HOCHDORF®
BEST PARTNER

118th Annual Report 2013

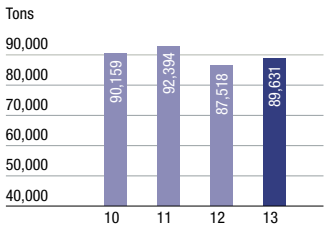
Contents

Overview for 2013: Key figures

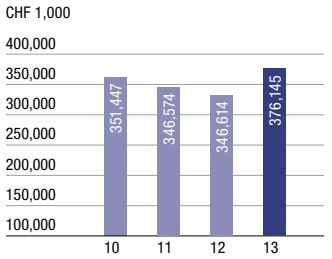
The HOCHDORF Group

The HOCHDORF Group, headquartered at Hochdorf in Lucerne, maintains two production sites in Switzerland and one in Lithuania. The group, with over 360 employees, achieved a consolidated gross sales revenue of CHF 376.1 million in 2013. It is one of the leading foodstuffs companies in Switzerland. Made from the natural ingredients of milk and cereals, HOCHDORF products have contributed to healthy living for young and old alike since 1895 and our customers include the global food and retail industries. Our products are sold in over 70 countries.

Quantities produced (including cream)



Turnover (gross sales revenue)



Our strategic objective

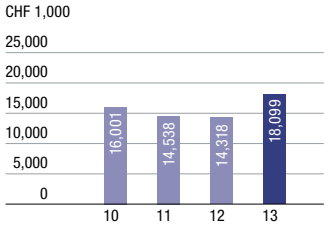
HOCHDORF as BEST PARTNER is a developer, manufacturer and marketer of high-quality, functional ingredients as well as milk and cereal-based specialities for the food and retail industries. HOCHDORF products stand out due to their high levels of innovation and service quality. In the medium term, HOCHDORF is aiming for growth by offering value-added products, including higher value whey products, infant formula and healthy children's foods. The Group is mainly seeking this growth abroad.

Top lines compared to last year

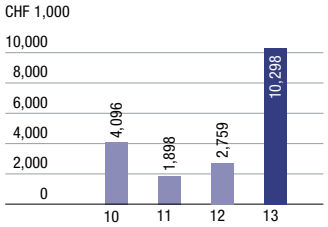
The HOCHDORF Group

- produced 89,631 tons of products (including cream) in its plants (+2.4%);
- processed a total of 454.6 million kg of milk, whey and permeate (+2.8%);
- earned gross sales revenues of CHF 376.1 million (+8.5%);
- achieved an EBITDA of CHF 18.1 million (+26.4%);
- achieved an EBIT of CHF 10.3 million (+273.2%);
- made a profit of CHF 6.1 million (previous year: loss of CHF –35.3 million);
- achieved a cash flow figure (earned capital) of CHF 18.1 million (previous year: CHF 13.5 million);
- has a level of equity financing of 42.6% (previous year 41.6%).

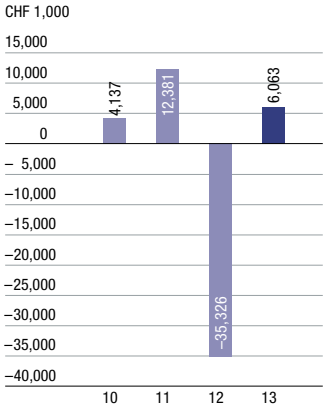
EBITDA



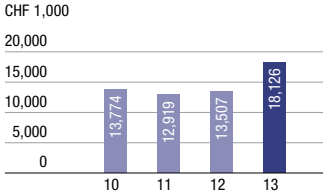
EBIT



Net profit



Earned capital (cash flow)

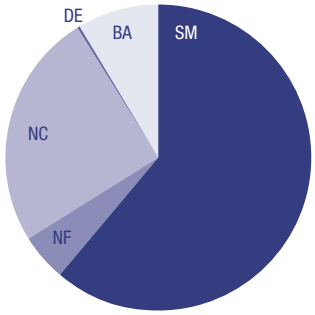


Sustainability key figures

Gross sales revenue for the sales companies

CHF 1,000

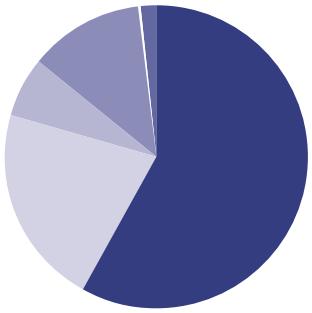
- HOCHDORF Swiss Milk (SM): 232,767 (61.4%)
- HOCHDORF Nutrifood (NF): 19,091 (5.0%)
- HOCHDORF Nutricare (NC): 94,507 (25.0%)
- HOCHDORF Deutschland GmbH (DE): 883 (0.2%)
- UAB MGL Baltija (BA): 31,934 (8.4%)



Gross sales revenue by region

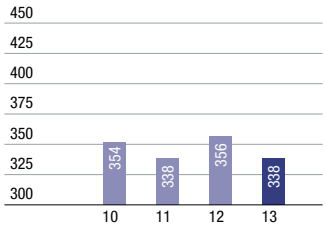
CHF 1,000

- Switzerland / Liechtenstein: 218,174 (58.0%)
- Europe: 80,608 (21.4%)
- Asia: 24,952 (6.6%)
- Middle East / Africa: 45,232 (12.0%)
- North and South America: 1,021 (0.3%)
- Others: 5,889 (1.6%)



Every two years, the HOCHDORF Group publishes a sustainability report along with its annual report, covering the issues of employees, energy and society. The last detailed sustainability report appeared in the 2012 Annual Report. We publish the three most important key figures from our point of view brief here.

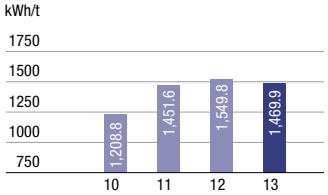
Number of full-time employees as of 31.12.



The slightly lower number of full-time employees can be explained by the cautious staffing policy caused by lack of capacity utilisation during the first half of 2013. The definitive shutdown of process lines with low capacity is another reason for the lower value.

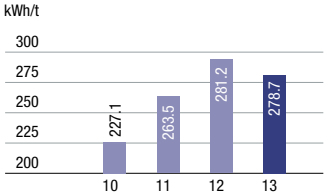
The slightly lower energy amount for each tonne of product (fossil and electric) can be explained on the one hand by improved utilisation of plant capacity. On the other hand, quantity growth in the production of baby care and whey products clearly requires longer chains with energy-intensive processes, which has a disproportionate influence on the energy balance. This applies equally to the pressure on the infrastructure and emissions of waste water, CO2 and drying air.

Energy/output fossil-based
(Swiss plants only)



In 2013, new technologies were also adopted as part of operational maintenance and for new investments. So the modernised ice water facility at the Sulgen plant, with a 15% increase in basic capacity, also provided a 200% improvement in performance for short-term peak coverage. It is also possible to reduce coolant volume by 60% and, rather than evaporating around four gigawatt hours of energy into the atmosphere, the condensator makes it available to an additional heat pump.

Energy/output electricity
(Swiss plants only)



Letter to the Shareholders

Dear Shareholders

The 2013 business year was affected in large part by the change at the top of the HOCHDORF Group. In the spring of 2013, the Board of Directors made the decision to appoint Dr Thomas Eisenring as the new CEO and he took up his position on 1 June 2013. This change signalled a fundamental shift in direction, which will be reflected in simpler organisational structures and greater cost efficiency. Moreover, significant emphasis will be placed on creating as much added value as possible in the future. These measures are already apparent in the very pleasing business year that has just ended.

Pleasing results

The HOCHDORF Group processed around 300 million kilogrammes of milk at its Hochdorf and Sulgen sites. This corresponds to a fall of 5.6% compared to the previous year. However a significant increase in whey and milk permeate drying meant that the plants worked at slightly higher overall capacity compared to the previous year. In 2013, 454.6 million kg of milk and whey was dried in all HOCHDORF plants. This represents a small increase of 2.8% compared to 2012. The amount of product sold was 91,699 tonnes, which meant that the HOCHDORF Group achieved a turnover of CHF 376.1 million (+8.5%). Although more products were manufactured overall, it was still possible to reduce the total operating costs by 2.4% to CHF 68.1 million (previous year CHF 69.8 million) due to various operational efficiency improvements. These measures have resulted in a pleasing EBITDA result of CHF 18.1 million (+26.4% compared to the previous year). The EBIT is also moving in a very positive direction. This stands at CHF 10.3 million; in addition to the numerous improvement measures, the revaluation of fixed assets that took place in 2012 is also having a positive effect. At the bottom line, the group has achieved profits of CHF 6.1 million (>100% compared to the previous year).

The gross profit margin fell from 24.8% to 23.1%, mainly on account of the rapidly increasing milk prices at the beginning of 2013. In the first half of the year, it was not possible to reflect the raw materials prices in the end products in the traditional milk business quickly enough. However this effect was more than offset by better than expected results in the areas of Baby Care and Cereals & Ingredients. In terms of figures, we are pleased by the fact that it was possible to halt cash outflow from operational business. In 2013, the group achieved a cash inflow of CHF 5.8 million.

The milk market is – and will remain – challenging

HOCHDORF's main business is the processing of milk into high-quality milk-based products. We have had a relatively challenging year in terms of milk procurement both in Switzerland and in Lithuania. In the first half of the year the processed quantity of milk, whey and permeate was still –8.1% below the previous year's amount. However, we were able to process significantly more raw materials in the second half of the year than in the previous year. This resulted in a small increase of 2.8% overall. So the plants consistently worked at capacity when seen over the year as a whole.

It remains difficult to estimate the effects of the Agricultural Policy for 2014–2017 on Swiss milk quantities in the medium term. We are currently assuming that milk quantities in Switzerland will stabilise slightly above the 2013 level. The further development of milk prices in the medium and long term is strongly dependent on global economic developments. For 2014, we are assuming that milk prices will only increase moderately, if at all.

HOCHDORF Swiss Milk Ltd. once again increased product sales on the previous year in its most important business area – milk powders for the chocolate industry. The company was always able to deliver the quantities of milk powder ordered, despite some difficulties with milk procurement. In the past year, HOCHDORF Swiss Milk Ltd. has therefore proved itself to be a reliable partner for the food processing industry.

As mentioned in our interim report, HOCHDORF Swiss Milk Ltd. took over 100% of UAB MGL Baltija as of 1.1.2013. The milk plant in Lithuania processed approximately the same quantity of milk as it did in 2012 (+2.6%) and was able to benefit from the high milk prices on the international market. However, considerably higher milk prices had to be paid to the producers in return. The company was renamed HOCHDORF Baltic Milk as of 1 March 2014. The name change is in the context of the complete takeover by the HOCHDORF Group.

Baby Care: sustained growth

In the area of Baby Care, we were able to surpass the ambitious growth target of 20–30%. In the first half of the year the growth was at the lower end of this scale. In the second half of the year, Baby Care grew so rapidly that it even surpassed the planned target at 33.8%. This was mainly due to the markets in Asia – China and Vietnam in particular – as well as markets in the Middle East and North Africa. In turn, this large increase led to significantly improved plant capacity utilisation for infant formula production and we could also increase added value in the area of Baby Care. The sales team was strengthened towards the end of the year to cope with the organisational impact of the growth.

HOCHDORF Nutrimedical Ltd., which was founded in 2011, did not develop in line with expectations. All activities in this area were consequently halted in order to focus resources on our core business.

Cereals & Ingredients: focus on wheat germ

On 1 February 2013, Michel Burla assumed responsibility for the business area of Cereals & Ingredients. He implemented initial segment streamlining and focussed attention on the market for VIOGERM® wheat germ products and dessert products. HOCHDORF Nutrifood Ltd. maintained its strong position on the market Switzerland. It also extended its sales structures abroad with two new partners.

Personnel changes

For the first few months of the year Marcel Gavillet served as acting CEO of the HOCHDORF Group, before handing over the reins to Dr Thomas Eisenring on 1 June 2013. We would like to take this opportunity to offer Marcel Gavillet our sincere thanks for his sound leadership in the period between December 2012 and the end of May 2013.

More personnel changes are planned in the management team in the current year. As chairman of the HOCHDORF Group's Board of Directors, I informed the board some time ago that I would no longer be standing for re-election at the 2014 AGM. After 18 intensive years at the HOCHDORF Group, it is now time to stand back and make way for new blood.

Rolf Schweiger has also announced his intention to resign from the Board of Directors at the forthcoming Annual General Meeting. He has supported the HOCHDORF Group for 12 years with his legal and political knowledge. We would like to thank him for all his work and wish him all the very best for the future as he continues on his voyage of discovery.

The Board of Directors has decided to increase the board by one member, bringing the total to seven. At the Annual General Meeting on 9 May 2014 we are recommending Dr Walter Locher (lawyer and politician), Niklaus Sauter (entrepreneur) and Professor Holger Till (expert in child nutrition) for election to the Board of Directors. We are recommending Josef Leu for election as Chairperson.

Improvement in the EBIT margin

In the current year we intend to have all existing plants working as close to capacity as possible. This has worked extremely well in the spring. In the area of Milk Derivatives we would like to invest in higher value production of lactose and whey protein as it is a further business area that creates high added value. Our aim is to produce our own whey proteins and lactose for our infant formula by 2015. In the area of Baby Care we estimate growth at between 18% and 22%, based on current order levels. The high plant capacity utilisation has enabled us to replace projects that are low in added value with projects that offer significant added value. We anticipate continuing to build on last year's growth in Asia, the Middle East and North Africa. In the area of Cereals & Ingredients we want to continue to expand our business in healthy wheat germ and fine desserts in Europe. We will also continue to streamline our product range.

Internally, we are committed to the continued development and implementation of the restructuring project we have already begun. We aim to have the new structure fully operational by 1 January 2015. We also want to continue to improve cost efficiency. The reorganisation of the warehouse logistics in Sulgen is an important project in this context.

At group level we anticipate gross turnover growth of around 10%. We also expect to increase the nominal EBIT value in the current business year.

Hans-Rudolf Schurter
Chairman of the Board of Directors

Dr. Thomas Eisenring
CEO

Our thanks

In 2013, HOCHDORF exported its products from a strong domestic market to over 70 countries. We would like to take this opportunity to thank our customers for their loyal support. To produce high-quality products, we rely on high-quality raw materials and reliable, completely hygienic production. We would therefore like to thank our suppliers and employees, who do their best for our customers on a daily basis. We would also like to offer our thanks to our investors, who believe in the HOCHDORF Group and provide us with their financial backing. We will continue to do our utmost to remain an attractive partner for all our stakeholders in 2014.

About the images in the 2013 Annual Report

The images in this Annual Report show many aspects of the HOCHDORF Group as an international company. Our products were exported to 72 countries in 2013. We now export over 40% of our products to the EU, the Middle East, Asia and Africa as well as South and North America. Our Annual Report reflects our international customer base and the fact that our employees also come from a range of countries – 18 different nationalities in total.

Hans-Rudolf Schurter
Chairman of the Board of Directors

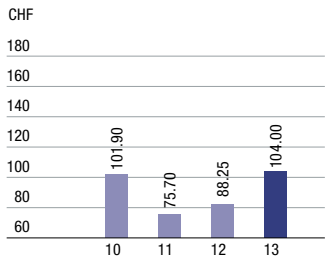
Dr. Thomas Eisenring
CEO

In commemoration

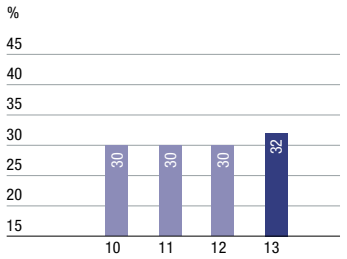
Dr Sigi Bäbler died on 20 November 2013. He was Chairman of the Board of Directors of HOCHDORF Holding Ltd. between 1995 and 2004. During his time as Chairman of the Board of Directors he showed great commitment to achieving the objectives of the HOCHDORF Group. The Board of Directors and the employees of the HOCHDORF Group will continue to honour his memory.

HOCHDORF shares

HOCHDORF share development



HOCHDORF dividend development



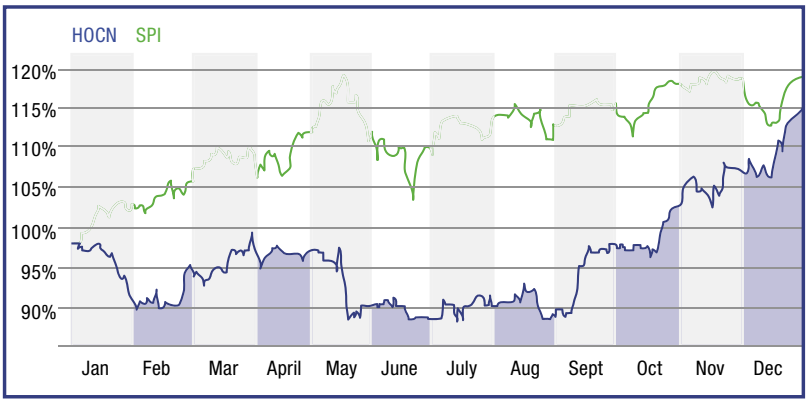
Shareholders by category as of 31.12.13

Name	Listed Shareholders
Natural persons	1,138
Legal persons	61
Pension funds	10
Insurance	3
Funds	13
Other trusts	5
Banks	9
Total	1,239

Shareholders according to breakdown as of 31.12.13

Number of shares	Listed Shareholders
1–10	130
11–100	492
101–1,000	515
1,001–10,000	88
10,001 and ov	14
Total	1,239

Share development in 2013



2013 was a good year for our share price. There was a significant increase in the HOCHDORF Holding Ltd. share price from mid September 2013 to the end of the year in particular, eventually showing an increase in value comparable with the Swiss Performance Index (SPI). At close of trading on 31.12.13, the price was CHF 104.00 (2012: 88.25). The share therefore achieved a price increase of +17.85% (2012: +16.6%).

Listing

HOCHDORF Holding Ltd. is listed on the SIX Swiss Exchange (ISIN CH0024666528). At the end of 2013, the market capitalisation was CHF 93.6 million.

ISIN	CH0024666528
Securites number	2,466,652
Bloomberg abbreviation	HOCN SW
Thomson-Reuters-abbreviation	HOCN.S

Significant Shareholders

See page 80 for details of significant Shareholders.

Dividends

The Board of Directors is applying to the Annual General Meeting for a dividend payment from capital investment reserves of CHF 3.20 per share. The dividend increase from CHF 3.00 to CHF 3.20 per share means that a dividend return of 3.0% was achieved for the 31 December 2013 closing date. The increased dividend also shows the confidence we have in the HOCHDORF Group's continued business development. The payment from capital investment reserves is tax free for natural persons resident in Switzerland who hold shares as personal assets.

Disclosure of equity holdings

In accordance with Article 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act), anyone who in direct or indirect consultation with third parties acquires or sells on his own account the shares of a company located in Switzerland, whose equity holdings are at least partially quoted in Switzerland and so reaches, falls short of or exceeds the limit value of 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3 % of the voting rights, whether these are exercisable or not, must disclose this to the company and to the stock exchanges on which the equity holdings are quoted.

