17th HOCHDORF Letter to Shareholders

Half-yearly report for the business year 2015, 1 January to 30 June 2015
(in accordance with Swiss GAAP FER)

HOCHDORF Group
www.hochdorf.com

First half year 2015: top lines

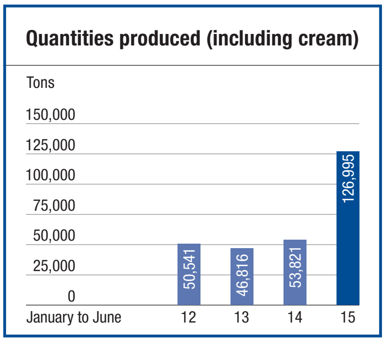
On 1 January 2015, the HOCHDORF Group launched its new structure, which has proved highly effective. For the first time, the reporting in the Letter to Shareholders follows this new structure and contains the companies acquired in 2014. The abolition of the minimum euro exchange rate by the National Bank in mid-January resulted in some additional effort. The HOCHDORF Group was able to respond quickly to this and soon thereafter report that we still hoped to reach the goals set for 2015. In the first half of the year, we pushed ahead with the projects started in 2014 for increasing efficiency and added value.

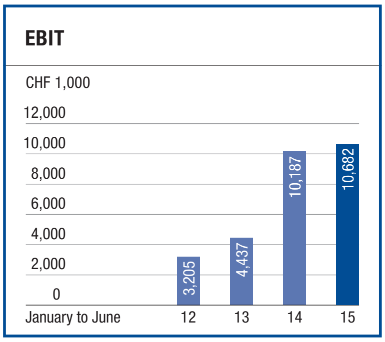
Overall, the HOCHDORF Group processed 421.4 million kg of milk, whey, permeate, and cream (previous year: 255.9 million kg; + 64.7%). HOCHDORF sold a total of 125,767 tonnes of product (previous year: 50,179 tonnes; + 150.6%) and generated gross sales revenue of CHF 284.3 million (prior year: CHF 220.7 million; + 28.8%). The strong growth in these numbers was due to the acquisitions made in late 2014. Without them, volume and turnover figures would have been slightly below the previous year. EBIT was expected to come in at 2.8–3.0% of production revenue. Despite higher turnover and the associated higher calculation basis, we were able to exceed this figure in the first half of the year (3.7%).

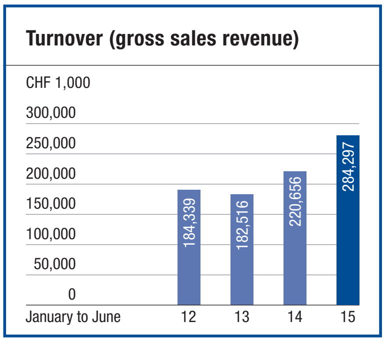
The top lines (compared to last year, as at 30 June)

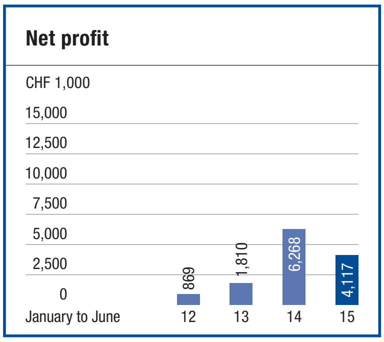
The HOCHDORF Group ...

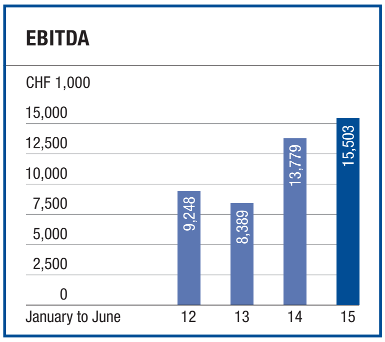
- processed 421.4 million kg of milk, whey, permeate, and cream (+64.7%)
- produced a total quantity of 126,995 tonnes (prior year: 53,821 tonnes)
- generated gross sales revenue of CHF 284.3 million (+28.8%)
- posted a gross profit margin of 22.3% (previous year: 21.9%)
- posted EBITDA of CHF 15.5 million (5.4% of production revenue; previous year: CHF 13.8 million; +12.5%)
- posted EBIT of CHF 10.7 million (3.7% of production revenue; previous year: CHF 10.2 million; +4.9%)
- generated net income of CHF 4.1 million (previous year: CHF 6.3 million; –34.3%)
- achieved an equity ratio of 47.0% (43.2% as at 31 December 2014)
- generated cash flow of CHF 8.5 million (3.0% of net sales revenue; previous year: CHF 11.3 million; 5.1% of net sales revenue; –25.0%)

