Half-Year Report 2011

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H1 2011

Hügli Holding AG, Steinach

Key figures in brief

million CHF

Key figures of the group	Jan.-June 2011	Variance in CHF	Variance in organic	Jan.-June 2010
Sales	170.1	– 13.2%	*0.1%*	196.0
Operating profit before depreciation (EBITDA) as % of sales	22.1 13.0%	– 16.2%		26.4 13.5%
Operating profit (EBIT) as % of sales	16.6 9.8%	– 20.0%		20.8 10.6%
Net Group profit as % of sales	11.2 6.6%	– 27.2%		15.4 7.9%
Net profit per bearer share (CHF)	23.40	– 27.4%		32.23
Cash flow from operating activities as % of sales	19.5 11.5%	– 38.6%		31.8 16.2%
Investments (tangible and intangible assets)	12.6	8.0%		11.7
	30.06.2011			**31.12.2010**
Invested capital (Net operating assets)	199.7	2.1%		195.7
Equity as % of total assets	113.0 46.9%	1.2%		111.7 48.2%
Net dept Gearing (Ratio to equity)	69.5 0.61	0.9%		68.8 0.62
Number of employees (full-time postitions)	1’302			1’377

Key figures of geographical segments		Jan.-June 2011	Variance in CHF	Variance in organic	Jan.-June 2010
Germany	Sales	88.7	– 13.5%	*– 2.1%*	102.5
	EBIT as % of sales	11.0 12.4%	– 23.6%		14.4 14.0%
Switzerland / Rest of Western Europe	Sales	62.5	– 4.7%	*1.5%*	65.6
	EBIT as % of sales	5.2 8.4%	– 0.4%		5.3 8.0%
Eastern Europe	Sales	19.0	– 32.1%	*6.8%*	27.9
	EBIT as % of sales	0.4 2.1%	– 65.0%		1.2 4.2%

Sales of customer segments / divisions				
Food Service	73.1	– 8.6%	*0.1%*	80.0
Private Label	34.0	– 20.6%	*3.3%*	42.8
Industrial Foods	32.6	– 13.4%	*0.4%*	37.6
Health & Natural Food	22.3	– 12.7%	*– 1.7%*	25.5
Other	8.2	– 17.8%	*– 7.1%*	10.0

Letter to Shareholders

Sales growth in local currencies shows slight improvement in Q2 2011 / Operating result marked by soaring raw materials prices and strong Swiss Franc

In the first half of 2011 the Hügli Group achieved a small sales growth of +0.1% in local currencies, which was generated by the slightly increasing dynamic in the second quarter (+3.3%) after a bad start into 2011 (first quarter –2.6%). The strong Swiss Franc caused a translation loss in the reporting currency of –9.0%. In addition, a minus of –4.3% resulted from the discontinuation of business activities that had been sold in the previous year, reducing sales by –13.2% to CHF 170.1 million. The operating result was affected by climbing raw materials prices and the strong Swiss Franc, in consequence EBIT dropped by –20.0% to CHF 16.6 million. Standing at 9.8%, the EBIT margin is still considered satisfactory, despite having failed to maintain the record level of 10.6% achieved in the first half of the previous year. The second half of 2011 is forecasted as relatively stable both in operating terms and in local currencies. The still growing negative currency effect will continue to exert pressure.

As expected, throughout the first half of 2011, Hügli had to face both the comparison with unusually high results from 2010 and difficult economic conditions. While sales began to rise again after a bad start into 2011 and raw materials prices remained stable at high level, the Swiss Franc's foreign exchange rates wreaked havoc. This lowered the Group's earnings in spite of the natural compensation of a part of the costs in the same currencies as well as the instituted currency hedging. The slump of recorded sales in CHF by –13.2% and the decline of EBIT by –20.0% reflects most of all the worsened foreign exchange rates and that this year's figures are compared with the very high values achieved in 2010. Hügli's solid earning power is confirmed by an EBIT margin of 9.8%, which stands below the peak value of 10.6% attained in the first half of 2010 but surpasses the 9.7% achieved in the second half of 2010.

