'935**	**482**	**367'308**

2012							
Consolidated sales		**172'633**	**117'755**	**34'368**			**324'756**
Inter-segment sales		8'010	14'175	805			
Total sales		180'642	131'930	35'173	–22'990		
EBITDA		**19'871**	**11'309**	**2'380**			**33'560**
Depreciation		–4'560	–4'878	–1'216			–10'654
Amortisation		–681	–501	–179			–1'361
EBIT		**14'630**	**5'929**	**986**			**21'545**
EBIT margin		8.5 %	5.0 %	2.9 %			6.6 %
Financial result, net							–1'857
Income taxes							–4'683
Net Group profit							**15'005**
Investments		5'368	7'511	874			13'753
Assets		130'498	106'997	28'567	–4'694		261'368
Liabilities		12'634	18'572	5'352	99'293		135'851
Personnel (full-time positions)		586	394	272			1'252
	Food Service	Private Label	Brand Solutions	Food Industry	Consumer Brands	Others	Total Group
Sales	**133'322**	**70'932**	**43'480**	**35'756**	**40'952**	**314**	**324'756**

••• Corporate Accounting Principles

General ••• The consolidated financial statements of Hügli Group are prepared in accordance with all directives of the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER). They comply with Swiss Corporate Law and the SIX Swiss Exchange Listing Rules. The Swiss GAAP FER 31 "Complementary recommendations for listed companies" that are coming into force on 01. 01. 2015 have already been applied.Consolidation is based on the audited financial statements of the Hügli corporate subsidiaries for the year ended 31 December, prepared in accordance with uniform corporate accounting principles. The consolidated financial statements are based on historical cost, with the exception of derivative financial instruments that are stated at fair value.
The Board of Directors of Hügli Holding AG authorised the consolidated financial statements 2013 on 27 March 2014. They must also be approved at the Annual General Meeting on 21 May 2014.

Swiss GAAP FER 31 ••• Hügli applied the IFRS accounting standards until 2008 and starting with the financial year 2009 changed to Swiss GAAP FER. The switch aims to ensure continuity and comparability with as few changes to accounting as possible, and thus to safeguard transparency. Accordingly, all accounting policies, methods of computation and disclosures that comply with Swiss GAAP FER were continued without changes. The first application of Swiss GAAP FER 31 in the present consolidated financial statements do not require a restatement of the consolidated income statement, consolidated balance sheet, consolidated cash flow statement or consolidated statement of changes in equity prepared for the 2012 period of comparison. The higher requirements of transparency and international comparability, as prescribed by the new FER 31 recommendations, have therefore already been largely met.

Share-Based Payments
The share-based payments performed within the senior management stock ownership programme and the share-based payment to the Board of Directors had hitherto already been stated at discounted market value due to the three-year retention period. The difference between market value and the preferential price granted by the stock ownership programme was recognised as personnel expense (with an offsetting entry in equity) over the vesting period. The contractual terms and principles of computation are explained in note 19 of the Notes to the Consolidated Financial Statements.

Earnings per Share
The method of computation used to determine the profit per bearer share, stating the average number of outstanding bearer shares, is disclosed in note 25 of the Notes to the Consolidated Financial Statements. Since neither conversion nor option rights are outstanding, the profit per share is not diluted. In compliance with Swiss GAAP FER 31, the information "not diluted and diluted" is stated along with the profit per bearer share below the income statement.

Income Taxes
The expected weighted average tax rate of the Group based on the ordinary profit before taxes is disclosed in note 23 of the Notes to the Consolidated Financial Statements. Effects of changes and reassessments of loss carry-forwards and other essential variances in the expected income tax expense are quantified and explained.

Financial Liabilities
The valuation principles as well as the terms (interest rate, maturity, currency) applying to groups of similar instruments are disclosed in note 9 of the Notes to the Consolidated Financial Statements. As there are only bank loans outstanding, the statement relates to this type of financing.

Segment Reporting
The Hügli Group consists of one single business unit with a uniform strategy defined by the Board of Directors that focuses on the development, production and distribution of Hügli's core product line (soups, sauces, bouillons and further dry blended products).
Striving for transparent information, the Hügli Group discretionally exceeds the requirements defined by Swiss GAAP FER 31. The present segment reporting in the Notes to the Consolidated Financial Statements reflects the operational and production-based structure of the Hügli Group. Taking into account the different sales channels with their specific economic cycles and elasticities of demand, an additional break down of sales figures is stated based on cross-country customer segments (sales divisions).
Detailed information on segment reporting is stated on page 57 of the annual report.

Material Assumptions and Assessments ••• The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets, liabilities, expenses, revenues and contingent liabilities at the date of the consolidated financial statements. Actual results may differ from these estimates. Material assumptions, which influence the consolidated financial statements of the Hügli Group, include particularly

the evaluation of impairments of fixed assets and the measurement of tax liabilities.
The estimated useful life of tangible fixed assets can be shortened through altered use of property, plant and equipment. The recoverable amount of intangible assets (mostly brands and customer relations) is based on assumptions of future revenues, margins and discount rates. If these assumptions change, future results may vary considerably from current calculations. The carrying amount of such assets is documented in notes 6 and 7.
The valuation of tax liabilities is subject to the interpretation of tax laws in the respective jurisdictions, who appraise their adequacy through final assessment and audits by the tax authorities. This can result in material changes to tax expense. Furthermore, in order to determine whether tax loss carryforwards may be carried as an asset, one must first critically assess the probability that there will be future taxable profit against which to offset them. The budgeted assets may not be achieved, due to a variety of influencing factors and developments. The book values are explained in note 11.
In the course of their ordinary operating activities, corporate subsidiaries can become involved in litigation. Depending on the estimate on the part of the Executive Committee, this can cause specific provisions. The outcome of these proceedings may result in claims against the Group that cannot be met at all or in full through provisions or insurance cover.

Scope and Principles of Consolidation ••• The scope of consolidation includes Hügli Holding AG and all Swiss and foreign subsidiaries which the parent company, directly or indirectly, controls either by holding more than 50 % of the voting rights or by having otherwise the power to govern their operating and financial policies. Complying with the method of full consolidation, assets, liabilities, income and expenses are incorporated fully in the consolidated accounts. Intercompany balances and transactions (accounts receivable, accounts payable, income and expenses) are eliminated upon consolidation.
Minority interests in the equity and net income of consolidated companies are presented separately. Gains arising from intercompany transactions are eliminated in full. Capital consolidation is based on the purchase method, whereby the fair value of assets and liabilities of the acquired subsidiary is cleared against the acquisition cost at the time of acquisition. The resulting goodwill will be recognised in equity. Companies acquired in the course of the financial year are consolidated from the date on which control is obtained. Companies sold are excluded from the scope of consolidation as of the date on which control is given up, with any gain or loss recognised in income.
Companies in which Hügli Holding AG has a minority interest of at least 20 % but less than 50 %, or over which it otherwise has significant influence, are determined by using the equity method of accounting and presented separately in the consolidated balance sheet. The share in profit or loss is recognised and presented separately in the consolidated income statement.
Investments less than 20 % are stated at acquisition value and presented under other financial assets. An overview of the consolidated group of companies is provided on page 79.
see page 79

Foreign Currency Translation ••• The reporting currency is the Swiss Franc (CHF). If not stated otherwise, all figures presented in these financial statements are rounded to CHF 1'000 and reported in Thousand Swiss Francs (TCHF). Group companies prepare their financial statements in local currency. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities held in foreign currencies are translated at the spot rate on the balance sheet date. The resulting foreign currency gains and losses are recognised in the consolidated income statement. The fair value fluctuations of derivative financial instruments used to hedge such balance sheet items are also recognised in the consolidated income statement. For consolidation purposes, the financial statements of the foreign entities with a functional currency that differs from the reporting currency are translated into Swiss francs as follows: balance sheets at year-end rates, income and cash flow statements at average rates for the year under review (except for cases, in which the average rate does not correspond to an adequate approximation to the rates valid on the dates of transaction). Any translation adjustment resulting from the differing translation of balance sheets and income statements are recognised directly in equity at balance sheet date. Foreign currency translation effects on long-term not currency congruent financed equity-like corporate loans, which are defined as a component of net investments in a subsidiary, are recognised directly in equity. When realised through the sale of a foreign subsidiary these currency translation differences are booked as part of the sales income in the income statement.

