

# 16



# Bell – so good. Since 1869.

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The Bell Group is one of the leading European providers in its product groups in Europe and number one in Switzerland. This company steeped in tradition was established in 1869 when Samuel Bell opened his butcher's shop in the inner city of Basel. The product range includes meat, poultry, charcuterie, seafood and convenience products such as salads, sandwiches, ready-made meals and pasta. Some 10,000 employees in eleven countries work hard every day to prepare top-quality products that give much enjoyment to millions of consumers. To achieve this objective, we work closely with our suppliers and distribution partners in the retail trade, food service sector and food processing industry.

#### **We distinguish ourselves through our product variety**

The ever growing product portfolio of the Bell Group is characterised by quality and highly refined craftsmanship in the production process. The company remained true to its diversification strategy in the past year and further strengthened its fresh convenience and fresh salad segments. The Bell Group is increasingly developing into a producer of fresh food products without losing touch with its roots in the traditional butcher's business. Fresh meat, poultry, seafood and a wide range of regional charcuterie specialities from everywhere in Europe remain at the heart of our company's product range.

## **Content** **Management report 2016**

- Corporate Governance
- Compensation report
- Financial report

The 2016 annual report consists of the 2016 management report and the 2016 corporate profile. These are available as separate publications or can be downloaded from [www.bellfoodgroup.com/report-en](http://www.bellfoodgroup.com/report-en).

# Important events 2016

## Bell Group on a path of growth

The Bell Group improved its sales revenue in 2016 by 20.3 percent to CHF 3.39 billion. Sales volumes rose year-on-year by 50.5 percent to 414,260 tonnes as a result of acquisitions and organisational growth. Currently, the Bell Group employs some 9,781 people in Switzerland and in Europe.

## Challenging market conditions

The food sector is under pressure from shrinking markets, rising raw material prices and even more intense competition. In this difficult environment, the Bell Group improved its annual profit slightly by 6.1 per cent to CHF 100.6 million.

## Rising cost of raw materials

Bell battled rising raw material prices throughout the 2016 financial year and in particular in the summer months. This mainly affected pork. In Bell's largest procurement market Switzerland, prices for raw materials increased by 2.8 percent.

## Integration of Hubers

Bell consolidated Hubers, which specialises in the production of top-quality poultry at its facilities in Austria and Germany, into the Bell Group from 1 March 2016. The integration of this company is progressing as planned.

## Acquisition of salad specialist Eisberg

Bell took over Eisberg, a company specialising in convenience salads, on 1 May 2016. Eisberg was merged with the existing company Gastro Star to form the new company Eisberg/Gastro Star. Together, they want to improve their market position and further strengthen their productive capacity.

## Cher-Mignon, charcuterie specialist

Bell announced its takeover of Cher-Mignon, a traditional Valais-based company, in August 2016. This craft business specialises in the production of Valais dried-meat specialities and ideally expands Bell's expertise in regional charcuterie specialities.

## Growth in the food service segment

Bell acquired and consolidated Geiser AG, a company specialising in deliveries to the food service sector, into the Bell Group from 1 October 2016. With this acquisition, Bell improved its access to the important food service market in Switzerland.

## Further investments in production sites

Bell Switzerland invested around CHF 40 million in the extension and modernisation of its poultry plant in Zell. The new infrastructure was commissioned smoothly in summer 2016.

## Added value for shareholders

Given the increasingly difficult market conditions and planned investment projects, the board of directors is requesting the general meeting to approve an unchanged dividend of CHF 7 per share. At the end of 2016, the price of Bell shares was CHF 438.75, meaning that the share performed very well once again with a share price increase of 29.41 percent and closed considerably better than the market (SPI -1.41%).

**Proceeds from sale of goods**  
in CHF million

**3,390.2**

↑ **20.3%**

**Equity**  
in CHF million

**981.9**

↑ **8.0%**

Share of total assets

**45.8%**



Net investments in  
property, plant and equipment  
**CHF 118.4 m.** ↑ **7.4%**

**Gross profit**  
in CHF million

**1,232.9**

↑ **20.2%**

Gross profit margin

**36.8%**

## Key figures 2016

The Bell Group's financial performance is discussed in detail in the separate management report.

**Annual profit**  
in CHF million

**100.6**

↑ **6.1%**

**EBITDA**  
in CHF million

**278.0**

↑ **18.3%**

**EBIT**  
in CHF million

**142.1**

↑ **15.6%**

**Operating cash flow**  
in CHF million

**245.5**

↑ **28.3%**

Share price as of 31.12.  
in CHF

**438.75**

↑ **29.41 %**

Dividend per share  
in CHF

**7**

→ **0.0 %**



1.1.2016  
**CHF 339.0**

31.12.2016  
**CHF 438.75**

Earnings per share in CHF

**25.18**

↑ **6.0 %**



Production  
**40 sites**

### Sales volume

in tonnes

Fresh meat

**54,888**

↑ **0.2 %**

Charcuterie

**123,086**

↓ **2.1 %**

Poultry

**127,986**

↑ **364.4 %**

Convenience

**100,254**

↑ **68.1 %**

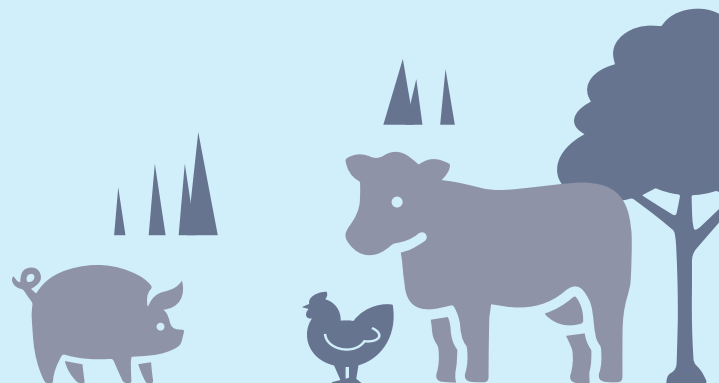
Seafood

**7,254**

↑ **7.0 %**



Training  
in **15** different  
professions



Number of employees as of 31.12.2016  
**9,781**



The Bell Group's employees represent  
**70 nationalities**



Proportion of female staff  
**41 per cent**



**Hansueli Loosli**  
Chairman of the Board of Directors



**Lorenz Wyss**  
Chairman of the Group Executive Board

## **Editorial**

# **Bell Group grew noticeably in 2016**

## Dear Shareholders,

Bell experienced a substantial surge in growth in the 2016 financial year. Principally as a result of the various acquisitions, the group now has some 10,000 employees and over 40 production plants in eleven countries. With the integration of Hilcona and Eisberg/Gastro Star, our company is evolving from a traditional Swiss meat processing company into one of the leading meat and convenience specialists in Europe.

The results for 2016 confirm that we are on the right track. The 2016 financial year was shaped by challenging framework conditions as well as the integration and consolidation of the acquired companies. The increase in raw material prices combined with some shrinking markets led to fiercer competition. Although this left its mark on Bell Group's financial statements, we nevertheless posted a solid result and further strengthened our market position.

### **Pleasing result in a challenging environment**

Bell Group's sales revenue increased by 20.3 per cent to CHF 3.4 billion, pushing us above the threshold of CHF 3 billion for sales for the first time. The sales volume for the group as a whole was 414,260 tonnes (+50.5 %, +138,952 t). This growth in volume was mostly driven by the integration of the Hubers, Eisberg, Geiser and Cher-Mignon acquisitions and the full-year consolidation of Hilcona. Nominal revenues were also affected by higher raw material prices.

At CHF 1.2 billion, the gross profit was 20.2 percent (+CHF 0.2 billion) higher than in the previous year. The gross profit margin of 36.8 percent was on a par with the previous year's level. Thanks to efficient cost management, the acquisition-adjusted personnel costs and overheads could be reduced, or kept at the same level, as the previous year. EBITDA improved by CHF 43 million to CHF 278 million (+18.3%). EBIT adjusted for special depreciation was CHF 153.8 million (reported as CHF 142.1 million), which is CHF 20.7 million (+15.6%) more than in the previous year. At CHF 101 million, the annual profit was up 6.1 percent or CHF 5.8 million year-on-year. This is an encouraging result in light of the current challenging framework conditions.

### **Different segments experience different market trends**

In spite of difficult conditions, Bell Switzerland turned in a solid performance. Higher raw material prices and fiercer competition increased the pressure on margins. At the same time, the Swiss retail and food service markets were buffeted by the effects of shopping tourism and the unfavourable weather conditions in the first half of the year. Bell Switzerland countered these trends with strong sales promotion measures and further efficiency improvements and increased its sales volumes as well as its sales revenue.

Bell Germany was faced with difficult framework conditions throughout the financial year. Although the market recovered somewhat towards the end of the financial year, strong competition resulted in higher listing volatility and the prior year's sales figures could not be equalled. The sharp increase in raw material prices for pork also intensified margin pressure. The country organisations in Spain and Belgium, which belong to Bell Germany in organisational terms, did well.

Bell International posted strong growth in 2016, mainly as a result of the integration of the acquired poultry specialist Hubers. Development trends differed for the individual organisational units. Hubers seamlessly continued the success of previous years and posted above-average growth, in particular with regard to sales of organic chicken. Following the extension of its plant, Bell Poland successfully exploited new sales potential and also did very well. In spite of weak domestic consumer sentiment, Bell Hungary can look back on a stable year during which it benefited from the optimisation measures introduced in the past few years. For Bell France on the other hand, the massive increase in raw material prices partly wiped out the operational progress that had been achieved. Organisational measures were taken to further improve the performance of the branch shops in the Czech Republic.

—————>

The Hilcona Group grew substantially in organisational terms in the reporting year as a result of the acquisitions and its full-year consolidation (previous year eight months). Successful efficiency enhancement measures and innovations further improved Hilcona's result. In Switzerland, Hilcona made progress with a number of new products and in particular expanded its position as leader in the growth market of vegetarian products. In Germany, Hilcona held its own in a market strongly driven by efficiency considerations and prices, especially with fresh convenience products. Food service sales also trended very well. Eisberg/Gastro can look back on a successful financial year and once again posted growth in all relevant markets. The positive business performance is also due to the company's strong innovative power.