In the first quarter of 2011, *sales* in local currencies showed a negative development in all divisions, totalling –2.6%. This was due to the slow sales development and even more so due to the comparison with an unusual Q1 2010, in which sales took a jump of +9.5%. With +3.3%, the second quarter of 2011 came to stand at a level within the spread of 3% to 4% growth achieved in the previous two years, but it turned out lower than expected. On the whole, in the first half of 2011 organic sales growth totals +0.1% and sales volume has declined by –0.8%.

The translation loss, based on the worsened currency situation – 85% of Group sales are generated in foreign currencies – resulted in CHF –17.7 million, or -9.0% respectively, and was predominantly affected by an Euro exchange rate that was on the average –11.6% lower. Moreover, the previous year's sale of the product line "chocolate-containing spreads" in the Czech Republic, a measure taken within the overall concentration on core business, caused a disinvestment effect of CHF –8.5 million, or –4.3% respectively. Recorded Group sales thereby fell by CHF –25.9 million to CHF 170.1 million.

EBIT saw a reduction by CHF 4.2 million, or -20.0%, to CHF 16.6 million. Prices for agricultural raw materials have been climbing noticeably since the second half of 2010 and they are affecting the gross margin more and more. Some first price increases have been implemented, constituting an inevitable measure in the present phase. However, their effect will only show after some delay. Personnel expenses have risen owing to the average salary raises afforded to each country. They have nevertheless remained below normal proportions owing to the declining number of staff. Other operating expenses came to stand just below the previous year's level thanks to a good cost discipline.

Consolidated profits fell from CHF 15.4 million to CHF 11.2 million, or by –27.2% respectively, mostly due to translation losses of profits attained in companies abroad as well as to the extraordinary profit of CHF 2.1 million realised through the sale of the product line in 2010.

The *consolidated balance sheet* is still solid. Net operating assets increased by +2.1%, particularly due to intensive investment activities in production capacity. While negative foreign exchange rates influenced shareholders' equity, it nevertheless rose from CHF 111.7 million to CHF 113.0 million. Consequently, the equity ratio of total assets fell slightly from 48.2% to 46.9%. Net debt was up by a marginal CHF 0.7 million to a total of CHF 69.5 million. Relevant *financial figures* such as gearing, the ratio of net debt to equity, was thus maintained at a good 0.61, and net debt to projected EBITDA increased slightly to 1.6, which proves that Hügli's financial condition is sound and sustainable. These results were achieved in spite of a major share of the operating cash flow of CHF 19.5 million, or 11.5% of sales respectively, i.e. a total of CHF 12.6 million having been invested in the substitution and expansion of production facilities and machinery.

Geographic segments / Sales divisions

The largest segment *Germany* did not succeed in holding the record results achieved in the previous year and faced a sales slump of –2.1% in local currencies in the first half of 2011. The results were affected by cyclic sales and will in the course of 2011 return to a positive development; the growth rate of +1.7% in the second quarter of 2011 already indicates such change. The increased raw materials prices caused a marked reduction of the gross margin, which significantly affected EBIT despite good cost management and reduced the EBIT margin from 14.0% to a still high 12.4%. The production infrastructure was expanded by 10'000 sqm by the construction of a modern three-storey production building with its own energy-generating 977 sqm photovoltaic plant on the roof. Moreover, new and technologically far more advanced machinery was acquired. The investment totalled a high CHF 8.8 million. The number of full-time staff remained with 575 full-time-equivalents on the previous year's level.

The *Switzerland / Rest of Western Europe* segment, showing organic sales growth of +1.5%, was affected by the very high growth rates of the market development of Private Label UK and the distinctly negative development in Italy. A change in the management of sales of Food Service Italy, as well as organisational measures, are aimed at further developing the difficult Italian market. Switzerland remained relatively stable, although lower orders in the key account business, which had resulted in a sales increase of +35% in the same period of the previous year, led to a minus in total.

The EBIT segment was maintained at the previous year's level with approximately CHF 5.2 million while the EBIT margin rose from 8.0% to 8.4%.

The segment *Eastern Europe* achieved in its core business a good organic sales growth of +6.8%. Sales nevertheless fell from CHF 27.9 million to CHF 19.0 million, primarily due to the disinvestment of a product line that had generated sales of CHF 8.5 million in the first half of 2010. Despite the adjustment of production capacity, combined with a reduction of staff, both performed to adapt to the lower production volume in the first half of 2011, operating costs – taking into account lower capacity utilisation and gross margin loss being caused by raw materials prices – divided the EBIT margin of 4.2% in half, the margin thus coming to 2.1%. Thanks to the focus on the core business, we nevertheless expect a significant improvement in future.