••• Accounting Policies

Hedge Transactions and Derivative Financial Instruments ••• To hedge the foreign currency and interest risks, Hügli occasionally makes use of forward currency contracts, option contracts and swaps, and thereby aims to reduce volatility in the income statement. When hedges that qualify for hedge accounting treatment are initially transacted, they are classified either as hedging the fair value of a specific asset or liability (Fair Value Hedge), as hedging of future highly probable cash flows arising from an expected future transaction (Cash Flow Hedge), or hedging a net investment in a foreign subsidiary.
Fluctuations in the market values of reported financial instruments or firm commitments are hedged selectively by means of fair value hedges. Within the scope of the hedged risk, a market valuation is made of both the underlying and the hedging transaction.
Fluctuations in the value of cash flow hedge items are recognised in accordance with the option in Swiss GAAP FER 27 in shareholders' equity. The value fluctuations recognised in shareholders' equity of instruments that are held for the purpose of hedging future expenses, sales, financial assets or liabilities are recognised in the consolidated income statement on the date of recognition, on which the corresponding underlying transaction is recognised. The value fluctuations recognised in shareholders' equity of instruments that are held for the purpose of hedging future non-financial balance sheet items are recognised as a corresponding balance sheet item on the date of recognition of the underlying transaction. The derivative financial statements that are to be stated are disclosed under the accrued income and prepaid expenses or the accrued expenses and deferred income.

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

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

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

Tangible Fixed Assets ••• Tangible assets are stated at acquisition cost less accumulated straight-line depreciation and impairment allowances, if any. In the case of the operating land and buildings, the historical acquisition costs are partly based on replacement values, which were determined in 1992. These buildings are being depreciated over their remaining useful lives determined by an external real estate assessment prepared in 2004. Non-operating buildings are stated at fair value; the unrealised gains and losses resulting from periodic revaluations are recognised in the income statement.
The useful lives of buildings are 25 to 50 years, of infrastructure and interior work 10 to 20 years, of machinery and equipment 5 to 15 years, of furniture and vehicles 4 to 10 years and for EDP hardware 3 to 6 years. Repair and maintenance expense is as a matter of principle directly charged to the income statement as incurred.

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

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

Goodwill ••• Acquired goodwill, which represents the difference between the acquisition cost and the fair value of the acquired net assets, is recognised in equity at the time of acquisition. For the purpose of disclosure, the effects of a theoretical capitalisation (acquisition value, residual value, useful life, depreciation) as well as a possible impairment are presented in note 7. In the event of the sale of a foreign

subsidiary, the goodwill that had previously been recognised in equity will be cancelled as part of the sales income at the initial costs, with any gain or loss recognised in income.

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

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

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

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

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

Taxes ••• Current income taxes are calculated on taxable profits. Deferred taxes are calculated by applying the balance sheet liability method for all temporary differences between the carrying amount and tax base of assets and liabilities. The calculation of deferred taxes is based on the country-specific tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets on tax loss carry forwards are recognised in the consolidated balance sheet in the event that future taxable profits are available, against which the assets can be utilised. Provisions for taxes withheld at source on undistributed profits in foreign subsidiaries are recorded only if the Group intends to make dividend payments in the near future.

Employee Benefits ••• Swiss Group companies sponsor a legally independent benefit plan according to Swiss legislation. This foundation provides services in case of retirement, death and disability. Generally, it is funded by employer and employee contributions. Besides these funding obligations, there are no further financial obligations to the Group. The economic effects of benefit plans are recognised in the consolidated financial statements. In order to determine whether this results in economic benefit or liabilities for the Group, the effects of benefit plans are assessed annually. The assessment is based on the financial statements according to Swiss GAAP FER 26. Employer contribution reserves, if any, are recognised as an asset. The differences between stated values and corresponding values of the same period in the previous year are recognised as personnel expense in the consolidated income statement. The obligatory contributions to benefit plans are also charged to personnel expense.
The other Group companies have no relevant independent pension plan. Pension provisions for retired individuals and other employee benefit obligations are actuarially calculated and recorded in the provisions.
The relating social security plans provided by the government do not include any future financial commitments of the Hügli Group. The funding of such plans is usually based on fixed percentages of the insured salaries. The employer contributions paid into these plans are recognised directly in the income statement.

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

Segment Reporting ••• The Hügli Group consists of one single business unit with a uniform strategy defined by the Board of Directors that focuses on the development, production and distribution of Hügli's core product line (soups, sauces, bouillons and further dry blended products).
The management of all Group subsidiaries is centralised and performed by the Board of Directors and the CEO based on the designated Group strategy. This central decision-making body makes decisions about investments and other relevant decisions relating to subsidiaries' and sales divisions' resources. The operating resources of each Group subsidiary are used by all distribution channels (sales divisions), as a rule. Group functions have been established and put under the

supervision of the CEO (Head of Manufacturing, Group Functions Research & Development/Supply Chain Management/ Information Technology) to facilitate Group-wide coordination and optimisation of key task areas. Neither the subsidiaries nor the sales divisions have autonomy. Group Executive Management chaired by the CEO makes all relevant decisions. Group Executive Management is the only management body with overall responsibility for the consolidated income statement. To supervise the areas of responsibility of the heads of specialised units, profit responsibility has been broken down to sections of the value chain (responsibility for contribution margin and costs).

Striving for transparent information, the Hügli Group discretionally exceeds the requirements defined by Swiss GAAP FER 31. The present segment reporting in the Notes to the Consolidated Financial Statements reflects the operational and production-based structure of the Hügli Group. This structure is broken down to production sites including associated sales companies (country clusters based on the location of assets), and represents the decisive element of corporate and risk controlling and of the return on invested capital. Segment reporting is therefore performed in line with geographical criteria and based on the legal international subsidiaries. The segment "Germany" comprises every active Group company in the country; the segment "Switzerland/Rest of Western Europe" consists of companies in Switzerland (including non-significant Group functions), Austria, United Kingdom and Italy. The "Eastern Europe" segment includes companies in the Czech Republic, the Slovak Republic, Poland and Hungary. The allocation of segment assets and segment borrowing costs based on geographical criteria does not include the financial liabilities, tax liabilities and tax assets. The segment result before interest and taxes (EBIT) can therefore be associated with operative net assets.

Taking into account the different sales channels with their specific economic cycles and elasticities of demand, an additional break down of sales figures is stated based on cross-country customer segments (sales divisions). This additional information supports the valuation of sales development subject to market indicators of the individual customer segments, in particular gastronomy (out of home market), the food industry and food retail trade (key account business) as well as the health food specialist trade (brand business).

••• Notes to the Consolidated Financial Statements

1. Changes in Scope of Consolidation ••• As per 1 January 2013, Hügli purchased intangible assets, in particular trademark rights and formulas, as well as the sales department with around 70 staff from Vogeley Group in Germany. With "Vogeley", Hügli has acquired a traditional and more than 100 years old brand that is well established in the Food Service direct sales. Its assortment of dry blend products mainly comprises instant desserts as well as soups, sauces, bouillons and seasonings.
The purchase transaction and employment of the acquired sales staff were performed by the newly established Hügli subsidiary Vogeley Nahrungsmittel GmbH. It is included in the scope of consolidation starting from 1 January 2013.
The acquisition costs totalled TCHF 16'884, which include transaction costs of TCHF 120 that can be allocated directly. In December 2012, an advance payment of TCHF 16'390 was performed, causing the cash flow from acquisitions to occur mainly in the financial year 2012.
As per 1 January 2013 intangible assets in the amount of TCHF 9'967 were capitalised. The acquired, well-established brands in the amount of TCHF 8'751 will be amortised over 15 years, the formulas in the amount of TCHF 1'216 over 5 years. The acquired capital commitments to individual employees for TCHF 420 are recognised under the employee benefit provisions.
In compliance with Swiss GAAP FER, acquired goodwill is recognised in equity at the time of acquisition. It amounts to TCHF 7'337 and essentially reflects the value of acquired staff and the expected buyer specific synergies.
A theoretical capitalisation of goodwill with an amortisation period of 5 years would have increased the amortisation in the reporting period by TCHF 1'497.
Since its incorporation into the Group, the acquisition has contributed a turnover of TCHF 31'140.
In the financial year 2012 no acquisitions were effected.

