

2019 Business Year Annual Results Presentation

HOCHDORF Holding Ltd

Hochdorf, 19 March 2020

Agenda

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|---|---------------------|
| 1. Introduction, Chairman of the Board | Bernhard Merki |
| 2. Important events in 2019 | Bernhard Merki |
| 3. 2019 annual results | Jürgen Brandt |
| 4. Update and outlook | Peter Pfeilschifter |
| 5. Annual General Meeting 2020 | Bernhard Merki |
| 6. 2020 calendar | Peter Pfeilschifter |

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A crucial year for the HOCHDORF Group

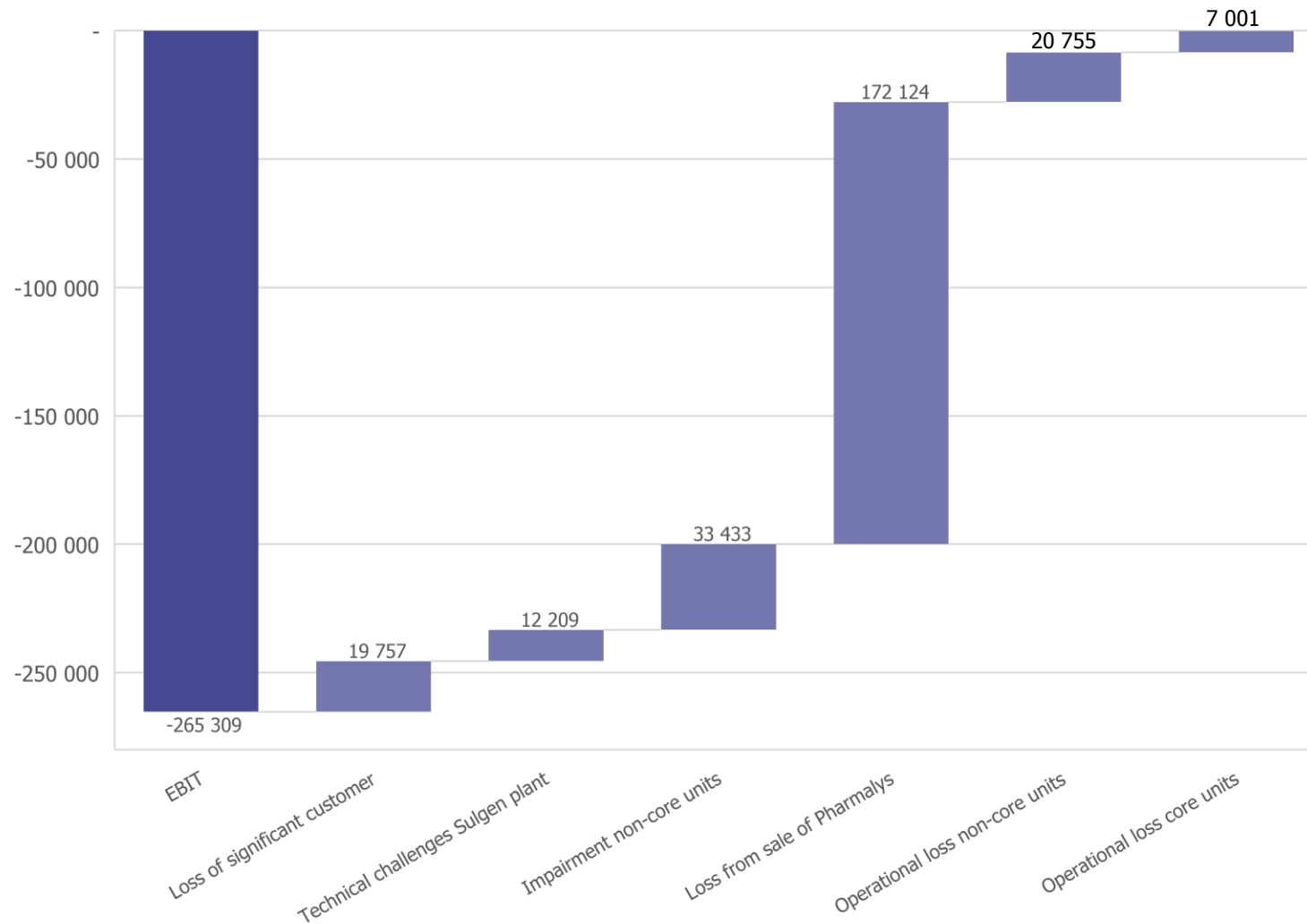
In summary: HOCHDORF is now stable and ready for prudent future planning