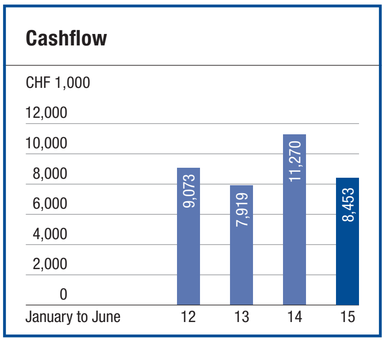












Dear shareholders,

The first half-year of 2015 was characterised by a difficult currency situation, high demand for infant formula, a great deal of work in implementing strategic projects, and pleasant successes on the market. We are satisfied with the half-year results achieved operationally – however, the financial result (currency effects) has a large impact on net income.

Turnover and income figures

For the first time, volume and turnover figures include Uckermärker Milch GmbH and Marbacher Ölmühle GmbH, which were acquired in late 2014. As a result, comparison with the previous year’s figures is less meaningful. HOCHDORF processed 421.4 million kg of milk, whey, permeate, and cream in the Group as a whole – a significantly higher quantity of liquid than in the previous year (255.9 million kg; +64.7%).

Gross sales revenue for the first half of the year came in at CHF 284.3 million. Turnover was somewhat lower than originally expected, which is attributable to currency effects and to international milk prices, which fell sharply and suddenly and in some cases led to lower product prices. The HOCHDORF Group as a whole sold 125,767 tonnes of product (+150.6% compared to the previous year).

In terms of income, the gross profit margin came in at 22.3%, which was above the figure for the previous year (21.9%). In absolute terms, gross profit of CHF 63.8 million was generated (+22.8% compared to the previous year). We also increased EBIDTA from CHF 13.8 million to CHF 15.5 million (+12.5%). EBIT came in at CHF 10.7 million, which was likewise slightly ahead of the previous year’s figure (CHF 10.2 million; +4.9% compared to the previous year). Net profit stood at CHF 4.1 million (CHF 6.3 million; –34.3% compared to the previous year), with the decline attributable solely to currency effects.

Major currency effects

The abolition of the minimum euro exchange rate in mid-January came as a surprise. In response, we demanded price cuts from Swiss suppliers. At the same time, we raised prices for our customers in the Baby Care area. We also found a good new solution for us for the internal “Schoggi law” fund. A fixed amount was introduced for the HOCHDORF Group, which makes this area calculable for us once again. We also accelerated, where possible, implementation of the projects to increase efficiency. For instance, we moved into the new warehouse logistics building in Sulgen gradually as floors became ready and not all at once at the end of the construction.

We estimate the negative impact of the currency turmoil on the HOCHDORF Group as at 30 June 2015 to be CHF –20.8 million in terms of turnover, meaning roughly CHF 4.8 million with regard to income. However, these figures depend on further exchange rate developments.

The abolition of the minimum rate is impressive confirmation that we took the right step with our foreign expansion. The investments in Uckermärker Milch GmbH and Marbacher Ölmühle are proving to be right in at least two ways: First, new markets are opening for us, such as in Latin America for the Baby Care area. Second, the strong Swiss franc does not affect us in these markets. The only impact is the translation difference when converting local balance sheets into the Group's reporting currency.

Strategic project work

One year ago, we reported in the Letter to Shareholders on five strategic projects. We have pushed ahead with these in recent months, which is why we are happy to tell you about the state of the projects:

- Switch to partners with higher added value in the Baby Care area: Due to long delivery times, we were able to terminate expiring contracts. In so doing, attention was paid to added value and also to the future potential of the partners.
- Simplification of the structure in Switzerland: We implemented this project on 1 January 2015. All business in and from Switzerland is being handled by HOCHDORF Swiss Nutrition Ltd. The final conversion work was completed on 30 June 2015.
- IonEx: The project for manufacturing lactose and whey protein for infant formula is proceeding according to schedule. During the first half of the year, the building was completed and the equipment installed. Testing operations will begin in the 3rd quarter.
- LagLo: Starting in April 2015, the new logistics building gradually went on line. This results in elimination of transport and warehouse costs without having to hire additional logistics personnel. We have already received the building permit for Phase 2 of warehouse optimisation.
- Kid's Food: Following product and market analyses, the first products were developed, and potential manufacturing partners were sought. We expect to have marketable products by the start of 2016.