2. Cash and Cash Equivalents •••

in CHF 1'000	2013	2012
Bank accounts and cash on hand	10'878	10'291

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

3. Trade Accounts Receivable •••

in CHF 1'000	2013	2012
Trade accounts receivable, gross	53'019	48'786
./. Valuation allowance	–1'473	–1'592
Total	**51'546**	**47'194**

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

in CHF 1'000	2013	2012
Not due	35'990	32'432
Overdue within 1 month	8'714	8'882
Overdue between 1 to 3 months	3'642	2'574
More than 3 months overdue	4'673	4'898
./. Valuation allowance	–1'473	–1'592
Total	**51'546**	**47'194**

Value adjustments on trade accounts receivable have changed as follows:

in CHF 1'000	2013	2012
At 01.01.	1'592	1'861
Increase	903	1'228
Decrease/Utilisation	–1'026	–1'509
Exchange differences	4	12
At 31.12.	**1'473**	**1'592**

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. Accrued Income and Prepaid Expenses •••

in CHF 1'000	2013	2012
Tax receivables	99	381
Other accrued income/prepaid expenses	2'622	2'113
Total	**2'721**	**2'494**

5. Inventories •••

in CHF 1'000	2013	2012
Raw materials (incl. packaging material)	21'910	25'116
Manufactured products	24'869	26'278
Trade goods	8'645	7'944
./. Valuation allowance	–456	–1'374
Total	**54'968**	**57'964**

6. Tangible Fixed Assets •••

2013 in CHF 1'000	Land and Buildings	Tech. Equip./ Machinery	Other tangible assets	Under construction/ Advance payments	Total
Gross amount At 01.01.	99'721	91'133	35'203	2'289	228'346
Additions	931	6'973	1'751	1'471	11'126
Disposals	–2'462	–967	–642	0	–4'071
Transfers	0	1'931	–215	–2'278	–561
Exchange differences	274	714	316	41	1'345
Gross amount at 31.12.	**98'464**	**99'785**	**36'413**	**1'523**	**236'185**
Accumulated depreciation At 01.01.	–31'095	–49'620	–28'989	0	–109'704
Planned depreciation	–2'554	–6'650	–2'256	0	–11'460
Disposals	2'462	888	642	0	3'992
Transfers	0	332	228	0	561
Exchange differences	–251	–581	–271	0	–1'103
Accumulated depreciation at 31.12.	**–31'438**	**–55'631**	**–30'645**	**0**	**–117'714**
Carrying values at 01.01.	68'626	41'513	6'214	2'289	118'641
Carrying values at 31.12.	**67'026**	**44'154**	**5'768**	**1'523**	**118'471**
2012					
Gross amount At 01.01.	98'261	84'199	33'611	1'663	217'733
Additions	1'375	6'746	2'558	2'223	12'903
Disposals	0	–398	–458	–188	–1'044
Transfers	379	924	–346	–1'407	–451
Exchange differences	–294	–337	–163	–2	–796
Gross amount at 31.12.	**99'721**	**91'133**	**35'203**	**2'289**	**228'346**
Accumulated depreciation At 01.01.	–28'949	–44'220	–27'131	0	–100'299
Planned depreciation	–2'262	–5'974	–2'418	0	–10'654
Disposals	0	309	441	0	750
Transfers	0	14	–12	0	2
Exchange differences	116	251	131	0	497
Accumulated depreciation at 31.12.	**–31'095**	**–49'620**	**–28'989**	**0**	**–109'704**
Carrying values at 01.01.	69'312	39'979	6'478	1'663	117'432
Carrying values at 31.12.	**68'626**	**41'513**	**6'214**	**2'289**	**118'641**

Investments in finance leases are disclosed under tangible fixed assets. Their net book value amounts to TCHF 482 (TCHF 636 in the previous year). There have been no non-cash additions to investments in finance leases. There are no separable undeveloped lots of land.
The fire insurance value of tangible fixed assets totals TCHF 222'993, whereof TCHF 101'561 is for buildings and TCHF 121'432 for other tangible assets. In the previous year, the total was TCHF 217'726, whereof TCHF 99'413 was for buildings and TCHF 118'313 for other tangible assets.
Pledged tangible fixed assets for financial liabilities include: Real estate mortgage rights totalling TCHF 8'342 (TCHF 8'956 in the previous year), thereof the utilised credit amounted to TCHF 5'510 (TCHF 6'791 in the previous year).

7. Intangible Assets/Advance payment intangible values •••

Capitalised brands and other intangible assets

2013 in CHF 1'000	Software, Others	Brands, Intellectual property rights	Total
Gross amount			
At 01.01.	12'225	3'698	15'923
Additions	767	9'967	10'734
Disposals	–5	0	–5
Exchange differences	27	232	259
Gross amount at 31.12.	**13'014**	**13'897**	**26'911**
Accumulated amortisation			
At 01.01.	–10'134	–2'986	–13'120
Planned amortisation	–841	–1'220	–2'061
Disposals	5	0	5
Exchange differences	–47	–45	–92
Accumulated amortisation at 31.12.	**–11'017**	**–4'252**	**–15'269**
Carrying values at 01.01.	2'090	712	2'803
Carrying values at 31.12.	**1'997**	**9'645**	**11'642**

2012			
Gross amount			
At 01.01.	11'100	3'726	14'826
Additions	850	0	850
Disposals	–126	0	–126
Transfers	428	0	428
Exchange differences	–27	–28	–56
Gross amount at 31.12.	**12'225**	**3'698**	**15'923**
Accumulated amortisation			
At 01.01.	–9'325	–2'636	–11'961
Planned amortisation	–992	–369	–1'361
Disposals	125	0	125
Transfers	24	0	24
Exchange differences	34	19	53
Accumulated Amortisation at 31.12.	**–10'134**	**–2'986**	**–13'120**
Carrying values at 01.01.	1'775	1'090	2'865
Carrying values at 31.12.	**2'090**	**712**	**2'803**

Additions of brands and intellectual property rights in 2013 amounting to TCHF 9'967 are explained in note 1.

Advance payments intangible values
As per 1 January 2013, Hügli acquired intangible values, in particular trademark rights and formulas, as well as the sales department with around 70 staff from Vogeley Group in Germany. An advance payment of TCHF 16'390 was made in December 2012.
The asset deal was performed by the newly founded Hügli subsidiary, the Vogeley Nahrungsmittel GmbH, DE-Hameln (shareholding: 100 %). The new Group company will be included in the scope of consolidation starting from 01. 01. 2013.

Non-capitalised goodwill ••• Acquired goodwill, which represents the difference between the acquisition cost and the fair value of the acquired net assets, is recognised in equity at the time of acquisition. The effects of a theoretical capitalisation and a potential impairment of the carrying values are presented as follows.

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

Name, registered office	**Vogeley Nahrungsmittel GmbH, Hameln, Deutschland**
Activities	Distribution of Instant-Desserts (Pudding, Crème, Mousse), soups, sauces and bouillon und seasonings
Acquisition date	01. 01. 2013
Acquisition type	Acquisition of intangible assets (trademark rights , recipes), Acquisition of sales department
Name, registered office	**Contract Foods Ltd. (today: Huegli UK Ltd.) , Redditch, UK**
Activities	Manufacturing of dry blends in the functional foods domain, mainly food supplements
Acquisition date	31. 01. 2008
Acquisition type	Direct acquisition of 100 % of the shares
Name, registered office	**Ali-Big Industria Alimentare s.r.l., Brivio, Italy**
Activities	Production and distribution of liquid sauces and antipasti
Acquisition date	30. 06. 2007
Acquisition type	Direct acquisition of 100 % of the shares
Name, registered office	**Supro Nährmittel AG, CH-St. Gallen / EPS Holding AG, CH-Steinach**
Activities	Production and distribution of dressings, soups, sauces and bouillons
Acquisition date	01. 09. 2005
Acquisition type	Direct acquisition (100 %) EPS Holding AG incl. subsidiary (100 %) Supro Nährmittel AG
Name, registered office	**Inter-Planing GmbH, DE-Neuburg/Langenhaslach OSCHO GmbH, DE-Neuburg/Langenhaslach**
Activities	Production and distribution of dressings, soups, sauces and bouillons
Acquisition date	17. 08. 2005
Acquisition type	Acquisition (100 %) of Inter-Planing GmbH Acquisition of assets/liabilities OSCHO
Name, registered office	**Helva Ltd., UK**
Activities	Distribution of soups, sauces, bouillons
Acquisition date	01. 01. 1999
Acquisition type	Direct acquisition of 100 % of the shares

A theoretical capitalisation of goodwill and a depreciation over 5 years would result in the following carrying values on the asset-side and in planned goodwill amortisations in the income statement:
The effects of a theoretical capitalisation of goodwill and a linear depreciation over five years are presented separately in the following table.
The reported Group EBIT 2013 of TCHF 29'326 would thereby be reduced by planned amortisation of TCHF 2'120 to theoretical TCHF 27'206 (previous year: of reported TCHF 21'545 by TCHF 1'800 to theoretical TCHF 19'745). The reported EBIT-margin 2013 of 8.0 % would fall to theoretical 7.4 % (previous year: of reported 6.6 % to theoretical 6.1 %).
Group equity of TCHF 136'862, reported as per 31.12.2013, would be increased by the net book value of goodwill of TCHF 5'972, after deferred taxes of TCHF 1'732, to theoretical TCHF 141'102 (previous year: of reported TCHF 125'517 by TCHF 639 to theoretical TCHF 126'156).The reported equity margin 2013 of 53.4 % of total assets would rise to theoretical 54.2 % (previous year: of reported 48.0 % to theoretical 48.1 %).