- Majority new composition of the Board of Directors in April 2019
- Immediate switch to crisis mode; first profit warning in May 2019
- Resolution on strategic realignment at the beginning of July 2019
- Extension of the syndicated loan agreement in October 2019
secures operations
- Sale of the Pharmalys shareholdings in December 2019 relieves
pressure on the Group
- Disposals/closures of loss-making shareholdings (almost completed)
- Extensive shifts in the shareholder base

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Performance 2019 – EBIT adjusted for extraordinary factors and non-core business



Important factors impacting annual results

2019: A year of transformation

- Sale of the Pharmalys companies to streamline the corporate structure and reduce the liquidity risk
- High value adjustments in the areas of assets, receivables, shareholdings and inventories
- Value adjustment for inventories resulting from the technical problems for the start-up of spray tower line 9
- Sale of HOCHDORF South Africa Ltd
- Further company sales proceeding:
 - Sale of Uckermärker Milch GmbH on 28.2.2020
 - Sale of the wheat germ business imminent
 - On-going negotiations on the sale of Zifru and Snapz

Key figures HOCHDORF-Group

**Fall in liquid quantity processed by HOCHDORF Swiss Nutrition Ltd;
increase at Uckermärker Milch GmbH**

	2019	2018	in %
Volume of liquid processed of which Uckermärker Milch	677,845 t 286,436 t	661,017 t 234,324 t	+2.5%
Quantities produced of which Uckermärker Milch	163,396 t 97,903 t	141,380 t 62,124 t	+15.6%

Income statement – key figures

Burden on net income due to the sale of the Pharmalys companies; various value adjustments and provisions in the Baby Care division

in TCHF	2019	2018	2017
Net sales revenue	456,797	561,030	600,527
Earnings before interest, tax, depreciation and amortisation (EBITDA) As % of production revenue	-74,709 -17.0%	35,886 6.3%	55,719 9.2%
Earnings before interest and tax (EBIT) As % of production revenue	-265,309 -60.3%	18,649 3.3%	42,616 7.1%
Net profit As % of production revenue	-271,393 -61.7%	8,656 1.5%	40,846 6.8%

Balance sheet

Stronger equity ratio through adjustment of the shareholding structure

ASSETS

in TCHF	31.12.2019		31.12.2018	
Current assets	182,695	40.1%	253,517	44.1%
Fixed assets	272,876	59.9%	321,713	55.9%
Total assets	455,572	100.0%	575,230	100.0%

LIABILITIES

	31.12.2019		31.12.2018	
Current liabilities	68,454	15.0%	111,248	19.3%
Non-current liabilities	138,165	30.4%	183,135	31.8%
Total liabilities	206,619	45.4%	294,383	51.1%
Shareholders' equity	248,953	54.6%	280,847	48.8%
Total liabilities and shareholders' equity	455,572	100.0%	575,230	100.0%

Cash flow statement

Free cash flow positive due to net cash flow from the sale of the Pharmalys companies

in TCHF	31.12.2019		31.12.2018	
Cash flow before changes in net working capital, interest and taxes	-34,821	-7.6%*	30,425	5.4%*
Change in net current assets	19,391		-111,704	
Cash flow from operating activities	-15,430	-3.4%*	-81,279	-14.5%*
Cash flow from investment activities	31,967		-67,251	
Free cash flow	16,537	3.6%*	-148,530	-26.4%*
Cash flow from financing activities	-26,818		115,761	
Currency differences	-71		-307	
Net change in cash and cash equivalents	-10,352		-33,076	
Cash and cash equivalents at 1.1.	30,784		63,860	
Cash and cash equivalents 31.12.	20,432		30,784	

