Hügli Holding AG

Bleichestrasse 31
CH-9323 Steinach
Telefon +41 71 447 22 50
Telefax +41 71 447 22 51
E-Mail andreas.seibold@huegli.com
www.huegli.com

Media release

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Hügli continues road to success
Record results in all important business areas

In the reporting year 2005 the Hügli Group increased sales on the previous year by 16.5% (in local currency by 15.4%) to CHF 271.1 million. 8.3% of growth is organic growth and 8.2% is due to acquisitions. EBIT increased above average by 32% to CHF 25.0 million corresponding to an EBIT margin of 9.2%. Net profit was increased by 24% to a total of CHF 19.3 million.
The Board of Directors proposes to the General Meeting on 18 May 2006 the repayment of nominal value of CHF 10.50 instead of paying a dividend (previous year CHF 8.50).

Supporting Mega-Trends
Four mega-trends support our strategy and development

- The trend towards organic, biological foods. Our Health and Natural Food Division is the leading European organic supplier in our product groups and established a growth rate of 24.8%.
- The trend towards products with a favourable cost/benefit ratio, non-branded items in the same quality as their branded counterparts, but more keenly priced. Our Private Label Division supplies products to major European retail chains under their own labels and increased sales by 11.3%;
- The trend on the part of many food manufacturers to outsource some of their production stages. Our Industrial Foods Division specialises in the supply of customized semi-manufactured products to them and developed sales by 11.0%;
- The trend in favour of out-of-home catering; this is the domain of our Food Service Division with a growth rate of 10.5%.

Growth in all geographic segments
Our two geographical segments, Germany and Switzerland/Rest of Western Europe, which operate in saturated markets, reported satisfactory sales growth rates of 16.0% and 10.5% respectively and, in particular, were able to increase the operating result (EBIT) significantly to just under 10% of sales following the massive increase achieved in the previous year. In the reporting year this positive development was supported by two acquisitions with costs of CHF 25.6 million. Eastern Europe reported a sales increase of 38.2% (in local currency 28.5% due to a positive currency influence) which was slightly below previous year's level. Due to this sales growth Eastern Europe for the first time showed a positive EBIT and achieved an EBIT margin of 4.5%, although further structural and marketing investments have been made.

Increase in margin and cost

The gross margin increased again by around 1% point due to a better product mix with a higher share of own products. The portfolio of raw materials could be kept on a constant cost level compared to last year because active purchase management was able to compensate for generally higher raw material price indices. Personnel and material expenses increased by 19.0% due to the acquisition of companies, the buildup and extension of sales organizations, production structures and management services.

EBIT increased above average by 32%, which corresponds to the clearly higher EBIT margin of 9.2% compared to previous year of 8.1%. The amortization of intangible assets no longer includes goodwill amortization due to a change in International Financial Reporting Standards. Nevertheless amortization is CHF 0.1 million below previous year. Income tax expenses increased materially as losses carried forward were no longer available. However, net profit was increased by 24% to a total of CHF 19.3 million.

Continuing solid balance sheet structure

Despite the fact that the acquired companies increased the balance sheet and debt, the solid balance sheet structure could be maintained. The increase of net debt by CHF 19.8 million to a total of CHF 67.1 million could be compensated through the increase of equity by CHF 18.7 million to a total of 82.8 million. Therefore, the gearing rose only marginally from 0.7 last year to 0.8 at the end of 2005.

Moreover, the equity ratio to the balance sheet total was improved to 41.9% (previous year: 41.2%).

Optimistic outlook for 2006

Hügli started the new year on a very positive note increasing sales in the 1st quarter 2006 by 19.2% (in local currency 18.2%). 7.8% of growth is organic growth and 11.4% is based on acquisitions.

The Food Service Division achieved an extraordinary sales increase of 21.2% due to the acquisitions and seasonal effects, the Health and Natural Food Division increased the turnover by 9.7% and Private Label showed a positive growth of 1.8%. The Industrial Food Division reduced sales by -2.0%, as the acquired company Inter-Planing is included in previous years sales figures. Excluding last year's sales to Inter-Planing also the Industrial Foods Division achieved a sales growth compared to previous year.

We regard the outlook for 2006 and subsequent years as good, with many opportunities. For 2006 we expect a sales growth of 11%, of which 6% are based on acquisitions. However, to safeguard our achievements and, in particular, lay the basis for further growth, we are planning very significant structural and marketing investments in 2006. Our tax liability will also be higher again this year. With a good ongoing sales trend and rising operating result (EBIT), we expect this to be an intermediate year at a high level, in terms of our net profit.

Financial key figures

in million CHF	**2005**	**2004**	**Change**
Sales	271.7	233.2	+16.5%
EBITDA	32.6	25.6	+27.5%
as % of sales	12.0%	11.0%	
EBIT	25.0	18.9	+32.3%
as % of sales	9.2%	8.1%	
Net Profit	19.3	15.5	+24.2%
as % of sales	7.1%	6.7%	
Cash flow from operations	21.5	24.8	-13.4%
as % of sales	7.9%	10.6%	
Investments	12.3	15.2	-19.1%
Cash flow from acquisitions, net	25.6	0	n.a.
Operating Net Assets	165.2	124.6	+32.6%
Equity	82.8	64.1	+29.3%
as % of total assets	41.9%	41.2%	
Net debt	67.1	47.3	+41.7%
Gearing	0.8	0.7	
Return on invest. capital ROIC	14.8%	13.7%	
Return on equity ROE	26.9%	27.7%	
Earnings per share (CHF)	40.69	33.62	+21.0%
Repayment nom. value (CHF)	10.50	8.50	+23.5%

For further information:
Andreas Seibold, CFO, Tel. +41 71 447 22 50, andreas.seibold@huegli.com