Theoretical Goodwill

2013 in CHF 1'000	Helva	Inter-Planing/ Oscho	Supro/EPS	Ali-Big	Contract Foods	Vogeley	Total
Gross amount							
At 01.01.	267	9'237	4'670	8'262	5'434	0	27'871
Additions	0	0	0	0	0	7'337	7'337
Exchange differences	–1	161	0	144	–26	128	405
At 31.12.	**266**	**9'398**	**4'670**	**8'406**	**5'409**	**7'464**	**35'613**
Accumulated amortisation							
At 01.01.	–267	–9'237	–4'670	–8'262	–4'796	0	–27'232
Planned amortisation	0	0	0	0	–623	–1'497	–2'120
Exchange differences	1	–161	0	–144	10	4	–289
At 31.12.	**–266**	**–9'398**	**–4'670**	**–8'406**	**–5'409**	**–1'493**	**–29'642**
Goodwill 01.01.	0	0	0	0	639	0	639
Goodwill 31.12.	**0**	**0**	**0**	**0**	**0**	**5'972**	**5'972**

2012							
Gross amount							
At 01.01.	263	9'314	4'670	8'330	5'335	0	27'912
Exchange differences	5	–77	0	–68	99	0	–41
At 31.12.	**267**	**9'237**	**4'670**	**8'262**	**5'434**	**0**	**27'871**
Accumulated amortisation							
At 01.01.	–263	–9'314	–4'670	–7'497	–3'750	0	–25'494
Planned amortisation	0	0	0	–825	–975	0	–1'800
Exchange differences	–5	77	0	60	–69	0	62
At 31.12.	**–267**	**–9'237**	**–4'670**	**–8'262**	**–4'796**	**0**	**–27'232**
Goodwill 01.01.	0	0	0	833	1'585	0	2'418
Goodwill 31.12.	**0**	**0**	**0**	**0**	**639**	**0**	**639**

The goodwill equals the surplus of the acquisition cost over the fair values of the acquired net assets, and represents the expected future economic benefit of the acquired companies that cannot be identified and valued separately. The goodwill positions resulting from the acquisition mainly reflect the expected synergies, future products and the acquired employees.
The goodwill positions are assigned to the cash generating units (CGU) mentioned in the table, which consist either of Group units that comprise several companies, or of single Group companies. The goodwill positions, which are not fully amortised, are tested for impairment at least annually at the CGU level. The value in use is based on future projected discounted cash flows. Usually, the cash flows correspond to detailed financial plans that were approved by management and cover the period of the first 3 years. For the subsequent years, expected growth rates are taken into consideration and for years 11 and beyond, an infinite cash flow value is included in the calculation. The projections use expected EBITDA growth rates of 5 % based on the assessment of future economic developments. After a period of 10 years, zero growth is applied. The discount rate is between 8.0 % and 9.0 %, considering specific risk premiums on the base of the weighted average cost of capital (WACC) of Hügli Group of 7.0 %. Because the cash flow projections are determined after taxes, the established discount rates also allow for the specific tax effects.
Based on the impairment tests and sensitivity analyses as of closing date, the values of all goodwill positions are supported. No realistically possible changes are expected to affect the applied key assumptions (discount rate, growth rate) that may result in recoverable amounts of goodwill, which exceed the respective carrying amounts. This excludes unforeseen circumstances.

8. Financial Assets •••

in CHF 1'000	2013	2012
Securities	23	35

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

9. Financial Liabilities •••

in CHF 1'000	2013	2012
Current financial liabilities	38'166	59'085
Non-current financial liabilities	38'140	38'035
Total	**76'306**	**97'120**
thereof secured mortgages	5'510	6'791
Planned maturity		
up to 1 year	38'166	59'085
up to 2 years	11'140	10'000
up to 3 years	10'000	11'035
up to 4 years	7'000	10'000
up to 5 years	10'000	7'000
Breakdown to currencies		
CHF	36'000	42'300
EUR	22'595	31'801
CZK	11'020	15'055
GBP	6'064	7'281
HUF	627	682

The financial liabilities primarily consist of fixed advances from banks in the currencies. These are secured by mortgages in the extent of TCHF 5'510 (TCHF 6'791 in the previous year). Non-current financial liabilities with maturity terms of 1 to 5 years are at fixed interest rates. The interest rates for current financial liabilities are adjusted to market level several times a year. The interest-bearing foreign capital has a number of financial terms of credit (financial covenants), which among other requisites, requires the observance of financial operating figures such as the net debt to EBITDA ratio (max. 3.0x) and the minimum equity to asset ratio (min. 35 %). These terms of credit were observed at the balance sheet date (net debt to EBITDA ratio 1.5x, equity to asset ratio 53 %). For financial liabilities in total, the average interest rate amounted to 1.7 % (2.5 % in the previous year).

10. Accrued Expenses and Deferred Income •••

in CHF 1'000	2013	2012
Personnel/social securities	3'119	2'121
Accrued vacation and overtime	1'986	1'820
Customer related liabilities	2'360	2'004
Forward exchange contracts	0	244
Sundry accrued expenses/ deferred income	6'206	5'151
Total	**13'671**	**11'340**

11. Deferred Tax Assets and Liabilities •••

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

in CHF 1'000	2013	2012
Inventories	640	663
Land and buildings	4'466	4'390
Other fixed assets	1'319	1'412
Provisions	2'859	2'566
Other balance sheet positions	211	118
Total tax liabilities	**9'496**	**9'149**
Inventories	189	158
Land and buildings	0	0
Other fixed assets	2'401	804
Provisions	0	0
Other balance sheet positions	1'145	1'318
Total tax assets	**3'735**	**2'280**
Deferred tax liabilities, net	**6'773**	**7'986**
Deferred tax assets, net	**1'012**	**1'117**

Deferred tax liabilities and tax assets based on temporary valuation differences are recorded with their gross amounts. Appropriate netting of deferred tax liabilities and tax assets is performed in consolidation.
Tax assets on loss carry-forwards are only capitalised if seems probably that they can be realised. In countries and subsidiaries, respectively, in which the utilisation of loss carry-forwards cannot be foreseen, capitalisation is foregone.

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

12. Employee Benefit Provisions •••

in CHF 1'000	2013	2012
At 01.01.	1'445	1'393
Increase	405	217
Utilisation	–82	–48
Decrease	–2	–106
Exchange differences	24	–11
At 31.12.	**1'789**	**1'445**

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

13. Employee Benefits •••

Economic benefit/economic provisions and employee benefit expenses:

	Surplus/-deficit		Economical part of the organisation		Change to prior year period or recognised in the current result of the period, respectively	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	2013	2013	2013	2012
in CHF 1'000								
Pension institutions with surplus	0	0	0	0	0	1'406	1'406	1'369
Total	**0**	**0**	**0**	**0**	**0**	**1'406**	**1'406**	**1'369**

Swiss Group companies sponsor a legally independent pension plan foundation according to Swiss legislation. The actuarially assumed surplus of the employee benefit foundation of Hügli Nährmittel AG amounts to CHF 8.2 million in the financial year (CHF 5.3 million in the previous year). This corresponds to a weighted coverage rate according to article 44 BVV2 of 122 %, based on an assumed interest rate of 2.5 % and BVG 2010 (in the previous year: 115 %, assumed interest rate 2.75 %). As the reserve for value fluctuations that is being accumulated has not yet reached the target value of CHF 9.4 million or 21 % of assets, respectively, no positive dotation capital is stated in the balance sheet. No surplus can be determined as under Swiss GAAP FER 16 a surplus would require positive non-committed funds in the dotation capital.
The surplus is not at disposal to the Group for economic use in the form of reduction or repayment of contributions. The employee benefit costs included in the personnel costs relates to the ordinary payment of contributions of the affiliated Group companies.