* As % of net sales

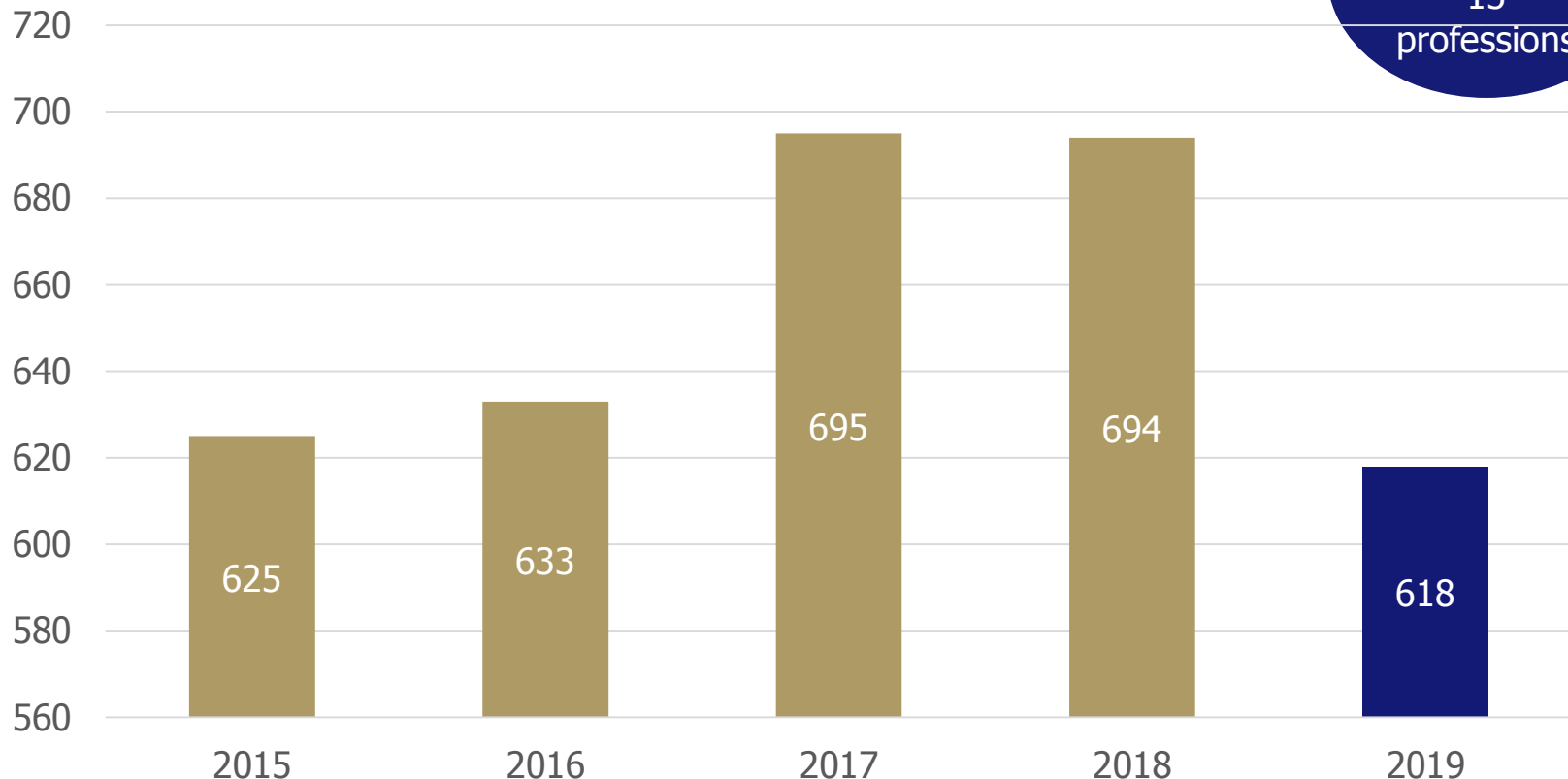
Number of Group employees as at 31.12.