Two important new projects

With the project KAPAMAX (capacity maximisation and optimisation), we plan to optimise our supply chain and maximise output in the area of infant formula. Initial analyses show that we have significant potential for savings and optimisation in the area of the supply chain. Also planned is a major expansion of capacity for the Dairy Ingredients area at the Hochdorf location. We will continue these projects in the second half of the year.

With regard to the forward integration project, in-depth negotiations are currently in progress with potential take-over candidates. A new management position, "Head of Global Sales and Marketing", was created in order to implement the forward integration and to further develop the company's brands acquired as a result of this throughout the world. We were able to hire Frank Hoogland, a highly experienced top performer, to fill this position.

Outlook for 2015 as a whole

Despite the strong franc, we are optimistic about the second half of the year. We will continue to push ahead with ongoing projects and in so doing concentrate on those with high potential for added value. Compared with the previous year, we anticipate somewhat lower milk quantities in Switzerland. At the same time, we will process considerably more whey. As a result of the abolition of the quota, we expect somewhat higher quantities of milk for processing at our plants in Lithuania and Germany.

Despite currency effects and the sudden, sharp fall in milk prices, which also led to lower product prices, we continue to assume that gross sales revenue for 2015 will come in at CHF 580 million to CHF 620 million. By contrast, we expect EBIT as a percentage of production revenue to be higher than announced. We anticipate a value of 3.2–3.8%.

Business Areas

Dairy Ingredients

Switzerland: HOCHDORF Swiss Nutrition Ltd

In the first half of the year, the quantity of liquid purchased and processed fell by –7.5% to 212,258 tonnes. A total of 183,135 tonnes of fresh milk (including commissioned orders) were delivered. The greatest share of the decline of –7.5% was attributable to fewer commissioned drying orders and the decline in milk permeate. We did not need to purchase additional permeate since we produced more milk protein concentrate. The amount of processed whey and buttermilk increased in comparison to the previous year. Plants were accordingly running at high capacity during the season.

Overall, the Dairy Ingredients Switzerland business area generated turnover of CHF 118.3 million (–10.0% compared with previous year). The decline in turnover was due to lower prices for raw materials, which were passed on to customers, and to lower amounts of milk processed. Likewise, the decline in volume in the area of roller-dried whole milk powder for the chocolate industry had a certain impact. This had two reasons: First, less chocolate was produced overall, and second, as expected, we lost market shares on account of additional competition.

In the spring, we negotiated with our milk suppliers to create a new solution for the fund in order to compensate for the shortfall in "Schoggi Law" funding. Under the new agreement, HOCHDORF Swiss Nutrition Ltd will now remit a fixed annual amount to the fund. The remaining amount of the shortfall will be borne by milk producers. Following the abolition of the minimum euro exchange rate by the Swiss National Bank, we were initially forced to increase the reserves significantly. We have since been able to reduce them again, primarily due to the Parliament having increased "Schoggi law" funding by CHF 25.6 million to CHF 95.6 million.

During the heavy milk-producing months, we worked together with Lactofama AG to export nearly 2,000 tonnes of cream. With this export support, Lactofama AG is pursing the aim of exporting seasonal excess quantities in order to relieve pressure on the milk market in Switzerland.

In terms of product development, we worked during the first half of the year, inter alia, on lactose- and whey-protein projects and the manufacture of modified milk proteins. The aim of the project for manufacturing lactose and whey protein is to employ these products, inter alia, for HOCHDORF's own infant formula. During the first half of the year, the production building was completed and the equipment installed. In the coming months, the objective will be to enhance the products and modify formulas for infant formula so that direct use is possible.

The goal of the second project is to manufacture modified milk proteins with which artificial cheese can be manufactured in a further processing step. Following successful trials on testing equipment, trials are now underway using industrial production equipment.

We anticipate less milk in the second half of the year than in the first, as well as less milk compared with the previous year. This is primarily due to the fact that milk prices are currently low and not expected to recover soon. However, we do not anticipate delivery bottlenecks. In addition, we have filed a request for active inward processing so that we can implement our export projects and run our plants at higher capacity. Moreover, we will dry more whey and buttermilk compared with the previous year.