14. Financial Instruments and Financial Risk Management •••

Financial Risk Management Principles ••• The international business activities of the Hügli Group are exposed to various financial risks, in particular credit risk, market risk (including currency, interest rate and price risk) and liquidity risk. The risk management principles are geared to identifying and analysing the risks to which the Group is exposed in a volatile market environment and to establish the appropriate control mechanisms. The Group's department of Finance and Controlling hedges certain defined risks in close cooperation with the divisions. The Board of Directors bears ultimate responsibility for risk management.
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 Group's risk of suffering financial loss if a customer is unable or unwilling to meet contractual business obligations. The Hügli Group's main credit risks arise from trade accounts receivable. Such liabilities are monitored continuously and systematically. The danger of cluster risks is limited due to the large number and wide geographical spread of customers. Hügli enters into bank transactions only with important financial institutions. The credit risk is mainly limited to current bank accounts, and secondarily to transactions involving derivative financial instruments. The maximum credit risk is confined to the carrying amounts stated for the individual financial assets 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 that differ from the functional currency (local currency). Such transactions are performed mainly in Swiss Francs (CHF), Euro (EUR), British Pounds (GBP), Czech Crowns (CZK), Polish Zloty (PLN) and Hungarian Forint (HUF). Hügli reduces currency risks considerably by purchasing and producing goods in the functional currency ("congruency" rule). Where this is not possible or only to a limited extent, currency exposure is generated, predominantly concerning the exchange rates CHF/GBP, CHF/EUR, EUR/GBP, CZK/PLN and CZK/HUF. We also restrict the Group's external financing where possible to currencies, in which medium-term free cash flows can be expected.
As per 31.12.2013 currency futures with a maturity of 1 to 12 months for the partial hedging of currency risks of future highly probable accruals of foreign currencies in EUR, GBP, PLN and HUF are outstanding. The open contract values (nominal values of hedge transactions) and the positive/negative replacement values (potential return on closure of contracts or unrealised profits/losses before taxes) are as follows:

in CHF 1'000	2013	2012
Contract value (EUR, GBP, PLN, HUF)	5'162	3'063
Replacement value profits/(losses)	24	20

Interest-rate Risk ••• The interest-rate risk is caused by changes in market interest rates and in the risk premiums of the capital markets, which relate to the Group's investments. The risk of fluctuating interest rates can be limited through the ratio of fixed-interest to variable interest liabilities and the ratio of short-term and long-term financial liabilities, which agrees with our risk policy. Due to financial liabilities being stated at par value, changes in interest rates have no impact on the income statement. A 1%-point increase (or reduction) of the average interest rate for short-term variable interest advances would have increased (or reduced) group profit by CHF 0.4 million (CHF 0.4 million in the previous year).
In 2012, various forward interest rate swaps were used to hedge future periods, mainly for a five-year duration, with the aim to fix the interest rates for a highly probably basic funding of a maximum of CHF 25 million and hedge it to offset future interest increases. The first tranche begins in 2014, the last ends in 2022. The weighted average of the fixed interest rates amounts to 0.99%. Due to capital market interest rates dropping further in December 2012 and the shrinking forward premiums, positive replacement values of TCHF 337 have resulted and were recognised in equity.

in CHF 1'000	2013	2012
Contract value	25'000	25'000
Replacement value profits/(losses)	337	–264

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

Liquidity Risk ••• The liquidity risk is the risk that Hügli will be unable to meet its financial obligations when they are due. Liquidity management consists in maintaining sufficient liquidity reserves to offset the usual liquidity fluctuations. At the same time, the Group has unused credit lines at its disposal that it can apply in the event of more serious fluctuations. The total amount of unused credit lines as per 31.12.2013 was CHF 54.1 million (CHF 36.7 million in the previous year). The credit lines are spread over several banks so that there is no excessive dependence on any one financial institution.

15. Operating Leases/Lease Contracts ••• The liabilities from operating leases and ongoing long-term lease contracts are due as follows:

in CHF 1'000	2013	2012
Due within 1 year	3'740	3'388
Due between 1 to 5 years	4'564	5'137
Due after 5 years	311	476
Total	**8'615**	**9'000**

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

16. Contingent and Future Liabilities, Capital Commitments ••• As per 31 December 2013 and 31 December 2012, there were no positions requiring disclosure.
The Group is currently involved in various legal cases that have arisen from normal business developments. For these ongoing legal cases, there are in justified cases short-term provisions to cover risks that the Group assumes to be foreseeable risks. Therefore, the effects neither in individual cases nor in total have a significant influence on the financial position and profitability.

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

The monitoring of equity is performed based on following ratios:

- Equity: 53.4 %/48.0 % in the previous year (equity to total assets)
- Gearing: 0.48/in the previous year: 0.69 (interest bearing net debt to equity)
- Return on equity (ROE): 16.3 %/in the previous year: 12.2 % (group profit in percentage of average equity).

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

Hügli pursues a results-oriented dividend policy with a ratio of 25 % to 30 % of the Group's profits per share. The Board of Directors is proposing to the General Meeting of Shareholders on 21 May 2014 a dividend of CHF 14.00 (payout in the previous year: CHF 12.00) per bearer share and CHF 7.00 (payout in the previous year: CHF 6.00) per registered share, respectively. The total payout aligns with 32 % (in the previous year: 38 %) of Group profits.

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

in CHF 1'000	2013	2012
Share capital consists of fully paid-in 280'000 bearer shares CHF 1.00 410'000 registered shares CHF 0.50	485	485
Own shares Bearer shares valued at average acquisition costs of CHF 462.95 (PY: CHF 306.30)	–2'573	–1'609
Capital reserves	19'767	19'206
Retained earnings	119'183	107'435
Total	**136'862**	**125'517**
Own shares at 01.01. (in units)	5'254	3'974
Sales via stock ownership program	–1'696	–1'543
Purchase of own shares	2'000	2'823
Own shares at 31.12. (in units)	5'558	5'254

Complying with Swiss GAAP FER, acquired goodwill of TCHF 7'337 (previous year: CHF 0), was recognised in equity at the time of acquisition, along with the corresponding deferred tax assets of TCHF 2'128 (previous year: CHF 0), which led to a net amount of recognition of TCHF of 5'209 (previous year: CHF 0).
The capital reserves increase by the profit from the sale of own shares. The amount of TCHF 93 (TCHF 74 in the previous year) relating to the recognised costs of stock ownership plans was expensed in the income statement. The directly stated results in the retained earnings are mainly related to translation adjustments of net assets of Group companies and equity-like Group loans denominated in foreign currencies due to the valuation at the balance sheet date. In addition, due to hedge accounting, the valuation of cash flow hedges was reported with the amount of TCHF 554 (TCHF –216 in the previous year) and the replacement value TCHF 605 (TCHF –234 in the previous year) minus deferred taxes of TCHF –51 (TCHF 18 in the previous year), respectively.

The fair value changes of cashflow hedges arose as follows:

in CHF 1'000	2013	2012
Withdrawal from reserve: Transferred to income statement	–20	10
Appropriation to reserve:	24	–244
Fair value adjustments	601	0
Deferred taxes on cashflow-hedges	–51	18
Total	**554**	**–216**

Translation gains and losses recorded in equity arose as follows:

in CHF 1'000	2013	2012
Translation gains/(losses) of net investments	605	–693
Translation gains/(losses) of corporate loans, net	652	–109
Total	**1'257**	**–802**

In order to maintain the stock ownership plans, it was decided to acquire further Hügli shares on the market as from 2011. In 2013, a total of 2'000 (2'823 in the previous year) shares was acquired at an average purchase price of CHF 521.86 (CHF 497.83 in the previous year).
The consolidated reserves include legally required reserves of CHF 15.0 million (CHF 15.0 million in the previous year). Based on local law of the respective countries, the reserves cannot be paid out to shareholders.
There is no contingent or authorised capital. Furthermore, no conversion or option rights are outstanding.

18. Sales ••• The segment reporting is presented on page 52 of this annual report. *see page 52*
In addition, a breakdown of sales according to product groups and geographic markets (location of customers) is displayed on page 4. *see page 4*

19. Personnel Expenses •••

in CHF 1'000	2013	2012
Salaries and wages	72'509	65'164
Social benefits	14'035	12'919
Other personnel costs	289	555
Total	**86'834**	**78'637**

Stock Ownership Plans ••• In accordance with a senior management participation program established by the Board of Directors, members of senior management are enabled to use a limited part of the bonus to acquire shares (owned by the company) at a preferential price of 75 % of the market value.
The offer is given out in April. In 2013, 947 shares were obtained at a price of CHF 375.00 per share, in the previous year 655 shares at a price of CHF 425.00 per share. Furthermore, based on regulations regarding the optional share-based payment to the Board of Directors, in November 2013, 749 shares were transferred to Board members at the discounted rate of CHF 390.00 per share, in the previous year 888 shares at a price of CHF 392.25 per share instead of cash compensation. The enactment of both share programs is subject to a retention period of 3 years and during that time remains in the custody of Hügli Holding AG.
The difference between market value and the discount granted on the basis of the share participation plan is recognised as personnel expense (with an offsetting entry in equity) in the income statement, with any gain or loss recognised in income. The costs in the financial year amount to TCHF 93 (TCHF 74 in the previous year).

20. Other Operating Expenses, net •••

in CHF 1'000	2013	2012
External logistics	17'580	15'735
Distribution costs	19'471	15'881
Production costs	6'896	6'809
Management Services, Others	17'220	15'915
./. Other operating income	–322	–1'072
Total	**60'845**	**53'268**

Other operating income primarily contains expense credits, through cost transfers of packaging/postage and discounts, income from other periods as well as rental incomes, among others. Profits in the amount of TCHF 206 resulted from the disposal of fixed assets (TCHF –14 in the previous year).