The number of employees has decreased by 76:

Through sales: 41

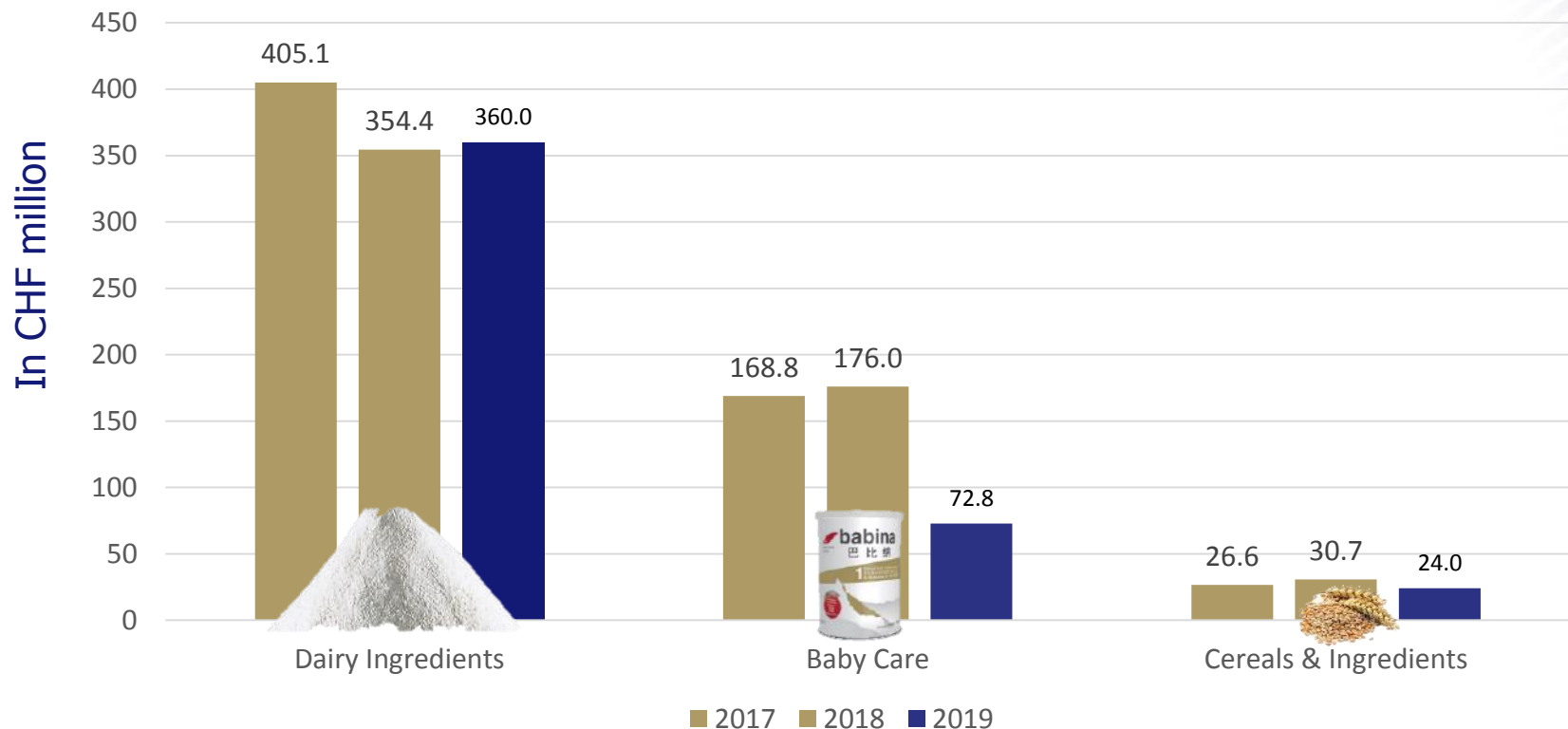
Through restructuring: 35

Currently 39
apprentices in
15
professions



Net sales by division

Slight increase in sales in the Dairy Ingredients division due to additional sales at Uckermärker Milch GmbH
Reduced sales in Baby Care division