The largest division *Food Service* is still affected by stagnating sales of hotels and restaurants, and less so by the sales of canteens. Organic sales in local currencies remained with +0.1% at approximately the previous year's level. The sales organisations in Switzerland, Austria, the Czech Republic and in particular also Poland showed a very positive development. The difficult economic conditions slowed down sales in Hungary while in Italy the restructuring of the sales organisation weighed on results and created a significant minus. The sale to large retail trade organisations under their own labels in the division *Private Label LEH* achieved organic sales growth of +10.4% in spite of the bad start into the second quarter of 2011. The largest contribution in sales within the total of +3.3% of the first half of 2011 stemmed from the UK, and Eastern Europe also showed very positive development. In Germany, sales are currently below the previous year's figures. The division *Industrial Foods* accelerated the organic sales development in Q2 2011 to +8.4%, and to an accumulated +0.4% in the first half of the year, a situation particularly owed to the organisations in the UK and in Germany. Sales of the *Health and Natural Food* division totalled –1.7% below the previous year's result which is due to the on-going negative development in the traditional health food market in Germany.

Outlook

Hügli is sticking to its *strategic target* of recording solid organic sales growth of more than 5% over the long term, with an above average increase in income. In addition, we are constantly reviewing opportunities on the market with the aim of increasing the profitability of our infrastructure.

For the entire *2011*, we are forecasting organic sales growth in the range of +2%. Against the background of the present currency situation, the negative currency effect is difficult to predict; it could stand between –10% and –13%. The sales amount of CHF 12 million, which is lost owing to the disinvestment of the product line, corresponds to a sales reduction of around –3%. Due to the increased raw materials prices and based on price increases, whose effect will show with some delay, we also forecast a slightly lower gross margin for the second half of 2011. The massively overrated Swiss Franc weighs on our expectations. For the year 2011, we anticipate sales of CHF 320 million and EBIT of approximately CHF 31 million, or around 9.5% of sales.

Steinach, August 2011

Dr. Jean Gérard Villot
Chairman of the Board of Directors

Thomas Bodenmann
CEO, President of the Group Executive Management

Consolidated Income Statement

in CHF 1'000

	Jan.-June 2011	%	Jan.-June 2010	%	Jan.-Dec. 2010	%
Sales	**170'143**	**100.0**	**195'969**	**100.0**	**372'219**	**100.0**
Sales deductions	– 3'510	– 2.1	– 4'481	– 2.3	– 7'749	– 2.1
Net sales	**166'633**	**97.9**	**191'488**	**97.7**	**364'470**	**97.9**
Change in inventories	3'108	1.8	1'080	0.6	35	0.0
Operating revenue	**169'741**	**99.8**	**192'568**	**98.3**	**364'505**	**97.9**
Material expenses	– 77'437	– 45.5	– 89'096	– 45.5	– 166'342	– 44.7
Personnel expenses	– 42'738	– 25.1	– 45'884	– 23.4	– 87'297	– 23.5
Other operating expenses, net	– 27'446	– 16.1	– 31'201	– 15.9	– 62'091	– 16.7
Operating profit before depreciation and amortisation (EBITDA)	**22'120**	**13.0**	**26'387**	**13.5**	**48'775**	**13.1**
Depreciation	– 5'280	– 3.1	– 5'366	– 2.7	– 10'490	– 2.8
Amortisation	– 220	– 0.1	– 243	– 0.1	– 495	– 0.1
Operating profit (EBIT)	**16'620**	**9.8**	**20'778**	**10.6**	**37'790**	**10.2**
Non-operating / Extraordinary result	– 203	– 0.1	2'063	1.1	1'084	0.3
Interest expenses	– 1'069	– 0.6	– 1'435	– 0.7	– 2'534	– 0.7
Interest income	28	0.0	19	0.0	85	0.0
Other financial result	– 326	– 0.2	– 628	– 0.3	– 603	– 0.2
Profit before taxes	**15'050**	**8.8**	**20'797**	**10.6**	**35'822**	**9.6**
Income taxes	– 3'808	– 2.2	– 5'357	– 2.7	– 8'465	– 2.3
Net Group profit	**11'242**	**6.6**	**15'440**	**7.9**	**27'357**	**7.3**
Earnings per bearer share (in CHF)	23.40		32.23		57.09	