### **Bell share performs well once again**

At the end of 2016, the price of the Bell share was CHF 438.75. The share performed very well again with an annual share price increase of 29.4 percent and closed considerably better than the market. The share split carried out in spring 2016 has improved the tradeability of the Bell share and had a positive effect in general. Given the increasingly difficult market conditions and planned investment projects, the Board of Directors is requesting the General Meeting to approve the same dividend as last year of CHF 7 per share.

### **Strategic investments in further growth**

The Bell Group is very well positioned thanks to its efficient structures and broad-based product portfolio. Our strategic ambitions have been defined not only to maintain this position, but also to expand it further. In addition to investments in our production sites and efficiency improvements, we have selectively strengthened the group in the past few years with acquisitions.

With the takeover of Hubers, we have substantially expanded our position in the growing poultry market. In the charcuterie market, we ideally expanded our already great expertise in first-class regional products with the acquisition of Cher-Mignon. We repositioned the company in the important food service sales market with the acquisition of Geiser AG. The steps to expand our position in the convenience segment were even more significant. With the takeover of the majority of the shares of Hilcona and the acquisitions of Eisberg and more recently Frostag Food-Centrum AG (on 1 January 2017), we created another strong foothold for the Bell Group.

We pursue clearly defined goals with our past and future acquisitions. We aim to strengthen our position in the sales markets, expand our production capacity and further improve our efficiency. We also wish to cement our role in the procurement market in order to guarantee security of supply. And last but not least, we intend to further expand our expertise in the fields of technology, production, procurement and marketing.

### **Outlook**

We expect conditions to remain challenging this year. Raw material prices are likely to be volatile and competition even fiercer. However, we are confident that we can further expand our market position and achieve operational progress in all business areas.

The most important strategic ambitions of the Bell Group include the integration of the acquired companies and the exploitation of existing and new synergies. We want to differentiate ourselves from our competitors and generate added value for our customers with our productive capacity and our innovative, sustainable products.

We would like to thank our employees and all our partners for their sustained confidence in us and their continued support on the path we have chosen.



Hansueli Loosli  
Chairman of the Board of Directors



Lorenz Wyss  
Chairman of the Group Executive Board

# WE DISTINGUISH OURSELVES THROUGH OUR PRODUCT VARIETY

The ever growing product portfolio of the Bell Group is characterised by quality and highly refined craftsmanship in the production process. The company remained true to its diversification strategy in the past year and further strengthened its fresh convenience and fresh salad segments. The Bell Group is increasingly developing into a producer of fresh food products without losing touch with its roots in the traditional butcher's business. Fresh meat, poultry, seafood and a wide range of regional charcuterie specialities from everywhere in Europe remain at the heart of our company's product range.



FRESH MEAT



POULTRY



CHARCUTERIE



SEAFOOD



CONVENIENCE



FRESHLY CUT  
SALADS

# *The* **SPANISH KING** —

*The ham with  
that certain  
something*



### *The difference lies in the ripening process*

“The uniform colour, right fat content, correct ripening process and naturally the intensive taste are what makes Serrano ham so special,” says José Antonio Tejada Díaz, who is in charge of the production of this top-quality Spanish ham at Bell Spain. Serrano ham is a very complex product and great craftsmanship is needed for its production: “Some 80 percent of the work processes are done by hand by trained specialists.”

Very precise quality standards have to be met, from the classification of the fresh ham and the salting of the meat to the perfect ripening process. “The long ripening process is one of the quality criteria for Serrano ham,” explains José Antonio Tejada Díaz: “It’s the long ripening process that gives Serrano ham those unique properties that distinguish it from other ham products. And this ham is particularly excellent served on a piece of toast with a little olive oil and some fresh tomatoes.”

“

The best  
***Jamón Serrano***  
appeals to all  
the senses

”



**José Antonio Tejada Díaz**

Nationality: Spanish

Function: Deputy Plant Manager

Place of work: Bell Spain, Casarrubios del Monte, Spain

With the company since: 2012

*Exotic, trendy and*  
**PACKED  
WITH TASTE\_\_**

*The vegetarian  
seduction*



### *The focus is on the taste sensation*

“I feel proud when I go shopping and see products that I’ve developed myself,” says Vanessa Streng. As Product Developer at Hilcona in Schaan, Liechtenstein, she has every right to feel this way. Because every wrap and every sandwich is produced with much creativity and great culinary imagination. The fluffy bread and wonderful fillings are only two of the most important components – the key ingredients for successful and innovative products also include the willingness to try out new things and an intimate knowledge of the market.

“To keep up with current trends, we constantly improve our product ranges and try to meet the culinary needs of our customers,” says Vanessa Streng, and she adds: “Creative ideas add variety and lead to unique taste adventures.” The outcome is products such as the super fresh wrap filled with hummus, roast vegetables, sun-dried tomatoes and salad. A convincing combination of the best taste and fresh exoticism – and also the personal favourite of Vanessa Streng.

“

The super fresh wraps combine

**culinary  
imagination  
and creativity**

”



**Vanessa Streng**

Nationality: Swiss

Function: Product Developer at the Sandwich Competence Centre

Place of work: Hilcona AG, Schaan, Liechtenstein

With the company since: 2012

# AMERICAN BBQ STYLE

*Quick to prepare  
and long on enjoyment*



### *More than just meat that has been cooked a long time*

Pulled meat is a traditional American barbecue speciality. It teams up with beef brisket and spare ribs to form the holy trinity of US barbecues and has been a best seller in Bell's barbecue range since last summer. As Head of Packaging Raw Cured Meat Products at the charcuterie plant in Basel, Cedric Schlosser knows why this is so: "We only use first-class shoulder of beef and pork to prepare our pulled meat. This meat is salted, spiced, wrapped and then cooked slowly for many hours." The result is meat that is moist and incredibly tender.

By carefully checking every step in the process and tasting the pulled meat after every cooking cycle, Cedric Schlosser helps to make sure that the products meet Bell's high quality standards. Because pulled meat is a true all-rounder. Even though it was traditionally served on hamburger rolls, there are many ways to enjoy this tender meat: as fajita, in a sandwich, or on its own with a mixed salad, which is a favourite of Cedric Schlosser.

“

Served traditionally  
in a burger or as  
chili con carne –

***pulled meat*** is  
incredibly  
***versatile***

”



#### **Cedric Schlosser**

Nationality: French

Function: Head of Packaging Raw Cured Meat Products

Place of work: Bell Schweiz AG, Basel, Switzerland

With the company since: 2001

*Every cock  
will crow*

— **MOIST, SPICY,  
GOOD**  
*and* **HEALTHY**



## *The call for a delicate touch*

Bernhard Stöckl, Head of Convenience at Hubers Landhendl in Pfaffstätt, knows that a delicate touch is needed when it comes to poultry. “The meat must be cooked right through, without becoming too dry.” Because of the low fat content, chicken can dry out very quickly. There is strong demand in particular for chicken drumsticks. They are much loved by younger consumers as they are particularly moist.

But if Bernhard Stöckl is to be believed, the best part of the chicken is the thigh. “Because thighs are not in demand much in the retail trade, we use them to make Austrian breaded fried chicken.” Similar to Viennese schnitzel, breaded fried chicken (Backhendl) is salted, coated in flour, dipped in egg, covered in bread crumbs and fried. “The combination of top-class ingredients and all-fresh produce tastes good and is appreciated by our customers,” adds Bernhard Stöckl.

“  
Our chicken  
is **fresh**  
and **you**  
**can taste it**  
”

### **Bernhard Stöckl**

Nationality: Austrian

Function: Head of Convenience

Place of work: Hubers Landhendl, Pfaffstätt, Austria

With the company since: 2001





*Greens come in  
many colours*

**CRISPY**  
**FRESH** *salads*

## *Everything depends on freshness*

The focus is on two things, 365 days a year: quality and freshness. These are the things that are most important for the production of fresh salads. Mariana Mayer is Product Head at Eisberg in Romania and helps to make sure that only the best cut salads, vegetables and fruit leave the plant at Pantelimon in the vicinity of Bucharest.

“Here, around half of the production process is still done by hand,” says Mariana Mayer. This is why it is important that the employees pay the highest regard to food safety. “It’s my job to supervise the production steps and make improvements wherever necessary,” says Mariana Mayer. She adds: “In the end, my goal is to make sure that only products of the best quality leave our factory.” For her, too, salad is a permanent fixture on her weekly menu plan. Her favourite is iceberg lettuce with carrots and red cabbage.

“

When making  
salads, we still  
do around  
**50 percent of the  
work by hand**

”



### **Mariana Mayer**

Nationality: Romanian

Function: Head of Production

Place of work: Eisberg, Pantelimon, Romania

With the company since: 2003

# THE SEA RASCAL — *A fresh aroma* **FULL OF TASTE**



## *Storage is what matters*

“Oysters are live animals and shouldn’t be stressed,” explains Roselyne Clerc from France. And she should know, as she works in quality management at Bell Seafood in Basel where she is in charge of storing the product correctly. The animals have to be stored at a constant temperature, may not come into direct contact with the ice, and should be laid flat or they will lose their sea water and die.

Roselyne Clerc loves oysters and eats them raw, with vinegar and shallots, or grilled in the oven. “Fresh oysters are low in fat, nutritious and contain iodine,” says Roselyne Clerc. Can she teach us to open oysters? “I wrap a cloth around my hand, push the oyster knife in at the side and slowly slide the blade forward and backward.” And also: she believes that the best oysters come from France (of course), specifically from Utah Beach in Normandy. “But that’s just personal preference,” says a laughing Roselyne.

