

Ad hoc announcement pursuant to Art. 53 LR

HOCHDORF makes significant operational progress and gains time

Hochdorf, 23 March 2023 – The HOCHDORF Group focused on its technology expertise in 2022 and made steady operational progress with improved earnings quality. The gross margin was 29.9% in the second half of the year, with an upward trend. Despite 80.7% higher energy costs and a sharp rise in raw material costs, HOCHDORF achieved a narrowly positive operating profit at EBITDA level in the second half of the year, thus significantly exceeding projections. The company result for 2022, which is affected by legacy burdens, amounted to CHF -15.8 million. A binding financing confirmation has been received from the existing bank consortium with regard to a two-year extension of the financing agreement that expires in September 2023. HOCHDORF considers itself to be on track with the implementation of its strategy, establishing the basis for financial recovery in the medium term. The goal for 2023 is to achieve a positive EBITDA.

Key figures for the HOCHDORF Group (consolidated)^[1]

in CHF 1,000	2022	H2 22	H1 22	2021	Δ 22/21
Net sales revenue	292,141	146,426	145,715	303,515	-3.7%
- Food Solutions	212,647	94,346	118,301	218,596	-2.7%
- Baby Care	79,494	52,080	27,414	84,918	-6.4%
Gross operating profit	75,409	41,340	34,069	70,569 ^[2]	+6.9%
- Gross margin in % in % of production revenue	25.3%	29.9%	21.3%	22.9% ^[2]	+2.4pp
EBITDA	-10,056	597	-10,653	24,715 ^[3]	n.a.
EBIT	-20,105	-4,179	-15,926	6,503 ^[3]	n.a.
Net result (Group)	-15,791	2,465	-18,256	2,552 ^[3]	n.a.
Earnings per share (in CHF)	-7.44			1.20 ^[3]	
Equity ratio (in %)	59.2%			62.5%	
Cash flow from operating activities	-19,648			-17,937	
Number of employees	361			387	

Ralph Siegl, CEO and Delegate of the Board of Directors of the HOCHDORF Group said: “2022 was all about operational transformation and focusing on the strengths of our company. We made good progress with our realignment and were able to capitalise on our expertise in protein processing and powder technology, which is complementary for the Swiss dairy market. Thanks to the pleasing development of the gross margin, we achieved a marginally positive operating result at EBITDA level earlier than expected in the second half of the year, despite significantly higher energy costs and global economic turbulence. There is no doubt that the clearly negative net result is not yet satisfactory. The implementation of our strategy towards a return to positive operating cash flow is the prerequisite for achieving a sustainable solution in the area of financing and increasing our attractiveness for investors. The good start into the new year makes us confident for 2023.”

Improved earnings quality – constructive cooperation with key customers and raw material suppliers, high innovation rate

In the second half of 2022, the HOCHDORF Group continued its strict adjustment of the product range and customer premiums initiated in the spring to improve earnings quality. The company used this process to make contract and price adjustments that are gradually having a positive effect. At the same time, higher energy, raw material and logistics costs as well as currency fluctuations burdened the results in the reporting year.

The Group's net sales revenue decreased by 3.7% to CHF 292.1 million in 2022 compared to the previous year. In view of the streamlining of the product range, this result was at the upper end of management's expectations and confirms the effectiveness of the strategy adopted.

In the *Food Solutions* division, there was a partial switch to contract orders with milk provided, whereby the milk required for processing is not bought in and sold on by HOCHDORF, but delivered by the customer, in order to conserve liquidity. Despite this effect, revenue amounted to CHF 212.6 million (-2.7%). On the supplier side, HOCHDORF was able to provide a broader base for the procurement of strategic raw materials such as milk and whey in particular, and secure them for further growth in the medium term.

The *Baby Care* division recorded excellent demand from July onwards and generated net sales of CHF 79.5 million (-6.4%) in 2022. This pleasing development in the second half of the year underlines the interesting market potential in the international focus markets. In addition, the result in the second half of the year reflects improvements in the operational cooperation with the major customer Pharmalys Laboratories, after practically no sales were made in the first half of the year until the new payment conditions were clarified in 2022.