Lithuania: HOCHDORF Baltic Milk UAB

We processed more milk in the first half-year of 2015 (40.8 million kg; +54.6%) than at any other time in our history. As expected, Russia's continuing ban on imports of EU milk products funnelled a large amount of milk to our plants.

Overall HOCHDORF Baltic Milk generated gross sales revenue of CHF 15.2 million (–14.4% compared with previous year). The lower turnover is mainly attributable to the appreciation of the franc against the euro, as well as the discontinuation of the milk-exchange deal. The remainder of the decline is due to lower milk prices and correspondingly lower product prices. In particular, after a brief recovery phase, prices for cream and skimmed milk powder fell again in the second quarter. By contrast, prices for milk protein powder remained relatively stable.

We were able to process a higher quantity of milk also by optimising ultrafiltration and maximising plant output overall. In addition, we launched an investment package. Among other things, a spray tower was renovated, and additional ultrafiltration equipment is being installed.

Russia's import ban on EU milk products was extended to August 2016. Therefore, in the second half of the year, we expect to receive a relatively large amount of milk at competitive prices. The lifting of the milk quota in the EU is likely to result in even greater quantities of milk. Milk prices as well as world market prices have likely bottomed out. Nevertheless, we do not expect prices to begin to rise until the start of 2016 at the earliest. Despite low prices, we expect to post good financial results for this year as well.

Germany: Uckermärker Milch GmbH

In the first half of the year, Uckermärker Milch GmbH processed 168.3 million kg of milk, permeate, and cream to make curd, butter, and milk powder (–7.8% compared with previous year). It generated gross sales revenue of CHF 87.9 million (–22.0% compared with previous year). The lower turnover was due to currency effects, lower quantities, and, compared with the previous year, considerably lower milk prices.

Management was reorganised in the first half of the year. It now consists of Jürgen Stephani (Managing Director of Ostmilch Handels GmbH) and Dr Thomas Eisenring (CEO of the HOCHDORF Group). Christoph Peternell (COO of the HOCHDORF Group) will join management in the future.

The abolishment of the quota system in the EU, which took effect on 1 April 2015, created uncertainty throughout the milk industry. EU countries are expecting higher milk production in the second half of the year. Due to limited sales in the EU and on the world market, milk prices are likely to remain under pressure. Uckermärker Milch GmbH is currently benefitting from the fact that a large amount of milk can be purchased on spot markets. Milk being traded on spot markets is currently cheaper than milk sold under agreements between milk producers.

To boost efficiency, we approved several small investments and launched projects. For example, we refinanced plant loans, which has led to lower monthly interest expenses. We also renegotiated gas and electricity prices at considerably lower rates.

We expect that the milk market in Germany will continue to be difficult and hotly contested until late 2015. As in the past, we will rely on the processing of spot-market milk and continue to press forward with measures to increase efficiency. We will also continue to pursue a project for the manufacture of buttermilk in collaboration with Arla.

Baby Care

Switzerland: HOCHDORF Swiss Nutrition Ltd

For the first time since 2006, gross sales revenue was not able to be increased, but instead remained approximately the same. The Baby Care area generated gross sales revenue of CHF 50.0 million (–5.4% compared with previous year; CHF 52.8 million). The somewhat lower turnover is due to the currency situation and capacity bottlenecks. Quality and product safety are the most important elements associated with the sale of infant formula. This was borne in mind in connection with the projects to maximise capacity. As a result, production has not yet been able to be maximised to the expected extent. In the second half of the year, we will continue to work on projects to increase the output of existing plants and expand capacity.

In early July, HOCHDORF infant formula became available for purchase in Colombia and Ecuador for the first time. We are pressing ahead with expansion into Latin American markets. We plan to supply these customers (and others) from the plant in Prenzlau, Germany, starting in late 2016.

Plans for renovation work at the dried milk plant of Uckermärker Milch GmbH are proceeding on schedule. We have received good support from the authorities, and collaboration with the local staff has been good, too. We expect to be able to begin manufacturing infant formula in Prenzlau in late 2016. The success of our products on the market and the forward integration toward HOCHDORF's own infant formula have made it necessary for us to also consider building another spray tower for infant formula in Prenzlau. For this reason, new buildings (warehouse and filling buildings) are being designed in such a way that they can be expanded in a modular manner.

In future, all EU formulas will have to be modified to conform to the new EU regulation, which enters into force in 2016 with a three-year transition period. For example, various nutritional values and protein contents in infant formula will have to be modified. Another development project is seeking to achieve a consistent fatty acid spectrum in infant formula using milk fat. This project is in line with the emerging trend of using fewer exotic products, like palm oil.