“  
Fresh  
**oysters** smell  
like the **sea**  
”

### **Roselyne Clerc**

Nationality: French

Function: quality management employee at Bell Seafood

Place of work: Bell Schweiz AG, Basel, Switzerland

With the company since: 2011

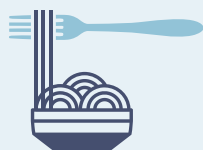


# The Bell Group is one of the leading meat processors and convenience specialists in Europe



## Fresh meat

In Switzerland, we process our own meat and offer a full range of products



## Convenience

Large-scale provider of fresh convenience products in Switzerland and a focused range of products in Europe



## Charcuterie

A wide range of scalded sausages, cured sausages, ham and regional specialties throughout Europe

## Locations in Europe



## Poultry

Integrated production of chicken in Switzerland and Austria, and turkey in Germany



## Freshly cut salads

One of the leading producers of fresh and prepared salads in Switzerland and in Central and Eastern Europe



## Seafood

Market leader in Switzerland

# Business overview

## Our business

The Bell Group is one of the leading processors of meat and convenience products in Europe and number one in Switzerland. The product range includes meat, poultry, charcuterie, seafood and convenience products such as salads, sandwiches, fresh meals and pasta. Bell's products are sold in more than 20 countries. With the brands Bell, Hilcona and Eisberg, the Bell Group meets a broad range of customer needs.

### Core markets

In our core market Switzerland, we cover almost all product groups in the meat, poultry, charcuterie, seafood and convenience segments with our own production facilities.

The DACH countries (Germany, Austria and Switzerland) are the most significant market for our poultry products. In Switzerland and Austria, Bell has a completely integrated production process for poultry and controls the entire value chain, from the egg to the final, ready-to-serve product. Bell also has its own turkey processing plant in Southern Germany.

Internationally, we focus on top-quality regional charcuterie products in the air-dried ham, scalded and cured sausage product groups. The focus for convenience products falls on fresh pasta, fresh ready-to-serve meals and vegetarian specialities, mainly for the German and French markets. We primarily distribute our fresh salad products in Eastern Europe.

### Customers and sales channels

We service countless customers in the retail channel, food service sector and food processing industry. We deliver our products to retailers of many different formats, from large supermarkets to speciality and convenience shops. Our customers in the food service sector include system caterers, industrial caterers, take-aways and traditional restaurants. As a rule, we supply these customers through the wholesale cash and carry and delivery channels. Our sales to the food processing industry are based on deliveries of specific components to other manufacturers of food products. In the Czech Republic, we operate our own shop-in-shop butcher shops with direct access to the end consumer.

## Locations and organisation

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The Bell Group is present in eleven European countries with its **production facilities, logistics platforms, shop-in-shop branches and sales offices.**

The Bell Group is present in eleven European countries with its production facilities, logistics platforms, shop-in-shop branches and sales offices. The 40 production facilities are specialised and focus on a defined range of products. These also include production facilities for the manufacture of regional charcuterie specialities for the most important designations of origin.

### Organisational structure of the Bell Group

The Bell Group comprises the three business areas Bell, Hilcona and Eisberg/Gastro Star. The divisional structure of these business areas reflects their focus on different product groups. The business area Bell comprises the divisions Bell Switzerland and Bell Germany (including Bell Benelux and Bell Spain) and the Bell International Division, which combines the activities in France, Austria and Eastern Europe. The organisational structures used by Hilcona and Eisberg/Gastro Star are based on functional and country-specific units. The Bell Finance/Services Division provides services to the entire Bell Group.

### Brand management

We offer a diverse product portfolio serving a diversity of customer needs under the umbrella of the strategic brands Bell, Hilcona and Eisberg. Brand management is aligned to the different company values and the benefits that are relevant to the end consumer. The brands are clearly differentiated and positioned with regard to product groups and distribution channels. We also have great expertise in the manufacture of many different trade brands.

Our core business is safe, top-quality meat and convenience products. With more than 15,000 articles, we offer a wide selection that serves a diversity of customer needs.

#### Distribution of sales by product group in percent

Fresh meat	25 %
Charcuterie	31 %
Poultry	20 %
Seafood	5 %
Convenience	17 %
Other	2 %

## Products and product ranges

### Fresh meat, poultry, charcuterie and seafood

In Switzerland, Bell produces and processes fresh beef, veal, pork and lamb. Our own meat production is supported with targeted purchases of meat ready for processing from suppliers inside and outside Switzerland. We offer a complete range of self-service and over-the-counter products to the retail trade as well as special product ranges specifically developed for the food service sector and food processing industry.

In Switzerland, Austria and Germany, we offer poultry from our own integrated production in all product ranges.

Thanks to several production plants in seven countries, Bell offers a wide range of charcuterie products from its own production. These include scalded sausages, cured sausages, air-dried ham, cured meat products and dried meat. The range also includes a large number of specialities with protected geographical status such as Black Forest ham, Bündnerfleisch or Jamón Serrano.

Bell Seafood is the biggest fish specialist in Switzerland. It sells fresh domestic and imported fish as well as seafood for self-service and over-the-counter sale by the retail trade. Thanks to our own processing facilities, we can also offer seasonal products and products that involve a higher degree of preparation. In addition to top quality, we attach particular importance to the sustainable sourcing of seafood. Bell is a founder member of the WWF Seafood Group.

### Convenience

When it comes to fresh convenience products, Hilcona is the market leader in Switzerland; in Germany and Austria, Hilcona is the leader in the market for fresh pasta. Fresh, frozen and non-perishable convenience products such as fresh meals, pasta, sandwiches and pizzas are produced at two plants. The product range has been expanded to include vegetarian and vegan products.

### Freshly cut Salads

Eisberg/Gastro Star specialises in the production of freshly cut and prepared salads and also offers a wide range of cut vegetable and fruit selections.

## Market position and customers

### Bell Switzerland

Bell has its origins in Basel and is the leading Swiss meat processing company. Bell is the market leader or holds a leading position in most product groups. In 2016, sales revenue amounted to CHF 1,907 million and sales volumes reached 124,073 tonnes. Our customers include the retail trade, food service sector and food processing industry. In the reporting year, Bell further expanded its portfolio of regional charcuterie specialities and strengthened its access to the important food service market.

### Bell Germany

Bell Germany is the market leader in the air-dried ham segment and a significant supplier of cured sausages, scalded sausages and meat convenience products. In 2016, sales revenue amounted to CHF 446 million and sales volumes reached 67,808 tonnes. Bell Germany sells the goods produced in the production facilities in Germany, Spain and Belgium to the retail trade, the food service sector and the food processing industry in more than 20 countries in Europe. The Bell Benelux sales organisation and the production facility in Spain specialising in top-quality Serrano ham belong to Bell Germany.

### Bell International

The activities in France, Poland, Hungary and the Czech Republic as well as the poultry business in Austria and Germany are merged under the organisational umbrella of Bell International. In 2016, the division posted sales revenues of CHF 525 million and sales volumes of 131,513 tonnes. Our customers include the whole spectrum from the retail trade to the food service sector and food processing industry. Bell is the market leader in the poultry product group in Austria with Hubers Landhendl, while SÜTAG is a significant provider of turkey in Germany. In **France**, Bell is an important supplier of cured sausages and air-dried ham specialities. Several production plants in the Auvergne, Lyon and Savoy manufacture top-quality regional cured sausage and air-dried ham specialities. Bell markets a wide range of its own products and merchandise in various Eastern European countries. Local charcuterie specialities are produced in two plants in **Poland** and in **Hungary**. In the **Czech Republic**, we independently operate 87 Novak butcher shops. Further butcher shops are managed by franchisees.

### Hilcona

Hilcona AG with its registered office in Schaan, Liechtenstein is the leading convenience provider in Switzerland. In addition to Switzerland, Hilcona also operates in Germany, Austria, France, Poland and Benelux. Hilcona delivers its fresh convenience products to the retail trade, the food service sector and the food processing industry.

### Eisberg/Gastro Star

Eisberg/Gastro Star, a company specialising in the production of convenience salads, has two production plants in Switzerland and one each in Hungary, Poland and Romania as well as a purchasing office in Spain. In Switzerland and in Eastern Europe, the company delivers its products to customers in the retail sector, food service industry and system catering sector. Eisberg/Gastro Star is either the leader or a market determinant in the production of fresh salads in Switzerland and Eastern Europe.

Hilcona and Eisberg/Gastro Star posted sales revenue of CHF 577 million in 2016.

## Our suppliers

For the Bell Group, quality management starts with the selection of the best raw materials. We prefer suppliers who meet our requirements for sustainable business practices. Sustainability is an explicit component of our procurement strategy, from the selection of our suppliers to the consumption of materials. Framework agreements are concluded with all important suppliers. As part of a comprehensive approach to supplier management, all suppliers are audited once a year.

For meat, elements such as farming, feeding methods and breed are important criteria. Bell has defined clear basic rules for the purchase of slaughter animals, meat and fish in corresponding guidelines. The route taken by the meat is fully documented and can be traced all the way from receipt of the raw materials to the individual consumer units.

## Our employees

Some 10,000 employees of the Bell Group make sure that our wide range of products is distributed to the market fresh each day. The Bell Group offers jobs of many different descriptions, from food specialist to commercial specialist, from IT specialist to mechatronic specialist.

For the Bell Group, education and training are important aspects of a responsible staff policy. In the group, we offer basic training in 15 professions. Bell also continuously reviews the possibilities of introducing training courses for additional professions and upgrading our existing training courses. The Bell Group employs people from 70 nations, of which 41 percent are female.

The health and safety of our employees are given the highest priority. Safety concepts with regular training courses and safety officers at every plant ensure that these concerns are met, always and everywhere. In 2016, Bell Switzerland was awarded the "Friendly Work Space" quality label for its special performance in the field of occupational health and safety.

### Employee figures

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**9,781**

people work for the Bell Group:  
5,502 in Switzerland and Liechtenstein  
4,279 in the rest of Europe.

---

**70**

nationalities are employed by the Bell Group.



# Quality

is our  
core competence

## Quality takes absolute precedence in everything that we do.



Our

# tradition

makes us rich in experience



We stand for

# sustainable performance



Our products offer

# taste

and a zest for life

Reaching  
the top, together

### Vision

Close Partnership  
Reputation Innovative Diverse

### Corporate guiding principles

Quality Taste Sustainability Tradition

### Missions

Sales market  
strategy

Brand  
strategy

Production  
strategy

Procurement  
and SCM  
strategy

Financial  
strategy

IT  
strategy

Personnel  
strategy

### Sustainability strategy

# Our strategy

## Reaching the top, together

From its humble roots almost 150 years ago in a small butcher's shop in Basel Old Town, Bell has grown to become a leader in the food processing industry.