HOCHDORF has been reporting an innovation rate since the 2021, measuring the proportion of total sales accounted for by new products that are less than three years old. The 2022 target of 10% was clearly exceeded at 18% indicating the dynamic nature of innovations in the Group's fields of activity. In *Baby Care*, innovative products accounted for 52.3% of sales; this figure was 3.3% in *Food Solutions*.

Turnaround in profitability in the second half – year as a whole marked by legacy issues

The gross margin and EBITDA targets defined by the new management were also met or exceeded in 2022. Gross profit increased by 6.9%^[2] year-on-year on an adjusted basis to CHF 75.4 million. Gross margin increased accordingly from 22.9%^[2] in 2021 to 25.3% in 2022, with a strong upward trend throughout the year. In the second half of 2022, the gross margin was 29.9%.

Operating expenses of CHF 85.5 million increased significantly by 15.4%^[4] year-on-year on an adjusted basis. This development reflects the 80.7% increase in energy costs in particular, which could not be offset despite strict cost discipline and savings, and which could not yet be passed on to customers across the board for contractual reasons.

Nevertheless, after the first half of the year, which was marked by legacy issues, HOCHDORF succeeded in significantly exceeding the published target of an EBITDA loss of less than CHF 7.0 million for the second half of the year and achieved a marginally positive EBITDA of CHF 0.6 million. For the full year, the EBITDA was CHF -10.1 million and the EBIT was CHF -20.1 million. After a tax income of CHF 8.5 million

due to the elimination of deferred tax provisions in the course of the release of hidden reserves, the net result at Group level was CHF -15.8 million.

Proposal to waive dividend after negative result and in view of indebtedness

With an equity ratio of 59.2%, the HOCHDORF Group shows a solid balance sheet. Net debt at the end of the year amounted to CHF 56.8 million (previous year: CHF 32.7 million). The operating cash flow was CHF -19.6 million and the free cash flow was also negative at CHF -21.6 million.

Due to the clearly negative company result and the continued high level of debt, the Board of Directors is proposing to the Annual General Meeting on 10 May 2023 that no dividend is paid for the 2022 business year.

As a result, HOCHDORF will not yet repay the outstanding hybrid bond with a nominal value of CHF 125.0 million on the first call date of 21 June 2023 and will defer the interest payments for a further year. From 21 June 2023, the interest coupon of the hybrid bond will be 5.0% plus the applicable average five-year swap rate calculated on the principal, which would currently be 1.96%.

The short-term and medium-term financing of the HOCHDORF Group is secured with the availability of a binding financing confirmation for the continuation of the syndicated loan by the existing bank consortium with a term of two years. The Board of Directors and Group Management will finalise and sign the binding financing confirmation together with the banks in the coming weeks.

Strategy implementation and important role for the Swiss dairy industry

In the current year, HOCHDORF will continue to systematically pursue its transformation in line with market demand. In addition to its continued important regulatory role in the Swiss dairy market, the technology and innovation focus on processing (milk) protein provides the company with a differentiated positioning in Switzerland that complements that of the traditional dairies. A key element of this is the production and marketing of high-quality infant and follow-on formula in Swiss quality for the local market (Bimbosan) and for selected international markets, namely in the MENA region, Latin America and, in the medium term, the US. To this end, HOCHDORF aims to further strengthen its operational cooperation with Pharmalys Laboratories and to use their distribution structures.

The Sulgen plant will also be prepared for the requirements of the US FDA authorities. Additionally, HOCHDORF is using its experience from the infant formula segment to develop innovative products with functional impact for adults and older people. An important focus topic is also increasing energy efficiency as part of the sustainability strategy.

Changes to the Board of Directors

At the Annual General Meeting on 10 May 2023, all existing members of the Board of Directors will stand for re-election with the exception of Markus Bühlmann, who will not stand for re-election after four years. To complete the Board, Ms Marjan Skotnicki-Hoogland and Mr Thierry Philardeau, two experienced, globally networked leaders with extensive expertise in the food industry, will be proposed for election at the Annual General Meeting on 10 May.

Marjan Skotnicki-Hoogland (Dutch citizen) was Vice President at Chilled McCain Europe and Managing Director at CelaVita from 2018 to 2022. Prior to that, she led FrieslandCampina Riedel. Before 2013, she held various management positions for Nestlé Infant Nutrition in the Netherlands and Central Europe for almost twenty years. She was also a board member of several industry associations.