Financial calendar

– Annual General Meeting
  9 May 2014
– Dividend payment
  16 May 2014
– Half-yearly statement 2014
  20th August 2014

Key figures for the HOCHDORF Holding Ltd. share

		2013	2012	2011	2010	2009
Share capital per 31.12.	CHF 1000	**9,000**	9,000	9,000	9,000	9,000
Number of shares per 31.12.	Unit	**900,000**	900,000	900,000	900,000	900,000
Nominal value per share	CHF	**10.00**	10.00	10.00	10.00	10.00
Profit / loss (–) per share	CHF	**6.95**	–39.69	13.91	4.52	-5.49
EBITDA per share	CHF	**20.11**	15.91	16.15	17.78	15.39
EBIT per share	CHF	**11.44**	3.07	2.11	4.55	3.80
Cash flow (earned capital) per share	CHF	**20.14**	15.01	14.35	15.30	15.58
Equity capital per share	CHF	**115.30**	110.85	152.60	144.28	145.36
Dividend per share	CHF	**3.20***	3.00	3.00	3.00	3.00
Peak price**	CHF	**105.30**	89.95	114.00		
Lowest price*-	CHF	**79.20**	66.00	72.05		
Price at close of trading per 31.12.	CHF	**104.00**	88.25	75.70	101.90	104.00
Average trading volume per day**	Unit	**804**	940	1,133	–	–
P/E (price/earning ratio) per 31.12.		**15.0**	n.a.	5.4	22.2	n.a.
Dividend return	%	**3.08**	3.40	3.96	2.94	2.88

* Application from the Board of Directors to the Annual General Meeting.
** Since the listing in Zurich on 17.05.2011.

Business model, strategy and markets

The HOCHDORF Group is one of the leading foodstuff companies in Switzerland. The company is active in the areas of Milk Derivatives, Baby Care and Cereals & Ingredients. The Group's key areas of expertise involve the gentle drying and mixing of milk, cereals and other foodstuff ingredients.

Operationally, the Group is run as a holding with three sales companies and two production companies. As a production company, HOCHDORF Nutritec Ltd. produces a large part of the HOCHDORF products for the sales companies. For their part, the sales companies are active with their own products in various markets – mainly in the business-to-business sector.

- HOCHDORF Swiss Milk Ltd. is active in the area of Milk Derivatives. With its subsidiary HOCHDORF Baltic Milk UAB, based in Medeikiai (Lithuania), it develops, produces and sells various powdered products from the raw materials of milk and whey. Both companies also market the resulting by-products, such as cream.
- HOCHDORF Nutricare Ltd. develops and markets premium products in the area of milk-based foods for mothers, babies, small children and juniors. The company supports its partners in marketing their products, in line with the specific services they require.
- HOCHDORF Nutrifood Ltd. develops and sells foodstuffs to a high product quality standard. It concentrates on high-grade ingredients and instant dessert products.

The HOCHDORF Group has its roots in the production of milk powder. The area of Milk Derivatives therefore accounts for around 70% of gross sales revenues. The Group has also produced infant formula for over 100 years, with a strong international focus since 2006. Today a quarter of the Group's turnover comes from infant formula – with over 95% of the products exported. Growth in the Baby Care area will be promoted strongly in the coming years. The Group has mainly expanded into the area of Cereals & Ingredients as a result of acquisitions. The main focus in this area is on the healthy VIOGERM® wheat germ products, Femtorp® instant dessert products and various cereals for the bakery product industry.

The HOCHDORF Group's five strategic focal points

The HOCHDORF Group strategy can be summarised in five points:

1. **Cost efficiency:** Every activity undertaken in the HOCHDORF Group must be cost efficient. This includes strict adherence to budgets and a consistent approach to reducing operating costs.
2. **Product portfolio and development:** The common thread across the product portfolio is high added value. This involves optimising the product portfolio and diversifying into high-quality products. Investment in lactose and whey protein production is crucial in this regard. Both products can be used in infant formula and other high-quality products.
3. **Utilisation of plant capacity:** The utilisation of plant capacity is being continually improved. We want to achieve this with our own products but also with selected commissioned orders and increased cooperation with partners.
4. **Internationalisation:** We want to extend internationalisation to the areas Milk Derivatives and Cereals & Ingredients. Growth in both areas can only be achieved abroad.
5. **Business model/forward integration:** HOCHDORF is fundamentally a business-to-business company, although we are already developing business-to-consumer activities in the areas of Cereals & Ingredients. Similarly, we plan to develop selective business-to-consumer areas in Baby Care in the medium term, particularly in the Asian markets and focusing on China.

Products and markets

In the Milk Derivatives market, HOCHDORF Swiss Milk Ltd. wants to hold its strong position in the saturated Swiss market and use lactose and whey proteins to gain a foothold in a new, high added-value market in the medium term. These products can be used for our own production of infant formula or exported profitably. For the export business, the company is targeting the chocolate industry and milk reconstitution markets.

HOCHDORF Baltic Milk UAB (Lithuania) markets its main product of milk protein concentrate internationally. In the coming years the plant will continue to see greater asset utilisation and selective expansion.

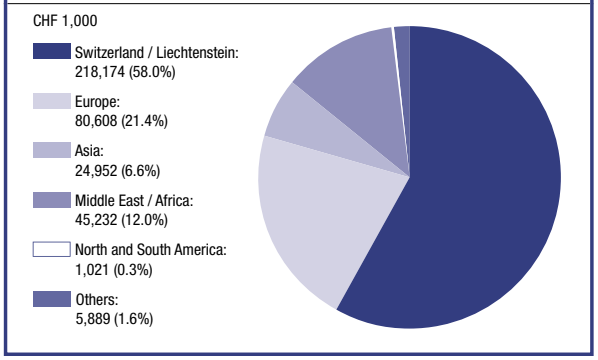
Baby Care is geared towards international business, with plans to increase growth with existing customers in Asia, the Middle East and in North Africa. We are mainly looking to acquire new partners in the burgeoning markets of Latin America, Africa and in the larger Asian countries where we are not yet active. In the medium term, HOCHDORF Nutricare Ltd. plans to use its own brands to gain closer access to end users in selected markets in the value chain. It will also continue to evaluate acquisitions or cooperations with a view to increasing capacities in the medium term.

HOCHDORF Nutrifood Ltd. has assumed a strong position on the domestic market in Switzerland with its gently pressed VIOGERM® wheat germ products. The company has to defend this position and continue to develop business abroad. In the export business there will be greater emphasis on the European market; for dessert products this will be concentrated on the neighbouring German-speaking countries as well as additional Nordic countries. In the area of Cereals & Ingredients, the Group is also looking at entering the children's food market. The call for healthy food products for children is becoming increasingly vocal. The VIOGERM® wheat germ products provide HOCHDORF Nutrifood Ltd. with a solid basis to meet this need.

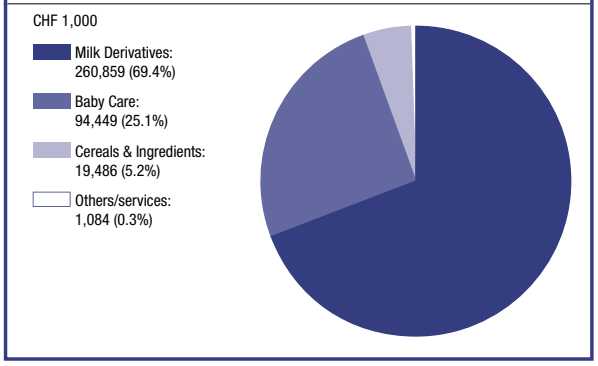
As a HOCHDORF Nutrifood Ltd. subsidiary, HOCHDORF Deutschland GmbH is pursuing growth in Germany with instant dessert products. The company is also being developed as an international procurement and sales platform. The range of healthy VIOGERM® wheat germ products have an important role to play here.

HOCHDORF is positioning itself as a specialist in all (export) markets and is strong in attractive markets and niches. HOCHDORF's close relationship with its partners, with integrated product and marketing concepts, enables it to stand out.

Gross sales revenue by region (2013)



Gross sales revenue by areas (2013)



«Concentrating on increasing added value and reducing costs»

Dr Thomas Eisenring, how would you summarise the 2013 business year?

2013 was characterised by very low milk quantities and soaring milk prices. Yet we still managed to finish the year relatively well. This was because the Baby Care and Cereals & Ingredients areas operated significantly above budget and we were able to offset the weaker results in the area of Milk Derivatives, mainly on account of substantial cost savings.

Otherwise, 2013 was the year we launched numerous important projects that will make us more competitive. We expect that these will help us to improve our market position considerably.

How do you see the financial results? Are you satisfied with them?

Given the background, I am reasonably satisfied. We are still a long way from where we want to be but many of the measures we have introduced will only affect net income in 2014 and 2015. The development in the second half of the year can be seen in this light; it is important that we managed to reverse the previous trend.

What challenges have you faced since your appointment?

I would say that the main challenge has been the job of implementing effective efficiency improvements in the short term, whilst at the same time securing sustainable development for the HOCHDORF Group in the medium and longer term. I also took on this role in a year of very low milk production, which is why our main focus had to be on supplying our customers on time and with the right quantities of product.

What were the specific challenges in the three business areas?

The Milk Derivatives area suffered most on account of the strong increase in milk prices. The greatest challenge here was to reflect these raw material prices in our products on the market. The Baby Care area again experienced record growth. Here the main challenge is to ensure that our organisation keeps up with the pace of growth and to ensure delivery reliability. With regard to Cereals & Ingredients, we are still in the process of restructuring. The chief aim here is to minimise losses in our current business and to set the right course for our future business.

What were your personal highlights for 2013?

As a newcomer to HOCHDORF, the most important highlight for me was the confirmation that we have a really competent team here that can achieve a lot. It was also very satisfying for me to see the potential I had assumed was available to the HOCHDORF Group at the outset reflected quantifiably in the programme of measures that formed part of our project work.

Other highlights included the professionalism brought to bear in our whey strategy and the record turnover in Baby Care. The annual results and the share development also show that we are heading in the right direction.

Dr. Thomas Eisenring
CEO

The Group's profitability increased in 2013. Which projects served to reduce costs or what were the main cost-cutting measures?

Profitability is always the relationship between turnover and costs. With turnover it is important to achieve a qualitative increase, so appropriate pricing plays the crucial role. We supply the very highest quality and so the price has to be right too. Operating in the right markets with the right prices is an art that is becoming ever more refined, particularly in the area of Baby Care and in the new business within Cereals & Ingredients.

On the cost side we have introduced several measures that have already shown an impact in 2013. Lower energy costs, significantly better milk standardisation and additional savings in terms of operational costs were all decisive factors in 2013. Of course, a fair but well-negotiated milk price was also important.

How will the HOCHDORF markets develop in the future?

Our basic outlook for the food industry is optimistic. We are continuing to grow in the traditional Milk Derivatives area, particularly with our customers in the chocolate industry. In the global context that is relevant for infant formula and Cereals & Ingredients, many countries are seeing an expansion in the middle classes. This is important for us as these are the people with money to spend and growth in these countries is very dynamic. This development is also gathering momentum because high-quality, healthy food is becoming increasingly important around the world.

What are HOCHDORF's market-oriented priorities for the 2014 business year?

From a geographical perspective, we will continue the drive towards further internationalisation. We have the countries close to our borders in our sights – particularly Germany – for our traditional business area in Milk Derivatives. We are adopting a more global approach to the areas of Cereals & Ingredients and Baby Care. Our infant formula will be available on the Nigerian market in the current business year; additional African countries are in the pipeline. The Middle East and Latin America present us with new and interesting markets, whereas in Asia we would like to focus our attention on existing customers for the time being.

In terms of specific products, we expect to enter the market for high-quality whey-based products this year and extend our product range into the area of children's foods.

What are the main internal projects the HOCHDORF Group will focus on in 2014?

The largest internal project is the restructuring of the HOCHDORF Group. We will merge all domestic subsidiaries into one public limited company to reduce the complexity of processes and structures and to increase cost transparency. However the holding company will remain in force. To make this possible it is necessary to completely rebuild our entire operating system (CSB). We will do this without external help in order to make our system as practice-based as possible; that will be THE internal challenge for our organisation in 2014.

Financial Report

Income statement

Operational detail

The HOCHDORF Group was able to significantly exceed expectations in terms of turnover and revenue (measured as EBIT). This result is all the more pleasing because conditions were not easy given the transition phase brought about by the change in CEO. The essential increase in capacity utilisation on the infant formula line made a particularly important contribution to the good result. A purge of loss-making business relationships and a year without "Schoggi law" write-offs also helped to improve our result. An even better result was only prevented because it was not always possible to transfer rapid milk price rises onto sales prices in right time. This factor, coupled with the increase in milk prices, meant that the percentage gross profit fell to 23.1% (previous year 24.8%). However the nominal increase in the gross profit to CHF 86.2 million (previous year CHF 84.1 million.) is of greater importance. The quantity produced increased by 2.41% with lower milk production (-5.5% compared to the previous year). Gross turnover increased to CHF 376.1 million (previous year CHF 346.6 million). This is mainly driven by more high growth in the area of infant formula, but also by the price increase for milk. We reached a record EBITDA level in the reporting year with CHF 18.1 million. The EBIT result was CHF 10.3 million. The capacity utilisation of tower 8 (infant formula) was once more increased in 2013 and we are expecting a further increase in 2014. In terms of operational expenses, both personnel costs and other operational expenses remained lower than the previous year and under budget. The ongoing improvement measures are also proving effective in this area.

Financial results

The consortium loan was successfully extended in the reporting period. The essential items in terms of interest expenses are therefore costs for the consortium loan and the conversion loan. All investments were financed from the current cash flow, which means that no additional funds were required.

The financial results include the result from the sale of the HOCHDORF Nutrimedical Ltd. holding. In 2013, the Swiss franc remained stable compared to the foreign currencies that are essential to our business. However, our competitiveness remains impaired at this exchange-rate level.

Taxes

Tax costs on the operational results have been in accordance with expectations. In the reporting year, deferred taxes were activated on newly incurred tax losses (HOCHDORF Deutschland GmbH). The good overall result has meant that losses carried forward from previous years have been reduced. There is a positive effect on tax expenses because the deferred tax credits on losses carried forward from 2010 and earlier were not activated.

Cash flow and financing

In comparison to the previous year, cash flow from operational activities has risen from CHF 15.4 million to CHF 18.2 million. There was also a significant increase in earned income, from CHF 13.5 million to CHF 18.1 million. Despite the higher milk price, the increase in "Receivables" and "Inventories" remained reasonable.

In the area of investments, there were outgoings over CHF 4 million. In 2014, investments will increase to accommodate the two projects "Warehouse Logistics" and "Lactose Production".

The free cash flow was positive for the third year in a row, almost doubling the previous year's amount at CHF 13.8 million.

The net borrowing was considerably reduced and stands at CHF 40 million (previous year CHF 50 million). The equity ratio amounts to a good 42.6% (previous year 41.6%). The HOCHDORF Group's financing therefore forms a solid basis for the continued growth of the company.

Marcel Gavillet
CFO

HOCHDORF Group Key Figures

CHF 1,000	2013	2012	2011	2010	2009
Processed milk/whey quantities in kg (thousands)	**454,647**	442,350	474,421	410,527	320,424
Quantities produced (including cream) in tonns	**89,631**	87,518	92,394	90,159	76,434
Turnover (gross sales revenue)	**376,145**	346,614	346,574	351,447	346,276
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**18,099**	14,318	14,538	16,001	13,853
as % of production revenue	**4.9%**	4.2%	4.1%	4.7%	4.4%
Earnings before interest and tax (EBIT)	**10,298**	2,759	1,898	4,096	3,419
as % of production revenue	**2.8%**	0.8%	0.5%	1.2%	1.1%
Earnings before tax	**6,328**	–35,402	13,499	3,303	–6,338
as % of production revenue	**1.7%**	–10.5%	3.8%	1.0%	n.a.
Net profit	**6,063**	–35,326	12,381	4,137	–5,069
as % of production revenue	**1.6%**	–10.4%	3.5%	1.2%	n.a.
Personnel expenses	**31,720**	32,456	31,207	33,019	36,879
as % of production revenue	**8.5%**	9.6%	8.9%	9.7%	11.7%
Amortisations on fixed assets	**7,086**	10,842	11,871	11,037	9,596
as % of the average net inventory	**6.5%**	8.2%	7.6%	7.3%	7.3%
Investments in fixed assets	**3,957**	8,679	6,612	18,803	44,664
as % of production revenue	**1.1%**	2.6%	1.9%	5.5%	13.6%
Cash flow before changes in net working capital, interest and taxes	**18,126**	13,507	12,919	13,774	14,026
as % of production revenue	**4.9%**	3.9%	3.8%	4.0%	4.2%
Cash flow from operational activities	**18,196**	15,372	–2,282	14,120	53,503
as % of production revenue	**4.9%**	4.5%	–0.7%	4.1%	15.8%
Free Cash flow (Loss)	**13,846**	7,134	8,295	–3,403	13,484
Level of shareholders' equity	**42.6%**	41.6%	48.6%	51.0%	54.4%
Interest Cover (EBIT/net interest costs)	**3.1**	0.7	0.5	1.4	1.1
Number of shares, outstanding, in individual shares	**900,000**	900,000	900,000	900,000	900,000
Profit per Share in CHF	**6.95**	–39.69	13.91	4.52	–5.49
Cash flow (earned capital) per share in CHF	**20.14**	15.01	14.35	15.30	15.58
Dividends	**32%**	30%	30%	30%	30%
Payout ratio	**47.50%**	n.a.	21.81%	65.26%	n.a.
Share price per 31.12. in CHF	**104.00**	88.25	75.70	101.90	104
Dividend return	**3.08%**	3.40%	3.96%	2.94%	2.88%
Price-/earnings ratio P/E	**15.0**	n.a.	5.4	22.2	n.a.
Market capitalisation	**93,600**	79,425	68,130	91,710	93,600
Staffing levels at 31.12.	**362**	381	361	377	349

Thomas Roth is in charge of international sales of HOCHDORF Swiss Milk products. He also oversees the "Pico" brand, which HOCHDORF produces exclusively for the Dutch Hoogwegt Group. "Pico" milk powder is sold in many countries in West Africa and the Middle East. Our picture shows the start and the end of the logistics chain. The products are loaded with the forklift in Switzerland – and then delivered to the small local business by donkey cart in Mauritania.

HOCHDORF Swiss Milk Ltd.

HOCHDORF Swiss Milk Ltd. achieved gross sales revenues of CHF 232.8 million in 2013 (previous year: CHF 224.6 million; +3.6%). The increase in turnover was largely due to significantly higher prices. The very low milk quantities in the first half of the year were offset in the second half of year by increased milk quantities and with a significant increase in the amount of whey. Correspondingly, the quantity of sold product dropped just –1.1 per cent to 59,215 tonnes (previous year: 59,854 tonnes).

The lower milk quantity – particularly in the first half of the year – meant we had to concentrate on supply for the domestic market. As a result, we were able to ensure supply to our customers at all times. We had to reduce our export business quantity, although we were still able to fulfil the contracts that were already in place. All in all, we have been able to cope well with a challenging milk year. This also applies to the "Schoggi" law funding. The contributions made available were more limited than expected. However we always had the situation under control, not least thanks to the fund set up with our milk suppliers.