When it comes to the achievement of our vision and the specific implementation of our missions, we are guided by the accumulated rules of conduct that define our binding corporate guiding principles. The corporate guiding principles are rounded out by our code of conduct ([www.bellfoodgroup.com/codeof-conduct](http://www.bellfoodgroup.com/codeof-conduct)), the framework for our detailed internal compliance guidelines.

Our strategy is guided by a vision. It is called "Reaching the top, together". We want to be the "top" in many respects: with our range of products and services, our skills, our market success and our corporate reputation with our customers, employees, investors, neighbours and everybody who has a stake in Bell. Together with our internal and external partners, we strive towards making our vision a reality in our everyday operations.

Our path to the goal, our vision, is founded on basic values that guide our entrepreneurial actions. Each group division contributes to the fulfilment of the vision with individual missions. Four missions were defined for the Bell Group. **Quality** takes absolute precedence in everything that we do. Born from a small butcher's shop in Basel Old Town, we are still building on the **tradition** of a company founded on a craft profession. With the experience gained over almost 150 years and its focus on continuous development and innovation, Bell has gained a leading position in the market. Eating well gives quality to life; that is why our products offer **taste** and a zest for life to consumers in large parts of Europe. We are also committed to providing **sustainable services** in the best interests of our customers, suppliers, employees, shareholders and the public at large. We want to set an example for our industry and assume responsibility.

## Our corporate guiding principles

### Diverse

#### Together we achieve convincing targets

We are players on the international, national, regional and local stages. We build on the individual strengths of our employees and offer them a wealth of development and career progression opportunities.

### Close

#### Together we come closer to one another

We know our customers and speak their language. We take customer concerns seriously and offer round-the-clock services. We ourselves are passionate customers of our company.

### Reputation

#### Together we create added value

We have a reputation for freshness and quality. We are uniquely committed to sustainability in all its dimensions: economic, ecological and social. We set the standards for service and customer guarantees. We communicate proactively and effectively.

### Innovative

#### Together we shape our future

We are initiators and developers of new sustainable services. We facilitate effective and fast processes by combining skills and discretionary competence. We inspire the courage to be creative and the will for change. We measure ourselves against the best and pay attention to detail. We use new technologies to design intelligent solutions. We are a learning organisation.

### Partnership

#### Together we create trust

We agree objectives and measures. We act in compliance with defined customer and supplier principles, internally and externally. We find solutions as part of a constructive dialogue. We consistently implement decisions. We lead by example. We act responsibly and in a socially acceptable manner. We reward success.

## What we build on

Our corporate strategies are derived from our vision, corporate guiding principles and missions. The strategic focal points are defined for each individual company. These refer to our markets, brands, production and procurement processes, finance, information technology (IT) and personnel. In view of the growing awareness of sustainability issues in all areas, we have also formulated a sustainability strategy that encompasses all individual areas. As the foundation of our corporate conduct, it forms an integral part of all other strategies and is at the heart of our corporate responsibility (see p. 38 et seq.).

The strategic brands of the Bell Group still offer considerable potential for the international marketing of the product ranges.

The **sales market** and **brand strategies** were adopted to serve as a guideline for the development of our product portfolio and marketing programme. The objective of these strategies is to define which product ranges and brands are offered to which customer groups in which geographical markets. We want to consistently align our strategies to market needs and at the same time exploit the opportunities and synergies offered by the group. Our sales markets are divided into the retail market and the food service/food processing industry. These markets have different needs when it comes to product and service requirements, and we service them with products tailored to their specific needs. Our future brand strategy focuses primarily on the strategic brands Bell, Hilcona and Eisberg. The positioning of these three brands has been reviewed and their future direction defined. In addition to the strategic brands, Bell's brand architecture is supported by supplementary brands for specific target groups.

### Our strategic brands



#### Bell

One of the leading food brands in Switzerland offering a wide range of meat, poultry, charcuterie and seafood products. The full range of marketing tools is used for brand management: TV, print media, point-of-sale specials, sales promotions, etc. The Bell International brand was launched in 2016 with a range of specialities and snacks. The intention is to further expand the international activities. [www.bell.ch](http://www.bell.ch) and [www.bell1869.com](http://www.bell1869.com)



#### Hilcona

The Hilcona brand is known for first-class fresh and convenience products of the best quality that are as natural as possible. With its healthy eaters guarantee, Hilcona assures consumers that additives are not used. The brand offers fresh products and a comprehensive range of services to customers in the retail trade, food service sector and impulse trade. In the EU, the product range focuses on fresh pasta, but in Switzerland Hilcona offers a wider range of fresh products. [www.hilcona.com](http://www.hilcona.com)



#### Eisberg

Eisberg is a leading brand for convenience salads in Eastern Europe in particular. Its wide range of products includes fresh salads and freshly cut fruit and vegetable selections. [www.eisberg.com](http://www.eisberg.com)

### Our supplementary brands

Abraham, Cher-Mignon, Gastro Star, Geiser, Hoppe, Hubers, Mõssieur Polette, Sanchez Alcaraz, ZIMBO.

### Production strategy

Our production strategy defines the medium and long-term infrastructure and production programmes for the 40 Bell production facilities in 11 countries. Eight production plants have joined the Bell Group with the most recent acquisitions, three in Switzerland and one each in Poland, Hungary and Romania. Taking a far-sighted approach, we also plan the future development of our production sites. While working on these plans, synergy potential is identified and conditions for process optimisation and a structured approach to quality management are defined.

The expansion and modernisation of the Zell poultry plant (CH) was completed and commissioned in the reporting year. As part of the location strategy for Switzerland, Bell will move its fresh meat production from Cheseaux (CH) to the existing plant in Oensingen (CH) at the end of 2017, thus bundling its fresh meat expertise in Oensingen. A dedicated project team for the Swiss sites in Basel and Oensingen is currently working on a substantial investment programme to further develop these facilities. The planning horizon runs from 2017 to 2025. With its plans for new buildings and conversions, Bell is laying the groundwork for improving its already powerful production facilities in Switzerland.

### **Procurement strategy**

Given the fact that the cost of the materials used for our products represents much more than 60 percent of revenues and our markets are sometimes very volatile, procurement is of central importance. Procurement is a function critical to corporate success and makes an important contribution to the achievement of the group's strategic objectives. Measures that enable value-centric purchasing management are defined along three lines of action: cost reduction, risk avoidance and growth support.

In the reporting year, Bell adopted a cross-divisional procurement strategy that will make an important contribution to the achievement of the corporate objectives. The core elements of the strategy include the consistent realisation of synergies within the group, cost efficiency, contributions to innovation management and the guaranteed availability of strategic production goods.

### **Financial strategy**

The financial strategy aims to strengthen the targeted application of resources to improve profitability and productive capacity, and ensure the company's freedom of action at all times. The financial strategy formulates rules for different topics, including external and internal financing, the management of interest rate risks, liquidity and foreign exchange management, and the payment of dividends. The financial strategy defines key indicators for profitability, financing, liquidity and the balance sheet, and regulates their monitoring. For us, a solid balance sheet and excellent equity ratio are key elements in the implementation of Bell's financial strategy.

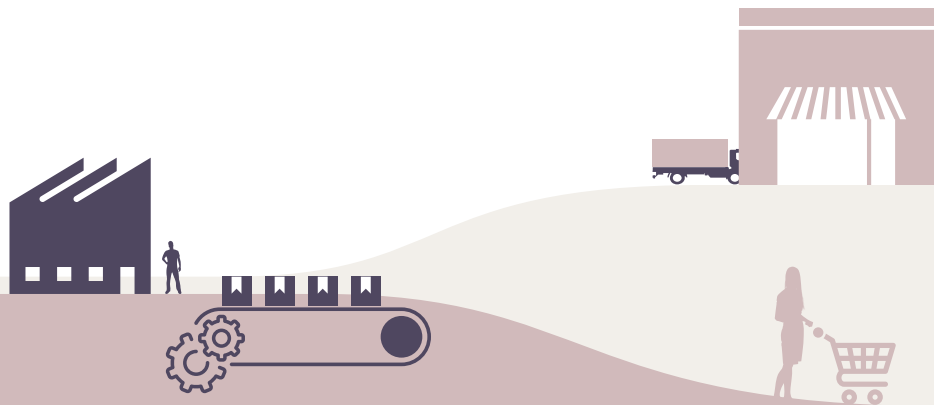
### **IT strategy**

IT at the Bell Group assumes an active role as business enabler and innovation driver. The IT strategy should help to enable competent, solution and service-focused IT services at all locations of the Bell Group. The lines of action of the IT strategy include the sensible harmonisation of the hardware and software landscape, harmonised processes for the evaluation, procurement, implementation and operation of IT systems and equipment, and clearly regulated IT governance and compliance. Uniform and consolidated IT controlling also enables efficient cost management. At present, our central project is the harmonisation of the ERP landscape based on the concept of SAP HANA as the foundation for all the group's administrative systems. The digitisation of business processes and accompanying big data strategy is another key project. Within the context of Industry 4.0, a network linking all production plants makes it possible, for example, to maintain the infrastructure in a cost-efficient and intelligent manner.

### **Personnel strategy**

Some 10,000 employees from 70 countries work hard every day to prepare top-quality products that give much enjoyment to millions of consumers. The personnel strategy comprehensively analyses the complex situation of our international company. As a responsible employer, we accord a high priority to the recognition and development of the employees. One of the main objectives of our personnel strategy is to ensure that all employees are qualified for a permanent profession. It also formulates the code of conduct and management principles that are binding for all employees and serves as the foundation for our belief that staff interaction should be guided by a spirit of partnership. We are dedicated to improving the employability of our employees through basic training and further education. Our talent management process is designed to identify employees with potential, who are supported individually. The personnel strategy is implemented at all the companies of the Bell Group, taking account of national and regional differences and needs.