Dairy Ingredients

Continuing challenging market conditions – significant growth in processed raw material volumes for Uckermärker Milch

	2019	2018	2017	2016
Net sales revenue (in TCHF)	360,007	354,419	405,131	393,099
Revenue generated abroad	52.4%	51.5%	55.4%	55.1%
Sold quantities (tonnes)	142,625	128,042	165,846	212,421



Baby Care

Reduced volume due to impairments and significant revenue declines at some major customers

	2019	2018	2017	2016
Net sales revenue (in TCHF)	72,836	175,960	168,751	123,029
Revenue generated abroad	81.9%	92.4%	95.8%	95.5%
Sold quantities (tonnes)	13,170	17,929	16,751	17,159



Cereals & Ingredients

Reduced volume due to the decision to discontinue the division (including portfolio adjustments)

	2019	2018	2017	2016
Net sales revenue (in TCHF)	23,953	30,652	26,645	25,478
Revenue generated abroad	51.9%	63.2%	53.1%	49.0%
Sold quantities (tonnes)	6,297	8,638	7,902	7,474



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New Company Structure

Focus on the DI & BC strategic business divisions

HOCHDORF Holding Ltd



Dairy Ingredients

- HOCHDORF Swiss Nutrition Ltd (100%)
- Thur Milch Ring AG (56.47%)



Baby Care

- HOCHDORF Swiss Nutrition Ltd (100%)
- Bimbosan AG (100%)

Additional planned streamlining ("non-core"):

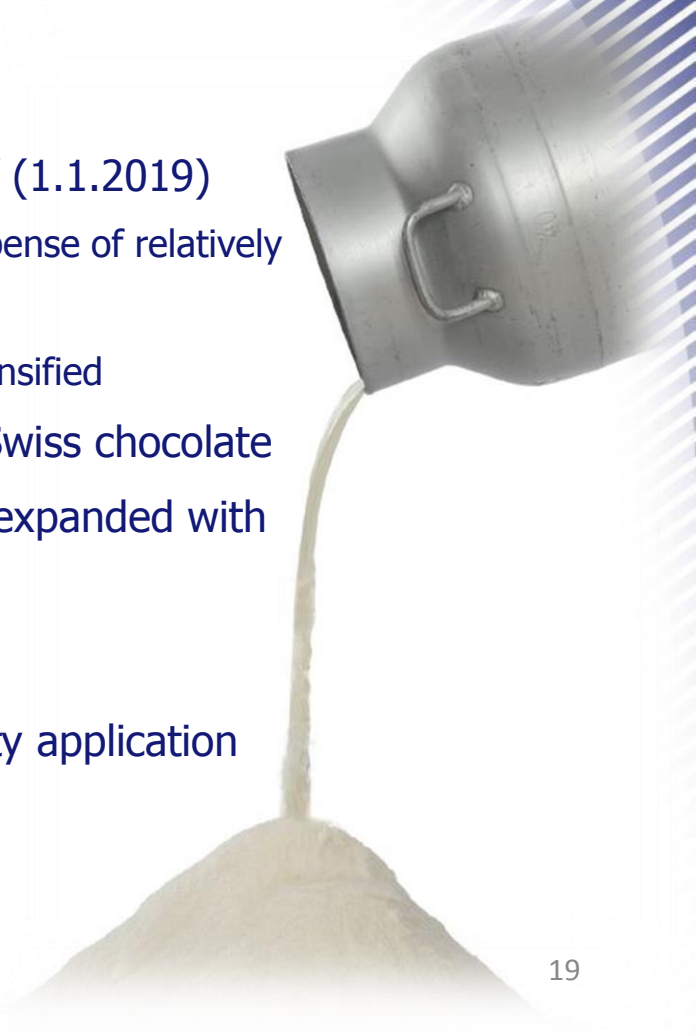
- Ostmilch Handels GmbH (26%)
- HOCHDORF Americas Ltd (60%)
- Marbacher Ölmühle GmbH (100%)
- Zifru Trockenprodukte GmbH (100%)
- Snapz Foods AG (65%)