We were also able to further increase turnover from whey processing in 2013. In hindsight, the diversification into whey processing has proved to be the right decision. In the business year that has just ended we processed 68.2 million kg of whey in our Sulgen plant – an increase of 40% on 2012. For the future we are now looking to further develop whey processing so that we can manufacture whey protein and lactose for the Baby Care area independently and also sell this to external customers.

We expect the milk production in the first half year to be higher than it was in 2013. Among other reasons for this, the milk suppliers are now producing more due to the high price. Prices may very well persist at the higher level in the first half of the year. In the mid to long term, the (international) price will remain at a high level or even increase, due to the ever-growing demand. However, we cannot discount the possibility of sudden price slumps.

The Swiss milk industry as a whole is currently grappling with the question of how it can be part of international market growth. Notwithstanding this discussion, we are preparing to move into additional markets by developing specialities and making operational adjustments.

Strategy in brief

We are the Number 1 in Switzerland for milk powder – and we are concentrating on our key business: long-life milk and whey derivatives. We are a reliable partner, providing our customers with high-quality products and services. We pursue a strategy of added value for dried milk and whey derivatives for the domestic and export market.

Werner Schweizer
Managing Director, HOCHDORF Swiss Milk Ltd.

	2013	2012	2011	2010
Gross sales revenue (in CHF 1,000)	232,767	224,637	238,295	225,069
Export (in %)	13.7	18.4	15.3	15.7
Tons	59,215	59,853	62,083	60,516
Full-time employees	13.9	13.8	12.2	12.5
Gross sales revenue per full-time employee (in CHF 1,000)	16,745.8	16,278.1	19,532.4	18,005.5
Amount sold per full-time employee (in tons)	4,260.0	4,337.2	5,088.8	4,841.3

Product range: Cream, milk concentrates, low-fat milk powder, full milk powder, cream powder, fat powder, milk protein powder, whey powder, whey protein powder, permeate powder.

MGL Baltija UAB was renamed as HOCHDORF Baltic Milk UAB on 1 March this year. The name change completes the integration of the company into the HOCHDORF Group. The pictures show some of the HOCHDORF Baltic Milk UAB team with the new logo and the plant in Medeikiai (Lithuania).

MGL Baltija UAB (HOCHDORF Baltic Milk UAB)

MGL Baltija UAB has been fully integrated into HOCHDORF Swiss Milk Ltd. since 1 January 2013, when the company assumed full management responsibility. The transfer from MG Lauingen went smoothly and without any problems. We have intensified our collaboration with HOCHDORF Swiss Milk Ltd. This has included several employees from both countries visiting the plants, with valuable knowledge exchange. MGL Baltija UAB was renamed as HOCHDORF Baltic Milk UAB on 1 March 2014.

In the past business year we achieved gross sales revenue of CHF 31.9 million (+30.8%). The significant growth in turnover can be attributed to the considerably increased milk protein price and the milk fat price, which stabilised at a high level. However, we also had to pay significantly more for our raw material of milk and the milk price in Lithuania reached a record level.

In the 2013 business year we could only process slightly more milk than in 2012 (56.8 million kg vs. 55.4 million kg) but we continued to dry whey protein concentrate for commission orders. This allowed us to maintain plant capacity utilisation at a level similar to the previous year. As a result of a dispute between Russia and Lithuania, Russia has imposed an import ban on Lithuanian cheese. Unfortunately, contrary to our expectations, we saw no impact from this on the milk procurement market in Lithuania in 2013.

Strategy in brief

We want to exploit the huge potential for milk production in Lithuania to meet the growing demand for milk derivatives on the world market. To this end, we are seeking to strengthen our collaboration with the milk producers and expand our processing capacity in the mid term.

In the current business year we aim to further optimise production and increase our output, among other targets. We are seeking to minimise losses in production and ensure the end products meet defined specification requirements more accurately. This will become even more important, with milk procurement set to remain a challenge in the future. The world market price remains stable at a high level at the moment so we can expect similar milk quantities. That is likely to remain the position for the first half year. In line with this, we anticipate 2014 to be a successful business year.

Audrius Jukna
Managing Director, MGL Baltija UAB

	2013	2012	2011
Gross sales revenue (in CHF 1,000)	31,934	24,420	33,471
Export (in %)	94.7	93.8	96.2
Tons	13,986	14,213	16,398
Full-time employees	42	42	37.5
Gross sales revenue per full-time employee (in CHF 1,000)	760.3	581.4	892.6
Amount sold per full-time employee (in tons)	333.0	338.4	437.3

Product range: Cream, low fat milk powder, full milk powder, milk protein powder, whey protein powder, permeate powder.

Sharif Omar, vice president of Liptis Nutrition, sells HOCHDORF products under the Liptomil label in more than 12 African and Asian countries. Liptomil is the second most purchased infant formula in Egypt. A strong marketing team and regular symposia for doctors, advisory and sales personnel are vital for market success.

HOCHDORF Nutricare Ltd.

We predicted growth of around 20-30% for the 2013 business year. With an increase in turnover of almost 34%, we were even able to exceed the expected growth. The gross sales revenue has grown in line with this to CHF 94.5 million (previous year: CHF 70.6 million). The volume of product sold rose from 11,087 tonnes to 14,007 tonnes (+26.3%). This growth in turnover was partly due to the higher prices from increased raw material costs and a better product mix.

We were able to achieve growth above all in the Middle East, North Africa and Asia, particularly in China and Vietnam. The growth in the Middle East, North Africa and Vietnam was with our existing partners. We expanded our customer portfolio in China with two new major customers. Our products have established us in the meantime as the number one player in Tunisia and the number two in Egypt, Iraq and Vietnam.

In the past year our development department has created new formulations for junior milks, AC (anti colic), AR (anti reflux) infant formula and also a product for extremely malnourished children. One important project was also the continued development of ready-made formula for hospitals. This product is delivered directly to hospitals in liquid form to feed premature babies.

Gaining a foothold in the Latin American countries is proving more difficult than expected. The administrative hurdles are huge. This also applies, for example, to product registration in Brazil. The free trade agreement with Columbia puts us at a disadvantage of 15% compared to our EU competitors. We aim to resolve these difficulties in 2014 to enable us to sell more products in Latin America.

Strategy in brief

We provide our customers with a Swiss-made range of high-quality formula and foods for infants and children, which can be sold under their own name or under the HOCHDORF brand. We support our partners with a variety of services as required, such as sales and marketing training. We will achieve our goals for growth through our existing customer base and with new customers in selected markets.

In the current business year we are planning for growth of between 18% and 22% and hoping to comfortably exceed the CHF 100 million turnover mark. The planned volumes will lead to some capacity bottlenecks in the supply chain. We are therefore reliant on the logistical optimisation that is planned. We are also undertaking mid to long-term planning with capacity expansion projects.

Michiel de Ruiter
Managing Director, HOCHDORF Nutricare Ltd.

	2013	2012	2011	2010
Gross sales revenue (in CHF 1,000)	94,507	70,646	43,615	28,202
Export (in %)	95.9	94.4	95.1	100.0
Tons	14,006.7	11,086.8	7,115	4,899
Full-time employees	16.0	15.9	13.9	11
Gross sales revenue per full-time employee (in CHF 1,000)	5,906.7	4,443.1	3,137.8	2,563.8
Amount sold per full-time employee (in tons)	875.4	697.3	511.9	445.4

Product range: Pregnancy milks, infant formulae and junior milks produced in Switzerland.

HOCHDORF Nutrifood Ltd. exported products to 24 countries in 2013. The international products – particularly VIOGERM® wheat germ – and the international employees are testimony to their global presence. Eleni Foteinou, from Greece, works in sales support. As the commercial language, English is now used for internal meetings.

HOCHDORF Nutrifood Ltd.

I took over as managing director of HOCHDORF Nutrifood Ltd. on 1 February 2013. It was an important goal of mine to increase the company's efficiency and profitability. The route we have taken has led to positive initial results, as the figures in the table show. HOCHDORF Nutrifood Ltd. achieved gross sales revenue of CHF 20 million in 2013 (previous year: CHF 19.1 million; +4.1%).

In the VIOGERM® wheat germ sector, we have made various adjustments to our market presence over the past year. The VIOGERM® products now appear with a new Logo, for instance, and the sales brochures have been redesigned. The Food Ingredients Exhibition in Frankfurt (FIE), which is important for us, proved to be a success, with a lot of interesting contacts and considerable media interest. Many international specialist publications reported on VIOGERM®. We were able to retain our strong market position on the domestic market in Switzerland. In the important export market we expanded our activities with two new sales partners (Newchem und Th. Geyer).

We also launched new products, such as VIOGERM® al dente. This product makes pasta wholesome once more – the wheat germ that has been separated from the wheat is returned to the pasta in a stabilised form. The result is a fresh, wholesome pasta that also tastes delicious. We have also started various projects with university partners to investigate the properties of our VIOGERM® wheat germ in a more precise way scientifically. We launched the first Limited Edition range in our desserts sector and the roast apple mousse developed by HOCHDORF Nutrifood Ltd. soon featured prominently in the hotel and restaurant sector.

Strategy in brief

HOCHDORF Nutrifood Ltd. is pursuing an internationally-focused speciality strategy. Its products make a specific contribution to health and well-being and are also of very high quality. With VIOGERM® wheat germ we are aiming to produce a unique, healthy brand. We also see our entry into the area of children's food as a further extension of infant formula. We are aiming to expand FEMTORP® dessert specialities and offer an interesting alternative to the most important competitors in this market.

In the current business year the VIOGERM® wheat germ products and the FEMTORP® dessert mixes will be advertised more heavily in the relevant export markets. Together with our distribution partners, we want to significantly increase the number of ongoing customer projects. We also plan to exhibit at more trade fairs with this in mind.

Michel Burla
Managing Director, HOCHDORF Nutrifood Ltd.

	2013*	2012*	2011	2010
Gross sales revenue (in CHF 1,000)	19,974	19,147	22,481	26,930
Export (in %)	24.7	21.5	31.7	54.4
Tons	4,452.4	4,825.9	4,804	4,764
Full-time employees	8.8	12.6	11.5	16.3
Gross sales revenue per full-time employee (in CHF 1,000)	2,269.8	1,516.0	1,954.9	1,652.1
Amount sold per full-time employee (in tons)	506.0	383.0	417.7	292.3

*including HOCHDORF Deutschland GmbH

Product range: Food ingredients (VIOGERM® wheat germ, ALIA special oil powder as well as crispy cereals – crisps), wellness products (gentle-pressed wheatgerm oil, nutritional supplements – capsules and tablets, instant sports drinks, whey drinks, tonics) and instant dessert products (mousse and ice cream powder).

Ljiljana Lazarevic, from Serbia, has worked at the HOCHDORF Group for 20 years and has been an operator on the can line in Sulgen for two years. She is responsible, among other things, for the final inspection of cans during her shift. She checks the lid, the base and the various labels, such as the date of manufacture, expiry date and batch number.

HOCHDORF Nutritec Ltd.

In the past business year we have increased the production in the Sulgen plant by 8%. Liquid production grew on average by 4.5%, with growth in whey volumes of 40%. The growth in infant formula on the new line amounted to 27%. The Hochdorf plant enjoyed stable production with medium capacity utilisation. However, the liquid production in Hochdorf was 6% below the level of the previous year. Cost reduction programmes were implemented, predominantly in materials management, personnel management and energy management.

Regular production

The spring milk season was barely noticeable with liquid receipts 8% below the previous year's volume. To ensure the raw material supply and increase plant flexibility, we added additional concentrate tanks in Hochdorf. This gave us the flexibility to accumulate higher quantities of milk concentrates from the milk regulation and from our own plants from increased whey volumes. Production of infant formula led to a further marked increase in capacity utilisation and efficiency. The process is currently robust and stable. It was also possible to achieve a significant performance increase of 20% in the packaging line by changing the machinery. Processing of wheat germ and sour dough is stable.

Materials management

The substantial logistics savings are attributable to direct container loading in the plants and "just-in-time" deliveries, particularly of raw materials and packaging material. This led to reduced costs of over CHF 1 million in materials management.

Quality assurance

The systems for ensuring food safety for the released products are validated and operating at a good level. The QA management plan was implemented on time. No market recall was necessary in 2013 because food safety was always guaranteed. The operational QA costs were reduced by 6%. The costs for errors, product damage and downgrading fell below 0.25% of the gross turnover for the first time in this reporting year, with a first-pass rate of 98.4% (previous year 97.9%). Company management is continually updated on any quality-related occurrences.

Strategy in brief

HOCHDORF Nutritec Ltd. is one of the leading foodstuff companies in Europe in the manufacture of functional ingredients and special nutrition. The quantity-driven milk/whey area and the process-driven speciality area are being developed further, both in organisational and structural terms.

Outlook

In the current business year, we will reduce production costs further and increase added value, particularly in the production of infant formula, whey processing and logistics. This will result from measures in the production process and from economies of scale with regard to materials and energy management. Overall, we expect strong growth in infant formula and medium growth in our whey and milk lines.

Dr. Karl W. Gschwend
Managing Director, HOCHDORF Nutritec Ltd.

You can find HOCHDORF ingredients – "HOCHDORF inside" – in many Swiss and international foodstuffs. The most well-known globally and probably also the most sold product containing a HOCHDORF ingredient is Toblerone. It is available practically all round the world.


Check-in 1

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The HOCHDORF Group runs an open, transparent and continouous information policy. We are committed to responsible corporate governance with the aim of achieving a balance between management and control, whilst protecting shareholders' interests. Our yardstick is the "Swiss Code of Best Practice for Corporate Governance". The following details are in keeping with the current guidelines on information about Corporate Governance (RLCG) for the SIX Swiss Exchange.

1. Group structure and shareholders

1.1. Group structure as of 31 December 2013

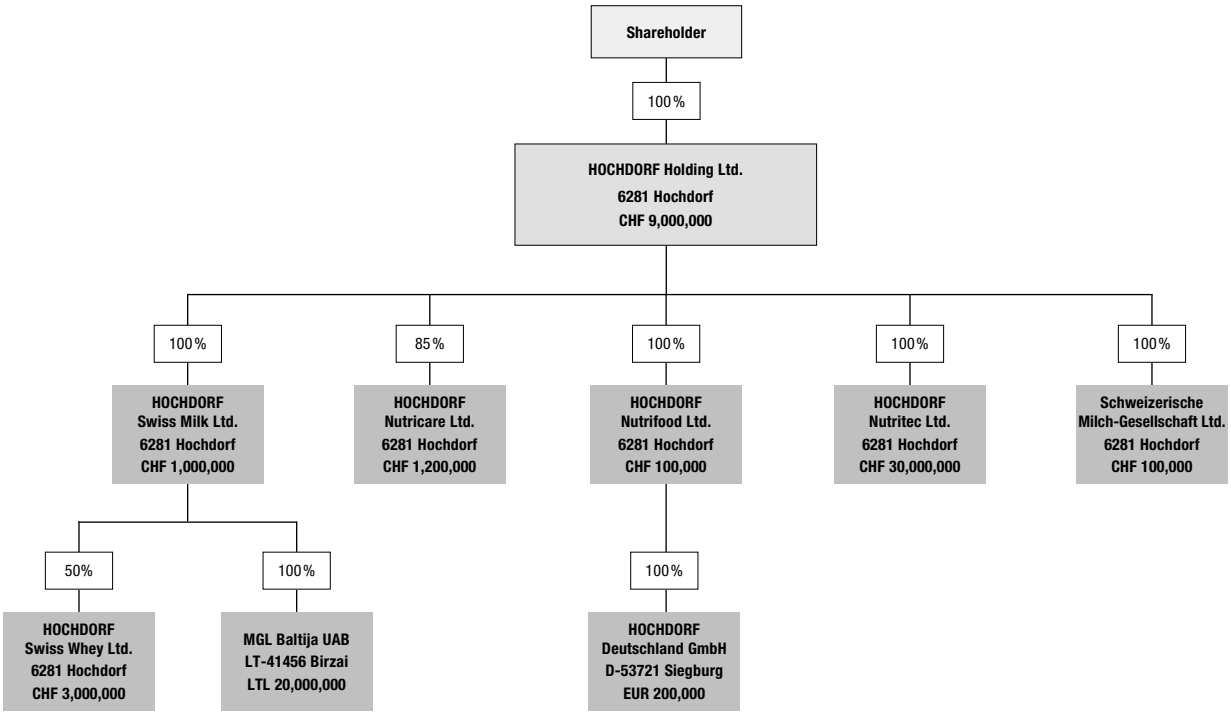
The Group structure for the HOCHDORF Group (hereinafter referred to as HOCHDORF) is detailed on this page. All shareholdings are listed on page 55 of the annual accounts, showing their registered office, share capital and shareholding percentage. In addition to the listed HOCHDORF Holding Ltd., the group of consolidated companies includes exclusively non-listed subsidiaries.

1.2. Significant shareholders

Significant shareholders with voting rights of more than 3% are listed on page 53 of the annual accounts. Various reports were received in the reporting year in accordance with Article 20 of the Federal Law on Stock Exchanges and Security Trading (BEHG). Innovent AG, Wollerau, and the Weiss family, Wollerau, form a group in line with Article 20 and own 7.44% of the capital and 5% of the voting rights (previous year 6.22% of the capital and 5% of the voting rights). Gebrüder Maurer GmbH, Zenith Gewerbepark GmbH, Maurer-Bertschi GmbH, Maurer-Schöni GmbH, all based in Hunzenschwil, form a group in line with Article 20 (BEHG) and own 3.74% (previous year 3.26%) of the capital and voting rights.

1.3. Cross investments

There are no cross investments with capital or voting rights with other companies.



2. Capital structure

2.1. Share Capital

The share capital consists of 900,000 registered shares (securities number 2 466 652 / ISIN CH0024666528) with a nominal value of CHF 10 per share. The share capital is fully paid up. Each share is equivalent to one vote. There are no preferential rights. The company has not issued bonus shares or participation certificates.

2.2. Conditional and approved capital

As of 31.12.2013, HOCHDORF Holding Ltd. held conditional share capital amounting to a nominal total of no more than CHF 4.5 million or no more than 450,000 registered shares at a nominal price of CHF 10. This is reserved for the outstanding conversion loan that runs from 30.5.2011 to 30.5.2016.

2.3. Capital changes

An overview of the capital changes is on page 55 of the annual accounts.

2.4. Restrictions on transferability

HOCHDORF Holding Ltd. shares are essentially transferable without restriction. Anyone entered in the shareholder register is a shareholder in relation to the company. A shareholder register is kept for registered shares and the owners are entered here. The company has to be informed of any changes. An entry into the shareholder register requires proof of the share acquisition. Purchasers of registered shares are entered into the register of shareholders with voting rights on request, provided, that they expressly declare, that they have acquired the share in their own name and at their own expense. If the purchaser is not prepared to make such a declaration, then the Board of Directors can decline entry with voting rights. The entry limit is 5% of the voting rights.

2.5. Convertible loan

In 2011 HOCHDORF Holding Ltd. issued a convertible loan for a nominal amount of CHF 50 million. The interest rate is 3% for the duration period from 30.5.2011 to 30.5.2016. The conversion period runs from 24.6.2011 to 12.5.2016. The conversion price is CHF 124. A nominal figure of CHF 5,000 authorises the subscription of 40.32 HOCHDORF Holding Ltd. registered shares. Fractions are paid out in cash. The entire loan of CHF 50 million is due as of 31.12.2013. No conversion rights have been exercised so far.