11 countries  
40 locations  
148 years of tradition  
9,781 employees  
414,260 tonnes of  
sales volumes



Proceeds from sale of goods

↑ **20.3%**

All divisions contributed to the growth in sales revenue

Annual profit

↑ **6.1%**

The earnings situation improved despite the challenging framework conditions

## Share price 2016

on 31.12. in CHF

31.12.2016

**438.75**

↑ **29.41%**



1.1.2016

**339.00**



Investments of around  
CHF 118 million made in 2016



Bell business area

Poultry and seafood were again the strongest drivers of growth



Hilcona business area

Expanded its market position in the growing segment of vegetarian products



Eisberg/Gastro Star business area

Successful development thanks to high performance and capacity for innovation

# Situation report

## Further growth posted in a challenging environment

The 2016 financial year was shaped by the challenging framework conditions and the integration and consolidation of the acquired companies. The increase in raw material prices combined with shrinking markets led to fiercer competition. This also left its mark on the Bell Group's financial statements for 2016. We nevertheless managed to post a solid result and considerable growth, predominantly due to the acquisitions.

With the integration of the Hubers, Eisberg, Cher-Mignon and Geiser acquisitions and the full-year consolidation of Hilcona, the Bell Group for the first time exceeded the threshold of CHF 3 billion for sales and generated a sales volume of more than 400,000 tonnes. With some 10,000 employees and 40 production plants spread throughout Europe, Bell has grown into an internationally significant producer of first-class food products. We are well positioned with a broad range of meat, charcuterie, poultry, seafood, fresh convenience products and salads and can concentrate fully on the consistent implementation of our strategies for sustainable growth.

### Bell Group turns in a solid performance

Sales revenue  
**CHF 3,390 million**

↑ 20.3 %

Sales volume  
**414,260 t**

↑ 50.5 %

The Bell Group's sales revenue grew by 20.3 percent or CHF 572 million to CHF 3.39 billion. Total sales volumes were 414,260 tonnes (+50.5 %, tonnes +138,952). The growth in sales revenue and sales volumes is due to the consolidation of the acquisitions and organisational growth. The poultry specialist Hubers has been consolidated into the group accounts since 1 March 2016 and Eisberg, specialising in fresh convenience fruit and salads, has been consolidated since 1 May 2016. Cher-Mignon SA and Geiser AG were consolidated from 1 October 2016. The financial statements also include Hilcona's total annual sales, while only the last eight months of the year were included in the previous year's statements. Nominal sales were also affected by higher raw material prices. In comparison to the previous year, currency translation differences played a rather subordinate role in this reporting year.

At CHF 1.23 billion, the gross profit was up 20.2 percent year-on-year (+207 million). The relative gross profit margin was on a par with 2015. The higher added value on the fresh convenience products and the restructuring of our own product ranges had a positive effect on the gross profit margin. The margin was substantially burdened, however, by the increase in raw material prices in Europe that accelerated in the second half, fiercer competition and the sales promotion activities required to combat this competition.

The costs that can be influenced by Bell followed an encouraging trend. Thanks to the acquisitions, personnel costs as well as overheads could be reduced or kept at the same level as the previous year. This is the result of efficient cost management and the regular review of processes to ensure their efficiency. EBITDA increased by 18.3 percent or CHF 43 million to CHF 278 million.

Depreciation rose through the acquisitions and as a result of special depreciation. The extraordinary depreciation includes CHF 3 million for the closure of the fresh meat plant in Cheseaux. In addition, the review of the value of property, plant and equipment, and goodwill has resulted in an impairment of CHF 8.6 million. Adjusted for special effects, EBIT amounts to CHF 153.8 million, which represents an increase of CHF 20.7 million (+15.6 %) over the previous year.

Financial income was CHF 2.3 million less than in the previous year, mostly because of the full-year consolidation of Hilcona, which was only included at equity for the first four months of 2015. The bond floated in 2016 was also included in the interest statement for the first time in the reporting year. The deferred taxes on adjustments on group loans formed in 2014 were fully resolved in the reporting year. Tax expenditure has thus been held at to CHF 12 million (previous year CHF 11 million). At CHF 100.6 million, the annual profit after non-controlling interests is above that of the previous year (+6.1 %, CHF +5.8 million). This result is pleasing under the current challenging conditions, in particular the pressure exerted on margins by the higher raw materials prices.

Given the increasingly difficult market conditions and planned investment projects, the board of directors is requesting the General Meeting to approve an unchanged dividend of CHF 7 per share. At the end of 2016, the price of the Bell share was CHF 438.75, meaning that the share performed very well again with a share price increase of 29.41 percent and closed considerably better than the market (SPI -1.41 %). The shares have posted an average return from price increases and dividends of around 13.3 percent for the last ten years. The share split carried out in spring 2016 has improved the tradeability of the Bell share and had a positive effect in general.

#### **Solid equity ratio in balance sheet**

The Bell Group's acquisition activities also had an impact on the balance sheet. Total assets are now more than CHF 2 billion, boosted by the effects of the acquisitions as well as the new bond for CHF 300 million. Financial liabilities rose to CHF 722 million. After deduction of the relatively high cash and cash equivalents of CHF 262 million and the securities of CHF 6 million, the net financial liabilities are CHF 455 million. The balance sheet is extremely solid with an equity ratio of 45.8 percent.

## **Investments in growth and improvement of productive capacity**

#### **Growth surge through acquisitions**

On 1 March 2016, the Bell Group took over Hubers, specialising in the production of top-quality poultry. The company has a strong position in the Austrian and German markets. With the takeover of Hubers, Bell has secured its access to poultry as an important raw material from the DACH countries and laid the foundation for further growth in the poultry sector. The market reacted positively to the acquisition.

Eisberg joined the Bell Group on 1 May 2016. This successful company has a strong market position in its countries and specialises in the production of prepared salads and salad components. With production facilities in Switzerland, Poland, Hungary and Romania, and a purchasing office in Spain, the group's customers include the retail and food service sectors. Eisberg was merged organisationally with Gastro Star, which has been part of the group since 2012 and wants to use this addition to expand its market position and further improve its productive capacity.

On 1 October 2016, Bell Switzerland took over Geiser AG in Schlieren (CH), a company specialising in deliveries to the food service sector. At its production plant, Geiser AG produces meat and charcuterie as well as various specialities, mostly for the food service sector. With this acquisition, Bell Switzerland has strengthened its position and improved its access to the important food service market in Switzerland. Geiser AG is managed as an independent unit under the umbrella of Bell Switzerland and is still working in its own sales markets.

Bell Switzerland took over the Valais-based charcuterie specialist Cher-Mignon SA on 1 October 2016. This craft business has been producing Valais dried-meat specialities for more than a century and is the leading manufacturer in this segment. For Bell Switzerland, this is the ideal way to expand its expertise in regional charcuterie specialities.

To strengthen and expand our market expertise, we will continue to consider further acquisitions and targeted investments in current production plants.

#### **Stronger productive capacity**

The lion's share of the investments made in the reporting year went to the extension and modernisation of the poultry plant in Zell (CH). This plant's production volumes have doubled in the past 15 years and demand for chicken portions and poultry convenience products in particular is continuing to grow. A new building was erected to house a cutting facility and a refrigeration plant built in accordance with a new refrigeration concept. With two new cutting lines, an hourly output of 10,500 to 14,000 chickens is possible. The new refrigeration system with its hanging refrigeration freezer shortens the chilling process from one day to three hours. Further technical innovations were also made to the goods flow systems. Cameras and sensors ensure a mature system for checking weights and quality. The workplaces of the employees were also upgraded substantially, in particular with regard to ergonomic requirements and the work environment. Some of the funds set aside for annual renovations and replacement investments went to the modernisation of the hamburger production line in Oensingen (CH).

Individual project teams have been set up to manage the projects for Basel and Oensingen that are part of the investment programme for the Swiss production sites. We expect the first projects for new buildings and conversions to be ready for the decision process in 2017.

As part of the modernisation of our production infrastructure, we also launched a comprehensive IT project. The focus is on the standardisation of the ERP systems so that SAP HANA can be used for all the group's administrative systems as well as the digitisation of business processes. A network linking all production plants combined with intelligent data management opens up entirely new possibilities, for example, for machine maintenance. We want to apply the new technologies where they can generate the most added value.

In 2016, a total of around CHF 118 million was invested in infrastructure, which is just above 9 % over the previous year. We expect this amount to increase by around 30 percent in 2017. In Spain, we started with the construction of an additional plant for Spanish ham specialities close to Madrid in January 2017. When this facility is finished, the additional annual capacity of more than one million hams will give Bell new opportunities for national and international marketing activities in this strongly growing segment. First payments for the Swiss investment programme will also fall due in the current financial year.

## **Assessment of risks and market environment**

The Bell Group's business results and development are shaped by important external factors that can only be influenced by the company to a limited extent and therefore also harbour certain risks. Two of these important factors are the prices for raw materials and consumer behaviour.

### **Raw material prices**

The cost of raw materials and supplies accounts for more than 60 percent of net earnings. Raw materials make up the biggest share by far. For animal raw materials, Bell's success is determined by the prices for cattle products and pork in Switzerland, and by the prices for pork in Europe. Market prices are highly volatile and can change at short notice due to availability, regulatory market intervention, speculation or short-term changes in consumer habits. The inclusion of inflation in sales prices is difficult, in particular for charcuterie. Fierce competition in the processing and retail segments makes it even more difficult to increase sales prices quickly, while competitive pressure kicks in immediately when raw material prices fall. For plant raw materials, the effects of weather conditions on the quantity and quality of the harvest play an important role in addition to the conditions mentioned above. To secure the procurement of the high-quality raw materials needed for our products, Bell is constantly testing options for binding upstream services to the company more strongly.