21. Development Costs ••• Development costs of TCHF 2'686 (TCHF 2'761 in the previous year) were recognised in 2013. Development serves mainly the creation of new products and improvement of the existing product range and is included in the personnel and other operating costs and depreciation positions. Development costs were at no time capitalised.

22. Financial Results •••

in CHF 1'000	2013	2012
Interest expenses	1'470	1'920
Other financial expenses	94	105
Financial expenses	**1'564**	**2'025**
Interest income	–65	–93
Other financial income	–1	–74
Financial income	**–66**	**–167**
Financial expenses, net	**1'498**	**1'857**

The financial expenses decreased owing to considerably lower short-term interest rates of the capital market but even due to a higher level of debt, which on average increased by CHF 8 million. Overall, the average interest rate on financial liabilities resulted in 1.7 % (2.5 % in the previous year).

23. Income Taxes •••

in CHF 1'000	2013	2012
Current income taxes	6'213	5'220
Deferred income taxes	795	–537
Total	**7'008**	**4'683**

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

in CHF 1'000	2013	2012
Profit before taxes	27'828	19'688
Expected income tax rate	22.0 %	17.9 %
Expected income tax expense	**6'116**	**3'532**
Effect of non-recognition of tax loss carry-forwards in the financial year	704	863
Use of unrecognised tax loss carry-forwards	0	0
Recognition (reassessment) of loss carry-forwards of previous years	0	–144
Derecognition (reassessment) of recognised loss carry-forwards	209	47
Effect of tax rate changes on deferred taxes	87	0
Effect of non-deductible expenses	52	29
Tax result of previous periods	–160	356
Effective tax expenses	**7'008**	**4'683**
Effective income tax rate	25.2 %	23.8 %

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

As per 31.12.2013, tax loss carry-forwards of CHF 3.7 million (previous year: CHF 4.8 million) were recognised based on current estimates, generating deferred tax assets of CHF 0.9 million (previous year: CHF 1.2 million). The non-recognised loss carry-forwards amounted to CHF 8.9 million (previous year: CHF 5.7 million) as per 31.12.2013, with non-recognised positive tax effects of CHF 2.2 million (previous year: CHF 1.4 million). Of these non-recognised loss carry-forwards, CHF 1.4 million (previous year: CHF 1.8 million) will expire within 5 years, while CHF 7.5 million (previous year: CHF 3.9 million) are not subject to expiry according to current tax law.
Income taxes of TCHF 51 (previous year: TCHF –18) and the related underlying transactions were recognised directly in equity.

24. Transactions with Related Parties ••• Related parties include the Board of Directors, members of the Group Executive Management, the pension fund and important shareholders as well as companies under the control of these persons, or decisively influenced by them. Transactions with related parties are generally conducted at arm's length.
The members of the Board of Directors (6 members) are remunerated with a fixed salary or optionally with own shares at a price of 25 % below market value. The Chairman of the Board of Directors receives additional compensation based on earnings. The members of Group Executive Management (7 members), receive a fixed salary, additional compensation based on earnings and furthermore the possibility to purchase own shares with a retention period of 3 years at a price of 25 % below market value with a portion of the earnings based compensation. All compensation elements are included in the personnel expenses.

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

in CHF 1'000	2013	2012
Short-term benefits	3'944	3'745
Social expenses	409	388
Benefit obligations	308	330
Stock ownership program	89	68
Total	**4'750**	**4'531**

Social security and employee benefit contributions include the employees' and the employer's contributions as well as the obligatory state social insurance and the corporate pension plan.

The Swiss pension fund was administrated by the Hügli Group and the Group was compensated with TCHF 26 (TCHF 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 transactions with related parties were effected.
Additional information on the compensation and participation of the Board of Directors and Group Executive Management as per Swiss Code of Obligations article 663b bis, is presented in the notes to the Financial Statements of Hügli Holding AG on page 70 of this annual report. *see page 70*

25. Earnings per Bearer Share •••

in CHF	2013	2012
Group profit	20'820'000	15'005'000
Average number of bearer shares with par value of CHF 1.00	274'573	276'146
Average number of registered shares with par value of CHF 0.50	410'000	410'000
Total bearer shares – equivalents	479'573	481'146
Profit per bearer share (in CHF)	**43.41**	**31.18**

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

26. Subsequent Events after Balance Sheet Date ••• No further events occurred between 31 December 2013 and the approval of the consolidated financial statements by the Board of Directors on 27 March 2014 that would have caused an adjustment of the book values of assets and liabilities of the Group or which would have to be disclosed in this position.

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Hügli Holding AG, which comprise the consolidated income statement, consolidated cash flow statement, consolidated balance sheet, consolidated statement of changes in equity and notes (pages 48 to 70), for the year ended December 31, 2013.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

St. Gallen, March 27, 2014
OBT AG

Christian Siegfried
Licensed Audit Expert
Auditor in Charge

Willi Holdener
Licensed Audit Expert

Balance Sheet of Hügli Holding AG

in CHF	31.12.2013	31.12.2012
Assets		
Cash and cash equivalents	152'712	223'521
Accounts receivable from subsidiaries	4'583'865	4'626'856
Other receivables	39'664	56'145
Current assets	**4'776'241**	**4'906'522**
Loans to subsidiaries	148'771'849	153'845'120
Investments in subsidiaries	65'283'297	65'283'297
Intangible assets	1	1
Own shares	2'572'907	1'609'356
Non-current assets	**216'628'054**	**220'737'774**
Total assets	**221'404'295**	**225'644'296**
Liabilities and shareholders' equity		
Short-term financial liabilities	26'519'100	43'290'500
Accounts payable to subsidiaries	8'359	21'362
Accrued expenses and deferred income	944'091	757'062
Long-term financial liabilities	38'140'000	38'035'000
Provisions for investments/loans	14'000'000	14'000'000
Liabilities	**79'611'550**	**96'103'924**
Share capital	485'000	485'000
General reserves	11'100'000	11'100'000
Reserve for own shares	2'572'907	1'609'356
Unrestricted reserves	100'000'000	85'000'000
Net profit for the year	27'634'838	31'346'016
Shareholders' equity	**141'792'745**	**129'540'372**
Total liabilities and shareholders' equity	**221'404'295**	**225'644'296**

Income Statement of Hügli Holding AG

Income	**2013**	**2012**
in CHF		
Income from investments (Dividends)	11'463'500	17'049'900
Income from subsidiaries	4'064'002	3'363'422
Financial income from subsidiaries	5'432'899	4'735'020
Other financial income	1'223'200	1'023'739
Other operating income	60'000	60'000
Total income	**22'243'601**	**26'232'081**
Expenses		
Personnel expenses	–2'135'382	–1'915'293
Other operating expenses	–458'668	–539'469
Interest expenses	–1'234'544	–1'380'188
Other financial expenses	–1'815	–108'635
Taxes	–394'483	–397'406
Total expenses	**–4'224'892**	**–4'340'991**
Net profit for the year	**18'018'709**	**21'891'090**

Proposed Appropriation of Retained Earnings

in CHF	31.12.2013	31.12.2012
Profit carried forward	10'526'016	10'734'262
Increase/Decrease of reserve for own shares/Dividends on own shares	–909'887	–1'279'336
Net profit of the year	18'018'709	21'891'090
Retained earnings	**27'634'838**	**31'346'016**
The Board of Directors proposes the following appropriation of the retained earnings to the General Meeting:		
Appropriation to the unrestricted reserves	10'000'000	15'000'000
Dividend payment	6'790'000	5'820'000
280'000 bearer shares (par value: CHF 1.00): CHF 14.00 per share (PY: CHF 12.00 per share)		
410'000 registred shares (par value: CHF 0.50): CHF 7.00 per share (PY: CHF 6.00 per share)		
Balance to be carried forward	10'844'838	10'526'016
Total	**27'634'838**	**31'346'016**

Payment per Bearer Share

Subject to approval by the General Meeting on 21 May 2014 the payment per share is:

Bearer share (par value CHF 1.00)	2013	2012
in CHF		
Dividend, gross	14.00	12.00
./. Withholding tax 35 %	–4.90	–4.20
Payment per bearer share, net	**9.10**	**7.80**

The payment less 35 % withholding tax will be effected from Thursday 28 May 2014 with coupon no. 19 to all shareholders holding Hügli shares on Thursday 22 May 2014 at the close of the stock exchange. The bearer shares (security number 464 795) will be traded ex dividend at the SIX Swiss Exchange starting 23 May 2014.