3. Board of Directors

3.1. Members of the Board of Directors

In 2013, the Board of Directors for HOCHDORF Holding Ltd. comprised six non-executive members. None of the members previously belonged to the Group management or company leadership team. As a consequence of the Minder Initiative, the election will be for one year or until the next Annual General Meeting as of 2014. Re-election is possible. The election of former members of the Board of Directors put forward for re-election will be carried out as the election of individual candidates. The election of the chairperson, vice-chair and any new members of the Board of Directors will be carried out as the election of individual candidates. All elections and votes are conducted openly, insofar as there is no majority for a secret ballot. The retirement age for members of the Board of Directors is 70. Members leave the Board of Directors at the next General Meeting after turning 70. There was no change to the composition of the Board of Directors in this reporting year. Chairman of the Board of Directors Hans-Rudolf Schurter and board member Rolf Schweiger have stated their intention to resign at the 2014 AGM.

3.2. Professional background and other activities and interests

Hans-Rudolf Schurter

Born in 1949; **Place of residence:** Lucerne; **Member of the Board of Directors since:** 1996. **Chairman since:** 2005. **Training/qualifications:** LLB; licensed attorney (Canton of Lucerne). **Professional experience:** 1978 to 1986, legal advisor for the Swiss Bank Corporation (now UBS); management responsibilities in the Schurter-Group, Lucerne from 1987. **Professional responsibilities:** Chairman and Executive Officer of the Board of Directors of Schurter Holding AG, Lucerne. **Additional responsibilities:** Various roles on boards of directors, including Chairman of the Board of Directors of the Schifffahrtsgesellschaft des Vierwaldstättersees (Vierwaldstättersee shipping company); Board Member at Migros Lucerne; employer's representative for the HOCHDORF Group pension fund.

From left: Josef Leu, Rolf Schweiger, Hans-Rudolf Schurter, Meike Bütikofer, Urs Renggli, Anton von Weissenfluh.

Name	Born	Nationality	Member since	Elected in	Elected until
Schurter Hans-Rudolf, Chairman	1949	Swiss	1996	2011	2014
Leu Josef, Deputy Chairman	1950	Swiss	2002	2011	2014
Schweiger Rolf	1945	Swiss	2002	2011	2014
Von Weissenfluh Anton	1956	Swiss	2005	2011	2014
Renggli Urs	1951	Swiss	2008	2011	2014
Bütikofer Meike	1961	Swiss	2009	2011	2014

Josef Leu

Born in 1950; **Place of residence:** Hohenrain LU; **Member of the Board of Directors since:** 2002. **Deputy Chairman since:** 2005. **Training/qualifications:** Engineering graduate. **Professional experience:** Farm manager and owner until 2011; Board Member and Audit Committee member of the Migros-Genossenschafts-Bundes MGB (cooperative) until 30.06.2008; member of the Swiss National Council from 1991 to 2006. **Professional responsibilities:** Head of the Schadenzentrum (Claims Centre) at the DDPS, Bern. Additional responsibilities: None.

Urs Renggli

Born in 1951; **Place of residence:** Kriens LU; **Member of the Board of Directors since:** 2008. **Training/qualifications:** BSc (economics); certified auditor. **Professional experience:** 1977 to 1981, responsibilities in IT and internal auditing at the Schweizerische Kreditanstalt, Zurich; followed by 26 years of experience in auditing and consulting at top management level at PricewaterhouseCoopers, Lucerne. **Professional responsibilities:** Independent consulting. **Additional responsibilities:** Chair of "Die Dargebotene Hand Zentralschweiz" (Swiss crisis telephone counselling association).

Rolf Schweiger

Born in 1945; **Place of residence:** Baar ZG; **Member of the Board of Directors since:** 2002. **Training/qualifications:** LLB; licensed attorney and qualified solicitor (Zug canton). **Professional experience:** Self-employed; 1999 to 2011, member of the Council of States for the Zug canton (FDP). **Professional responsibilities:** Senior partner at Schweiger Advokatur/Notariat (Law and Notary's Office) in Zug. **Additional responsibilities:** Various roles on boards of directors, including chairman of the Board of Directors at Roche Diagnostics International AG; member of the Board of Directors at Schindler Holding AG; Chairman of fial, Federation of Swiss Food Industries; Board Member of economiesuisse; various roles in foundations (including chairman of the ombudsman of private insurance and SUVA).

Anton von Weissenfluh

Born in 1956; **Place of residence:** Kriens LU; **Member of the Board of Directors since:** 2005. **Training/qualifications:** Engineering graduate; doctor of science Professional experience: Studies in Food Science at the Swiss Federal Institute of Technology Zurich; followed by five years in management positions in the dairy industry; 1991 to 2006, Kambly SA, Trubschachen, from 2001 as CEO. **Professional responsibilities:** CEO at Chocolats Halba, Wallisellen since 2006. **Additional responsibilities:** None.

Meike Bütikofer

Born in 1961; **Place of residence:** Wangen SZ; **Member of the Board of Directors since:** 2009. **Training/qualifications:** Graduate in agricultural engineering; Master of Science in Animal Nutrition and Management with an additional qualification in veterinary medicine (Swedish University of Agriculture Science Uppsala); Executive MBA (University of St. Gallen). **Professional responsibilities:** 1989 to 1991, Head of Marketing feed for Scandinavia at ZIWAG AG, Oberentfelden; 1991 to 1993, PR consultant at ATAG Ernst & Young Consulting AG, Bern; 1993 to 1997, Head of the Quality and Environmental Management profit centre at Electrowatt Engineering AG, Zurich; 1997 to 2002, Siemens Building Technologies AG, Zurich, Corporate Development and Siemens AG, Munich. Professional responsibilities: Since 2002, owner of Bütikofer AG – value-oriented enterprise strategies, Hergiswil. **Additional responsibilities:** Since 2006, Board Member at IE-Engineering Group, Zurich; since 2011, Board Member at René Faigle AG, Zurich; since 2011, Member of the Schweizer Berghilferat (Swiss Mountain Aid); since 2012, Member of the Board of the Brunau Foundation, Zurich.

3.3 Operating procedures for the Board of Directors

The Board of Directors meets at least four times each year and as often as business requires. In 2013, the Board of Directors met for five half-day sessions, for two extraordinary sessios and for a whole-day strategy conference with Company Management. The Chairman of the Board of Directors also sees the CEO in a three-weekly cycle for a working meeting and the chairman and individual members of the Board of Directors take part in Group Management's strategy days. The CEO and the CFO participate in Board of Directors' meetings for all agenda items in a consulting capacity. When required, the Board of Directors also invites external specialists to advise on specific topics and other members of Company Management. The Board of Directors is responsible for the strategic management of the company, supervision of the Group Management and financial control. The Board of Directors monitors the company objectives and identifies opportunities and threats. It also

nominates members of Group Management. The Board of Directors is empowered to make decisions if the majority of the members are present. A decision is valid, if there is a majority of the votes cast. If the votes are tied, the Chairman of the Board of Directors has the casting vote.

3.4. Board of Directors' committees

The Board of Directors has two permanent committees: the Audit Committee and the Compensation Committee. In order to organise its tasks efficiently and effectively, the Board of Directors relies on the recommendations of these committees. Two non-executive members of the Board of Directors belong to each committee. The committees are subject to regular performance monitoring (self-evaluation).

Audit Committee

Members: Urs Renggli (chair), Josef Leu. The main duties of the committee involve:

– Checking the effectiveness of external auditing and internal monitoring.
– Evaluating management directives with regard to financial risks and adherence to these directives.
– Discussing financial statements with the CFO and the external audit manager.
– Evaluating the performance and remuneration of the auditing agency and its independence.
– Evaluating the risk management procedure.

The Audit Committee convened for five sessions in 2013. In addition to the standard agenda points, particular attention was paid to the reliability and effectiveness of the internal control system (ICS) as part of risk management and a special examination was carried out with regard to the bank syndicated loan.

Compensation Committee

Members: Hans-Rudolf Schurter (chair), Anton von Weissenfluh. The main tasks of the committee are:

– Recommending remuneration for the Board Members and Group Management.
– Working out the principles for an overall compensation plan for all employees that is market and performance based.
– Drawing up employment agreements for the Members of the Group Management.

The Compensation Committee convened once.

3.5. Group Management and rules of competence

The Board of Directors is responsible for the overall control of the company and the Group, as well as the supervision of the Group Management. In accordance with Article 716a OR it has the following non-transferable and indefeasible tasks:

– The overall control of the company and the Group, including definition of medium and long-term strategies and planning objectives, as well as the guidelines for company policy and the issuing of required directives.
– Defining the basic organisation of the company and its associated regulations.
– Defining the guidelines for the organisation of accounting systems, financial monitoring and financial planning.
– Appointing and dismissing persons entrusted with the management and representation of the company, namely the CEO, and issuing signature authorisations.
– Supervising the organs entrusted with the management of the company, specifically with regard to adherence to laws, statutes, regulations and directives.
– Creating the annual report; preparing for the General Meeting and then implementing its decisions.
– Informing the legal authorities in the case of insolvency.
– Defining capital increases and relevant statute changes.

Based on the tasks mentioned above, the Board of Directors of HOCHDORF Holding Ltd. consults upon and makes decisions on the following key issues:

– Annual and investment budgets.
– Annual and half-yearly statements.
– Group organigram up to and including the company management level.
– Wage policy.
– Assessment of the main risks.
– Investments outside the budget greater than CHF 0.5 million.
– Multi-annual financial and liquidity planning.
– Strategy-relevant cooperations and agreements, in particular the purchase and sale of holdings, companies, parts of companies, business branches and rights to products or intellectual property rights.
– Foundation and dissolution of companies.

– Nomination of Board Member candidates for the attention of the General Meeting.
– Election of the subsidiaries' Boards of Directors.
– Group regulations of strategic importance.

The Board of Directors fully delegates all remaining areas of company management to the CEO, who has the right to issue directives to the other members of the Group Management. As part of its general reservation of powers, the Board of Directors can intervene as required in the tasks and responsibilities of the organs below it in the hierarchy and assume control of the business conducted by these organs ("powers reserved").

The CEO acts as chair for the Group Management. The chair leads, monitors and coordinates the members of the Group Management and supplies them with the authorisations required to fulfil their roles. As part of the laws, statutes and organisational regulations governing the HOCHDORF Group, the chair holds the necessary authorisations to manage the HOCHDORF Group. In particular, the chair is responsible for the following tasks:

– Implementation of the strategic objectives, definition of key operational areas and priorities as well as ensuring the availability of the material and staffing resources required to fulfil these.
– The management, monitoring and coordination of the remaining members of company management.
– Convening, preparing and presiding over Group Management meetings.
– Providing regular guidance to the Chairman of the Board of Directors or the Board of Directors itself with regard to the company's business transactions. Informing the chairman of the Board of Directors of any important and unexpected business occurrences without delay.
– Representing the Group both internally and externally.

The members of the Group Management team are responsible for independently managing the daily business. Competencies and responsibilities are determined by the budget approved by the Board of Directors and the strategy it has defined in particular, as well as by the HOCHDORF Group organisational regulations.

3.6. Information and monitoring instruments with regard to Group Management

The Board of Directors is guided at every meeting on matters concerning business development, the financial situation and the most important business occurrences by the Chairman, the Committee Chairs, the CEO, the CFO and, depending on the agenda item, other Members of the Group Management. The Chairman receives information from the CEO at least every three weeks and receives minutes of the Group Management meetings. Members of the Board of Directors are informed of extraordinary events without delay in writing.

The HOCHDORF Group's Management Information System (MIS) consists of management reporting and business and financial reporting. It is available to the Group Management on a monthly basis. The Board of Directors receives monthly business and financial reports. The Group's consolidated accounts are generated on a monthly basis and presented to the Board of Directors with detailed explanations every quarter.

Other company management tools include the company policy, the three-year company strategy and its assimilation into the annual operational business plan.

At least once a year the Chair of the Audit Committee and CFO provide the Board of Directors with information for approval concerning the main risks, along with their assessment of how relevant and likely these threats are. The Board of Directors monitors the implementation of the measures defined and undertaken by Group Management in order to minimise the risks.

The Audit Committee evaluates the effectiveness of internal and external monitoring systems as well as the organisation and process of risk management in the HOCHDORF Group. The external Auditor BDO AG provides another information and monitoring system in direct contact with the Chair of the Audit Committe.

4. Group Management

4.1. Member of the Group Management

As of 31.12.2013, the Group Management Team comprises the CEO, Thomas Eisenring, CFO, Marcel Gavillet, the Managing Director of HOCHDORF Nutritec Ltd., Karl Gschwend, the Managing Director of HOCHDORF Swiss Milk Ltd., Werner Schweizer, the Managing Director of HOCHDORF Nutricare Ltd., Michiel de Ruiter and the Managing Director of HOCHDORF Nutrifood Ltd., Michel Burla.

Dr. Thomas Eisenring

Born in 1965; Swiss; **Place of residence:** Winterthur/ZH; **Role:** CEO since April 2013. **Training/qualifications:** Doctorate in Economics. **Professional experience:** 1993 to 1997 Senior Consultant, Schuh & Co Complexity Management, St. Gallen; 1998 to 2000, Interim Regional Manager (Rhein/Ruhr), Gruppe Peiniger, Leverkusen (Germany); 2000 to 2002, Director in Business Regeneration Services, PricewaterhouseCoopers, Zurich; 2002 to 2008, Chairman of the Board of Directors, CEO und Head of Sales SEVEX AG, Sevelen; 2008 to 2013, member of the management team and main shareholder ZIFRU Trockenprodukte GmbH, Zittau (Germany). **Additional responsibilities:** Chairman of the Board of Directors of all HOCHDORF subsidiaries; Chairman of the Board of Directors of HOCHDORF Swiss Whey AG.

Marcel Gavillet

Born in 1962; **Place of residence:** Retschwil LU; **Role:** CFO since 2003. **Training/qualifications:** Fachhochschule FH (University of Applied Science) graduate; MAS Corporate Finance; Certified IFRS accountant. **Professional experience:** 1996 to 1999, Head of Finance and Accounting at Nutriswiss AG, Lyss, then MD from 1999 to 2003. **Additional responsibilities:** Active as a Board Member in all HOCHDORF subsidiaries; MD of the HOCHDORF Group pension fund.

Karl W. Gschwend

Born in 1953; Swiss; **Place of residence:** Altnau TG; **Role:** MD of HOCHDORF Nutritec Ltd. since 2006. **Training/qualifications:** Studies in pure sciences at the Swiss Federal Institute of Technology, Zurich; 1982, doctorate at the Institute for Biotechnology at the Swiss Federal Institute of Technology, Zurich; SKU (Swiss Courses on Enterprise Management) degree in strategic enterprise management. **Professional experience:** 1983 to 1986, Head of Department for Biological Equipment Construction, Giovanola Frères SA, Monthey; 1986 to 1997, MD at Obipektin AG, Bischofszell; 1998 to 2003, Plant Manager at HOCHDORF Nutritec Ltd., Hochdorf; from 2003, managing director of the Schweizerische Milchgesellschaft AG, Sulgen. **Additional responsibilities:** 2010 to 2011, Chair of the Society of Milk Science; member of the Department of Food Technology management team at the Zurich University of Applied Sciences, ZHAW, Wädenswil; economic advisor at the Swiss Food Research network of academic institutions; management representative for the coordination of HOCHDORF Group scientific research; president of the HOCHDORF Group pension fund.

Werner Schweizer

Born in 1955; Swiss; **Place of residence:** Kriens; **Role:** Managing Director of der HOCHDORF Swiss Milk AG since 2006; **Training/qualifications:** Graduate in Food Science at the Swiss Federal Institute of Technology Zurich; SKU (Swiss Courses on Enterprise Management) 2009, degree in strategic enterprise management. **Professional experience:** 1979 to 1982 specialist teacher at the college of dairy science in Sursee; 1983 to 1987 Nestec, Head of Production at Nestlé Lanka, Sri Lanka; 1988 to 1990 Laiteries Réunies de Genève, Head of QM and E&A; 1991 to 1997, QM Schweizer & Stierli AG, Partner, Lucerne; 1998 to 2005 Head of Marketing, Head of Industry/business area milk, HOCHDORF Nutritec AG. **Additional responsibilities:** Board member of the Swiss milk industry association(VMI); board member of the milk industry organisation; Managing Director of UAB MGL Baltija.

Michiel de Ruiter

Born in 1962; Dutch; **Place of residence:** Hünenberg See; **Role:** Managing Director of HOCHDORF Nutricare AG since 2006. **Training/qualifications:** Masters of Science Business Administration and Marketing at the Agricultural University of Wageningen Holland. **Professional experience:** 1987 to 1994, Senior Consultant McKinsey (Amsterdam, Sao Paulo, Brussels); 1994 to 1997, Commercial Director and M&A Director Deli Universal, Rotterdam; 1997 to 1999, Marketing and Business Development Director Friesland Consumer Products Europe; 1999 to 2006 Managing Director, Infant Nutrition Royal Friesland Campina, Leeuwarden, Ede. **Additional responsibilities:** None.

Michel Burla

Born in 1967; Swiss; **Place of residence:** Lyss; **Role:** Managing Director of HOCHDORF Nutrifood AG since 2013. **Training/qualifications:** Studies in pure sciences, degree in microbiology, University of Basel. **Professional experience:** 1995 to 1998, Product and Sales Manager Switzerland, BioConcept, Allschwil; 1998 to 2003 Sales Manager EMEA, Flachsmann, Wädenswil; 2003 to 2008 Business Unit Manager, member of the management team, Frutarom, Wädenswil; 2008 to 2010 Marketing Manager Food Ingredients, Univar, Zurich; 2010 to 2013 Manager Business Support and Business Development, Narimpex, Biel. **Additional responsibilities:** None.

5. Compensations, participations, loans

With the implementation of the Minder Initiative through the Ordinance Against Excessive Compensation (VegüV) from January 1, 2014, the Compensation Report that is being drawn up will replace the Guidelines on Corporate Governance in this regard. In the transition period, the previous guidelines will continue to apply. However, we refer to the Compensation Report from page 42 for the details required.

6. Shareholders' rights of co-determination

6.1. Restrictions to voting rights and proxy voting

All shareholders listed in the shareholder register are entitled to attend the General Meeting and authorised to vote. The voting right restriction amounts to 5% of the share capital. All shareholders can give written instruction to appoint a fellow shareholder or an independent proxy to vote at the General Meeting on their behalf. There is no legal quorum.

The statutes can be downloaded from the HOCHDORF Group website under “Investor”. http://www.hochdorf.com/investors/corporate-governance (only available in German).

6.2. Statutory quorum

The General Meeting passes its resolutions and performs its elections by an absolute majority of the voting rights represented. Excluding the blank and invalid votes, insofar as the law makes no other stipulation.

6.3. Convening of the General Meeting

The General Meeting takes place annually, at the latest six months after the end of the financial year. It is convened by the Board of Directors. Legal provisions apply for convening extraordinary General Meetings. Personal invitations to the General Meeting are sent out in writing, at least 20 days before the General Meeting.

6.4. Agenda

Invitations to submit items for the agenda and questions about the annual report are included with the invitation to the General Meeting.