The transition from Michiel de Ruiter to Fons Togtema as head of the Baby Care area went smoothly. The well-functioning Baby Care team has since been expanded with an experienced salesman.

For the 2015 business year, we expect gross sales revenue in the Baby Care area to come in at the level of the previous year. The year is being considered a transition year, until by late 2016 the new capacities at Uckermärker Milch GmbH are available and capacities at existing plants are maximised.

Cereals & Ingredients

Switzerland: HOCHDORF Swiss Nutrition Ltd

The Cereals & Ingredients area generated gross sales revenue of CHF 8.7 million, which was slightly below the previous year (CHF 9.3 million; –6.4%). This decline is attributable to the current currency situation. Sold product volume even rose in comparison with the previous year.

The new sales and marketing structures that were put in place last year began to have an effect in the first half of the year. The positioning of VIOGERM® as an alternative to hazelnuts led to newly developed products and higher sales. Since hazelnut prices are expected to remain high, this application offers countless other opportunities. In Switzerland, a supermarket chain recently began to offer a linseed spreader. Also in Switzerland, Hepart is selling wheat-germ crispies with our VIOGERM® Gold Chips on its website. In Italy, a new bar with VIOGERM® Gold Powder and a panettone with VIOGERM® Gold Flour were launched on the market. In Spain, we gained customers with VIOGERM® Crisp Flakes for an American Chocolate Brownie and VIOGERM® Gold Chips for manufacturing healthy, tasty bread.

In addition to various customer projects, product development is focusing on developing a palm oil-free whipping agent for the desserts segment. Research was also conducted on possible other products for the future Kid's Food product area.

In terms of sales, the collaboration with the team at Marbacher Ölmühle GmbH was expanded in the first half of the year. Initial synergies have been implemented in sales. Other synergies will result from the dissolution of HOCHDORF Deutschland GmbH in the second half of the year and from the sale of these products by the sales staff at Marbacher Ölmühle, as well as from Switzerland.

We intend to intensively service the various markets in the second half of the year and achieve further sales successes. Among other things, we will be taking part in the Food Ingredients Europe (FIE) in early December, together with Marbacher Ölmühle GmbH, the Dairy Ingredients business area of HOCHDORF Swiss Nutrition Ltd, and Uckermärker Milch GmbH.

Germany: Marbacher Ölmühle GmbH

In the first half of the year, Marbacher Ölmühle GmbH generated gross sales revenue of CHF 3.7 million. Integration work in the HOCHDORF Group is proceeding well, and numerous synergies have already been able to be exploited. For instance, the Marbach location was connected to the IT systems of the HOCHDORF Group.

In terms of sales, we are pursuing forward and backward integration. Intermediaries are being eliminated where possible and sensible. Discussions were held with numerous suppliers and customers, and new sales documentations were created. Our work paid off with initial successes on the customer front.

One highlight of the first half-year of 2015 was having our sesame oil and VIOGERM® wheatgerm oil honoured with the international Superior Taste Award. The award can now be used for three years in marketing.

In the second half of the year, we will increase our production capacities. Planning is currently underway for this.