Challenge of follow-up solution to "Schoggi Law"

The follow-up solution to the "Schoggi Law" had a negative impact on our competitiveness

1. Impact of the follow-up solution to "Schoggi Law" (1.1.2019)
 - financial effects largely compensated, but at the expense of relatively low milk prices
 - (price) competition on the domestic market has intensified
2. Leading market position for R-WMP* among the Swiss chocolate manufacturers successfully defended and further expanded with some premium manufacturers
3. Product portfolio further streamlined
4. High value-added product innovations for speciality application now ready to market

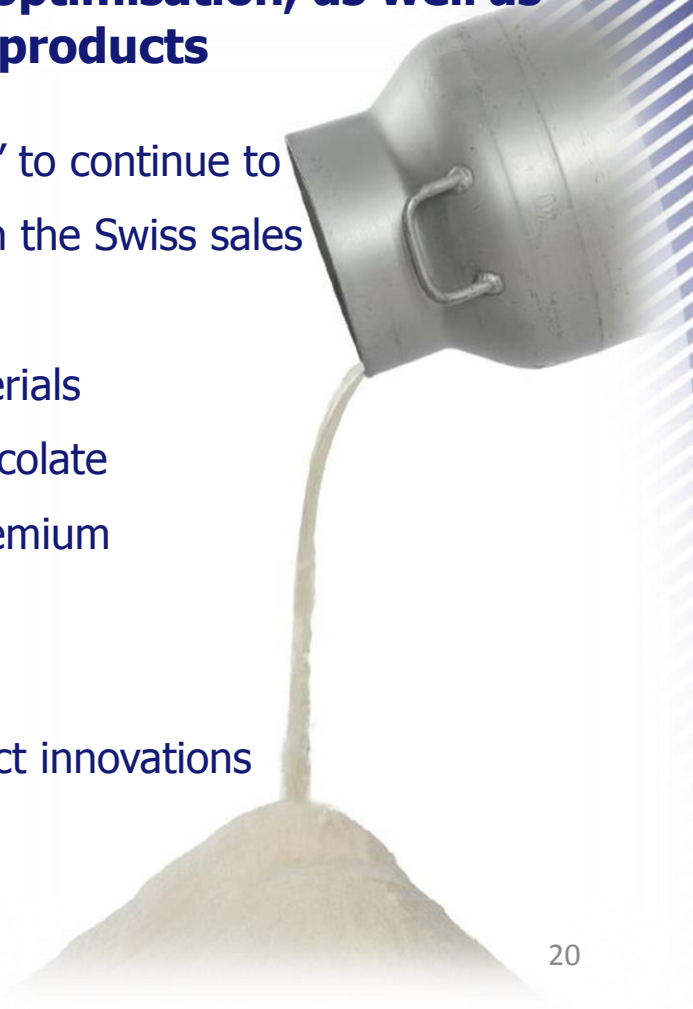
*: Roller-dried whole milk powder



Challenge of the follow-up solution (1)

Dairy Ingredients plays in the stress area between plant utilisation, raw material supply, portfolio and process optimisation, as well as development and marketing of new niche products

1. We expect the follow-up solution to “Schoggi Law” to continue to pose major challenges in milk procurement and on the Swiss sales market
2. Further expanding partnerships for dairy raw materials
3. Further expanding partnerships with premium chocolate manufacturers and participate in growth in the premium chocolate segment
4. Further optimising product portfolio
5. Further expanding specialities business and product innovations