6.5. Entries in the share register

The shareholder register is usually closed ten days prior to the General Meeting. The Board of Directors can approve exceptions for late submissions upon request. The effective date of closure is published in the invitation to the General Meeting and also provided in good time on the financial calendar on the HOCHDORF Group website: http://www.hochdorf.com/investors/financial-calendar.

7. Change of control and defensive measures

7.1. Obligatory offer

The HOCHDORF Holding Ltd. statutes do not include opting out or opting up clauses with regard to Article 22 of the Federal Law on Stock Exchanges and Security Trading (BEHG) with respect to the legal obligation to submit a takeover bid.

7.2. Change-of-control clauses

There are no change-of-control clauses with members of the Board of Directors or the Group Management.

8. Auditors

8.1. Duration of the mandate and term of the auditor in charge

The General Meeting elects the auditor in charge for one year. BDO AG, Lucerne, was elected as auditing agency for HOCHDORF Holding Ltd. and its subsidiaries for 2013. Since 2013, Stefan Oegema, licensed audit expert, is the auditor in charge.

8.2. Audit fees

The auditors charged total fees of KCHF 95 (excluding VAT) for the 2013 reporting year for the performance of their mandate as statutory auditors (including audit of the Consolidated Financial Statement).

8.3. Additional fees

During the 2013 reporting year, BDO has invoiced for a total of KCHF 14 (excluding VAT) for additional services that go beyond its legal responsibility.

8.4. Auditor supervision and control mechanisms in respect of the auditors

The Board of Director's Audit Committee assesses the performance, invoicing and independence of the external auditors and makes corresponding recommendations to the Board of Directors. The Audit Committee checks the extent of the external audit, the audit plans and the relevant processes on an annual basis and discusses the audit results with the external auditors. The chief auditor attended three Audit Committee meetings in 2013.

9. Information policy

Guidelines for Investor Relations: the HOCHDORF Group maintains open and ongoing communication with shareholders, potential investors and other stakeholder groups. The aim is to provide rapid, simultaneous and transparent information about the company, its strategy and business developments, and to offer a truthful picture of the HOCHDORF Group's performance in the past and the present, as well as its future prospects. This picture is intendend to reflect the current assessment of the Group by the Board of Directors and the Group Management.

In keeping with regulations prescribed by the SIX Swiss Exchange, the HOCHDORF Group publishes a comprehensive Annual Report that includes business activities, corporate governance, remuneration report and financial reporting that is generated and audited in accordance with Swiss GAAP FER. A half-year report is also produced in accordance with the Swiss GAAP FER guidelines.

Media releases about events relevant to the Stock Exchange , such as acquisitions, minority or majority shareholdings, joint ventures and alliances are published in accordance with the guidelines for ad-hoc publicity.

The CEO, the CFO and the Head of Corporate Communications are responsible for communication with investors. During the course of the year, the Group meets with institutional investors, presents its results and conducts road shows. The HOCHDORF Group uses the Internet to ensure that information emanates rapid, simultaneously and consistently. The "Swiss Official Gazette of Commerce" is HOCHDORF Holding Ltd.'s official publication organ.

You can access press releases and investor information via the following link:
– http://www.hochdorf.com/investors

HOCHDORF uses the Internet in order to ensure rapid, real-time and consistent distribution of information. The company's website features an electronic information tool (Newsletter) that enables shareholders and other interested stakeholder to add their names to an electronic distribution list:
– http://www.hochdorf.com/investors/newsletter

For more information about the Group in the Internet, see: www.hochdorf.com. Reports to the SIX Exchange Regulation about holdings that exceed the voting right limits and must be reported, can be found on the following Internet page: http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html.

In 2013, various changes to shareholdings took place at HOCHDORF Holding Ltd. and had to be reported.

Contact for Investor Relations
HOCHDORF Holding Ltd., Investor Relations, Siedereistrasse 9, CH-6280 Hochdorf, Switzerland. Tel. +41 41 914 65 62, e-mail: ir@hochdorf.com.

The annual General Meeting takes place on 09 May 2014. All registered shareholders receive an invitation to the General Meeting by post.

The next business results (half-year results for 2014) will be published on 20 August 2014.

Remuneration Report

The remuneration report summarises the key principles that determine the remuneration of the Board of Directors and Group Management and also explains the structure and extent of compensation.

HOCHDORF sets great store on the recruitment, relationship-building, motivation and development of well-qualified personnel at all levels. This is of particular importance when it comes to filling vacancies that have a significant bearing on the management of the company. The remuneration that is awarded should serve to stimulate the long-term development of the company. Performance evaluation is conducted on a qualitative basis through the annual employee review meetings, with an evaluation of personal targets and general performance. Quantitative assessment criteria are applied, which are derived from the current financial results.

Remuneration of the Board of Directors

Compensation and remuneration relating to the Board of Directors, including to the chairperson, are defined by the Board of Directors itself. Compensation to the Board of Directors consists of a fixed remuneration package and fixed expenses that are not linked to any profit components. The payments due on social contributions related to the remuneration are covered by the company

A discretionary decision is made on the amount paid to the Board of Directors. The Board of Directors bases its decisions on published studies on directors' remuneration, publically available information on payments made at listed companies in the same industry, as well as comparisons with members of other boards of directors. The compensation includes a basic amount for all members of the Board of Directors, a supplementary payment for the work of the chairperson and vice-chair, as well as flat-rate compensation for work on committees and for expenses. These payments were last adjusted in 2006 and have remained unchanged since then. The figures show the actual amounts paid out in the reporting period.

Remuneration of the Board of Directors	Basic salary	Social contributions	Expenses	2013 CHF	2012 CHF
Hans-Rudolf Schurter, Chairman, Compensation Committee	78,000	11,963	8,000	97,963	97,963
Josef Leu, Vize-Chairman, Audit Committee	48,000	7,269	6,000	61,269	61,269
Meike Bütikofer	36,000	5,452	4,000	45,452	45,452
Urs Renggli, Audit Committee	44,000	6,663	6,000	56,663	56,663
Rolf Schweiger	36,000	2,591	4,000	42,591	42,591
Anton von Weissenfluh, Compensation Committee	38,000	5,754	4,000	47,754	47,754
Total	**280,000**	**39,692**	**32,000**	**351,692**	**351,692**

CEO remuneration

Remuneration of the CEO has been determined by the Compensation Committee to date. In the future this will be undertaken by the Board of Directors, at the request of the Compensation Committee. The Board of Directors will define the extent of the overall compensation and the strategic goals. The CEO's remuneration comprises a fixed basic salary and a performance-related variable payment. The variable payment is calculated for 2013 at 3% of the consolidated EBIT for the HOCHDORF Group, whereby this must amount to at least 1.2% of the production revenue. It is a pro rata calculation that is 7/12 for 2013. The current employment agreement is for an unlimited period of time with a notice period of six months. The remuneration is fixed up to 31 March 2014.

Group Management remuneration

The Group Management remuneration is defined by the Compensation Committee, at the request of the CEO. This is a discretionary decision. The Group's general pay round and the company results form the basis of the decision. There is no special profit sharing model for Group Management (with the exception of the CEO). The compensation paid to Group Management comprises a fixed salary payment and a variable payment as part of the profit sharing ruling that is valid for all HOCHDORF Group employees. The variable payment can amount to a maximum of 30% of the gross salary entitlement in accordance with the current profit sharing model. The profit sharing model is based on the earned cash flow from the Group's cash flow accounting.

There are no share or option plans or similar shareholding programmes in the HOCHDORF Group.

The figures show the actual amounts paid out in the reporting period.

	Group Management		CEO [1]	
CEO and Group Management remuneration	Total			
In CHF (gross)	**2013**	**2012**	**2013**	**2012**
Basic salary [2]	1,165,301	1,453,271	192,500	0
Variable remuneration	25,000	0	0	0
Social contributions	245,219	322,473	40,930	0
Other contributions [3]	85,759	103,595	13,290	0
Total	**1,521,279**	**1,879,339**	**246,720**	**0**
Number of Group Management members	6	7		

1) Thomas Eisenring, from 01.06.2013.
2) Monthly salary, 13th monthly salary payment, flat-rate expenses.
3) Private shares for company vehicles, vehicle payments, company loyalty gifts and payments of school fees.

Change of control clauses

The employment agreements for the members of Group Management do not include any change of control clauses. There are no existing termination payment systems and none were planned in the reporting period. There is a standard notice period of four months for Group Management, with a separate ruling for the CEO, who has a notice period of six months. The entitlement to salaries and bonuses remains during this notice period.

Remuneration of former members of Group Management

The following payments were made to former members of the Group Management in 2013.

Payments to former members of Group Management	Group Management	CEO [1]
In CHF (gross)	**2013**	**2013**
Basic salary [2]	66,924	280,839
Variable remuneration	0	0
Social contributions	14,317	30,758
Other contributions [3]	2,400	1,897
Total	**83,641**	**313,494**

1) Damian Henzi, leave of absence from mid December 2012, termination of employment as of 31.3.2013. Remuneration was therefore defined as finishing at the end of 2012 and so did not affect net income for 2013.
2) Monthly salary, 13th monthly salary payment, flat-rate expenses.
3) Private shares for company vehicles, vehicle payments, company loyalty gifts and payments of school fees.

Shareholdings

As of 31 December, the individual members of the Board of Directors and the Group Management (including related persons) held the following number of shares in the company.

Board of Directors shareholdings		2013	2012
Hans-Rudolf Schurter	Chairman, Compensation Committee	6,397	6,397
Josef Leu	Vize-Chairman, Audit Committee	1,129	889
Meike Bütikofer		441	441
Urs Renggli	Audit Committee	4,654	4,054
Rolf Schweiger		729	729
Anton von Weissenfluh	Compensation Committee	915	715
Total		**14,265**	**13,225**

Group Management shareholdings		2013	2012
Thomas Eisenring	CEO from 01.06.2013	200	n.a.
Damian Henzi	CEO up to mid-December 2012	n.a.	10,397
Marcel Gavillet	CFO	375	365
Karl Gschwend	Managing Director HOCHDORF Nutritec Ltd.	100	100
Werner Schweizer	Managing Director HOCHDORF Swiss Milk Ltd.	165	165
Vincent Lebet	Managing Director HOCHDORF Nutrifood Ltd., up to 31.12.2012	n.a.	135
Michel Burla	Managing Director HOCHDORF Nutrifood Ltd., from 01.02.2013	200	n.a.
Michiel de Ruiter	Managing Director HOCHDORF Nutricare Ltd.	11,915	11,915
Alexander Ketelaar	Geschäftsführer HOCHDORF Nutrimedical Ltd., up to 30.06.2013	n.a.	0
Total		**12,955**	**23,077**

Additional fees and remuneration

No additional fees or remuneration were made to the Board of Directors or to Group Management, including related persons, in the reporting period.

Loans/securities to the Board of Directors and Group Management

As a point of principle, no credit or loans are granted to members of the Board of Directors, the CEO, Group Management or employees of the HOCHDORF Group. No securities (loan guarantees, other guarantees etc) were granted in the reporting period. Neither HOCHDORF Holding Ltd. nor other Group companies have waived a debt in respect of a member of the Board of Directors or the Group Management.

Loans/securities to related persons

No loans or securities were granted to related persons in the reporting period. No loans or securities exist as of the end of the reporting period.

Report of the statutory auditor on the remuneration report 2013

BDO AG
Landenbergstrasse 34
6002 Luzern

Report of the statutory auditor to the general shareholders' meeting of **HOCHDORF Holding Ltd., Hochdorf**

We have audited the accompanying remuneration report of HOCHDORF Holding Ltd. (pages 42 to 45) for the year ended 31 December 2013.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of HOCHDORF Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Lucerne, 25 March 2014

BDO AG

Stefan Oegema
Auditor in Charge
Licensed Audit Expert

Andreas Matti
Licensed Audit Expert

North Africa is already an important market for HOCHDORF Nutricare Ltd. products. We are currently planning to enter the market in several west and central African countries. The entire range of HOCHDORF infant formula will soon be available in the largest retail chain in Nigeria – the most populous country in Africa.

Financial Report 2013

Consolidated balance sheet as of 31. Dec.

		2013 CHF	in %	2012 CHF	in %
Assets					
Cash and cash equivalents	1)*	53,937,515	22.2%	48,134,985	20.1%
Trade receivables	2)*	36,775,396	15.1%	32,603,349	13.6%
Receivables from related parties	2)*	2,924,565	1.2%	3,824,443	1.6%
Other short-term receivables	2)*	808,079	0.3%	735,050	0.3%
Inventories	3)*	29,315,283	12.0%	27,933,804	11.6%
Prepayments and accrued income	4)*	2,108,176	0.9%	5,080,066	2.1%
Current assets		**125,869,015**	**51.7%**	**118,311,696**	**49.3%**
Property, plant, equipment		33,643,453	13.8%	34,808,707	14.5%
Other fixed assets		73,370,718	30.1%	75,658,928	31.5%
Total fixed assets	*5)**	*107,014,171*	*44.0%*	*110,467,635*	*46.1%*
Investments	6)*	1,506,462	0.6%	1,427,052	0.6%
Financial assets	7)*	8,363,162	3.4%	8,379,880	3.5%
Intangible assets	8)*	731,813	0.3%	1,264,548	0.5%
Non-current assets		**117,615,609**	**48.3%**	**121,539,115**	**50.7%**
Total assets		**243,484,623**	**100.0%**	**239,850,811**	**100.0%**
Liabilities					
Trade payables	9)*	35,157,528	14.4%	30,677,886	12.8%
Short-term financial liabilities	10)*	36,759	0.0%	40,002,817	16.7%
Other short-term financial liabilities with related parties	10)*	500,000	0.2%	4,295,180	1.8%
Other short-term liabilities	11)*	2,496,819	1.0%	677,369	0.3%
Accrued liabilities and deferred income	12)*	3,169,029	1.3%	6,124,240	2.6%
Current liabilities		**41,360,135**	**17.0%**	**81,777,491**	**17.4%**
Long-term financial liabilities	13)*	93,375,000	38.3%	53,875,000	22.5%
Provisions	14)*	4,975,362	2.0%	4,434,761	1.8%
Non-current liabilities		**98,350,362**	**40.4%**	**58,309,761**	**41.0%**
Share capital		9,000,000	3.7%	9,000,000	3.8%
Own shares		–30,425	0.0%	–481,126	–0.2%
Capital reserves		47,195,059	19.4%	49,846,630	20.8%
Retained earnings		41,271,752	17.0%	76,194,956	31.8%
Minority interests		211,177	0.1%	360,089	0.2%
Result current year		6,126,564	2.5%	–35,156,989	–14.7%
Shareholders' equity		**103,774,127**	**42.6%**	**99,763,559**	**41.6%**
Total liabilties and shareholders' equity		**243,484,623**	**100.0%**	**239,850,811**	**100.0%**

* Explanations in the notes

Consolidated income statement

		2013 CHF	in %	2012 CHF	in %
		1.1.13–31.12.13		1.1.12–31.12.12	
Sales of products	15)*	375,877,229	100.7%	346,107,544	102.3%
Sales of services	16)*	268,247	0.1%	506,195	0.1%
Gross sales revenue		**376,145,476**	**100.8%**	**346,613,738**	**102.4%**
Reductions in proceeds	17)*	–4,021,743	–1.1%	–2,498,353	–0.7%
Net sales revenue		**372,123,733**	**99.7%**	**344,115,385**	**101.7%**
Change in inventories of semi-finished and finished products		1,013,556	0.3%	–5,713,215	–1.7%
Production revenue		**373,137,289**	**100.0%**	**338,402,170**	**100.0%**
Cost of materials and services		–286,962,672	–76.9%	–254,311,632	–75.2%
Gross operating profit		**86,174,617**	**23.1%**	**84,090,539**	**24.8%**
Personnel expenses	18)*	–31,720,100	–8.5%	–32,455,560	–9.6%
Other operating expenses	19)*	–36,355,360	–9.7%	–37,316,981	–11.0%
Operating expenses		*–68,075,459*	*–18.2%*	*–69,772,541*	*–20.6%*
EBITDA		**18,099,158**	**4.9%**	**14,317,998**	**4.2%**
Depreciation on property, plant and equipment		–7,085,559	–1.9%	–10,842,295	–3.2%
Amortisation on intangible assets		–716,076	–0.2%	–716,718	–0.2%
EBIT		**10,297,523**	**2.8%**	**2,758,986**	**0.8%**
Income from associates and joint ventures	6)*	79,410	0.0%	115	0.0%
Financial result	20)*	–3,870,050	–1.0%	–4,032,759	–1.2%
Earnings before taxes (EBT)		**6,506,883**	**1.7%**	**–1,273,658**	**–0.4%**
Non-operating results	21)*	31,924	0.0%	–15,129	0.0%
Extraordinary results	22)*	–211,115	–0.1%	–34,113,508	–10.1%
Profit before tax		**6,327,692**	**1.7%**	**–35,402,295**	**–10.5%**
Income taxes	23)*	–264,239	–0.1%	76,668	0.0%
Net profit		**6,063,453**	**1.6%**	**–35,325,627**	**–10.4%**
Attributable to:					
Parent company shareholders		6,126,564	1.6%	–35,156,989	–10.4%
Minority interests		–63,111	0.0%	–168,638	0.0%
Net profit		**6,063,453**	**1.6%**	**–35,325,627**	**–10.4%**
Earnings per share (basic)	24)*	**6.95**		**–39.69**	
Earnings per share (diluted)	24)*	**5.81**		**–39.69**	

* Explanations in the notes

Consolidated cash flow statement

	2013 CHF	2012 CHF
	1.1.13–31.12.13	1.1.12–31.12.12
Net profit	6,063,453	–35,325,627
Depreciation of property, plant and equipment	7,801,635	11,537,540
Amortisations on goodwill	0	21,472
Net interest expense	3,325,947	3,940,690
Other non-cash adjustments	–216,682	–163,295
Change in provisions	541,281	–6,700,030
Loss from the sale of HOCHDORF Nutrimedical Ltd.	472,710	0
Impairment	0	40,027,319
Accounting losses (profits) from sales of fixed assets	217,300	168,507
Income from associates and joint ventures	–79,410	115
Cash flow before changes in net working capital, interest and taxes	**18,126,235**	**13,506,692**
As % of net sales revenue	***4.87%***	***3.93%***
Change in trade receivables	–4,539,891	–1,226,320
Change in trade receivables from related parties	–314,123	–3,509,144
Change in other short-term receivables	–75,556	453,060
Change in inventories	–1,381,479	5,164,111
Change in prepayments	2,971,890	–1,845,682
Change in liabilities from deliveries and services	4,589,348	–1,130,804
Change in other short-term liabilities	1,900,050	–388,567
Change in deferred income	–3,080,210	4,348,782
Change in net current assets	**70,028**	**1,865,436**
Cash flow from operating activities	**18,196,263**	**15,372,128**
As % of net sales revenue	***4.89%***	***4.47%***
Investments in fixed assets	–3,956,565	–8,679,296
Divestments of fixed assets	323,433	509,552
Investments in intangible assets	–183,342	–107,228
Divestments of intangible assets	0	27,561
Investments of long-term financial assets	–535,617	0
Investments/capital increase in associates	0	–53,194
Interest and dividends received	19,672	64,234
Net cash flow from sale of HOCHDORF Nutrimedical Ltd.	–17,864	0
Cash flow from investing activities	**–4,350,284**	**–8,238,372**
Free cash flow	**13,845,980**	**7,133,756**
As % of net sales revenue	***3.72%***	***2.07%***
Change in short-term financial liabilities	33,941	–40,478
Change in other short-term financial liabilities with related parties	–2,581,180	–849,730
Change in non-current financial liabilities	–220,644	–528,606
Sale (purchase) own shares net cash flow	500,957	472,140
Interest paid	–3,315,619	–3,944,923
Dividends paid to shareholders	–2,633,598	–2,657,265
Cash flow from financing activities	**–8,216,143**	**–7,548,862**
Currency translation	172,693	–48,448
Net change in cash and cash equivalents	**5,802,530**	**–463,554**
Cash and cash equivalents at 1 January	48,134,985	48,598,539
Cash and cash equivalents **at 31 December**	**53,937,515**	**48,134,985**