Consolidated balance sheet as at

	30.06.2015 CHF	in %	31.12.2014 CHF	in %
Assets				
Cash and cash equivalents	27,574,599	8.5%	46,379,658	14.0%
Trade receivables	41,555,107	12.9%	59,621,492	18.0%
Receivables from related parties	4,341,083	1.3%	2,344,321	0.7%
Other short-term receivables	15,582,050	4.8%	4,881,653	1.5%
Inventories	51,549,636	16.0%	47,887,966	14.5%
Prepayments and accrued income	17,328,364	5.4%	5,999,115	1.8%
Current assets	**157,930,838**	**48.9%**	**167,114,205**	**50.5%**
Property, plant, equipment	57,010,859	17.7%	61,839,942	18.7%
Other fixed assets	95,513,537	29.6%	90,566,899	27.4%
Total fixed assets	*152,524,397*	*47.3%*	*152,406,842*	*46.0%*
Participating interests	2,331,306	0.7%	2,042,364	0.6%
Financial assets	8,057,870	2.5%	7,997,313	2.4%
Intangible assets	1,857,255	0.6%	1,548,639	0.5%
Non-current assets	**164,770,828**	**51.1%**	**163,995,158**	**49.5%**
Total assets	**322,701,666**	**100.0%**	**331,109,363**	**100.0%**
Liabilities				
Trade payables	38,846,433	12.0%	66,991,999	20.2%
Short-term financial liabilities	123,381	0.0%	7,241,804	2.2%
Other current liabilities	25,840,839	8.0%	6,074,606	1.8%
Short-term provisions	461,812	0.1%	532,716	0.2%
Accrued liabilities and deferred income	7,968,020	2.5%	10,216,821	3.1%
Current liabilities	**73,240,484**	**22.7%**	**91,057,946**	**27.5%**
Non-current financial liabilities	88,039,361	27.3%	85,967,197	26.0%
Provisions	9,722,736	3.0%	10,916,099	3.3%
Non-current liabilities	**97,762,097**	**30.3%**	**96,883,296**	**29.3%**
Share capital	11,591,520	3.6%	10,709,220	3.2%
Own shares	–61,974	0.0%	–703,225	–0.2%
Capital reserves	70,697,111	21.9%	64,812,537	19.6%
Retained earnings	58,052,836	18.0%	45,160,184	13.6%
Minority interests	7,381,141	2.3%	7,050,881	2.1%
Profit for the period	4,038,451	1.3%	16,138,524	4.9%
Shareholders' equity	**151,699,084**	**47.0%**	**143,168,121**	**43.2%**
Total liabilities	**322,701,666**	**100.0%**	**331,109,363**	**100.0%**

Consolidated income statement

	2015 CHF	in %	2014 CHF	in %
	1.1.15–30.06.15		1.1.14–30.06.14	
Sales of products	284,019,340	99.3%	220,556,597	92.9%
Other revenue	277,851	0.1%	98,979	0.0%
Gross sales revenue	**284,297,191**	**99.3%**	**220,655,575**	**93.0%**
Reductions in revenue	–2,929,034	–1.0%	–1,614,237	–0.7%
Net sales revenue	**281,368,157**	**98.3%**	**219,041,338**	**92.3%**
Change in inventories of semi-finished and finished products	4,792,479	1.7%	18,340,435	7.7%
Production revenue	**286,160,636**	**100.0%**	**237,381,773**	**100.0%**
Cost of materials and goods	–222,332,664	–77.7%	–185,424,171	–78.1%
Gross operating profit	**63,827,973**	**22.3%**	**51,957,603**	**21.9%**
Personnel expenses	–22,744,698	–7.9%	–17,238,405	–7.3%
Other operating expenses	–25,579,916	–8.9%	–20,940,295	–8.8%
Operating expenses	*–48,324,614*	*–16.9%*	*–38,178,699*	*–16.1%*
EBITDA	**15,503,359**	**5.4%**	**13,778,903**	**5.8%**
Depreciation on property, plant and equipment	–4,678,360	–1.6%	–3,373,727	–1.4%
Amortisation on intangible assets	–142,722	0.0%	–218,383	–0.1%
EBIT	**10,682,276**	**3.7%**	**10,186,794**	**4.3%**
Income from associates and joint ventures	288,942	0.1%	–9,583	0.0%
Financial results	–5,771,946	–2.0%	–1,228,587	–0.5%
Earnings before taxes (EBT)	**5,199,272**	1.8%	**8,948,624**	**3.8%**
Non-operating income	–17,870	0.0%	8,532	0.0%
Extraordinary income	–179,439	–0.1%	–1,819,382	–0.8%
Profit before tax	**5,001,964**	1.7%	**7,137,774**	**3.0%**
Income taxes	–885,267	–0.3%	–869,642	–0.4%
Net profit	**4,116,696**	1.4%	**6,268,132**	**2.6%**
Attributable to:				
Parent company shareholders	4,038,451	1.4%	6,268,132	2.6%
Minority interests	78,245	0.0%	0	0.0%
Net profit	**4,116,696**	1.4%	**6,268,132**	**2.6%**
Earnings per share (basic)	**3.59**		**6.97**	
Earnings per share (diluted)	**3.2**		**5.33**	