Notes to the Financial Statements of Hügli Holding AG

1. Basic Accounting Principles ••• The accounting of Hügli Holding AG is based on Swiss legislation (Swiss Code of Obligations). Investments in subsidiaries and own shares are stated at acquisition costs less possible value adjustments. Loans to subsidiaries, accounts receivable and accounts payable are recognised at par value. Foreign currency positions are translated at the year-end rate.

2. Contingent liabilities ••• Sureties, guarantee commitments and pledges in favour of third parties total CHF 29.0 million (CHF 26.4 million in the previous year). In essence, these secure the credit line contracts that are provided to Group subsidiaries by banks.
No assets have been pledged or transferred to secure own commitments. There are no reservations of ownership.

3. Share capital/Major shareholders ••• The share capital of CHF 485'000 comprises 280'000 bearer shares listed on the Swiss Stock Exchange (par value: CHF 1.00) and 410'000 privately held registered shares (par value: CHF 0.50). Each share grants one vote at the General Meeting of the Shareholders, the dividend entitlement is calculated in proportion to the par value.
Owned by the founding family, Dr A. Stoffel Holding AG owned overall 410'000 registered shares (410'000 in the previous year) and 39'797 bearer shares (38'439 in the previous year) as of 31.12.2013. This is equivalent to 50.5 % (50.2 % in the previous year) of the share capital and 65.2 % (65.0 % in the previous year) of the voting rights.

4. Own shares ••• In this financial year, the company sold 947 shares (655 in the previous year) at the reduced price of CHF 375.00 (CHF 425.00 in the previous year) per share to staff as part of the stock ownership program. Furthermore, based on the regulations regarding the optional share-based payment to the Board of Directors, 749 shares (CHF 888 in the previous year) were transferred to Board members at the discounted rate of CHF 390.00 (CHF 392.25 in the previous year) instead of cash compensation. The enactment of both share programs is subject to a retention period of 3 years and during that time remains in the custody of Hügli Holding AG.
In order to maintain the stock ownership plans, it was decided to acquire further Hügli shares on the market as from 2011. In 2013, a total of 2'000 shares (2'823 in the previous year) was acquired at an average purchase price of CHF 521.86 (CHF 497.83 in the previous year) .
The amount of own shares was thereby reduced from 5'254 in the previous year by –1'696 and increased by +2'000 due to the purchase of own shares to 5'558 as per 31.12.2013.

5. Balance sheet valuation of Group loans/Currency differences ••• By the valuation of the balance sheet as at 31.12.2013 postitive currency differences on not currency congruent financed group loans arose in the net amount of CHF +651'982 (CHF –108'635 in the previous year). They were recognised as other financial expenses in the income statement. The other translation differences amounted in the financial year CHF +9'906 (translation gains), CHF +475'027 in the previous year.

6. Hidden reserves ••• In this financial year and in the previous year no hidden reserves were released.

7. Risk management ••• The Board of Directors of Hügli Holding AG is the group's highest authority for strategic and operative risk assessment. The group-wide risk assessment consists of controlling risk management procedures and periodic reporting of Group Executive 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 and the up-to-dateness of the risk inventory to Group Executive Management is carried out by the executive managements of the countries and divisions.
Further information on financial risk management is presented in note 14 in the Notes to the Consolidated Financial Statements.

8. Significant subsidiaries ••• The subsidiaries of Hügli Holding AG as per balance sheet date are stated on page 79.
All Group companies are directly or indirectly in a 100 % ownership of Hügli Holding AG.

9. Compensation •••

Compensation to Members of the Board of Directors •••

	Compensation net		Stock ownership plans[2]		Company Car[3]	Compen-sation to Board	Pension and social Insurance[4]	Total 2013	Total 2012
	Fix	Variable[1]							
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Dr. Jean Gérard Villot, President	519	123	157	7	8	**657**	167	**824**	743
Dr. Ida Hardegger	60	0	148	7	0	**67**	9	**76**	71
Fritz Höchner	60	0	148	7	0	**67**	5	**72**	68
Dr. Christoph Lechner	60	0	0	0	0	**60**	8	**68**	68
Dr. Ernst Lienhard	60	0	148	7	0	**67**	5	**72**	68
Dr. Alexander Stoffel	60	0	148	7	0	**67**	5	**72**	68
Total Board of Directors	**819**	**123**	**749**	**35**	**8**	**985**	**199**	**1'184**	**1'086**

Compensation to Members of the Group Executive Management •••

	Compensation net		Stock ownership plans[2]		Company Car[3]	Compen-sation to Mgmt	Pension and social Insurance[4]	Total 2013	Total 2012
	Fix	Variable[1]							
	in CHF 1'000	in CHF 1'000	Number	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000
Total Group Executive Management	**2'658**	**287**	**895**	**54**	**49**	**3'048**	**518**	**3'566**	**3'445**
thereof maximum total compensation									
Thomas Bodenmann, CEO	562	123	266	16	8	**709**	169	**878**	**804**

[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 contribution margin in the segments, the individual members are responsible for.*

[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 Executive Management bought 895 bearer shares at a price of CHF 336 thousand. The discounted market value amounted to CHF 390 thousand. Based on the regulations regarding the optional share-based payment to the Board of Directors 749 shares were transferred to Board members at a price of CHF 272 thousand instead of cash compensation. These shares are also subject to a retention period of 3 years. The discounted market value amounted to CHF 327 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 Executive Management: CHF 294 thousand/Board of Directors: CHF 115 thousand). The pension plan includes obligatory and non-mandatory contributions to the pension fund (Group Executive Management: CHF 224 thousand/Board of Directors: CHF 84 thousand).*

10. Shareholdings ••• as per 31 December

	Number of bearer shares		Number of registered shares		Voting rights	
	2013	2012	2013	2012	2013	2012
	in CHF 1'000	in CHF 1'000	in CHF 1'000	in CHF 1'000	in %	in %
Dr. Jean Gérard Villot, President	1'300	1'143			0.2	0.2
Dr. Ida Hardegger	777	247			0.1	<0.1
Fritz Höchner	1'933	1'785			0.3	0.3
Dr. Christoph Lechner	111	111			<0.1	<0.1
Dr. Ernst Lienhard	542	394			<0.1	<0.1
Dr. Alexander Stoffel	39'797	38'439	410'000	410'000	65.2	65.0
Total Verwaltungsrat	**44'460**	**42'119**	**410'000**	**410'000**	**65.9**	**65.5**
Thomas Bodenmann	1'000	762			0.1	0.1
Dirk Balzer	214	117			<0.1	<0.1
Endrik Dallmann	133	0			<0.1	0.0
Matthias Grün (since 14. 10. 2013)	0	0			0.0	0.0
Manfred Jablowski	0	0			0.0	0.0
Jörg Meyer (since 19. 11. 2012)	133	0			<0.1	0.0
Alexander Moosmann (until 31. 12. 2013)	728	595			0.1	<0.1
Andreas Seibold	820	464			0.1	<0.1
Total Group Executive Management	**3'028**	**1'938**			**0.4**	**0.3**

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Hügli Holding AG, which comprise the balance sheet, income statement and notes (pages 72 to 77) for the year ended December 31, 2013.

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, 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