Thierry Philardeau (French citizen) recently retired following a distinguished career spanning over more than 36 years at Nestlé. His last assignment was Head of the Nutrition Strategic Business Unit, developing the global business strategy and the international leadership of the infant nutrition brands. He served for over five years as a Board member of the International Dairy Federation while heading the Dairy Strategic Business Unit at Nestlé. Philardeau was also a member of the Board of Glycom SA, a leading Danish biotechnology company in the development of human milk oligosaccharides for health applications.

Jürg Oleas, Chairman of the Board of Directors of the HOCHDORF Group said: “I would already like to thank Markus Bühlmann for his commitment over the past years – his personality and expertise have made him an important linchpin on the Board of Directors. At the same time, we are delighted that Marjan Skotnicki-Hoogland and Thierry Philardeau, two proven industry experts, are standing for election as new members of the Board of Directors. We are convinced that their extensive international experience will enable them to make valuable contributions to the further development of the company and give us important new impetus.”

Outlook

HOCHDORF has seen broad-based demand for its product range since the beginning of the current year and is confident of achieving its targeted positive EBITDA for the full year 2023.

At the same time, HOCHDORF is working towards achieving a long-term financing solution that will give the company the necessary scope in the transformation phase to implement the changes it has initiated and provide further support as it ventures into new markets and regions.

Material to download and further information

- Presentation Annual Results: 23 March 2023, 9 am
Dial-in webcast: <https://media.choruscall.eu/mediaframe/webcast.html?webcastid=VIF7vAPf/>
By phone: <https://services3.choruscall.ch/DiamondPassRegistration/register?confirmation-Number=2381798&linkSecurityString=342318b38>
- The online version of the Annual Report will be available at <https://report.hochdorf.com/2022/ar/en> from 7am on 23 March 2023. Direct link to download the PDF version: https://report.hochdorf.com/2022/ar/downloads/en/Hochdorf_Annual_Report_2022.pdf
- Media releases by e-mail / Investor News Service: <https://www.hochdorf.com/en/newsletter/>
- Overview of ad hoc press releases of the HOCHDORF Group: <https://www.hochdorf.com/en/media/ad-hoc-announcements/>
- Picture material: on request / Keystone: <https://visual.keystone-sda.ch/lightbox/-/lightbox/page/2047447/1>

Dates

- 10 May 2023: Annual General Meeting
- 24 August 2023: Interim Results 2023

Contact and photo material

HOCHDORF Holding Ltd

Marlène Betschart, Head of Corporate Communications & Investor Relations

+41 41 914 65 83 / +41 79 245 24 10

marlene.betschart@hochdorf.com

About Hochdorf

Founded in 1895, HOCHDORF is the Swiss centre of excellence for milk processing, specialising in powder drying and mixing technology for milk-based and alternative proteins. The technology company based in Hochdorf (LU) and Sulgen (TG) in Switzerland develops functional foods and ingredients for industrial customers and consumers around the world. As “food for life”, these products help shape the changing eating habits of society today and tomorrow. The HOCHDORF Group achieved a consolidated net sales revenue of CHF 292.1 million in 2022 and employs 361 staff. HOCHDORF shares are listed on the SIX Swiss Exchange.

¹ The comparison between the 2022 and 2021 financial years is limited due to special factors; for details, see the Financial Report in the 2022 Annual Report. Non-GAAP measures are shown in the Annual Report in the Notes to the 2022 consolidated financial statements of the HOCHDORF Group, note 32.

² **Excluding** profit from the sale of the Hochdorf/Welschenrohr properties of CHF 40.6 million in the 2021 business year.

³ **Including** profit from the sale of the Hochdorf/Welschenrohr properties of CHF 40.6 million in the 2021 business year.

⁴ 2021 excluding costs and provisions of CHF 9.8 million in connection with the planned move of production from Hochdorf to Sulgen and other costs of CHF 1.2 million. 2022 excluding the release of provisions of CHF 1.6 million due to the delayed move of production from Hochdorf to Sulgen.