Consolidated cash flow statement

	1.1.15–30.06.15 CHF	1.1.14–30.06.14 CHF
Net profit	4,116,696	6,268,132
Depreciation of property, plant and equipment and amortisation of intangible assets	4,821,083	3,592,110
Net interest expense	1,106,571	1,271,587
Other non-cash adjustments	–80,527	–124,232
Change in short-term provisions	–70,904	0
Change in long-term provisions	–1,193,363	261,989
Accounting losses (profits) from sales of fixed assets	42,539	0
Income from associates and joint ventures	–288,942	0
Earned capital	**8,453,153**	**11,269,586**
As % of net sales revenue	*3.00%*	*5.14%*
Change in trade receivables	18,066,384	–10,052,819
Change in trade receivables from related parties	–1,996,762	–1,150,127
Change in short-term receivables	–10,700,397	–6,386,533
Change in inventories	–3,661,669	–17,924,991
Change in prepayments	–11,329,249	–780,718
Change in liabilities from deliveries and services	–28,145,567	6,174,921
Change in other short-term liabilities	19,766,233	6,634,568
Change in deferred income	–2,248,800	304,385
Change in net current assets	**–20,249,826**	**–23,181,312**
Cash flow from operating activities	**–11,796,673**	**–11,911,726**
As % of net sales revenue	*–4.19%*	*–5.44%*
Investments in fixed assets	–10,430,643	–4,179,480
Divestments of fixed assets	26,592	0
Investments in intangible assets	–603,219	–363,580
Divestments of intangible assets	119,039	54,566
Investments in/Divestments of long-term financial assets	24,444	0
Net cash flow from the purchase (-) / sale (+) of investments	0	–3,707,950
Interest and dividends received	6,770	16,893
Cash flow from investing activities	**–10,857,017**	**–8,179,551**
Free cash flow	**–22,653,690**	**–20,091,278**
As % of net sales revenue	*–8.05%*	*–9.17%*
Change in short-term financial liabilities	–7,118,423	–21,069
Change in non-current financial liabilities	2,072,165	–1,125,000
Additions/disposals of minority interests in capital and profit	1,220,907	–211,177
Capital increase incl. premium from conversion of convertible bonds	10,890,596	249,820
Capital increase from authorised capital	–11,500	0
Sale (purchase) own shares net cash flow	659,018	–127,290
Interest paid	–1,113,341	–1,288,480
Dividend payments	–4,118,185	–2,872,310
Cash flow from financing activities	**2,481,237**	**–5,395,506**
Currency translation	1,367,393	–166,219
Net change in cash and cash equivalents	**–18,805,059**	**–25,653,003**
Cash and cash equivalents at 1 January	46,379,658	53,937,515
Cash and cash equivalents at 30 June	**27,574,599**	**28,284,513**

Consolidated statement of changes in equity

CHF 1,000	Share capital	Own shares	Capital reserve	Retained earnings	Accumulated translation differences	Total, excl. minority interests	Minority interests	Total, incl. minority interests
Equity as at 31.12.2013	**9,000**	**–30**	**47,195**	**49,283**	**–1,884**	**103,563**	**211**	**103,774**
Change in the scope of consolidation				15		15		15
Goodwill from acquisition of interests in subsidiaries				–2,289		–2,289	–211	–2,500
Reclassification			2	–2		0		0
Allocation of capital investments to free reserves			–2,880	2,880		0		0
Conversion of convertible bonds	20		230			250		250
Acquisition of own shares		–2,894				–2,894		–2,894
Sale of own shares		2,646	120			2,766		2,766
Currency translation differences					–116	–116		–116
Dividends				–2,872		–2,872		–2,872
Net profit				6,268		6,268		6,268
Equity as at 30.06.2014	**9,020**	**–278**	**44,667**	**53,282**	**–2,000**	**104,691**	**0**	**104,691**
Equity as at 31.12.2014	**10,709**	**–703**	**64,813**	**63,439**	**–2,140**	**136,117**	**7,051**	**143,168**
Change in the scope of consolidation						0	4	4
Allocation of capital investments to free reserves			–4,130	–4,130		0		0
Conversion of convertible bonds	882		10,008			10,891		10,891
Capital increase			–11			–11	1,217	1,206
Acquisition of own shares		–2,116				–2,116		–2,116
Sale of own shares		2,757	18			2,775		2,775
Currency translation differences					–3,258	–3,258	–969	–4,227
Dividends				–4,118		–4,118		–4,118
Net profit				4,038		4,038	78	4,117
Equity as at 30.06.2015	**11,592[1)]**	**–62**	**70,697**	**67,489[2)]**	**–5,398**	**144,318**	**7,381**	**151,699**

1) 1,159,152 registered 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) Thereof non-distributable legal reserves TCHF 10,172 (previous year: TCHF 10,172).