Consolidated statement of changes in equity

CHF 1,000	Share capital	Own shares	Capital reserves	Retained earnings	accumulated translation differences	Total excluding minority interests	Minority interests	Total including minority interests
Shareholders' equity as at 31.12.2010	**9,000**	**–851**	**55,327**	**67,845 [2]**	**–1,705**	**129,616**	**239**	**129,855**
Change in scope of consolidation				–9		–9	450	441
Goodwill from acquisition of shares from subsidiaries				–2,038		–2,038	–159	–2,197
Allocation of capital investments to free reserves			–2,700	2,700		0		0
Acquisition of own shares		–2,585				–2,585		–2,585
Sale of own shares		2,494	–85			2,408		2,408
Translation differences					–288	–288		–288
Dividends				–2,676		–2,676		–2,676
Net profit				12,381		12,381	–1	12,381
Shareholders' equity as at 31.12.2011	**9,000 [1]**	**–943**	**52,542**	**78,203 [2]**	**–1,993**	**136,809**	**529**	**137,338**
Allocation of capital investments to free reserves			–2,700	2,700		0		0
Acquisition of own shares		–4,606				–4,606		–4,606
Sale of own shares		5,068	5			5,073		5,073
Translation differences					–59	–59		–59
Dividends				–2,657		–2,657		–2,657
Net profit				–35,157		–35,157	–169	–35,326
Shareholders' equity as at 31.12.2012	**9,000 [1]**	**–481**	**49,847**	**43,089 [2]**	**–2,052**	**99,403**	**360**	**99,764**
Change in scope of consolidation						0	–86	–86
Allocation of capital investments to free reserves			–2,700	2,700		0		0
Acquisition of own shares		–5,132				–5,132		–5,132
Sale of own shares		5,583	48			5,631		5,631
Translation differences					167	167		167
Dividends				–2,634		–2,634		–2,634
Net profit				6,127		6,127	–63	6,063
Shareholders' equity as at 31.12.2013	**9,000 [1]**	**–30**	**47,195**	**49,282 [2]**	**–1,884**	**103,563**	**211**	**103,774**

1) 900,000 registred shares at nominal CHF 10.00; each share corresponds to one vote; the maximum entry limit in the share register is 5% of the votes.
2) Of which non-distributable legal reserves KCHF 10,202 (previous year KCHF 10,653).

Largest shareholders:	**Share**		
Family Weiss and Innovent Holding AG, Wollerau	7.44%	PY 6.22%	21'978 shares without voting rights
ZMP Invest AG, Lucerne	5.66%	PY 5.51%	5'921 shares without voting rights
Argos Investment Managers S.A., Genf	4.55%	PY <3.00%	
HOCHDORF Group pension fund, Hochdorf	3.89%	PY 5.00%	
Gruppe Maurer, Hunzenschwil	3.71%	PY 3.26%	
Rudolf Schrepfer, Hergiswil	3.50%	PY 3.50%	

Conditional capital:
The Group has conditional capital of a nominal CHF 4,500,000, corresponding to 450,000 registred shares at a nominal CHF 10.00, which is directly related to the outstanding convertible loan.

Notes to the consolidated financial statements

Principles of consolidation

General information

The Group prepares its accounts in compliance with all existing guidelines of Swiss GAAP FER (Swiss accounting and reporting recommendations) and the provisions of Swiss law. The HOCHDORF Group will fully incorporate Swiss GAAP FER 31, which can be used from 1 January 2015, in the Group accounts for 2015. The consolidated annual accounts reflect the actual status of the Group's asset, financial and revenue position. Valuation is based on historical costs and are based on the annual accounts for the affiliated companies as of 31.12.2013, created according to standard principles.

Consolidation principles

Consolidated companies

The consolidated annual accounts for the HOCHDORF Group comprise the annual accounts for the HOCHDORF Holding Ltd. parent company as well as all subsidiaries in which there is a capital and vote-relevant majority. Investments with 20% to 50% of the voting rights are accounted for using the equity method. The exception to this is those companies with the prerequisites for a full consolidation despite minority holdings.

The consolidated individual financial statements for the companies are adapted to the standard Group structure and evaluation regulations and entered in accordance with the full consolidation method. 100% of the assets and liabilities as well as expenses and revenues are included in the consolidated annual accounts and all intercompany transactions are eliminated. Significant interim profits within the Group are considered in this elimination.

The share of the minority shareholders in the company's own share capital and of the results is shown separately in the Group balance sheet and income statement.

Capital consolidation

For capital consolidation, assets and liabilities on holdings are evaluated at the time of the takeover according to standard Group principles (purchase method). Any remaining surplus (goodwill) of this revaluation is recognised in the balance sheet and amortised in the income statement over its useful life of maximum 20 years.

The consolidated cash flow accounting is generated on the basis of the consolidated balance sheet and income statement.

Foreign currency translation in Group companies

The annual accounts of consolidated companies in foreign currencies are converted as follows: current assets, fixed assets and external capital at end-of-year exchange rates (period end exchange rate); equity at historical exchange rates. The income statement and the cash flow account are converted at average exchange rates for the year. The conversion differences incurred are recognised in equity without affecting net income. The foreign currency items included in the individual financial statements of the consolidated companies are converted as follows: foreign currency transactions at the exchange rate of the transaction day (current exchange rate); at the end of the year, foreign currency balances are converted at the end-of-year exchange rate (period-end exchange rate) and affect net income. The resulting exchange rate differences are shown in the income statement.

	Income statement Average exchange rates		Balance sheet End-of-year exchange rates	
	2013	2012	**31.12.13**	31.12.12
1 EUR	**1.2266**	1.2046	**1.2255**	1.2068
1 USD	**0.9231**	0.9329	**0.8894**	0.9153
1 LTL	**0.3552**	0.3489	**0.3549**	0.3495

Cash flow statement

Cash and cash equivalents form the basis for the presentation of the cash flow statement. Cash flow from operating activities is presented using the indirect method.

Overview of the Group and associated companies

Consolidated companies	Location	Function	Currency	**Capital (1,000) 31.12.2013**	**Capital share 31.12.2013**	Capital share 31.12.2012
HOCHDORF Holding Ltd.	Hochdorf	Holding	CHF	**9,000**	**100%**	100%
HOCHDORF Nutritec Ltd.	Hochdorf	Production	CHF	**30,000**	**100%**	100%
HOCHDORF Swiss Milk Ltd.	Hochdorf	Trade	CHF	**1,000**	**100%**	100%
HOCHDORF Nutrifood Ltd.	Hochdorf	Trade	CHF	**100**	**100%**	100%
HOCHDORF Nutricare Ltd.	Hochdorf	Trade	CHF	**1,200**	**85%**	85%
MGL Baltija UAB [1)]	Medeikiai	Production and trade	LTL	**20,000**	**100%**	55%
HOCHDORF Nutrimedical Ltd. [2)]	Hochdorf	Trade	CHF	**1,000**	**0%**	55%
Schweiz. Milch-Gesellschaft AG	Hochdorf	Shell company	CHF	**100**	**100%**	100%
HOCHDORF Deutschland GmbH [3)]	Siegburg	Trade	EUR	**200**	**100%**	100%

1) Increase in the holding in MGL Baltija UAB as of 01.01.2013 from 55% to 100%.
Capital increase 2013 from LTL 200,000 to LTL 20,000'000.
2) Sale as of 30.06.2013.
3) Capital increase 2013 from EUR 26,000 to EUR 200,000.

Associated companies	Location	Function	Currency	**Capital (1,000) 31.12.2013**	**Capital share 31.12.2013**	Capital share 31.12.2012
HOCHDORF Swiss Whey Ltd.	Hochdorf	Trade	CHF	**3,000**	**50%**	50%

Principles of valuation

General

Accounting takes place on the assumption that the company will continue as a going concern. Assets are measured at cost, taking into account the necessary value adjustments. Liabilities only include items that are essential to business operations. All identifiable loss risks and depreciations are offset by value adjustments or deferrals. Expense and income items are accrued by period.

Cash and cash equivalents

Cash and cash equivalents include cash, balances in postal giro and bank accounts. They are valued at their nominal value.

Securities

Listed commercial securities are included at the market value of the balance sheet date. The remaining securities are balanced at acquisition value or at a lower market value.

Trade accounts receivable

The valuation of the receivables is at nominal value less value adjustments. Any identifiable individual risks are taken into account with appropriate value adjustments.

Inventories

The valuation of raw materials, operational materials and auxiliary materials is defined by the acquisition price or at a lower market value. The semi-finished and finished products are valued at manufacturing cost, including the direct material and production costs per item, as well as material and production overhead costs. Appropriate value adjustments are undertaken for goods with a low rate of inventory turnover.

The value adjustment rates applied for raw materials, auxiliary materials and operational materials are:

Inventory turnover rate	Value adjustment
Under 0,5 times	25.0% of the purchase or manufacturing costs
0,5 – 1 times	12.5% of the purchase or manufacturing costs
Over 1 – 1,5 times	5.0% of the purchase or manufacturing costs
Over 1,5 – 3 times	2.5% of the purchase or manufacturing cost
Over 3 times	0% of the purchase or manufacturing costs

There are no calculated value adjustments if additional acquisitions of the same raw material are made in the reporting period.

Semi-finished and finished products:

Inventory turnover rate	Value adjustment
Under 0,5 times	100% of the purchase or manufacturing costs
0,5 – 1 times	50% of the purchase or manufacturing costs
Over 1 – 1,5 times	20% of the purchase or manufacturing costs
Over 1,5 – 3 times	10% of the purchase or manufacturing costs
Over 3 times	0% of the purchase or manufacturing costs

The value adjustments calculated in this way are checked by the relevant MD and adjusted for normal saleability or longer shelf life. Inventories with a disposal value that can be realised below the purchase or manufacturing cost are not included in this and their value should be adjusted in accordance with the «lower of cost or market» principle. The current market price is assumed when defining the disposal value. The usual revenue deductions, sales and outstanding administrative costs have to be deducted from this amount.

Consumption is measured in accordance with the first expiring date first out principle.

Interim profits on internal Group inventories are, if significant, eliminated and affect net income.

Discounts (in the sense of markdowns) granted by suppliers are entered as acquisition price reductions.

Prepayments or deferred income

Accrual and deferral items, valued at the nominal or effective value, do not include under or overvaluations.

Impairment

A check is made on each balance sheet date to see if assets are impaired in value. The check is based on events and indicators that show, that an overvaluation of the book value seems possible. A loss from value impairment is posted with an effect on net income if the book value of an asset exceeds the recoverable amount. A recoverable amount is the higher of the net market value and the utility value. A value impairment recorded in earlier reporting periods can be partially or completely cancelled with an effect on net income if the factors defining the recoverable amount have significantly improved.

Fixed assets

The maximum valuation limit for the fixed assets is based on the acquisition costs less the depreciation necessary for business reasons. An exception to this is property that has been included at a prudent market value. Long-term depreciation is taken into account. Depreciation is calculated on a straight line basis over the useful life of the fixed asset. All investments apply – and so are capitalised – as do all acquisitions over a value of CHF 5,000. Projects in process are capitalised as current investment projects and are not depreciated. Interests on assets under construction are not capitalised.

Asset group	Service life
Property	25–100 years
Devices, warehouse equipment, fixed equipment	5–75 years
Machines, production appliances	5–50 years
Office equipment, IT systems, communication, fittings	5–20 years
Vehicles	5–25 years
Intangible assets	5–20 years

Leasing

Assets from financing leasing are capitalised and the relevant leasing liabilities are posted as a liability. With amortisations, the interest is charged directly to financial expenditure. Expenses for operating leasing are charged directly to the income statement.

Financial assets

Financial assets include long-term held securities, deferred tax credits as well as assets from pension funds and employer contribution reserves and long-term receivables from third parties. The securities are valued at acquisition prices, less operationally necessary value adjustments.

Intangible assets

Goodwill, software, patents and licenses are all balanced under intangible assets. These are balanced at acquisition cost or at a lower utility value. They are depreciated beyond their economic service life on a straight line basis.

Short-term/long-term external capital

Valuation of liabilities is at the nominal amount. Short-term external capital includes liabilities with due dates of less than 12 months and short-term accrual items. Long-term liabilities include financing with a runtime of more than a year.

Provisions

A provision is a probable obligation based on an event before the balance sheet date, the amount of which and/or due date is uncertain, but can be estimated. This obligation warrants a liability. It is defined in accordance with standard and constant business criteria.

Deferred taxes

The revenue taxes payable on taxable profits for the individual companies are accrued. Capital taxes incurred are also accrued.

The deferred taxes are entered at currently applicable tax rates (12% for companies with exclusive tax liability in the Lucerne canton or 15% for HOCHDORF Nutritec Ltd. and for MGL Baltija UAB) on all differences between tax and Group values. There are no negative valuation differences that could lead to tax credits. Clearable tax credits from carried forward losses are capitalised if it is likely that they might be realised in the future by sufficient taxable profits. Capital taxes are posted in the operational costs.

Derivative financial instruments

HOCHDORF Group uses derivative financial instruments to hedge its currency and interest rate risks. They are recorded in the balance sheet if they fulfil the definition of an asset or liability. The tools are explained in the notes.

Employee pensions

HOCHDORF Holding Ltd.'s pension liabilities and those of its subsidiaries in Switzerland are set out in the completely autonomous HOCHDORF Group pension fund. The pension scheme includes a defined contribution in accordance with Swiss GAAP FER 16. The costs resulting from the employee pension are charged to the income statement for the appropriate period.

Employees and former employees receive different employee pension payments or old-age pensions corresponding to the legal requirements applicable in the countries where they are paid out.

Net sales revenue and revenue recognition

Net sales revenue includes the invoiced goods sales to third parties. Turnover is regarded as valid upon delivery or delivery fulfilment.

Research and development

Research and development costs are charged in full to the income statement. These costs are included in the items "Personnel expenses" and "Remaining operating costs".

Contingent liabilities

Contingent liabilities are valued on the balance sheet date. A provision is formed if a cash outflow is likely without a useful cash inflow.

Transactions with related parties

Business relations with related parties are conducted under conditions in line with the market. There have been no significant transactions with either shareholders or with related persons or companies.

Risk report

Risk management and risk policy

Enterprise automatically involves opportunities and threats. The HOCHDORF Group has been an increasingly successful player in European and global enterprise for more than 118 years. Management and planning systems have to be improved on an ongoing basis to ensure competitiveness and future potential but also to identify and manage existing risks at an early stage.

It was for this reason, that we began looking at risk management in a systematic and structured way at the end of the 1990s. A professional risk management system was introduced in 2007.

We now have a specifically designated risk management centre, which reports directly to the management team. The risk management area has the relevant practical skills and maintains all the organisational provisions such as risk policy and risk strategy as well as all the process descriptions.

For higher-level issues, risk committees can be deployed to bring their expertise and decision-making skills to resolve particular problems.

Risk management provides important support in protecting and securing future potential. The general risk awareness of the management team and employees is increased by annual risk assessments.

The risk assessment includes all business processes. The reporting includes the following areas:

- strategic risks (risk from development and the situation in society)
- market risks (sales market risks)
- financial market risks (investment and financing risks)
- political/legal risks/organisation and management
- service risks (risks from production and procurement as well as research and development)

Risk assessment

Our strategy is to generate sustainable profitable growth. The strategic risks are closely related to the main area of business – the milk market and the raw material of milk. Analysis has shown, that the defined competence profile shows a healthy basis for gaining competitive advantages as well as internal strengths. This provides us with endless opportunities to meet strategic objectives and prepare ourselves for any challenges we may face in the foreseeable future. This positioning is underpinned by strategic partnerships. We defined alternative courses of action as part of our risk strategy and adopted targeted measures to identify risks.

Substantial market risks due to turnover and material costs fluctuation arise in our markets for products with milk-derived ingredients, milk refinement powders, infant foods, products for the bakery business and gentle-pressed wheatgerm. The basis for our study included market trend analysis, identification of market appeal and the competitive environment. The main focus of the analysis was on sales and procurement markets.

The analysis of the financial outlook is based on comparative data from rating agencies. From a financial point of view, we can be described as a healthy group. As with other companies of a similar structure, we have to explicitly mention "value fluctuations in holdings", "investment risks" and "accounts receivable losses", as well as "currency fluctuations".

The analysis also reveals mixed results in terms of the political/legal and organisational risks facing the company. There are opportunities and threats arising from political change and from the political circumstances (CH, EU, WTO) and the opening up of the milk market. We are addressing the risks from product liability with quality assurance and organizational measures, as well as appropriate product liability insurance. Risks from contractual agreements are minimised by employing appropriate legal expertise.

We have a clear understanding of how to deal with the risks involved in providing goods and services and we monitor them appropriately by observing basic commercial principles. We produce regular reports on the risks caused by business interruption. Emergency plans are in place and are regularly updated. These include estimates of internal and external interactions, such as capacity distribution and supplier evaluations.

Overall risk status

The risks are evaluated quantitatively and statistical procedures show their interconnectivity. This enables us to derive equity share, liquidity and credit requirements and to compare these with existing funds and the actual substance of the company.

Based on traditional rating analysis and on modern procedures for the 2014 planning year, the results are positive and compare favourably with the high credit level achieved by other similar companies.

Internal control system (ICS)

The HOCHDORF Group's internal control system is documented and the relevant responsibilities are defined. This is the basis for a functional system.

Our ICS ensures adherence to laws and regulations. It serves to protect our business assets and also plays an important part in preventing, reducing and uncovering errors and irregularities.

Our bookkeeping is made more reliable and complete. Prompt and reliable financial reporting is more likely.

Our ICS is geared towards specific business risks and our business processes, with particular attention paid to an optimal relationship between the cost and the usefulness of the information gained.

Notes to the consolidated financial statement

1. Cash and cash equivalents

The liquid assets are balanced at the nominal value and comprise the following:

CHF 1,000	2013	2012
Cash	5	14
Post account	1,300	1,304
Bank account	52,485	46,657
Transit accounts	0	20
Short-term investments	147	140
Total	**53,937**	**48,135**

2. Receivables

CHF 1,000	2013	2012
Trade receivables from third parties	36,775	32,614
./. Provision for doubtful accounts	0	–11
Trade receivables from associated companies	104	48
Trade receivables from related parties	2,821	2,563
Short-term receivables from related parties	0	1,214
Other receivables	808	735
Total	**40,508**	**37,163**

Diversification means, there is no concentration of credit risk with regard to receivables from deliveries and services. The other receivables mainly result from credit from welfare institutions and from government bodies (VAT, Directorate General of Customs).