### **Consumer behaviour**

In our markets, consumption largely depends on consumer sentiment and the development of purchasing power. In our core market Switzerland, the EUR/CHF exchange rate not only has a direct impact on the already pronounced shopping tourism, but also on the development of the economy and consumer sentiment. Reports about animal epidemics or food scandals can also have a strong impact on short-term consumption. These fluctuations differ according to country and cultural circles and are difficult to predict. In some markets, regulatory interference also causes noticeable changes in consumer behaviour. We defend ourselves against such risks by constantly adjusting our product ranges to market needs and placing the greatest emphasis on the quality of our raw materials.

### **German Cartel Office proceedings**

On 15 July 2014, the German Cartel Office imposed a fine on Bell for around EUR 100 million for alleged illegal price fixing in the years before the acquisition of Abraham and ZIMBO. As Bell does not believe this fine to be justified, either in fact or on the merits, it has filed a timely appeal. The appeals process through different courts will take several years. There were no new developments in this case by the reporting date.

Sales revenue

**CHF 1,907 million**

↑ 56.2 m.    ↑ 3.0%

Sales volume

**124,073 t**

↑ 620 t    ↑ 0.5%

Sales revenue

**CHF 446 million**

↓ 16.8 m.    ↓ 3.6%

Sales volume

**67,808 t**

↓ 0.2 t    ↓ 0.2%

## Division reporting

### Bell Switzerland

In spite of difficult conditions, Bell Switzerland turned in a solid performance. Sales increased by 3.0 percent to CHF 1,907 million (CHF +56.2 million) and sales volumes grew by 0.5 percent to some 62,000 tonnes, mostly due to strong sales promotion measures. However, higher raw material prices and fiercer competition increased the pressure on margins.

The Swiss retail and food service markets were buffeted by the effects of shopping tourism and the unfavourable weather conditions in the first half of the year. Meat consumption was stable: higher consumption of beef and poultry was offset by declining consumption of pork and charcuterie. Bell experienced an increase in raw material prices for all animal products of 2.8 percent. Bell purchased slaughter animals from Swiss farmers for a total of CHF 850 million.

The relocation of pig slaughtering and cutting from Cheseaux to Basel had a positive effect on operating costs. The extension to the poultry plant in Zell was finished on time and was commissioned smoothly in June. As part of the location strategy for Switzerland, Bell will move its fresh meat production from Cheseaux to the existing plant in Oensingen at the end of 2017, thus bundling its fresh meat expertise in Oensingen. The integration of Cher-Mignon SA and Geiser AG that were taken over in 2016 is proceeding as planned.

### Bell Germany

Bell Germany could not escape the higher competitive pressure. As a result of increased listing volatility, sales declined by 3.6 percent to CHF 446 million (CHF -16.8 million) and sales volumes by 0.2 percent to 67,808 tonnes (-159 tonnes).

The self-service sausage market in Germany stabilised in 2016 after the contraction suffered in the previous years, not least because demand increased in the wake of the population growth triggered by migration. Raw material prices for pork, however, rose considerably from the middle of the reporting year. Strong demand in China played a decisive role in this price hike for raw materials. This had an immediate impact on margins and put pressure on processing companies. Competition intensified as a result, which considerably increased listing volatility. The branded goods business performed well: our brand concepts are successful and we made further progress with our market penetration. The continued increase in consumers' quality requirements will support the growing trend in favour of top-quality products.

The country organisations in Spain and Belgium, which belong to the Bell Germany Division in organisational terms, did well. Sales of Spanish ham specialities increased, in particular hams that have a longer ripening period and require more processing. The plant that is being built in the vicinity of Madrid will further boost business in the medium term. The relevant sales market in Belgium declined. In the second half of the year, however, Bell posted some sales growth thanks to new listings by various major customers.

Sales revenue

**CHF 525 million**

↑ 329m.    ↑ 168.3%

Sales volume

**131,513 t**

↑ 100,856t    ↑ 329.0%

### **Bell International**

Bell International's sales grew by 168.3 percent to CHF 525 million in the first half. Sales volumes rose significantly to 131,513 tonnes. The main reason for this growth is the integration of Hubers. The earnings situation is different for the individual divisional sections.

The poultry specialist Hubers is doing well and the integration process is on course. Sales of chicken by Hubers Landhendl and turkey by Süddeutsche Truthahn AG increased in the reporting year. Sales of organic chicken in particular grew above average. As we want to offer added value to combat the growing price pressure from cheap imports, we increasingly focus on product ranges offering a high degree of convenience, regional products and programmes applying high standards for animal welfare (e.g. organic and other animal-friendly farming programmes). Many fattening agreements have already been concluded in this regard.

Bell France is working hard to improve its performance. The rationalisation of the product range and the focus on products with higher added value as well as the optimisation of processes at various sites are already showing results. However, the massive increase in raw material prices in the second half of the year cancelled out some of the progress made. The earnings situation is still insufficient. We are confident, however, that we can address changing consumer and market patterns with our specific product concepts and thus offer our customers added value.

Thanks to the expansion of our production plant in Poland, Bell Poland posted encouraging growth, in particular for cured sausages. Consumers are growing increasingly conscious of quality, which offers us opportunities for new products that are currently still in the development phase. The development of the food service/industry sales market is also encouraging.

Consumer sentiment remains weak in Hungary. Regulatory intervention in value added tax by the state has also disadvantaged the charcuterie segment against other segments. Bell Hungary can nevertheless be proud of the improvement in its business performance. The optimisation of the processes and product ranges in the past few years is bearing fruit. Bell Hungary wants to exploit the further potential for sales and value creation through the targeted development of own-brand product ranges and branded articles.

Organisational measures to sustainably improve the market success of the Novak branch shops were implemented in the Czech Republic. These measures only helped in part to cushion the effects of fiercer competition and higher prices for meat procurement.

### **Hilcona and Eisberg/Gastro Star**

In 2016, the Hilcona Group grew organically as well as through the acquisition of Eisberg. Sales increased by 59.9 percent to CHF 577 million (CHF +216 million) with sales volumes increasing by 40,634 tonnes to 100,284 tonnes (+68.1 %). The full financial year was consolidated in the Bell Group for the first time in 2016 (previous year 8 months). The result improved further thanks to successful measures to enhance efficiency and boost innovation.

#### **Hilcona**

In Switzerland, Hilcona posted pleasing growth for the fresh convenience category in particular, while the non-perishable convenience segment declined slightly. As the fresh convenience segment is driven by innovation, the launch of a new range of sandwiches sold in the impulse trade under the Yammy Hilcona brand, and wraps with vegan, vegetarian and meat fillings is worthy of a mention. The vegetarian product ranges were expanded considerably. Hilcona cemented its leading position in this growing segment by launching a tofu range in new quality and new packaging as well as innovative pan-ready veggie rounds (vegetarian patties that are crispy outside and moist inside).

In the most important export market Germany, the branded pasta range was given a facelift in 2016 and some new recipes were added. The fresh convenience segment in Germany is still growing, although consumers are sensitive to prices. The trend is for ultra-freshness, and merchants are looking to product ranges as well as logistics to find solutions. The strong franc remains a challenge. The market is very efficient and price-driven.

Hilcona posted very encouraging growth in the food service sales market, particularly in Switzerland, Germany and France. One of the drivers of this growth was the relaunch combined with a quality offensive for the full range of frozen pasta.

Sales revenue

**CHF 577 million**

↑ 216m.    ↑ 59.9%

Sales volume

**100,284 t**

↑ 40,634t    ↑ 68.1%

### **Eisberg/Gastro Star**

The merger of Eisberg and Gastro Star is proceeding according to plan. The new organisation was put under a single management and can look back on a successful financial year. Eisberg/Gastro Star produces and sells fresh salads, prepared salads and ready-cut fruit.

All relevant markets posted growth in the reporting year. The market leadership in Switzerland, Hungary and Romania could be expanded further, but Poland saw a slight decline. Developments in the retail channel were generally good in all countries for Eisberg/Gastro Star. Retail volumes could be increased overall in spite of the fact that some large customers went through major restructuring. The expansion of the product range (salad bowls) in Poland and Romania generated new sales, and this product category reported growth in all markets. The food service market developed less well in almost all countries.

The successful business performance is also due to the company's strong innovative power. Innovative products were launched successfully in various markets, for example salad bowls and shakers, green drinks (vegetable mix for making green smoothies), and Tokay dressings.

### **Events occurring after the reporting date**

Hilcona, which is part of the Bell Group, took over Frostag Food-Centrum AG (Frostag) in Landquart, a company specialising in the preparation of pasta and vegetarian products, as of 20 January 2017. The company will be consolidated into the Bell Group retroactively from 1 January 2017.

With the acquisition of Frostag, Hilcona is further expanding its market position in pasta and vegetarian products. Frostag, with its registered office in Landquart in Graubünden, posts annual sales of more than CHF 10 million. Frostag will be managed as an independent subsidiary of Hilcona.

Hilcona has been working closely with Frostag in the pasta and tofu product segment for many years and previously already owned 10 percent of the company's shares. Hilcona and Frostag joined forces in 2016 to produce tofu from Swiss organic soya beans. With the full takeover of the company, Hilcona specifically wants to accelerate the expansion of the range of vegetarian products. Plans are afoot to develop the Landquart site as a centre of vegetarian expertise.

## **Outlook for 2017**

The Bell Group is active in different market segments, some of which are growing and some of which are stagnating. Our strategies take account of this fact and focus on the different challenges. We expect the parameters to remain challenging in 2017. Raw material prices are likely to be volatile and competition even fiercer. However, we are confident that we can further expand our market position and achieve operational progress in all business areas.

The most important strategic ambitions of the Bell Group include the integration of the acquired companies and the exploitation of existing and new synergies. We want to differentiate ourselves from our competitors and generate added value for our stakeholder groups with our productive capacity and our innovative, sustainable products.