Consolidated Cash Flow Statement

in CHF 1'000	Jan.-June 2011	Jan.-June 2010	Jan.-Dec. 2010
Net Group profit	11'242	15'440	27'357
Depreciation / Amortisation	5'500	5'609	10'985
Increase / (Decrease) in provisions for employee benefits	64	60	140
Interest expenses, net	1'041	1'416	2'449
Income taxes	3'808	5'357	8'465
Profit from disposal of fixed assets	– 14	– 2'063	– 1'471
Other non-cash result	451	340	– 702
Operating cash flow before change of net working capital	**22'092**	**26'159**	**47'224**
Change in net working capital			
(Increase) / Decrease in receivables	– 196	2'833	2'970
(Increase) / Decrease in inventories	– 6'043	– 1'972	– 2'226
Increase / (Decrease) in liabilities	6'101	5'375	– 825
Income taxes paid	– 2'433	– 599	– 8'323
Cash flow from operating activities	**19'521**	**31'796**	**38'820**
Investments tangible fixed assets	– 12'596	– 11'665	– 25'991
Investments intangible assets	– 25	– 17	– 97
Disposales of tangible assets	44	4'773	4'791
Disposales of intangible assets	0	2'923	2'756
Investments / Disposales of financial assets	0	0	1
Interest received	28	19	85
Cash flow from investing activities	**– 12'549**	**– 3'967**	**– 18'455**
Increase / (Repayment) of short-term borrowings	3'367	– 13'484	– 8'965
Increase / (Repayment) of long-term borrowings	– 90	– 1'825	– 2'755
Repayment of finance lease liabilities	– 32	– 72	– 100
Dividend payment	– 7'452	– 6'473	– 6'473
Interest paid	– 1'043	– 1'387	– 2'574
Sale of own shares	287	336	755
Cash flow from financing activities	**– 4'963**	**– 22'905**	**– 20'112**
Total cash flow	**2'009**	**4'924**	**253**
Translation adjustment on cash and cash equivalents	– 208	– 916	– 910
Change in cash and cash equivalents	**1'801**	**4'008**	**– 657**
Cash and cash equivalents at 01.01.	6'786	7'443	7'443
Cash and cash equivalents at 30.06. / 31.12.	8'587	11'451	6'786

Consolidated Balance Sheet

in CHF 1'000

Assets	30.06.2011	%	31.12.2010	%	30.06.2010	%
Cash and cash equivalents	8'587		6'786		11'451	
Trade accounts receivable	45'223		49'222		49'399	
Other accounts receivable	6'944		3'319		6'139	
Accrued income and prepaid expenses	2'641		3'618		2'436	
Inventories	56'420		51'595		53'879	
Current assets	**119'815**	**49.7**	**114'540**	**49.4**	**123'304**	**52.5**
Land and buildings	71'245		67'977		68'077	
Technical equipment and machinery	39'505		38'232		32'643	
Other tangible assets	7'929		8'279		8'759	
Intangible assets	1'517		1'687		1'895	
Financial assets	37		38		41	
Deferred income tax assets	977		997		343	
Fixed assets	**121'219**	**50.3**	**117'210**	**50.6**	**111'758**	**47.5**
Total assets	**241'034**	**100.0**	**231'750**	**100.0**	**235'062**	**100.0**

Liabilities and shareholders' equity	30.06.2011	%	31.12.2010	%	30.06.2010	%
Borrowings	44'967		38'471		34'936	
Trade payables	19'347		16'425		19'135	
Tax liabilities	1'612		4'176		7'766	
Other current liabilities	1'255		1'447		2'743	
Accrued expenses and deferred income	18'084		12'987		16'232	
Current liabilities	**85'265**	**35.4**	**73'506**	**31.7**	**80'812**	**34.4**
Borrowings	33'095		37'138		39'570	
Deferred tax liabilities	8'275		8'037		8'738	
Provisions for employee benefits	1'387		1'367		1'402	
Non-current liabilities	**42'757**	**17.7**	**46'542**	**20.1**	**49'710**	**21.1**
Liabilities	**128'022**	**53.1**	**120'048**	**51.8**	**130'522**	**55.5**
Share capital	485		485		485	
Share premium	18'248		18'248		17'992	
Own shares	– 234		– 234		– 267	
Retained earnings	94'513		93'203		86'330	
Shareholders' equity	**113'012**	**46.9**	**111'702**	**48.2**	**104'540**	**44.5**
Total liabilities and shareholders' equity	**241'034**	**100.0**	**231'750**	**100.0**	**235'062**	**100.0**

