

HOCHDORF Group press release for the 2009 annual statement of accounts

## Operationally stronger into the future after a year of change

*Hochdorf, 7 April 2010* – 2009 was a challenging and turbulent business year for the HOCHDORF Group. In particular, the restructuring programmes we implemented, the economic crisis and the strong Swiss franc led to a negative financial result of CHF 4.9 million. This was in spite of a gross turnover of CHF 360.8 million and a processed milk quantity of 320.4 million kg. The sales volume was increased to 82,589 tonnes (+5.9%) and productivity was significantly improved. As well as publicising its key figures for the 2009 business year, the group is also announcing a 30 per cent holding in a milk processing plant in Lithuania. The medium term plan is to take over the plant completely.

The HOCHDORF Group achieved the second highest results in its history, with a gross turnover of CHF 360.8 million (previous year CHF 392.5; -8.1%) and a processed milk quantity of 320.4 million kg (previous year 359.4 million kg, -10.8%). The divestments and restructuring we implemented led to an improvement in the gross profit margin from 22.3% to 25.1%. We were able to increase the EBITDA (CHF 13.9 million; previous year CHF 13.7 million) and the operational cash flow (CHF 51.0 million; previous year CHF -22.5 million) in both absolute and relative terms. The EBITDA amounts to 4.2% (previous year 3.4%) in relation to the production revenue and the operational cash flow (from operational activities) is at 14.5% of the net sales revenue (previous year -5.9%).

### Unsatisfactory overall result

The progress made at an operational level is overshadowed by the company's loss of CHF 4.9 million (previous year net profit of CHF 1.6 million). This unsatisfactory result is mainly attributable to the sale of less profitable business areas. These divestments led to exceptional costs amounting to CHF 5.5 million. In particular, the problems of matching milk procurement (price and quantity) and (international) product sales at the right time, in a very volatile milk market, the economic crisis and the strong Swiss franc all prevented better revenue results.

### Improved productivity

By focusing on key processes (drying, mixing, wheat germ refinement), the HOCHDORF Group has reacted to the process of globalisation and the opening of the markets in the foodstuffs industry to improve its opportunities for success in the future. "We have taken an important step in the right direction by selling off the three areas 'liquid foods' (baby foods in jars), 'sugar coating' and 'top cup', the liquid product area Tonika and by outsourcing the Héliomalt production," says a confident Damian Henzi, CEO of the HOCHDORF Group. Although the restructuring process will take full effect in the current business year, productivity was once more greatly improved: the processed milk quantity per full-time employee (329 as of 31.12), for instance, increased from 894 tonnes to 974 tonnes (+8.9%). Produced tonnage of finished products increased from 195 tonnes to 232 tonnes (+19.0%), and the average gross turnover went up from CHF 0.98 million to approximately CHF 1.1 million (+12.3%).

### Quantum leap in production

The substantial investment at the Sulgen plant points the way to the future for the foodstuffs group. The construction of the spray tower line 8 means that from this spring the HOCHDORF Group has one of the world's most modern spray towers for infant formula and milk powder. The spray tower line has an output of over three tonnes of dry mass per hour. The output of the connected can-filling line is matched accordingly. This investment (of approximately CHF 60 million in total) is an important step for the HOCHDORF Group towards reaching EU cost levels.

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The HOCHDORF Group, based in Hochdorf, achieved a consolidated gross turnover of CHF 360.8 million in 2009. It is one of the leading foodstuff companies in Switzerland, employing 329 full-time staff as of 31.12.2009. Made from natural ingredients such as milk and wheat germ, HOCHDORF products have been contributing to our health and wellbeing since 1895 – from babies to senior citizens. Our customers include the food industry, the retail industry, bakeries and the catering trade. Our products are sold in over 80 countries. The HOCHDORF Group is listed on the Bern stock exchange.

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### **Moving abroad**

The HOCHDORF Group is actively preparing for the open markets and is aiming for continued growth. HOCHDORF Swiss Milk AG has committed itself to the EU area with an eye on the agricultural free trade agreement and the general opening of borders. It has taken over a 30 per cent holding (backdated to 1.1.2010) in the UAB MGL Baltija milk plant in Lithuania from its long-time business partner, the Lauingen dairy company. The joint contract envisages a complete takeover by HOCHDORF Swiss Milk AG in the medium term.

“The plant is situated in the north east of Lithuania, in Medeikiei near Birzai, and processes approximately 70 million kg of milk annually, turning it into milk proteins and other milk ingredients for the foodstuffs industry,” explains Werner Schweizer, Managing Director of the HOCHDORF Swiss Milk AG. Schweizer goes on to explain that Lithuania has taken giant strides in recent years and that the Baltic states have huge agricultural reserves at their disposal. The contract partners have agreed not to disclose the acquisition price.

### **Forecast for 2010 – increased profitability**

Damian Henzi has a clear goal for 2010: “Increased profitability is the group’s central objective for the current business year.” He is convinced that this target is achievable on account of the conditions created in the previous year and in the continued efforts towards improving processes. A new planning tool and the continuation of the improvement processes “Opti” and “Opti<sup>plus</sup>” are crucial in this strategy. The main cause of uncertainty is the economic crisis, with a further fall in consumer confidence and possible U-turns in milk policy away from the current path of market-driven agricultural policy. “We also need to do better in the difficult task of synchronising milk procurement and product sales. We’ll manage it by learning from our past experience,” says Damian Henzi.

Despite the negative financial results in 2009, HOCHDORF is requesting an unchanged dividend of CHF 3.0 per share at the AGM on 7 May 2010. Chairman of the Board of Directors, Hans-Rudolf Schurter, says that this is perfectly justifiable in the light of operational improvements and the bright prospects for the future.

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