Challenge of the replacement solution (2)

Dairy Ingredients plays in the stress area between plant utilisation, raw material supply, portfolio and process optimisation, as well as development and marketing of new niche products

6. Best possible utilisation of the plants remains a central element of the Group's economic success
7. Sale of Uckermärker Milch GmbH on 28.02.2020
8. Slightly positive result expected for Marbacher Ölmühle
9. Developing future strategy (markets, products and capacity utilisation)
10. Goal 2020:
net sales revenue in the region of CHF 190 – 210 million



Baby Care falls short of projected development

Loss of sales and value adjustments lead to a result significantly below expectations



1. Significant sales decline with some major customers. Very low utilisation of the baby care plants at the Sulgen site as a result
2. Acquisition of several new customers in MENA and LATAM regions
3. Forward integration with Pharmalys failed → sale of 51% shareholding
4. Technical difficulties at spray tower line 9 at the Sulgen plant
5. Technical upgrade of spray tower line 8 largely completed
6. Development of new EU formations now complete
7. "Pediamed" (food for special medical purposes) ready to market
8. China brand audit carried out in November

Baby Care – restart & stabilisation in 2020

Focus on sustainable business development



1. Increase investment in sales, service and business development
2. Complete brand registration in China (1st half) and achieve initial supply (2nd half)
3. Extend specialist China team and network
4. Secure sustained growth with Pharmalys Laboratories SA
5. Develop at least two product innovations to ready-to-market stage
6. Consistent development of the excellence programme in production
7. Halal certification for spray tower line 8 / Halal status improvement for global exports
8. Development of future strategy
9. Goal 2020: net sales revenue in the region of CHF 90 – 110 million

Bimbosan closes above expectations

Strong market position in Switzerland expanded further & first successes in establishing international markets



1. Market share in Swiss specialist market (pharmacies and drug stores) increased to 38% (2013: 28%) → Bimbosan increases sales and market share for the 6th year in a row
2. Positive development of exports and cross-border e-commerce (CBEC) with China
3. Registration and first order received from Vietnam

Bimbosan goes global, based on Swiss heritage

Transformation of the traditional Swiss brand into the internationally appreciated Swiss premium brand



1. Strengthen Swiss market position further with targeted marketing measures
2. Strengthen business development, service and support functions
3. Increase CBEC for profitable growth & brand awareness in China
4. Achieve initial supply to at least two new countries in 2020
5. “Bimbosan goes global”: develop 2020 – 2025 road map

Discontinuation of Cereals & Ingredients

Discontinuation due to lack of critical size and scalability



Children's Specialties



Cereals



Healthy Snacking

1. Integration of the continuing profitable and scalable activities into Dairy Ingredients completed
2. Sale or discontinuation of unprofitable business activities largely completed
 - a. Sale of Hochdorf South Africa Ltd (90%) "Africoa" completed
 - b. Sale of wheat germ business / VIOGERM® brand – under way
 - c. Sale of Zifru / Snapz and Marbacher Ölmühle – under way

Financial Outlook HOCHDORF Group

Market situation still very challenging; also too early to assess influence of the coronavirus epidemic



In the 2020 business year, the HOCHDORF Group expects:

- net sales revenue in the region of CHF 280 – 320 million and
- a positive earnings result at EBITDA level

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2020 AGM – coronavirus pandemic

Annual General Meeting is postponed.

Based on the Federal Council's decisions of 13 and 16 March 2020 in connection with the coronavirus pandemic, the Board of Directors has decided to postpone the Annual General Meeting on 17 April 2020. It will now take place on **Tuesday 30 June 2020 at 10.30 am.**

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Dates for 2020

Important dates for the HOCHDORF Group

- Tuesday, 30 June 2020 Annual General Meeting
(AGM start at 10.30 am)
- Monday, 17 August 2020 2020 Interim Report

HOCHDORF®

BEST PARTNER

125 Jahre