Consolidated Statement of Comprehensive Income

in CHF 1'000	Jan.-June 2011	%	Jan.-June 2010	%	Jan.-Dec. 2010	%
Net Group profit	**11'242**	**6.6**	**15'440**	**7.9**	**27'357**	**7.3**
Other comprehensive income						
Translation gains/(losses) recorded in equity						
Translation gains/(losses) net investments	– 68	0.0	– 4'974	– 2.5	– 7'847	– 2.1
Translation gains/(losses) corporate loans, net	– 2'372	– 1.4	– 5'772	– 2.9	– 9'172	– 2.5
Valuation of cashflow hedges, net	– 413	– 0.2	205	0.1	1'324	0.4
Total other comprehensive income	**– 2'853**	**– 1.7**	**– 10'541**	**– 5.4**	**– 15'695**	**– 4.2**
Comprehensive income	**8'389**	**4.9**	**4'899**	**2.5**	**11'662**	**3.1**

Consolidated Statement of Changes in Equity

in CHF 1'000

	Share capital	Share premium	Own shares	Other retained earnings	Changes in value hedge accounting	Translation differences	Total
Balance at 31.12.2009	485	17'701	– 312	88'093	– 116	– 93	**105'758**
Net Group profit				15'440			15'440
Total other comprehensive income					205	– 10'746	– 10'541
Comprehensive income				15'440	205	– 10'746	**4'899**
Dividend				– 6'473			– 6'473
Stock ownership plans							
Sale of own shares		291	45				336
Recognition of share-based payments				20			20
Balance at 30.06.2010	485	17'992	– 267	97'080	89	– 10'839	**104'540**
Balance at 31.12.2010	485	18'248	– 234	109'107	1'208	– 17'112	**111'702**
Net Group profit				11'242			11'242
Total other comprehensive income					– 413	– 2'440	– 2'853
Comprehensive income				11'242	– 413	– 2'440	**8'389**
Dividend				– 7'452			– 7'452
Stock ownership plans							
Sale of own shares		256	31				287
Recognition of share-based payments				86			86
Balance at 30.06.2011	485	18'504	– 203	112'983	795	– 19'552	**113'012**

Exchange rates

	Balance Sheet			Income Statement		
	30.06.2011	**31.12.2010**	**30.06.2010**	**Jan.-June 2011**	**Jan.-June 2010**	**Jan.-Dec. 2010**
EUR (1)	1.219	1.248	1.323	1.270	1.437	1.383
GBP (1)	1.349	1.451	1.621	1.464	1.651	1.611
CZK (100)	5.010	4.996	5.149	5.220	5.593	5.473
PLN (100)	30.570	31.510	31.870	32.160	35.990	34.670
HUF (100)	0.459	0.450	0.462	0.472	0.530	0.503

Segment-Information

in CHF 1'000

1st Half-Year

2011	Germany	Switzerland / Rest Western Europe	Eastern Europe	Elimination / not allocated	Total Group
Consolidated sales	**88'673**	**62'493**	**18'977**		**170'143**
Inter-segment sales	4'961	6'910	91		
Total sales	93'634	69'403	19'068	– 11'962	
EBITDA	**13'373**	**7'687**	**1'060**		**22'120**
Depreciation	– 2'224	– 2'405	– 651		– 5'280
Amortisation	– 178	– 38	– 3		– 220
EBIT	**10'970**	**5'244**	**406**		**16'620**
EBIT-Margin	*12.4%*	*8.4%*	*2.1%*		*9.8%*
Non-operating result					– 203
Financial result, net					– 1'367
Income taxes					– 3'808
Net Group profit					**11'242**
Investments	8'802	2'770	1'049		12'621
Assets	115'319	98'569	32'260	– 5'114	241'034
Liabilities	20'582	19'590	7'605	80'245	128'022
Personnel (full-time positions)	575	418	309		1'302