3. Inventories

CHF 1,000	2013	2012
Raw materials, packaging materials, operating materials	5,830	5,415
Semi-finished products	9,549	10,166
Finished products, trade goods	13,242	11,660
Heating oil	694	693
Total	**29,315**	**27,934**

None of the inventories are pledged.

4. Prepayments and accrued income

CHF 1,000	2013	2012
As at 31 December	**2,108**	**5,080**

The prepayments and accrued income are comprised of revenues not yet received as well as costs paid in advance.

5. Fixed assets

CHF 1,000

	Property[1]	Equipment, warehouse equipment, fixed equipment	Machines, appliances, production, furnishings	Office equipment, IT systems, Communications equipment	Vehicles	Current investment projects[2]	Total
Net accounting value as at 1.1.2012	**51,382**	**24,455**	**62,392**	**9,699**	**1,334**	**4,069**	**153,331**
Purchase value as at 1.1.2012	**101,356**	**44,288**	**134,620**	**22,437**	**2,522**	**4,069**	**309,292**
Change in scope of consolidation [4]	0	0	0	3	2	0	5
Additions	49	60	10	0	192	8,410	8,721
Disposals [5]	–13,562	–8,553	–32,807	–6,247	–768	0	–61,937
Reclassification [3]	1,737	3,610	2,900	1,213	112	–9,572	0
Currency translation difference	–12	–11	–24	0	–4	0	–51
As at 31.12.2012	**89,568**	**39,394**	**104,699**	**17,406**	**2,056**	**2,907**	**256,030**
Accumulated depreciation as at 1.1.2012	**49,974**	**19,833**	**72,228**	**12,738**	**1,188**	**0**	**155,961**
Change in scope of consolidation [4]	0	0	0	1	1	0	2
Disposals [5]	–13,015	–8,490	–32,774	–6,226	–755	0	–61,260
Depreciation [7]	2,051	1,985	4,940	1,581	284	0	10,841
Impairment charges [6]	15,751	5,022	16,968	2,252	34	0	40,027
Currency translation difference	–2	–2	–4	0	–1	0	–9
As at 31.12.2012	**54,759**	**18,348**	**61,358**	**10,346**	**751**	**0**	**145,562**
Net accounting value as at 31.12.2012	**34,809**	**21,046**	**43,341**	**7,060**	**1,305**	**2,907**	**110,468**
Net accounting value as at 1.1.2013	**34,809**	**21,046**	**43,341**	**7,060**	**1,305**	**2,907**	**110,468**
Purchase value as at 1.1.2013	**89,568**	**39,394**	**104,699**	**17,406**	**2,056**	**2,907**	**256,030**
Change in scope of consolidation [8]	0	0	0	0	–50	0	–50
Additions	0	44	0	12	179	3,615	3,850
Disposals	–734	–699	–1,989	–142	–215	0	–3,779
Reclassification [3]	242	3,630	495	558	147	–5,072	0
Currency translation difference	32	30	63	1	12	0	138
As at 31.12.2013	**89,108**	**42,399**	**103,268**	**17,835**	**2,129**	**1,450**	**256,189**
Accumulated depreciation as at 1.1.2013	**54,759**	**18,348**	**61,358**	**10,346**	**751**	**0**	**145,562**
Change in scope of consolidation [8]	0	0	0	0	–15	0	–15
Disposals	–714	–573	–1,959	–107	–136	0	–3,489
Depreciation	1,414	1,680	2,553	1,164	274	0	7,085
Currency translation difference	5	8	15	0	4	0	32
As at 31.12.2013	**55,464**	**19,463**	**61,967**	**11,403**	**878**	**0**	**149,175**
Net accounting value as at 31.12.2013	**33,644**	**22,936**	**41,301**	**6,432**	**1,251**	**1,450**	**107,014**

1) The Group has free parcels of land at its disposal, but not undeveloped, separate property plots.

2) The current investment projects are plants under construction.

3) New acquisitions are posted with project numbers under “Current investment projects” as inward movements. After the start of operations, there is a transfer posting from the “Current investment projects” account to the appropriate fixed asset account. A decision is taken about which purchase costs are capitalised or posted via the income statement.
4) In the context of the purchase of the HOCHDORF Deutschland GmbH.
5) In 2012, assets were written off in the inventory system if they had a residual value of CHF 0 and are no longer in operation.
6) The HOCHDORF Group was unable to increase the turnover and revenue (measured as EBIT) as expected in 2012. Following an internal analysis, the Board of Directors therefore decided to carry out a one-off non-cash value adjustment of the fixed assets of CHF 40 million. This measure was warranted by the failure to reach the objectives in the past two difficult business years as well as by the relatively large difference between the stock exchange capitalisation and the balance sheet total. The expansion and capacity strategy of the HOCHDORF Group has suffered in recent years under unfavourable exchange-rate conditions as well as the capacity and efficiency problems linked to them. As a result, the financial goals could only be partially achieved and the Board of Directors decided to check the valuation of the fixed assets. Examination of the relevant balance sheet items showed a value adjustment requirement of around CHF 40 million. The carrying amount of fixed assets of HOCHDORF Nutritec Ltd. is therefore reduced by this amount . The amortisation was only recorded in the Swiss GAAP FER financial statement for HOCHDORF Nutritec Ltd. and does not affect the financial statement for HOCHDORF Nutritec Ltd. under statutory law. Taking account into the cancellation of deferred taxes, the 2012 Group accounts, in accordance with Swiss GAAP FER, are charged with an extraordinary, non-cash expenditure of around CHF 34 million.
7) The service life of all significant assets was reassessed in 2012. Many of the assets were found to have a longer service life and this was then agreed. Adjustments to the service life result in lower depreciation contributions. These amount to around CHF 1.13 million per year or CHF 94,000 per month. The lower depreciation costs affect nine months in 2012.
8) In the context of the sale of the HOCHDORF Nutrimedical Ltd.

6. Associated companies at equity

CHF 1,000		2013	2012
HOCHDORF Swiss Whey Ltd., Hochdorf	Share capital	3,000	3,000
	Equity	3,013	2,854
	50 % holding	1,506	1,427
Total		**1,506**	**1,427**

7. Financial assets

CHF 1,000	2013	2012
Securities, loans	30	30
Capital cost credit	0	30
Deferred tax assets	644	693
Assets from employer contribution reserves	7,389	7,227
Long-term receivables from third parties	300	400
Total	**8,363**	**8,380**

The deferred tax asset result from existing carried forward losses from 2011, which can be offset by future profits, as well as from the generation of deferred tax credits in the elimination of inter-company profit from inventory. Capitalised tax credits from losses carried forward from 2010 and earlier were liquidated via tax expenditure as a precaution in 2011.
The long-term receivables from third parties consist of a receivable from a plant manufacturer's service agreement.

Taxable losses carried forward after the due date

CHF 1,000	2013	2012
2015	0	159
2016	1,525	3,521
2017	3,514	3,514
2018	3,841	3,953
2019	156	1,589
2020	111	0
Total	**9,147**	**12,736**

The change in 2018 and 2019 is a result of the discontinuation of the losses carried forward from HOCHDORF Nutrimedical Ltd. as a result of the sale of the holding as of 30.06.2013.

Pension fund

CHF 1,000

Employer contribution reserve	Nominal value 31.12.2013	Waiver of usage 31.12.2013	Balance 31.12.2013	Formation/ use for 2013	Balance 31.12.2012	Result of the committee of works and staff councils in terms of staff costs 2013	2012
HGR pension fund	**7,389**	**0**	**7,389**	**162**	**7,227**	**0**	**0**

The posting of interest from employer contribution reserves by the pension facility appears as a credit in the financial revenues. Interest of 2.25% was calculated on the employer contribution reserves in 2013.

CHF 1,000

Economic benefit/ economic liability and pension expenditure	Credit/debit balance 31.12.2013	Commercial part of the organisation 31.12.2013	1.1.2013	change to previous year	Contributions accrued in the period	Pension expenditure in staff costs 2013	2012
HGR pension fund	**12,524**	**0**	**0**	**0**	**0**	**0**	**0**

8. Intangible assets [1)]

CHF 1,000

	Goodwill Nuxo-Marketing	Software licenses	Total
Net accounting value as at 1.1.2012	**0**	**1,902**	**1,902**
Purchase value			
As at 1.1.2012	**0**	**5,593**	**5,593**
Additions	21	86	107
Disposals	0	–277	–277
As at 31.12.2012	**21**	**5,402**	**5,423**
Accumulated depreciation			
As at 1.1.2012	**0**	**3,691**	**3,691**
Disposals	0	–249	–249
Depreciation	21	695	716
As at 31.12.2012	**21**	**4,137**	**4,158**
Net accounting value as at 31.12.2012	**0**	**1,265**	**1,265**
Net accounting value as at 1.1.2013	**0**	**1,265**	**1,265**
Purchase value			
As at 1.1.2013	**21**	**5,402**	**5,423**
Additions	0	183	183
Disposals	–21	0	–21
As at 31.12.2013	**0**	**5,585**	**5,585**
Accumulated depreciation			
As at 1.1.2013	**21**	**4,137**	**4,158**
Disposals	–21	0	–21
Depreciation	0	716	716
As at 31.12.2013	**0**	**4,853**	**4,853**
Net accounting value as at 31.12.2013	**0**	**732**	**732**

1) Intangible assets only cover acquired assets. Own brand names and licenses are not evaluated and not balanced on the balance sheet date.

9. Trade payables

CHF 1,000	2013	2012
To third parties	34,275	29,604
To related parties [1]	883	1,074
Total	**35,158**	**30,678**

1) Related parties included associated companies and other related parties.

10. Current financial liabilities

CHF 1,000	2013	2012
Other financial liabilities	37	3
Other financial liabilities with related parties [1]	500	500
Liabilities from share aquisition by related parties [1]	0	3,795
Bank loans [2]	0	40,000
Total	**537**	**44,298**

1) Related parties included associated companies and other related parties.
2) Syndicated loan over CHF 40 million, with a due date of 30.09.2015, is shown on the balance sheet under long-term financial liabilities. Reclassification from 2012 due to the extension of the syndicated loan.

The remaining financial liabilities include short-term bank and loan debts. The remaining financial liabilities with related parties include the amortisation instalments on HOCHDORF Swiss Whey Ltd. due in 2014.

11. Other current liabilities

CHF 1,000	2013	2012
Other current liabilities	981	35
Employee overtime	69	–54
Employee holiday credits	394	435
Salary accounts (salary payments, profit-sharing, AHV, SUVA, health insurance etc.)	928	148
Government bodies (taxes, source taxes)	125	113
Total	**2,497**	**677**

The other short-term liabilities include the «Schoggi Law» fund in particular. This fund is augmented from charges raised per litre of milk delivered. The funds are used to compensate for any gaps in the «Schoggi Law» credit from the state. It is calculated annually. Money that is not used is reimbursed to the milk suppliers.

12. Deferred income

CHF 1,000	2013	2012
As at 31 December	**3,169**	**6,124**

The deferred income essentially includes accruals in the context of reimbursements and commissions as well as invoices not yet received for goods receipts and other supplier services (power, water, transport) as well as the accrual of interest from the conversion loan.

13. Non-current financial liabilities

CHF 1,000	2013	2012
Mortgages, loans [1]	3,375	3,875
Bank loans	40,000	0
Convertible loan 3% from 30.05.2011 to 30.05.2016	50,000	50,000
Total	**93,375**	**53,875**

1) Of which CHF 3.375 million loan from the associated HOCHDORF Swiss Whey Ltd. to HOCHDORF Nutritec Ltd.

Scaling of terms (long-term and short-term financial liabilities)

CHF 1,000	2014	2015	2016	2017	2018	>2018	Total
Bank loans, loans	533	40,375	0	0	0	3,000	43,908
Conversion loan [1]	0	0	50,000	0	0	0	50,000
Remaining financial liabilities	4	0	0	0	0	0	4
Total	**537**	**40,375**	**50,000**	**0**	**0**	**3,000**	**93,912**

1) Convertible loan for a nominal CHF 50 million; from 30.5.2011 to 30.5.2016; interest rate 3% for the entire duration; conversion price CHF 124; securities number 12,931,421; ISIN CH0129314214

14. Provisions

CHF 1,000

Development of provisions	Deferred taxes	Other provisions	Damages claims	Total
As at 31.12.2011	**10,561**	**0**	**560**	**11,121**
Provisions made (with effect on net income)	0	0	150	150
Provisions used	0	0	–503	–503
Provision released [1]	–6,269	0	–57	–6,326
Currency differences	–7	0	0	–7
As at 31.12.2012	**4,285**	**0**	**150**	**4,435**
Change in consolidation basis [2]	–1	0	0	–1
Provisions made (with effect on net income)	840	0	450	1'290
Provisions utilised	0	0	0	0
Provisions released	–763	0	0	–763
Currency differences	14	0	0	14
As at 31.12.2013	**4,375**	**0**	**600**	**4,975**

1) Of which CHF 6 million relate to the impairment of fixed assets in 2012.
2) In the context of the sale of HOCHDORF Nutrimedical Ltd. as at 30.06.2013.

Notes to the consolidated income statement

The following explanatory notes are given to supplement the income statement, structured in accordance with the overall cost procedure (production income statement).

15. Sales of products

By product groups

CHF 1,000	2013		2012	
Milk products/cream	82,895	22.05%	79,676	23.02%
Milk powder	181,255	48.22%	170,077	49.14%
Baby food	93,922	24.99%	70,479	20.36%
Specialities/wheatgerm	5,682	1.51%	5,348	1.55%
Bakery/convectionary goods	7,403	1.97%	7,791	2.25%
Remaining products/services	4,720	1.26%	12,737	3.68%
Total	**375,877**	**100.00%**	**346,108**	**100.00%**

By region

CHF 1,000	2013		2012	
Switzerland/Liechtenstein	218,174	58.04%	210,003	60.68%
Europe	80,608	21.45%	71,714	20.72%
Asia	24,952	6.64%	18,724	5.41%
Middle East/Africa	45,232	12.03%	37,012	10.69%
USA/Canada	227	0.06%	214	0.06%
Americas (others)	795	0.21%	674	0.20%
Rest	5,889	1.57%	7,767	2.24%
Total	**375,877**	100.00%	**346,108**	**100.00%**

As a result of the reappraisal, the division of turnover by region was rearranged in the reporting year. 2012 was changed accordingly. Asia forms its own region. The Middle East was grouped with Africa and Europe is no longer divided into EU and non-EU. The remaining turnover comprises deliveries to customers who export the goods and where the destination country is not separately recorded.

16. Other revenue

CHF 1,000	2013	2012
Various remaining revenue	268	506
Total	**268**	**506**

Larger items in the various remaining revenues include employee private shares and office space rental.

17. Reductions in proceeds

CHF 1,000	2013	2012
Discounts, contingency reserves, accounts receivable losses [1]	–81	–96
Reimbursements, commissions, rebates	–3,454	–2,715
Duties	0	–1
Various reductions in proceeds [2]	–487	314
Total	**–4,022**	**–2,498**

1) There were no significant losses from accounts receivables in the current year.
2) Various reductions in proceeds include individual damage claims from deliveries and services. The balance is shown net since cancellations of the provisions made also occur via the damages claims account.

18. Staff costs

CHF 1,000	2013	2012
Wages	–26,237	–26,192
Social contributions	–4,048	–4,298
Incidental wage costs including temporary staff	–1,435	–1,965
Total	**–31,720**	**–32,455**

19. Other operating costs

CHF 1,000	2013	2012
Facilities expenditure incl. warehouse rents	–3,001	–3,656
Maintenance, repairs	–4,875	–4,771
Vehicle and transport costs	–6,504	–6,240
Insurance, fees, duties	–1,055	–850
Energy and disposal expenditure	–12,701	–13,588
Administration and IT expenditure	–3,278	–3,430
Advertising costs	–877	–866
Various other operating costs	–4,064	–3,916
Total	**–36,355**	**–37,317**

20. Financial results

CHF 1,000	2013	2012
Interests from cash and cash equivalents	20	39
Revenues from holdings and financial assets incl. associated parties	360	194
Total financial revenue	**380**	**233**
Interest costs	–3,346	–4,005
Deposit fees, bond fees	–7	–7
Loss from the sale of HOCHDORF Nutrimedical Ltd.	–630	0
Value adjustment from financial assets	–108	0
Exchange rate losses	–80	–254
Total financial expenditure	**–4,171**	**–4,266**
Total	**–3,791**	**–4,033**

21. Non-operating results

TCH 1,000	2013	2012
Revenue from external properties	49	2
Maintenance of external properties	-17	-17
Total	**32**	**–15**

The external properties refer to a building lease at Rothenburg fuel depot as well as an owner's association parking level at Hochdorf station.

22. Extraordinary results

CHF 1,000	2013	2012
Profit from the disposal of operational assets	6	–153
Fixed assets value adjustment	0	–40,027
Cancelling of deferred taxes on the value adjustment of the fixed assets	0	6,004
Making/cancelling contingency reserve provisions	0	3
Exceptional expenditure	–217	–95
Exceptional profit	0	154
Total	**–211**	**–34,114**

Extraordinary expenditure and revenue covers all expenditures and revenues from projects that are not capitalised. The fixed assets value adjustment in 2012 includes the adjustment of fixed assets in line with point 5. The cancelling of deferred taxes on the value adjustment of the fixed assets was calculated at the composite rate of 15% (different tax rates for the cantons of Lucerne and Thurgau).

23. Taxes

CHF 1,000	2013	2012
Current income taxes	–252	–177
Deferred taxes	–12	254
Total	**–264**	**77**

Valuation of deferred taxes occurs in line with the tax rates that are actually expected in meeting future tax liability or in the realisation of future receivables (liability method). The tax rate is 12% for companies exclusively based in the canton of Lucerne; it is 15% for HOCHDORF Nutritec Ltd., with its production in the Thurgau canton. From 2013, 15% is available for use for the subsidiary in Lithuania (18% up to now) and 25% for the subsidiary in Germany. Adjustment of the Lithuanian tax rate led to a reduction in the provision for deferred taxes of CHF 149,000, which was posted as effecting net income.

Capital taxes are posted separately in operating costs. 2012 and years before have been definitively assessed for the Swiss Companies and the subsidiary in Germany. Actual taxes of CHF 177,000 were paid in 2013 (previous year CHF 221,000).

24. Earnings per share

Company results per share, basic

	2013	2012
Weighted average shares outstanding	882'153	885'870
Company result before minority interests	6'126'564	–35'156'989
Company result per share in CHF, basic	**6.95**	**–39.69**

To determine the company result per share, the company results due to the HOCHDORF Group shareholders is divided by the average number of outstanding shares. Own shares held are not included in the calculation of the average outstanding shares. The weighted average number of shares is a result of the total of all transactions in the reporting year.

Company results per share, diluted

	2013	2012
Weighted average shares outstanding, basic	882'153	885'870
Convertible loan dilution effect [1]	403'226	403'226
Weighted average shares outstanding, diluted	1'285'378	1'289'096
Company results prior to minority interests	6'126'564	–35'156'989
Convertible loan interest 3% of CHF 50 million	1'500'000	1'500'000
12% tax effect (conversion loan*0.12/1.12)	–160'714	–160'714
Company results prior to minority interests, diluted	7'465'850	–33'817'703
Company results per share in CHF, diluted	**5.81**	**–39.69** [2]

1) The dilution is calculated from the conversion loan of CHF 50 million and the conversion price CHF 124, from which a maximum of 403,226 new shares are generated.
2) For negative company results, where a dilution would have a positive effect, the basic result is shown, similar to the IAS 33 result per share.