St. Gallen, March 27, 2014

OBT AG

Christian Siegfried
Licensed Audit Expert
Auditor in Charge

Willi Holdener
Licensed Audit Expert

Group Companies

	Participation		Nominal capital	
	31.12.2013	31.12.2012	31.12.2013	
	in %	in %	Unit	in 1'000
Hügli Holding AG Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com			CHF	485
Hügli Nährmittel AG Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com	100	100	CHF	1'100
Supro-Nährmittel AG, Steinach, CH Telephone +41 71 314 64 74, E-Mail: info@supro.ch	100	100	CHF	1'000
EPS Holding AG, Steinach, CH Telephone +41 71 447 22 11, E-Mail: info@huegli.com	100	100	CHF	250
Hügli Nährmittel-Erzeugung GmbH, Hard, AT Telephone +43 5574 6940, E-Mail: huegli@huegli.com	100	100	EUR	765
Huegli UK Ltd., Redditch, GB Telephone +44 1527 514 777, E-Mail: info@huegli.co.uk	100	100	GBP	1
Ali-Big Industria Alimentare s.r.l., Brivio, IT Telephone +39 039 5320 555, E-Mail: alibig@ali-big.it	100	100	EUR	94
Ali-Big Export s.r.l., Brivio, IT Telephone +39 039 5320 555, E-Mail: alibig@ali-big.it	100	100	EUR	10
Hügli Nahrungsmittel GmbH, Radolfzell, DE Telephone +49 7732 8070, E-Mail: huegli@huegli.de	100	100	EUR	25'500
Heirler Cenovis GmbH, Radolfzell, DE Telephone +49 7732 8071, E-Mail: info@heirler-cenovis.de	100	100	EUR	2'929
Vogeley Nahrungsmittel GmbH, Hameln, DE Telephone +49 5151 40040, E-Mail: onlineservice@vogeley.de	100	100	EUR	153
Natur Compagnie GmbH, Radolfzell, DE Telephone +49 7732 8073, E-Mail: info@natur-compagnie.de	100	100	EUR	30
Erntesegen Naturkost GmbH, Radolfzell, DE Telephone +49 7732 807 620, E-Mail: info@erntesegen.de	100	100	EUR	26
Inter-Planing GmbH, Neuburg, DE Telephone +49 8283 99 880, E-Mail: info@inter-planing.de	100	100	EUR	260
OSCHO GmbH, Neuburg, DE Telephone +49 8283 99 860, E-Mail: info@oscho-versand.de	100	100	EUR	26
Hügli Food s.r.o., Zasmuky, CZ Telephone +420 321 759 611, E-Mail: info@huegli.cz	100	100	CZK	80'000
Hügli Food Polska sp.z o.o., Lodz, PL Telephone +48 42 611 00, E-Mail: robert.matysiak@huegli.com.pl	100	100	PLN	50
Hügli Food Slovakia s.r.o., Trnava, SK Telephone +421 33 535 4773, E-Mail: maria.binovska@huegli.sk	100	100	EUR	7
Hügli Food Kft., Budapest, HU Telephone +36 450 00 32, E-Mail: zoltan.molnar@huegli.hu	100	100	HUF	3'000

Key Figures 5-Year Summary Segments/Divisions

	Unit	2013	2012	2011	2010	2009
Key figures of geographic Segments						
Sales Germany	m. CHF	**216.0**	**172.6**	**175.0**	**194.0**	**204.7**
Change relative to previous year	%	25.1	–1.3	–9.8	–5.2	–4.7
Organic growth	%	4.9	1.0	1.2	3.5	0.1
EBIT Germany	m. CHF	**21.5**	**14.6**	**18.5**	**25.4**	**23.1**
As % of sales	%	9.9	8.5	10.6	13.1	11.3
Change relative to previous year	%	46.8	–21.1	–26.9	10.0	15.0
Sales Switzerland/Rest of Western Europe	m. CHF	**119.3**	**117.8**	**120.7**	**129.0**	**132.9**
Change relative to previous year	%	1.3	–2.4	–6.5	–2.9	–0.6
Organic growth	%	1.4	–2.8	–0.6	0.9	3.9
EBIT Switzerland/Rest of Western Europe	m. CHF	**7.0**	**5.9**	**10.0**	**10.1**	**10.8**
As % of sales	%	5.9	5.0	8.3	7.9	8.1
Change relative to previous year	%	18.2	–40.7	–1.3	–5.8	1.5
Sales Eastern Europe	m. CHF	**32.0**	**34.4**	**36.4**	**49.2**	**52.8**
Change relative to previous year	%	–7.0	–5.6	–26.0	–6.8	1.2
Organic growth	%	–6.8	–1.2	9.2	8.7	16.8
EBIT Eastern Europe	m. CHF	**0.8**	**1.0**	**–0.1**	**2.3**	**1.5**
As % of sales	%	2.6	2.9	–0.2	4.7	2.8
Change relative to previous year	%	–14.3	n.a	–103.2	55.2	–373.1
Sales of Divisions						
Food Service	m. CHF	**163.7**	**133.3**	**139.9**	**153.4**	**160.8**
Change relative to previous year	%	22.8	–4.7	–8.8	–4.6	–3.0
Organic growth	%	0.3	–2.8	–0.6	1.5	2.2
Private Label	m. CHF	**70.9**	**70.9**	**69.6**	**80.6**	**83.9**
Change relative to previous year	%	0.0	1.9	–13.7	–3.9	–3.9
Organic growth	%	–1.4	4.1	5.5	11.8	4.3
Brand Solutions	m. CHF	**52.1**	**43.5**	**41.0**		
Change relative to previous year	%	19.8	7.7			
Organic growth	%	17.8	8.0			
Food Industry	m. CHF	**36.2**	**35.8**	**39.1**		
Change relative to previous year	%	1.2	–8.6			
Organic growth	%	–4.4	–9.2			
Consumer Brands	m. CHF	**43.9**	**41.0**	**42.1**		
Change relative to previous year	%	7.3	–4.6			
Organic growth	%	5.0	–2.0			

Key Figures 5-Year Summary Group

	Unit	2013	2012	2011	2010	2009
Sales	m. CHF	**367.3**	**324.8**	**332.0**	**372.2**	**390.4**
Change relative to previous year	%	13.1	–2.2	–10.8	–4.7	–2.6
Organic growth	%	2.4	–0.6	1.4	3.2	3.6
Operating profit before depreciation (EBITDA)	m. CHF	**42.8**	**33.6**	**39.8**	**48.8**	**46.1**
As % of sales	%	11.7	10.3	12.0	13.1	11.8
Change relative to previous year	%	27.7	–15.8	–18.3	5.8	12.1
Operating profit (EBIT)	m. CHF	**29.3**	**21.5**	**28.5**	**37.8**	**35.3**
As % of sales	%	8.0	6.6	8.6	10.2	9.0
Change relative to previous year	%	36.1	–24.3	–24.7	7.1	17.0
Net Group profit	m. CHF	**20.8**	**15.0**	**19.5**	**27.4**	**23.2**
As % of sales	%	5.7	4.6	5.9	7.3	5.9
Change relative to previous year	%	38.8	–22.9	–28.8	18.1	19.6
Cash flow from operating activities	m. CHF	**40.2**	**23.8**	**25.8**	**38.8**	**33.9**
As % of sales	%	10.9	7.3	7.8	10.4	8.7
Investments (tangible and intangible assets)	m. CHF	**21.9**	**13.8**	**20.7**	**26.1**	**15.0**
Number of employees	FTEs at balance sheet date	**1'321**	**1'252**	**1'298**	**1'377**	**1'429**
Invested capital (Net operating assets)	m. CHF	**220.7**	**230.9**	**204.0**	**195.7**	**209.0**
Net working capital	m. CHF	90.6	93.1	83.7	79.5	90.0
Tangible and intangible assets	m. CHF	130.1	137.8	120.3	116.2	119.0
Equity	m. CHF	**136.9**	**125.5**	**119.7**	**111.7**	**105.8**
As % of total assets	%	53.4	48.0	50.5	48.2	42.3
Net debt [1]	m. CHF	**65.4**	**86.8**	**69.9**	**68.8**	**86.6**
Gearing (Ratio to equity)		0.48	0.69	0.58	0.62	0.82
Net debt to EBITDA ratio (Net debt/EBITDA)		1.5	2.6	1.8	1.4	1.9
Interest coverage ratio (EBIT/Interest expenses)		20.0	11.2	13.5	14.9	10.1
Return on invested capital (ROIC) [2]	%	**9.8**	**7.8**	**10.6**	**14.3**	**12.6**
Return on equity (ROE) [3]	%	**16.3**	**12.2**	**16.6**	**25.0**	**23.6**
Information per bearer share (security no. 464795)						
Net profit per bearer share	CHF	43.41	31.18	40.51	57.09	48.44
Dividend (proposal for 2013)	CHF	14.00	12.00	15.50	15.50	13.50
Payout ratio	%	32	38	38	27	28
Equity per bearer share	CHF	282	259	247	230	218
Market price 31.12.	CHF	517	500	567	689	500
Market price high	CHF	550	670	761	700	556
Market price low	CHF	486	472	520	495	400
Enterprise Value 31.12.	m. CHF	316	329	345	403	329
Price/Earnings Ratio 31.12.		**11.9**	**16.0**	**14.0**	**12.1**	**10.3**
Enterprise Value/EBITDA 31.12.		**7.4**	**9.8**	**8.7**	**8.3**	**7.1**

Definitions
1 Net debt = Interest bearing financial debts – Cash and equivalents
2 Return on invested capital (ROIC) = NOPAT (EBIT × (1 – actual taxes))/ NOA (Average Net working capital and Tangible and intangible assets)
3 Return to equity (ROE) = Net profit/Average equity

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Agenda
15 April 2014/07.30 a. m.
Media Release:
Annual Report 2013/Sales Q1 2014
15 April 2014/10.30 a. m.
Media and Analysts' Conference,
Widder Hotel, Zurich
21 May 2014/04.30 p. m.
Annual General Meeting of Shareholders,
Seeparksaal Arbon
23 May 2014
ex dividend date
28 May 2014
Dividend payment
20 August 2014/07.30 a. m.
Media Release:
Half-Year Report 2014

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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.

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