2011	Food Service	Private Label	Industrial Food	Health & Natural Food	Others	Total Group
Sales	73'121	33'999	32'565	22'278	8'180	170'143

1st Half-Year

2010	Germany	Switzerland / Rest Western Europe	Eastern Europe	Elimination / not allocated	Total Group
Consolidated sales	**102'455**	**65'577**	**27'937**		**195'969**
Inter-segment sales	2'784	6'660	120		
Total sales	105'239	72'237	28'057	– 9'564	
EBITDA	**16'778**	**7'538**	**2'071**		**26'387**
Depreciation	– 2'222	– 2'238	– 906		– 5'366
Amortisation	– 202	– 38	– 3		– 243
EBIT	**14'354**	**5'262**	**1'162**		**20'778**
EBIT-Margin	*14.0%*	*8.0%*	*4.2%*		*10.6%*
Extraordinary result					2'063
Financial result, net					– 2'044
Income taxes					– 5'357
Net Group profit					**15'440**
Investments	5'142	2'306	4'234		11'682
Assets	105'690	98'921	34'738	– 4'287	235'062
Liabilities	20'564	22'092	9'252	78'614	130'522
Personnel (full-time positions)	574	448	399		1'421

2010	Food Service	Private Label	Industrial Food	Health & Natural Food	Others	Total Group
Sales	80'037	42'835	37'609	25'531	9'957	195'969

Explanatory Notes to the Consolidated Interim Financial Statements

Corporate Accounting Principles

The consolidated interim financial statements are the unaudited, interim consolidated statements of Hügli Holding AG and its Swiss and foreign subsidiaries for the period from 1 January 2011 to 30 June 2011 (hereafter “the interim period”). They are prepared in accordance with Swiss GAAP FER 12 “Interim Reporting”. The accounting policies and methods of computation followed in these consolidated interim financial statements are consistent with the consolidated annual financial statements 2010. The consolidated interim financial statements do not include all information as compared with the annual financial statements as per 31 December 2010. They should be read in conjunction with the consolidated financial statements for the year ended 31 December 2010 as they provide an update of the previously reported information for the interim period.

The preparation of the interim financial statements requires management to make estimates and assumptions to the best judgment that affect the reported amounts of revenues, expenses, assets, liabilities and contingent liabilities at the date of the interim financial statements. Actual results may differ from these estimates. The preparation of the interim financial statements is based on the same essential estimates and assumptions used in the consolidated financial statements 2010.

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

Changes in Scope of Consolidation

The scope of consolidation has not changed within the interim reporting periods 2011 and 2010. All presented balance sheets – as per 30.06.2011, 31.12.2010 and 30.06.2010 – as well as the presented consolidated income statements for the interim periods therefore contain the same scope of consolidation.

Seasonality

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

Dividend

The Annual General Meeting held on 11 May 2011 approved a gross dividend of CHF 15.50 per bearer share. The distribution of altogether CHF 7.5 million was effectuated on 18 May 2011 and recognised in the retained earnings. The previous year’s gross dividend amounted to CHF 13.50 per bearer share.

Income Statement

In the first half of 2011 the Hügli Group achieved only slight organic sales growth of +0.1% (Q1 2011: –2.6%, Q2 2011: +3.3%), which was due to the still difficult economic conditions. The price effect did not yet fully account for the price increases instituted in the interim period and stood at +0.9% while sales volumes of the continued activities dropped by –0.8%. With +3.3%, the sales division Private Label made the most relevant contribution to the positive organic sales development, whereas the division Health and Natural Food generated –1.7% owing to a difficult first half of the year. The other divisions, Food Service (+0.1%) and Industrial Foods (+0.4%) attained only slightly positive growth rates.

Due to the negative currency effect of a high –9.0% and the disinvestment effect of –4.3% from the sale of the non-strategic product line "chocolate-containing spreads" in the Czech Republic, sales were reduced in the reporting currency by –13.2% to CHF 170.1 million.

