Financial report

A YEAR CHARACTERISED BY INTERNATIONALISATION

Martin Gysin,
Head of Finance/Services

For the 2009 financial year, Bell Group posted an increase in sales of 34% and an increase in net income of 31%. In Switzerland volume grew by 2% with average sales price dropping 2.4% resulting in a slight decrease of sales compared to the previous year. The sales growth of 31% is derived from the initial consolidation of Abraham, Stastnik and St-André as well as the consolidated sales for the whole year of Polette (previous year: 6 months) and ZIMBO (previous year: 1 month).

The volume growth reported for Switzerland is derived from fresh meat, charcuterie, seafood and convenience food. While the core business in Switzerland was very successful in the reporting year, the foreign subsidiaries contributed less than expected to the result. The economic crisis mainly impacted the expensive product ranges, and this effect was intensified by the currency turbulence that hit the Eastern European markets.

As the organisational structure changed and charcuterie now accounts for 40% of the business (previously less than 20%), the gross profit margin, measured as a percentage of net income, rose from 31.5% to 33.7%.

At CHF 412 million, personnel expenses were up 34% year-on-year. Other operating costs increased from CHF 160 million to CHF 257 million, with the operating costs rising from 24.1% to 26.3% of net income. This is also a result of the changes to the organisational structure. At 7.4%, earnings before interest, depreciation and amortisation (EBITDA) were on a par with the previous year and reached CHF 189.5 million.

At 3.7%, earnings before interest and taxes were down 40 basis points from the previous year (4.1%). This decline is due to goodwill amortisation: if this is not taken into account, EBIT would be CHF 104.4 million or approximately CHF 20 million more than in the previous year. Excluding goodwill amortisation, the EBIT margin slipped slightly from 4.25% to 4.1%.

Excluding one-time effects of approximately CHF 4 million and goodwill and trademark amortisation of CHF 16 million, the annual profit would be around CHF 75 million or approximately CHF 14 million more than the adjusted profit for the previous year.

Special costs and extraordinary income include an amount of CHF 5.4 million derived from negative consolidation goodwill booked to the income statement. In addition, a book loss of CHF 4 million arising from the sale of our stake in Maurer-Frères was charged to the interest statement. We also recognised special depreciation on investments of Bell Catering of CHF 0.9 million and on real estate in Linthe, Germany of CHF 3.5 million. The latter was necessary because the real estate was put up for sale at a time when the economic situation would not allow a sale at a price equalling the carrying value. We also had to lower the value of the deferred tax assets by CHF 0.9 million.

The Abraham Group acquired in December 2008 was included in the Bell consolidated statements with effect from January. In the 2008 annual report, this investment was reported as a financial investment. Reclassification to the individual asset items was done during the initial consolidation. We took over Stastnik Polska on 1 May 2009, comprising a plant in the vicinity of Cracow, 80 employees and annual sales of approximately CHF 10 million. This acquisition was made because ZIMBO has sufficient sales in Poland to justify this purchase and we can now make full use of our own production facility. With this acquisition we have substantially reduced our foreign currency risk in Poland. We also sold ZIMBO's specialty stores in Hungary in the middle of the year. The 24 stores made annual sales of CHF 15 million. On 1 July we acquired Salaisons de St-André with a plant at Bourg-en-Bresse, 100 employees and annual sales of approximately CHF 30 million. This acquisition will allow Groupe Polette to adjust its capacities to the needs of the market. At the end of the year and as part of a project to streamline our portfolio, we sold our interests in the Alsace-based company Maurer-Frères SA and our catering activities in Switzerland and acquired Marco Polo NV, a company that supplies international charcuterie

«We will continue to invest specifically in our international activities to strengthen our market position in the long term.»

Martin Gysin
Head of Finance/Services (CFO)

specialities to the Dutch and Belgian retail trade. A team of 35 employees generates annual sales of approximately CHF 100 million. Marco Polo N.V. was integrated in Bell Group on 1 January 2010.

In April we refinanced the bridge financing taken up to fund the acquisitions made in 2008 with a long-term syndicated loan put up by a total of 11 banks.

As a result of the effects of the initial consolidation of Abraham, Stastnik and St-André as well as the initial consolidation of an entire financial year for ZIMBO and Polette, the balance sheet and income statement changed considerably and a prior-year comparison is not always possible. In spite of the strong increase in the balance sheet total, the equity ratio of 45.5% is still well above the 40% minimum defined by us.