Further notes

Unsettled derivative financial instruments

Exchange rate instruments	Value change	**2013** Assets value	**2013** Liabilite value	Purpose	Value change	2012 Assets value	2012 Liabilitie value	Purpose
Currency options	0	0	0		0	0	0	Hedging
Forward exchange contracts	86	0	0	Hedging	–86	0	86	Hedging
Total assets and liability values	**86**	**0**	**0**		**0**	**0**	**86**	

Derivative financial instruments, which do not meet the definition of assets or liabilities, are not included in the balance sheet. As per the balance sheet date, there are no forward exchange contracts due in 2013 (previous year: EUR 9 million).

Pledged assets
None.

Leasing debts
None.

Fire insurance values for fixed assets

CHF 1,000	2013	2012
Property	119,489	95,752
Fixed assets and goods	317'388	305,408
Total	**436,877**	**401,160**

Liabilities from pension fund

CHF 1,000	2013	2012
HOCHDORF Group pension fund	519	296
Total	**519**	**296**

Goodwill offset against equity

Purchase costs

CHF 1,000	2013	2012
As at 1 January	0	2,038
Additions	0	0
As at 31 December	**0**	**2,038**

Cumulated amortisations

CHF 1,000	2013	2012
As at 1 January	0	–204
Amortisation	0	–1,834
As at 31 December	**0**	**–2,038**

Theoretical price as at 31 December	**0**	**0**

The goodwill results from the increase in the holding in HOCHDORF Nutricare Ltd. as at 1 July 2011 from 55% to 85%. This is shown based on a linear amortisation over 5 years (pro rata). This value was completely amortised as at 31 December 2012 with the impairment.

The effects of a theoretical capitalisation on the income statement and balance sheet are shown in the following table.

CHF 1,000	2013	2012
Group result	6,063	–35,326
Goodwill amortisations	0	–1,834
Theoretical company results	**6,063**	**–37,160**

CHF 1,000	2013	2012
Equity	103,774	99,764
Theoretical goodwill	0	0
Theoretical equity	**103,774**	**99,764**

Transactions with related persons and companies
The business transactions with related persons and companies are based on standard commercial contracts and conditions. All transactions are contained in the consolidated annual accounts 2013 and 2012. These cover deliveries of goods and raw materials as well as services to and from related companies.

Transactions with associated companies

CHF 1,000	2013	2012
Net sales	126	0
Cost of goods	–3,212	–2,187
Services revenue	401	334
Financial expenditure	–59	–80

Transactions with related companies

CHF 1,000	2013	2012
Net sales	13,046	1,896
Cost of goods	–290	–378
Services revenue	20	19
Service costs [1]	–1,595	–1,665
Financial revenue	12	23
Financial expenditure	–24	–34

1) Service costs include the employer contributions for employees, which are settled in the related HOCHDORF Group pension fund.

Contingent liabilities
The HOCHDORF Group is involved in legal proceedings through its subsidiary HOCHDORF Nutritec Ltd. This involves a legal dispute in connection with the production of infant formula for a French company. The complainant is making claims and demands with regard to unfulfilled deliveries of goods and the resulting lost revenue and profit. Based on consultation with its lawyer, HOCHDORF Nutritec Ltd. fully contests the validity of the claims and demands made against it as at January 2010. In the judgement of 14 February 2014 the first instance court in Geneva completely dismissed the case in favour of HOCHDORF Nutritec Ltd. The plaintiff has the opportunity to appeal within 30 days of the pronouncement of judgement. The complainant has raised an objection against the judgement on time.

An additional legal proceeding is pending with a Chinese customer with regard to the production of infant formula. The claims made relate to defective products, damaged packaging and incurred marketing expenditure. HOCHDORF Nutritec Ltd. accepts the claim in part with regard to defective products and has made an appropriate provision. It fully contests the other claims. However, it is not possible to completely exclude the possibility that parts of the other claims may still be judicially accepted.

Sale of HOCHDORF Nutrimedical Ltd.
The following balance sheet components were sold with the sale of HOCHDORF Nutrimedical Ltd.:

Assets	CHF 1,000	**Liabilities**	CHF 1,000
Cash and cash equivalents	18	Liabilities from deliveries/services	110
Receivables	2	Other short-term external capital	81
Tangible assets	35	Long-term financial liabilities	279
Financial assets	606	Provisions	1
		Minority interests	85
		Equity	105
Total assets	**661**	**Total Liabilities**	**661**

The company was sold to the former managing director Alexander Ketelaar. It was agreed not to disclose the sale price.

Events after the balance sheet date
After the balance sheet date and until the adoption of the Group accounts by the Board of Directors, no significant events have occurred which would affect the informational value of the 2013 annual accounts or which must be disclosed here.

The consolidated annual accounts were approved in the form presented here by the Board of Directors at its meeting on 25 March 2014.

HOCHDORF Holding Ltd. purchased the 15% minority share in HOCHDORF Nutricare Ltd. on 4 February 2014, backdated to 1.1.2014. HOCHDORF Holding Ltd. therefore becomes the sole owner of HOCHDORF Nutricare Ltd.

Report of the statutory auditor on the consolidated financial statements for the year 2013

BDO AG
Landenbergstrasse 34
6002 Luzern

Report of the statutory auditor on the consolidated financial statements to the general meeting of **HOCHDORF Holding Ltd., Hochdorf**

As statutory auditor, we have audited the accompanying consolidated financial statements of HOCHDORF Holding Ltd., which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 50 to 73) for the year ended 31 December 2013.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated finan-cial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Lucerne, 25 March 2014

BDO Ltd.

Stefan Oegema	Andreas Matti
Auditor in Charge Licensed Audit Expert	Licensed Audit Expert

Cav. Giuseppe Farinato from the family-run business Casa Farinato, has been looking for a way to include the valuable wheat germ in his pasta for a long time. He has found the perfect product at last with VIOGERM® al dente wheat germ. The pasta enthusiast has been enriching his pasta products with different quantities of VIOGERM® al dente ever since. The fine wheat germ spaghetti and ziti corte have been available from the Casa Farinato company since autumn/winter 2013 in the Manor department store and in the Casa Farinato web shop (www.casafarinato.ch).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HOCHDORF Holding Ltd.

Balance sheet as at 31 December

	2013 CHF	in %	2012 CHF	in %
Assets				
Cash and cash equivalents	18,532,048	9.8%	13,480,530	6.9%
Trade receivables				
– to third parties	0	0.0%	3,917	0.0%
– to Group companies	832,447	0.4%	1,316,396	0.7%
Other receivables				
– to third parties	4,169	0.0%	9,041	0.0%
– to related companies	0	0.0%	1,218,700	0.6%
Current assets	**19,368,664**	**10.3%**	**16,028,584**	**8.2%**
Other fixed assets	458,852	0.2%	801,641	0.4%
Intangible assets	474,335	0.3%	539,405	0.3%
Financial assets	0	0.0%	30,000	0.0%
Loans to Group companies	117,757,711	62.5%	126,198,575	64.8%
Holdings	50,483,000	26.8%	51,033,000	26.2%
Non-current assets	**169,173,897**	**89.7%**	**178,602,620**	**91.8%**
Total assets	**188,542,562**	**100.0%**	**194,631,204**	**100.0%**
Liabilities				
Short-term financial liabilities				
– with third parties	0	0.0%	40,000,000	20.6%
Debts from deliveries and services				
– with third parties	91,349	0.0%	258,535	0.1%
– with related parties	42,722	0.0%	47,654	0.0%
– with Group companies	21,060	0.0%	1,521,870	0.8%
Other short-term liabilities				
– with third parties	360,755	0.2%	44,528	0.0%
Accrued liabilities and deferred income				
– with third parties	890,000	0.5%	1,207,624	0.6%
Non-current liabilities				
– with third parties	90,000,000	47.7%	50,000,000	25.7%
– with Group companies	96,910	0.1%	3,786,308	1.9%
Total liabilities	**91,502,796**	**48.5%**	**96,866,520**	**49.8%**
Share capital	9,000,000	4.8%	9,000,000	4.6%
Own shares	–29,680	0.0%	–462,271	–0.2%
Legal reserves	10,202,424	5.4%	10,653,126	5.5%
Reserves from capital investments	24,271,092	12.9%	26,971,092	13.9%
Total legal reserves	***34,473,516***	***18.3%***	***37,624,218***	***19.3%***
Free reserves	20,317,164	10.8%	19,866,462	10.2%
Profit carried forward	31,802,677	16.9%	30,702,625	15.8%
Result for current year	1,476,089	0.8%	1,033,650	0.5%
Total equity	**97,039,766**	**51.5%**	**97,764,684**	**50.2%**
Total liabilties and equity	**188,542,562**	**100.0%**	**194,631,204**	**100.0%**

HOCHDORF Holding Ltd.

Income statement

	2013 CHF	in %	2012 CHF	in %
	1.1.13–31.12.13		1.1.12–31.12.12	
Sales of products	4,508,172	99.8%	4,925,924	99.7%
Other revenue	10,645	0.2%	13,777	0.3%
Gross sales revenue	**4,518,816**	**100.0%**	**4,939,701**	**100.0%**
Gross operating profit	**4,518,748**	**100.0%**	**4,939,701**	**100.0%**
Personnel expenses	–2,522,739	–55.8%	–2,732,146	–55.3%
Other operating expenses	–979,851	–21.7%	–1,033,006	–20.9%
Total operating expenses	–3,502,591	–77.5%	–3,765,152	–76.2%
EBITDA	**1,016,157**	**22.5%**	**1,174,549**	**23.8%**
Depreciation on property, plant and equipment	–291,182	–6.4%	–174,833	–3.5%
Amortisation on intangible assets	–184,215	–4.1%	–370,222	–7.5%
Depreciation on investments	–549,999	–12.2%	0	0.0%
EBIT	**–9,239**	**–0.2%**	**629,494**	**12.7%**
Income from financial assets	5,805,946	128.5%	5,010,048	101.4%
Expense from financial assets	–4,303,041	–95.2%	–4,581,859	–92.8%
Extraordinary results	–17,577	–0.4%	–30,683	–0.6%
Profit before tax	**1,476,089**	**32.7%**	**1,027,000**	**20.8%**
Taxes	0	0.0%	6,650	0.1%
Company result	**1,476,089**	**32.7%**	**1,033,650**	**20.9%**

Notes to the financial statements 2013

Details in line with Art. 663 b ff.OR

1. Fire insurance value	31.12.2013 CHF	31.12.2012 CHF
Assets and goods (Group policy Switzerland)	**300,600,000**	300,600,000

2. Holdings	Purpose	Currency	Capital	31.12.2013	Capital	31.12.2012
Schweiz. Milch-Gesellschaft AG, Hochdorf	Inactive	CHF 1000	100	**100%**	100	100%
HOCHDORF Nutritec Ltd., Hochdorf	Production	CHF 1000	30'000	**100%**	30'000	100%
HOCHDORF Swiss Milk Ltd., Hochdorf	Trade	CHF 1000	1'000	**100%**	1'000	100%
HOCHDORF Nutrifood Ltd., Hochdorf	Trade	CHF 1000	100	**100%**	100	100%
HOCHDORF Nutricare Ltd., Hochdorf	Trade	CHF 1000	1'200	**85%**	1'200	85%
HOCHDORF Nutrimedical Ltd., Hochdorf	Trade	CHF 1000	1'000	**0%**	1'000	55%

3. Loan guarantees in favour of Group companies	None	None

4. Loans with subordination	None	None

5. Bond issue

Type of bond	Conversion bond
Nominal amount	CHF 50 million
Securities number	12931421 / ISIN CH0129314214
Interest rate	3%
Duration	30 May 2011 to 30 May 2016
Conversion price	CHF 124
Repayment	30 May 2016 at nominal value or conversion

6. Largest shareholder	31.12.2013	31.12.2012
Weiss family and Innovent Holding AG, Wollerau	7.44%	6.22%
with 21,978 shares without voting rights		
ZMP Invest AG, Lucerne	5.66%	5.51%
with 5,921 shares without voting rights		
Argos Investment Managers S.A., Geneva	4.55%	<3.00%
HOCHDORF Group pension fund, Hochdorf	3.89%	5.00%
Group Maurer, Hunzenschwil	3.71%	3.26%
Rudolf Schrepfer, Hergiswil	3.50%	3.50%

7. Liabilities from pension fund	31.12.2013 CHF	31.12.2012 CHF
Pension fund	42,722	47,654

8. Hidden reserves	31.12.2013 CHF	31.12.2012 CHF
Hidden reserves	347,741	270,861

9. Transactions with own shares

Business year 2013					Business year 2012				
01.01.2013	Balance	5'727 shares			01.01.2012	Balance	12,072 shares		
BY 2013	Purchases	58'027 shares	at av. price	88.44	BY 2012	Purchases	61,715 shares	at av. price	74.63
BY 2013	Sales	63'447 shares	at av. price	88.78	BY 2012	Sales	67,088 shares	at av. price	74.36
BY 2013	Allocations	0 shares			BY 2012	Allocations	972 shares	at av. price	86.50
31.12.2013	Balance	307 shares	at price	96.68	31.12.2012	Balance	5,727 shares	at price	80.72

10. Conditional capital

As at 31.12.2013 HOCHDORF Holding Ltd. had a conditional capital of a nominal CHF 4.5 million. This is directly related to the outstanding conversion loan of CHF 50 million which runs from 30 May 2011 to 30 May 2016.

Notes to the financial statements

Details in line with Art. 663 b ff.OR

11. Remuneration and shareholdings of the Board of Directors

Board of Directors	Basic salary	Social contributions	Expenses	Other payments	2013 CHF	2012 CHF
Hans-Rudolf Schurter, Chairman, Compensation Committee	78,000	11,963	8,000	0	97,963	97,963
Josef Leu, Deputy Chairman, Audit Committee	48,000	7,269	6,000	0	61,269	61,269
Rolf Schweiger	36,000	2,591	4,000	0	42,591	42,591
Anton von Weissenfluh, Compensation Committee	38,000	5,754	4,000	0	47,754	47,754
Urs Renggli, Audit Committee	44,000	6,663	6,000	0	56,663	56,663
Meike Bütikofer	36,000	5,452	4,000	0	45,452	45,452
Board of Directors total					**351,692**	**351,692**
Geschäftsleitung	Basic salary	Variable payment	Social contributions	Other payments		
Thomas Eisenring, CEO from June 20113	192,500	0	40,930	13,290	246,720	n.a.
Other members	972,801	25,000	204,289	72,469	1,274,559	1,879,339
Total Group Management					**1,521,279**	**1,879,339**
Former members of the Group Management	Basic salary	Variable payment	Social contributions	Other payments		
Damian Henzi, CEO up to mid-December 2012	280,839	0	30,758	1,897	313,494	
Other members (Leaving in 2013)	66,924	0	14,317	2,400	83,641	
Total Group Management					**397,135**	

Payments to the Board of Directors consist of a fixed remuneration package and fixed expenses, which are not linked to profit components. The payments due on social contributions related to the remuneration are covered by the company. Payment is made in cash. The Group Management is also paid in cash. There are no share plans within the HOCHDORF Group. Expenses and other payment in kind are included in the other payments. As of 31 December 2013, there was no loan or credit against current or previous members of the Board of Directors or the Group Management, nor against any persons related to them. In addition, no loan or credit existed during the entire reporting period. No non-customary payments were made to current or previous members of the Board of Directors or the Group Management or to any persons related to them.

Shareholdings

As at 31 December 2013, the members of the Board of Directors and the Group Management (including related persons) held the following number of shares in the company:

Board of Directors	Number of shares 31.12.2013	in %	Number of shares 31.12.2012	in %
Hans-Rudolf Schurter, Chairman, Compensation Committee	6,397		6,397	
Josef Leu, Deputy Chairman, Audit Committee	1,129		889	
Rolf Schweiger	729		729	
Anton von Weissenfluh, Compensation Committee	915		715	
Urs Renggli, Audit Committee	4,654		4,054	
Meike Bütikofer	441		441	
Board of Directors total	**14,265**		**13,225**	
Group Management				
Thomas Eisenring, CEO from June 2013	200		n.a.	
Damian Henzi, CEO until mid December 2012	n.a.		10,397	
Marcel Gavillet, CFO	375		365	
Karl Gschwend, Managing Director HOCHDORF Nutritec Ltd.	100		100	
Werner Schweizer, Managing Director HOCHDORF Swiss Milk Ltd.	165		165	
Vincent Lebet, Managing Director HOCHDORF Nutrifood Ltd., bis 31.12.2012	n.a.		135	
Michel Burla, Managing Director HOCHDORF Nutrifood Ltd., ab 01.02.2013	200		n.a.	
Michiel de Ruiter, Managing Director HOCHDORF Nutricare Ltd.	11,915		11,915	
Alexander Ketelaar, Managing Director HOCHDORF Nutrimedical Ltd., until 30.06.2013	n.a.		0	
Total Group Management	**12,955**		**23,077**	
Total of Board of Directors and Group Management	**27,220**	**3.02%**	**36,302**	**4.03%**

12. Risk management

The Board of Directors has periodically undertaken risk assessments and implemented measures as a result to ensure, that the risk of a material misstatement in the accounting is considered small. Further details are given in the explanation in the risk report section in the notes of the annual report.

Proposed appropriation of available earnings

	31.12.2013 CHF	31.12.2012 CHF
Profit carried forward	31,736,275	30,659,890
Change to the balance of own shares from the previous year [1]	66,402	42,735
Profit current year	1,476,089	1,033,650
Total available to the General Meeting	**33,278,766**	**31,736,275**

Application for the use of balance sheet profit

Carried forward	33,278,766	31,736,275
Total appropriation of profit	**33,278,766**	**31,736,275**

1) No dividends are paid on the balance of own shares.

Application for dividend payment from capital investment reserves

Reserves from capital investments	**24,271,092**	**26,971,092**
Transfer posting of reserves from capital investments into free reserves [2]	–2,880,000	–2,700,000
Remaining reserves from capital investments	**21,391,092**	**24,271,092**
2) Dividend CHF 3.20 (previous year CHF 3.00) per nom. CHF 10.00 share capital from reserves from capital investments.	2,880,000	2,700,000

Report of the statutory auditor on the financial statements for the year 2013

BDO AG
Landenbergstrasse 34
6002 Luzern

Report of the statutory auditor to the general meeting of HOCHDORF Holding Ltd., Hochdorf

As statutory auditor, we have audited the accompanying financial statements of HOCHDORF Holding Ltd., which comprise the balance sheet, income statement and notes (pages 78 to 82) for the year ended 31 December 2013.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and reserves from capital contributions complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Lucerne, 25 March 2014

BDO Ltd.

Stefan Oegema	Andreas Matti
Auditor in Charge Licensed Audit Expert	Licensed Audit Expert

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The information within our Annual Report is originally published in German. Discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes. If any questions arise related to the accuracy of the information contained in the translation, please refer to the German version of our Annual Report, which is the official and only binding version.

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