

# Information on the Invitation to the Annual General Meeting of May 15th, 2024

Dear Shareholders

Operational recovery

As detailed in our Annual Report, we took further pleasing steps on our path to operational recovery in 2023.

Despite difficult conditions on the milk market, we have proven that our strategic direction is right and that we have a profitable and cash-positive business model with considerable development potential. The operational business is running and its financing is secured for the foreseeable future.

Financial legacy

At the same time, we are confronted with increasing financial burdens that are difficult to repay, despite a competitive business model. As announced on 5 March 2024 and with the publication of our annual results on 21 March 2024, we have therefore expanded our approach to potential investors and focused on a possible sale or partial sale. Talks are at an early stage. However, we have quickly established that there is no prospect of finding investors or buyers for the entire Group including the holding company HOCHDORF Holding Ltd, which has high levels of debt. Consequently, the company is now focussing on the potential sale of the subsidiary HOCHDORF Swiss Nutrition Ltd (HSN), which runs the operational business, as the most viable solution.

Information for the AGM

We believe it is important for us to explain to you transparently in this letter of information - and in a separate agenda item at the upcoming Annual General Meeting - what such a sale could mean for you as shareholders. We would also like to clarify the complex financing structures from the past that have led to the current debt and the challenges associated with resolving them.

Our aim: continuation of HSN's operating business

HOCHDORF Holding Ltd currently holds 100% of the shares in HSN, the main operating company of the HOCHDORF Group (see section 1.1.3. of the 2023 Annual Report). The sale of the subsidiary HSN to one or more suitable investors would ensure that HSN's value-generating operating business can continue for the benefit of employees, customers, partners and suppliers - including milk producers in particular. The proceeds from the sale of HSN would benefit HOCHDORF Holding (see also below, "Focus of sales talks").

Background: hybrid bond

By separating the operating business from the group, HSN as subsidiary would be relieved of the debt burden that is a huge strain on the holding company. This is due to the hybrid bond (perpetual bond) issued in 2017 totalling CHF 125 million plus cumulative interest of CHF 13.9 million. The shareholders of the holding company were informed by the Board of Directors at the Annual General Meeting on 4 May 2018 about the issue of this hybrid bond to finance various additional costs. Additional details can be found in the 2017 Annual Report (page 74, in particular).

In order to understand the situation, it is essential that you, as our valued shareholders, are able to appreciate the consequences that this measure has had to date: on the one hand, the hybrid bond represents a large debt burden for the holding company and therefore for the entire Group; on the other hand, the special construction of the hybrid bond has had a negative financial impact on shareholders. The terms of the hybrid bond stipulate that no dividends may be paid out to shareholders as long as interest payments on the bond remain suspended. The Board of Directors believes that it is unrealistic to expect the bond to be repaid in full in the foreseeable future, and the constantly accumulating interest obligations could ultimately lead to the holding company becoming overindebted.

Against this background, a reorganisation in the form of raising additional equity to repay the bond in full or in part or a sale of the entire Group has proven to be unrealistic.

## Focus of sales talks

In the upcoming sales talks, the Board of Directors will therefore be focussing on the sale of the subsidiary HSN. The decision on a possible sale would have to be taken by you, the valued shareholders of the holding company as the owner of HSN, at an Extraordinary General Meeting to be convened separately. Any proceeds from the sale of HSN would go to the holding company and would first have to be used to address the debt problems resulting from the hybrid bond. The amount of possible proceeds from the sale will depend in particular on the valuation of HSN by the potential investors and the contract negotiations. It is not currently possible to make a definite statement about the future of the holding company after a possible sale of HSN; various scenarios ranging from continued existence to dissolution are possible and are being examined.

## Creating clarity quickly

Unfortunately, this is not promising news for you as shareholders of HOCHDORF Holding Ltd; particularly in the event of a dissolution, a considerable or total loss of the investment would have to be expected. Despite all the efforts of the current Board of Directors and management and extensive examination of all options, we are convinced that no better solution is realistic under the current circumstances, other than the sale of the subsidiary HSN.

In recent years, the current Board of Directors and management have focussed on the operational recovery of HSN. It is now competitive and generated a positive cash flow in 2023 for the first time in seven years. The company's financial stability also has a wider impact due to the important role it plays within the Swiss dairy market. If we succeed in finding a suitable new owner for HSN, then the business and the jobs associated with it have the chance of a successful future.

As you are aware as our valued shareholders, the current Board of Directors elected in 2020 found the HOCHDORF Group facing existential challenges in many respects. Since then, we have pursued a policy of transparent communication that is comprehensive and fact-based, and we will do everything in our power to provide clarity quickly. We will keep you informed as far as possible as the process continues and hope to welcome as many of you as possible to the Annual General Meeting to answer your questions.



Ralph Siegl (CEO and Delegate of the Board of Directors – left) and Jürg Oleas (Chairman of the Board of Directors)

A handwritten signature in black ink, appearing to read 'J. Oleas'.

Jürg Oleas  
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'R. Siegl'.

Ralph P. Siegl  
CEO and Delegate of the Board of Directors