

## HOCHDORF Group press release: Half-year results 2010

### Improved profitability with lower turnover

*Hochdorf, 2 September 2010* – Restructuring measures implemented by the HOCHDORF Group last year are making an impact. In the first half of the year, profitability figures showed a significant upturn. EBITDA (+64%), EBIT (+283%), the consolidated profit showed as much as a six-fold increase to CHF 2.76 million and the cash flow (earned capital) went up by CHF 9.3 million (+15%). The milk market remains unusually volatile, making a forecast for the 2010 business year difficult.

The HOCHDORF Group processed 192.4 million kg of milk (+2.2%) in the first six months of the year. The plant utilisation was therefore excellent. Despite this high milk revenue, the overall production amount fell from 45,233 t to 41,011 t (-9%) on account of the divestments undertaken. The volume of sold quantities was reduced by as much as 15% from 48,378 to 41,108 t. This above-average fall is to be seen in the context of the divested areas, a low warehouse stocking (in contrast to the warehouse clearance in the previous year period) and larger commission orders.

#### Higher profitability

The consolidated profit went up from CHF 0.4 million to CHF 2.8 million (+605%). The EBITDA also went up from CHF 6.5 million to CHF 10.6 million (+64%) and the EBIT rose from CHF 1.3 million to CHF 5.0 million (+283%). “The large cost savings and efficiency measures we implemented were crucial in achieving this increase in revenue,” says Hans-Rudolf Schurter, Chairman of the Board of Directors at the HOCHDORF Group. The falling euro and the massive price pressure due to the all but completely lost “Schoggi” law contributions (made by the Swiss Federal government to offset the high price of raw materials in Switzerland) had a huge impact on margins. The group achieved a cash flow (earned capital) figure of CHF 9.3 million; 5.9% of the net sales revenue (CHF 8.1 million; +15.4% compared to previous year).

Gross sales revenues on the other hand fell from CHF 192.7 million to CHF 160.6 million (-16.6%). The main reasons for the lower turnover were a decrease in sales volumes and the fall in the value of the euro.

#### Milk market

“We make long-life milk, which means we can export the milk-quantities that cannot be sold in Switzerland,” explains Damian Henzi, CEO of the HOCHDORF group. “Therewith HOCHDORF enables to split prices (contractually-ordered milk, milk sold on stock markets) and gain greater added value for the milk producers. From our point of view, there is not too much milk on the Swiss market,” explains Henzi. Henzi stressed that milk is the only product that allows Swiss farmers the opportunity to produce for more than just the Swiss population,

on account of the good natural conditions. He highlighted high-quality milk products such as infant formula, chocolate and cheese which are much sought after products abroad. On the whole, Swiss milk prices have moved somewhat closer to EU milk prices in the past six months. However, the low value of the euro has largely offset this convergence.

**Overall forecast for the year**

“The high milk receipts in the first six months of the year were very encouraging,” Damian Henzi explains. However, seasonal variations meant that milk quantities took a sharp downturn in June, July and August. Henzi added that the market remains unusually volatile, which makes it difficult to forecast the results for 2010. Nonetheless, the order books for the second half of the year are looking very healthy and are even completely full in some product areas.

The letter to the shareholders about the half yearly results is being sent out in today's post.

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