

Media release from the HOCHDORF Group for the 2008 annual financial statement

## HOCHDORF Group shows solid growth

*Hochdorf, 2 April 2009* – The HOCHDORF foodstuffs group has experienced very different economic growth over the two halves of the past business year. The group raised its record turnover in 2007 again by 19.7% to CHF 392.5 million. The quantity of milk processed even showed an increase of 21.8% to 359.4 million kg. However, company results were greatly affected by exceptional external cost factors running to around CHF 8 million that were outside the company's control. Profits of CHF 1.6 million make up only 0.4% of the production revenue (2.7% previous year).

The HOCHDORF group's turnover and quantity figures for the business year 2008 are impressive: the gross sales revenue increased by 19.7% to CHF 392.5 million; the processed amount of milk went up by 21.8% to 359.4 million kg and the volume produced went up as much by 28% to 78.5 million kg. All business areas contributed towards growth. The sales volume in baby foods, for instance, increased by 22%. Productivity per full-time position went up by 20.0% for milk processing and as much as by 25% for produced tonnage of finished products since the quantity results were achieved with practically the same staffing levels. The HOCHDORF group has therefore made a significant improvement in its operational excellence.

### Profit down

Unfortunately, the company results cannot match this performance in terms of profit figures. Profits of CHF 1.6 million stand at just 0.4% of the production revenue (2.7% previous year). In the first half of the year, all the essential financial indicators showed a significant increase on the previous year. Due to various external cost factors beyond the company's control amounting to around CHF 8 million, profits were greatly reduced in the second half. The exceptional factors at play included an extortionate increase in the price of milk that bore no relation to its market value, significantly higher energy costs, currency value losses, increased consultancy costs and value adjustments for export warehouse inventory. These adjustments had to be made because of the dramatic collapse in the price of milk powder on the international market (price/kg 8.2007: 3.90€; 1.2009: €1.27, -67%) and because of currency fluctuations.

### Share capital increased

The company's own capital resources of CHF 138.6 million provide security and confidence for the future, equivalent to a solid equity ratio of 54.6% (56.3% quarter). And this is at a time when the HOCHDORF group is in the middle of an investment phase. The high value is largely due to the share capital increase undertaken in June 2008. This showed that our shareholders have great faith in us. 99.2% of buying options were taken up. The share price held up fairly well even though 2008 was a tough year for the market (share value on 31.12.08: 132.0 CHF, -32.3% without dilution by the capital increase). The book value per share stands at CHF 154 as of the end of 2008.

In addition to the share capital increase, the group was also able to secure a syndicated loan of over CHF 100 million with a cantonal bank consortium. The HOCHDORF group therefore has a solid liquidity base at its disposal.

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The HOCHDORF group, based in Hochdorf, achieved a consolidated gross turnover of CHF 392.5 million in 2008 (+19.7% compared to the previous year). It is one of the leading foodstuff companies in Switzerland, employing 402 full-time staff, as at 31 December, 2008. 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 60 countries. The HOCHDORF group's shares are traded on the Bern stock exchange and are distributed among over 1,100 shareholders.

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### **Investing in the future**

The HOCHDORF group has realistic expectations of various free trade agreements in the agricultural industry and is active in preparing for their conclusion. The free trade agreement with the EU in particular, with its 500 million consumers, provides the HOCHDORF group and Swiss farmers with a genuine opportunity and a degree of security in planning. «As the improved operational excellence shows, our investments are already taking effect. We are on the right track», says a confident Damian Henzi, CEO of the HOCHDORF group. The aim of setting up «EU-compatible» cost structures is close at hand. Further investment will be planned and carried out in the coming years. «Nonetheless, the HOCHDORF group has to increase its focus on key areas of competence», explains Damian Henzi. The shedding of some non-strategic business areas that was announced in February should be seen in this context.

### **Outlook for 2009 – cautiously optimistic**

The HOCHDORF group is expecting further growth in 2009. The revenue situation should also be improved by the implementation of various cost efficiency projects. Still, the HOCHDORF group is not underestimating the effects of the current economic crisis. «We regard the possibility of further possible currency fluctuations affecting the Swiss franc as a great threat, since this would torpedo our export efforts», Damian Henzi continues. Additional threats that are currently difficult to assess include rising inflation and the danger that consumer reticence might spread to the foodstuffs industry. On account of all of these possible developments, the HOCHDORF group's overall outlook for the 2009 business year is one of cautious optimism.

Given the result achieved and the assessment for the current business year, HOCHDORF is applying for a dividend of CHF 3.0 (4.8 quarter) per share at its General Meeting on 15 May.

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