The **quality of the products** is the foundation for our business success and a prerequisite for the **satisfaction of our customers**

Training in

**15**

different professions



Total energy consumption  
**435 GWh**



Total volume of waste  
**44,700 t**



CO<sub>2</sub> emissions through energy  
**76,214 t**

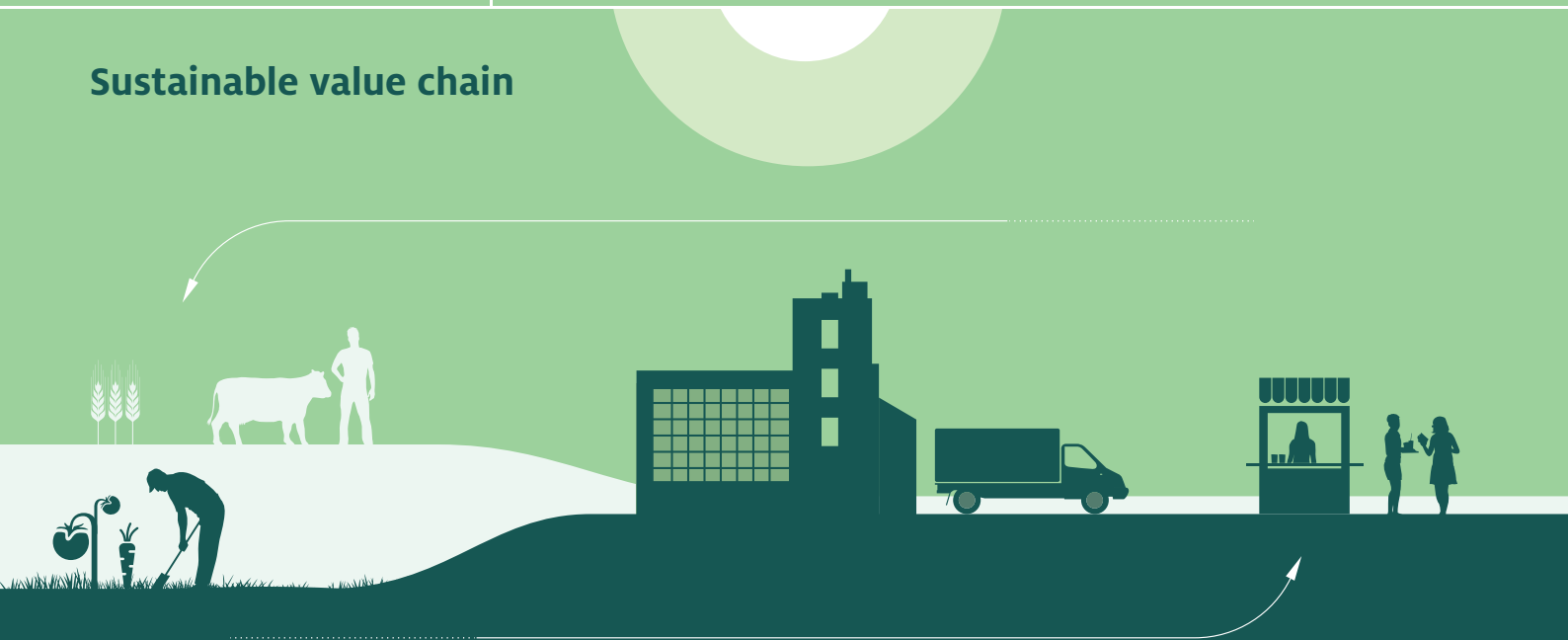
CO<sub>2</sub> emissions by transport  
**69,500 t**



Total water consumption  
**4,803,500 m<sup>3</sup>**

Because of various acquisitions in 2016, this data cannot be compared to the previous year.

## Sustainable value chain



### Share of raw material extraction from sustainable labels (Bell Switzerland only)

**Poultry own slaughtering;  
incl. PAS programme**  
(particularly animal-friendly stabling systems)

**100%**



**Seafood**

**52.7%**



**Meat from slaughter animals**  
Own slaughtering

**48%**



# Corporate responsibility

## Introduction

It is our corporate responsibility to secure the long-term success of the Bell Group. For us as one of the leading processors of meat, convenience products and fresh salads in Europe, this not only applies to the quality of our products. It is also the foundation for our business success and naturally also a prerequisite for the satisfaction of our customers. To be successful in the long term, we have to gain the acceptance of all social groups who have a stake in Bell. This means that we have to responsibly design the entire value chain, from the processing of the raw materials, the growing of the plants, the conditions in which the animals are kept and our slaughter and production processes to the employment conditions of our staff. It includes the responsible use of resources, efficient and environmentally sensible logistics processes, and the way in which we interact with our environment and everybody who is interested in our work.

By actively accepting our corporate responsibility, we not only ensure acceptance of our activities, but can distinguish ourselves in the market and gain long-term competitive advantages. Minimum standards that apply for all products of the Bell Group are just as important as the creation of added value for the consumer.

Our corporate responsibility is based on our sustainability strategy, which supports all our actions. It covers all the relevant fields of action and topics as well as the organisational framework conditions for implementation and control. Our sustainability strategy uses three pillars to classify our responsibilities: "products and procurement", "environment and resources", and "employees and society".

The Bell Group's new sustainability strategy is currently being revised and will be adopted in 2017.

## Sustainability organisation

The sustainability strategy has been adopted by the board of directors. The group and division management teams are responsible for its implementation. The specialist unit for quality management, sustainability and animal production plays a functional and advisory role. A sustainability officer has been appointed for each division, who is responsible for objective achievement and the implementation of measures. Internally for each division, responsibilities are divided by pillar and subordinate objectives. In the reporting year, a comprehensive, group-wide system of sustainability monitoring was established and projects to improve resource efficiency, sustainable production and employee satisfaction were implemented and promoted.

## Communication

Sustainability as a topic is systematically approached on different levels in line with the three pillars and integrated as a key component into the internal and external corporate communication processes. We also have to establish a regular dialogue with the important stakeholders in all our markets. In the final instance, we want to integrate the value added to our products by our sustainability projects into our brand communication.

## Relevant topics

Animal welfare  
Raw materials and supplies  
Rejection of genetically modified organisms  
Climate relevance of meat/soya consumption  
Feed no food  
Reduced use of medication  
Sustainable fishing methods  
Sustainable aquaculture  
Social procurement criteria



## Hilcona

Our 350 or so contract farmers have their fields in Liechtenstein, Eastern Switzerland and the Swiss Mittelland region.

## Pillar 1: Products and procurement

### Animal welfare

Animal welfare has the highest priority when it comes to our reputation as a manufacturer of meat and meat products. In Switzerland, where we slaughter and butcher our own meat, Bell sells a relatively high proportion of meat certified to be from particularly animal-friendly farms. This is mainly because of widespread acceptance across the entire value chain and the high purchasing power of the people in the country. Consumers outside Switzerland are also becoming more sensitive about the origin of meat: in Austria, a large share of the poultry that is produced is organic and in Germany, Bell markets products that are certified by the German Animal Welfare Association. As a member of the advisory board on labels of the German Animal Welfare Association, Bell Germany is committed to improved animal welfare. A conscious decision was taken to use organic beef for the new beef jerky product group in Germany, France, Benelux and Switzerland.

In the long term, i.e. by 2023, we aim to have a minimum animal welfare standard for all our products. In our Swiss poultry production facilities, we now only use sustainably grown GMO-free soya. The soya fed to the organic chickens comes from Europe, and only soya from the programmes of the Danube Soya Association is fed to the free-range chickens. Danube Soya is top-quality, GMO-free, source-identified soya from Europe and is a sustainable alternative to the conventional soya grown in South America.

The dual purpose poultry project was continued in 2016. With this project, roosters and hens of the same chicken breed are used to produce organic meat as well as organic eggs – the roosters as broilers and the hens as laying hens.

Progress was also made with poultry imports into Switzerland in 2016. The German turkey imported for important customer segments comes from facilities that have been applying the PAS standard since the beginning of the year. Imported poultry products were certified in accordance with the Swiss poultry labelling ordinance for the first time. We also made progress with chicken imports. In Slovenia and Austria, chicken production for key customers was converted to meet the requirements of the Swiss Animal Welfare Act. The next step is to change production to the PAS standard.

### Plants

We use regional and sustainably grown ingredients for our convenience products. We prefer buying the raw materials and ingredients we use at Hilcona in Schaan from regional suppliers. Most of our vegetables and potatoes are grown under contract in accordance with defined sustainability criteria. The minimum standard is certification of the farmers by Suisse Garantie. Most of our contracting partners are certified to SwissGAP. In the long term, we aim to introduce SwissGAP certification as the minimum standard for our contract farmers. We also offer a wide range of organic products. The raw materials and ingredients used for these products are all sourced from controlled organic cultivation and meet at least the guidelines of the EU's organic ordinance.

To enable us to guarantee the quality of our raw materials at all times, we provide our contract farmers with advice and support. For example, we provide the farmers with special machines for the planting of potatoes, baby carrots and spinach. We also determine the best time to harvest every field and use the shortest routes to transport the raw materials to our facility to guarantee the best possible alignment with our production processes.

### Seafood

We continue to promote sustainable fishing. Ninety-eight percent of Bell Seafood's products meet the WWF criteria for sustainable fishing. The share of sustainable labels (ASC, MSC, Bio-Suisse-Knospe) increased from 50 to 53 percent in the reporting year. The objective for this year is to further increase the share of these labels. All products are evaluated in cooperation with WWF Switzerland before they are introduced.

### Slaughtering

Animal-friendly stunning and slaughtering processes are tremendously important to Bell as a leading manufacturer of meat and meat products. To guarantee the welfare of the animals, we strive to apply the highest standards that are practical. All slaughtering facilities of Bell Switzerland are audited by Swiss Animal Protection (STS) every year. We then prepare measures based on the audit results to improve the protection of the animals and implement the steps that are needed.



### Animal health

Bell is actively engaged in several projects to reduce the use of antibiotics.

### Animal health

Quite rightly, the rise in antibiotic resistance as a result of the indiscriminate use of antibiotics in human medicine and livestock farming is a topic of heated debate in many places. At this time, many countries have forbidden the use of antibiotics as a growth promoter in livestock farming. Under Swiss legislation, for example, antibiotics may only be used to treat sick animals. Bell supports the principle of the sensible use of antibiotics to promote animal welfare. In this regard, we promote the voluntary Plus-Health programmes used in pig farming and fattening by SuisSano and Qualiporc and support the ColorisPotop project to reduce the use of antibiotics in the fattening of calves, among others.