The improvements of gross margin, which had been achieved since the slump of 2007/2008, along with internal efforts – optimisation of the product mix and good purchasing results – were in part eliminated because of the steeply climbing raw materials prices. Gross margin of continuing activities dropped by –0.5%-points when compared to the same period in the previous year, and after an increase of +1.9%-points in 2010. The existing hedge contracts for the hedging of operating currency exposures lessened the negative currency effect on gross earnings.

Personnel costs were down by –6.9% in CHF, adjusted for currency translation they rose by +1.6%, mostly due to the regular salary increases in the individual countries by an average 3%. After a peak level of full-time-equivalents had been achieved H1 2010, headcount declined continuously, since the end of 2010 by 75 to a total of 1'302 FTEs. The decrease was generated particularly by the adjustment to lower production volumes at the production site in the Czech Republic. The drop of other operating expenses by –12.0% was mainly caused by lower currency translation rates and the sale of the product line, preventing further costs. Operating costs of continuing activities have grown by +3.8% (adjusted), particularly owing to the higher rental costs for additional production facilities in the UK and Italy, as well as higher external transport costs. Amortisation was increased by +19.1% (adjusted) by the large expansion investments made in the previous year, particularly in Germany and the Czech Republic. Due to the discontinuation of the amortisation of the disinvested tangible assets and lower currencies, recorded amortisations fell by –1.6%.

EBIT dropped in the first half of 2011 by CHF –4.2 million, or –20.0%, to CHF 16.6 million. The translation loss of results achieved in foreign currencies alone totalled CHF –2.0 million, which adds to the realised foreign currency losses in exports. The remaining reduction, taking into account marginally higher organic sales, was generated by the lower gross margin and higher costs. The impact of the disinvested product line on EBIT of the previous year was only marginal. The EBIT margin fell from the record value of 10.6% attained in 2010 to a still good level of 9.8%, or the second best value ever achieved in a half-year, respectively.

The non-operating results of CHF –0.2 million were caused by the sale of a non-operating building in Germany that was effected in the second half of 2011, as the net market value was below the book value and required an impairment. The extraordinary income of CHF 2.1 million recorded in the previous period stemmed from the profit from the sale of the product line “chocolate-containing spreads”. The financial expenses decreased owing to both lower average debt and lower short-term rates. The other financial result predominantly comprises non-operating foreign exchange losses due to the valuation at balance sheet date. The reported tax rate of approximately 25.3% matched the expected range.

Group profits were thereby reduced by 27.2% to CHF 11.2 million.

Balance sheet / Cash flow statement

The key financial figures of the consolidated balance sheet are practically unchanged when compared to 31.12.2010. The operating net capital increased by +2.1% despite currency effects of around –2%, in particular due to large investments and larger inventories of raw materials and manufactured products. Equity rose from CHF 111.7 million to CHF 113.0 million only marginally, on the one hand owing to the negative foreign currency effect, and on the other hand due to the dividend payment having been effected in the first half of the year. Equity ratio dropped slightly from 48.2% to 46.9%. Net debt amounted to CHF 69.5 million, remaining almost constant since the end of 2010 (CHF 68.8 million), which caused gearing, the net debt to equity, to result in an equally unchanged solid 0.61. Due to the lower operating profit, the ratio of net debt to annualised EBITDA, standing at 1.4 in 2010, increased to 1.6.

The operating cash flow before the change of net working capital dropped from CHF 26.2 million to CHF 22.1 million. The cash flow from operating activities, however, fell markedly lower as the changes of net working capital freed additional funds of CHF 6.2 million while the reporting period saw an increase of CHF 0.1 million. The investment activities in tangible assets stood at a high level just as in the previous year. However, they amounted to double the value of the period depreciations. In the previous year, the sale of the product line “chocolate-containing spreads” had added CHF 7.7 million to the cash flow.

Subsequent Events after Balance Sheet Date

No further events occurred between 30 June 2011 and the approval of the consolidated financial statements by the Board of Directors on 12 August 2011 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.

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Agenda

27.01.2012

- 07.30 a.m
  Media Release: Sales 2011

12.04.2012

07.30 a.m
Media Release: Annual Report 2011

- 10.30 a.m.
  Media/Analysts' Conference,
  Widder Hotel, Zurich

23.05.2012

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

17.08.2012

- 07.30 a.m
  Media Release: Half-Year Report 2012

Disclaimer

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