### Raw materials and supplies

In future, minimum standards will be defined for all critical raw materials. These include raw materials such as eggs, palm oil, soya used for processing and vegetables. With these standards, we can ensure compliance with social and environmental criteria. Progress has already been made in finding substitutes for palm oil. We have also made progress in procuring eggs from animal-friendly farming establishments.

We want to track our use of packaging materials as a resource. Projects in this regard should ensure that the packaging materials used group-wide are reduced or replaced by environmentally-friendly alternatives by 2023. With these measures, Bell will save resources as well as energy in its manufacturing, transport and disposal processes, and reduce the overall volume of waste.

## Pillar 2: Environment and resources

### Relevant topics

Energy consumption  
Water consumption  
Fuel consumption  
CO<sub>2</sub> reduction  
Waste/recycling  
Packaging

### Resources/energy

The sustainable and optimised use of resources is a relevant element of the efforts to improve Bell's environmental record. Measures have been defined to combat waste. The use of resources should be avoided or reduced whenever possible, and the resources that have been used should be recycled or replaced.

Bell has concluded an objective agreement for the period from 2012 to 2020 with the Federal Office for the Environment to reduce greenhouse gas emissions and energy consumption. We also want to increase the share of renewable energies. Pinch analyses are carried out at various locations in Switzerland to analyse and optimise the savings and efficiency potential of heat consumers and processes. As a result, we now use process heat in areas where it makes sense to do so, which helps us to reduce our energy consumption.

Similar measures are being implemented internationally. Regular energy check-ups are carried out across the group, processes are analysed and measures to reduce CO<sub>2</sub> emissions and energy consumption and improve energy efficiency are formulated. Bell Germany introduced the ISO 50001-certified energy management system in 2016. Energy check-ups have also been carried out in Poland since 2016.

In a project run in cooperation with the Commission for Technology and Innovation (CTI), Bell wants to reduce the annual consumption of electricity and heat by its poultry producers. The project objective is for each poultry facility to produce the energy it uses itself. More than one-third of the poultry fattening plants have been re-equipped in the past few years. The next step is to investigate intelligent control.

Proper refrigeration and heat recovery are very important for resource efficiency in our production plants. The old two-tier cooling system at our poultry factory in Zell was replaced by a modern meat ageing refrigeration system in the new building. The new plant was commissioned in May 2016. Rational refrigeration and cutting processes speed up the flow of goods by up to two days so that customers benefit from fresher goods.

### Waste/recycling

In Switzerland, around 450,000 tonnes of packaging material end up as waste every year. Bell is committed to reducing this volume. We want to reach this objective with various measures to promote recycling and reduce consumption. Thanks to a standard monitoring concept, we can identify and continuously reduce large volumes of waste. In order to reduce the waste caused by the backing paper for labels, we recycle this paper as material waste. We tested this measure as part of a pilot project in 2015. This practice was expanded to include all Swiss facilities in the reporting year. It has also been in use in Germany since 2013. As a result, we saved around 480 tonnes of CO<sub>2</sub> in 2016.



### Eisberg/Gastro Star

Eisberg/Gastro Star has its own sewage plant for recycling its production waste water.

### Poultry resource project

Photovoltaic plants have already been installed at more than 25 chicken farms.



#### **Hilcona**

Production at the Schaan facility will be CO<sub>2</sub>-neutral from 2017.

#### **Eisberg/Gastro Star**

Eisberg/Gastro Star runs its own biogas reactor to generate electricity from its production waste.

#### **Relevant topics**

Reliable employer  
Attractive employer  
Promoter and enabler  
Social engagement

#### **Transport**

Since 2013, goods have been transported from the Swiss locations Basel, Oensingen and Cheseaux to Ticino by combined transport, so that transport has shifted from the road to the railways. Bell Germany also implemented a similar project this year for transport between Italy and Germany. Both projects are showing remarkable results. Bell Germany could save 70 percent in CO<sub>2</sub> and also reduce its costs. In Switzerland, 85 percent or 156 tonnes of CO<sub>2</sub> was saved.

### **Pillar 3: Employees and society**

As sustainability begins with the recognition and development of employees, an employee survey to evaluate the needs of employees was carried out in 2015. The results were encouraging for criteria such as team cohesion and work content, but other topics can do with some improvement. Based on the result, measures were formulated in different workshops held in 2016 to further improve employee satisfaction in the whole Bell Group.

#### **Occupational safety**

Bell Switzerland was awarded the Friendly Work Space label in October 2016. This award is granted by Health Promotion Switzerland to employers who show particular commitment to the promotion of the health and well-being of their employees.

Further programmes promoting health and safety at work were implemented in the reporting year. These include ergonomic workplace analyses and information on health-relevant topics such as allergies and flu viruses. Guidelines for a group-wide safety concept were drawn up to serve as the basis for implementing comparable safety standards in all countries. Implementation started in Switzerland in the reporting year. Other countries will follow one by one.

Following the successful introduction of TOP Bell Productive Management (TOP BPM) at the charcuterie plant in Basel in 2015, Bell Switzerland expanded TOP BPM to other locations in Switzerland in the reporting year, including the plants in Zell, Gossau, Churwalden and Fresh Meat Basel. A TOP BPM pilot project for office workers has also been initiated. The expansion of TOP BPM to all Swiss locations and a pilot project at Bell Germany are planned for 2017. TOP BPM aims to improve efficiency and productivity at the workplace by involving all employees.

#### **Talent management, training and further education**

Bell's employees have a wealth of sector-specific know-how. In order to retain and expand this know-how, Bell systematically promotes its employees. As part of the career promotion programme, every vacancy is reviewed to see if it can be filled with an internal candidate. In 2016, the first measures to improve our employer marketing outside Switzerland were implemented.

The Bell Group offers training in 15 skilled trades at different locations in Switzerland, Germany and Liechtenstein. In 2016, 87 apprentices were trained. Exchanges among the apprentices at the different locations of the group were furthered by mutual visits and work placements. The internal training programme was expanded in the reporting year.

### Breakdown by activity

Production/ near-production functions	78 %
Sales/marketing *	10 %
Administration	12 %

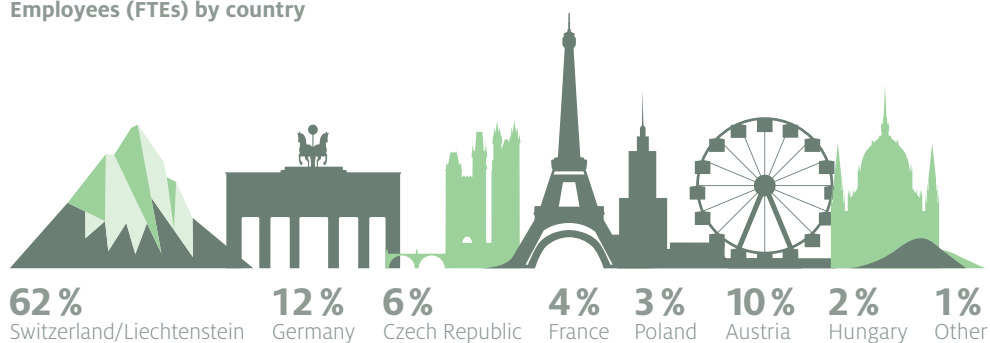
\* without sales employees at Novak branches

### Bell Group employees

	2016	2015
<b>Number of employees</b>		
Average number of employees expressed as full-time equivalents *	10 433	8 364
Number of employees as of 31 December in persons	9 781	8 148
<b>Number of employees per division as of 31.12.</b>		
Switzerland	3 603	3 419
Germany	1 196	1 191
International	2 551	1 607
Hilcona	2 431	1 931
Proportion of full-time employees	81 %	82 %
Proportion of part-time employees	19 %	18 %
Proportion of men	59 %	60 %
Proportion of women	41 %	40 %
Proportion of women in management	22 %	22 %
Number of nationalities	70	69
<b>Age structure</b>		
up to 29 years	20 %	20 %
30 – 49 years	55 %	55 %
aged 50 and over	25 %	25 %
<b>Education and training</b>		
Trainees	95	102
Number of training days	11 177	11 917

\* includes persons employed in a temporary capacity by third-party companies

### Employees (FTEs) by country



### Social engagement

A number of studies have shown that, in affluent countries, around one-third of food ends up in waste bins in private households. Consumers also often buy mostly prime cuts or minute steaks, chicken breasts or ham, while meat with longer cooking times, chicken thighs and wings or sausages are less popular. A programme to educate consumers about using and preparing all parts of the animal is currently being developed. This should enhance the pleasure of eating meat and reduce the waste of meat and meat products. The programme to educate consumers will be implemented in the first half of 2017.

# Contacts and publishing details



Online

[www.bellfoodgroup.com/report-en](http://www.bellfoodgroup.com/report-en)

## Latest news

Additional information on the annual report and up-to-date information on the Bell Group is available on the internet at [www.bellfoodgroup.com](http://www.bellfoodgroup.com).

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[www.abraham.de](http://www.abraham.de)  
[www.mossieurpolette.fr](http://www.mossieurpolette.fr)  
[www.eisberg.com](http://www.eisberg.com)  
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## Publishing details

### General information

The language in this report is as far as possible gender neutral, but in the interest of readability only the masculine form may have been used. All terms used refer to people of both genders.

All amounts have been rounded individually.

### Print deadline

26.01.2017

### Forward-looking statements

The annual report includes certain forward-looking statements. These statements are based on assumptions and estimates as well as information available to Bell at the editorial deadline, which means that actual results and events could deviate substantially from the expectations included or implied in the forward-looking statements.

Our annual report is published in German, together with French and English translations. The printed German version shall prevail at all times. Additional printed copies of the annual report are available at our head office or can be ordered via the internet.

It can be downloaded from our website at:

– German version:  
[www.bellfoodgroup.com/report-de](http://www.bellfoodgroup.com/report-de)

– French version:  
[www.bellfoodgroup.com/report-fr](http://www.bellfoodgroup.com/report-fr)

– English version:  
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