Contingent capital
The Group has contingent capital in the nominal amount of CHF 4,500,000, corresponding to 450,000 registered shares at nominal CHF 10, which is connected with outstanding convertible bonds.

Authorised capital
The Group has authorised capital in the nominal amount of CHF 3,184,710, corresponding to 318,471 registered shares at nominal CHF 10.

Notes to the consolidated half-year financial statements as at 30 June 2015

1. Basic accounting principles

These consolidated financial statements consist of the unaudited half-year financial statements for HOCHDORF Holding Ltd and its subsidiaries for the reporting period ending on 30 June 2015. The consolidated interim financial statements were created in conformity with existing guidelines based on the accounting recommendations of Swiss GAAP FER 31 (supplemental recommendations for listed companies) and with the consolidation and measurement principles described in the 2014 consolidated annual financial statements. Income taxes are calculated based on an estimate of the income tax rate expected for 2015 as a whole. The consolidated half-year financial statements are to be read in conjunction with the consolidated financial statements prepared for the business year ending on 31 December 2014, as this represents an updated version of the last complete financial statements. The consolidated half-year financial statements were approved by the Board of Directors on 12 August 2015.

2. Changes in the scope of consolidation

The following changes were made to the scope of consolidation during the reporting period:

Consolidated companies		Currency	Capital in thousand	**Share 30.06.2015**	Share 31.12.2014
HOCHDORF Swiss Milk Ltd, Hochdorf	Merger on 01.01.2015	CHF	1,000	0%	100%
HOCHDORF Nutrifood Ltd, Hochdorf	Merger on 01.01.2015	CHF	100	0%	100%
Uckermärker Milch GmbH, D-Prenzlau	Capital increase on 25.03.2015	EUR	7,500	60%	60%
Marbacher Ölmühle GmbH, D-Marbach	Capital increase on 07.05.2015	EUR	2,000	100%	100%
HOCHDORF South Africa Ltd, ZA-Cape Town	Formation on 31.05.2015	ZAR	500	90%	0%

By way of the reorganisation on 1 January 2015, HOCHDORF Swiss Milk Ltd and HOCHDORF Nutrifood Ltd were merged into HOCHDORF Swiss Nutrition Ltd. The share capital of Uckermärker Milch GmbH was increased from EUR 4.65 million to EUR 7.5 million. The share capital of Marbacher Ölmühle GmbH was increased from EUR 0.1 million to EUR 2.0 million. On 31 May 2015, HOCHDORF South Africa Ltd was formed as a production company with the aim of manufacturing chocolate for the South African market.

3. Forreign currency translation rates in CHF

	Income statement average exchange rates		Rates prevailing on the balance sheet date	
	January to June 2015	January to June 2015	**30.06.2015**	31.12.2014
1 EUR	**1.0642**	1.2182	**1.0423**	1.2024
1 USD	**0.9494**	0.8888	**0.9355**	0.9936
1 LTL	**n.a.**	0.3528	**n.a.**	0.3482
1 ZAR	**0.0799**	n.a.	**0.0769**	n.a.

On 1 January 2015, Lithuania joined the European Monetary Union. The litas was converted at the fixed conversion rate at the time of 1 euro = 3.4528 litas.

4. Contingent liabilities

The HOCHDORF Group is involved in legal proceedings on account of its subsidiaries Uckermärker Milch GmbH and Marbacher Ölmühle GmbH. Both legal disputes concern deliveries of goods. Corresponding provisions were created for both proceedings.

The HOCHDORF Swiss Nutrition Ltd had to post a performance bond in the amount of EUR 913,667 for its deliveries to Egypt. The customer can lodge a claim under the performance bond only in the event of non-delivery by HOCHDORF.

5. Events after the balance sheet date

None.

Notes to the consolidated half-year financial statements as at 30 June 2015

6. Explanatory remarks about the interim financial statements
On account of the initial consolidation of the income statements of Uckermärker Milch GmbH and Marbacher Ölmühle GmbH as at 1 January 2015, the prior-year figures are not comparable.

The first half of the year usually finishes more positively than the second in terms of both turnover and income. The main reason for this is the seasonal nature of milk quantities, with the most productive period occurring between April and June. However, variations between the two halves of the year can differ highly when compared over several years.

Income for the first half of 2015 was characterised by somewhat lower milk production, continued improvement in capacity utilisation at the main plants, and continued high prices for A milk in Switzerland, which were largely accepted on the market. The largest impact, however, resulted from the abolition of the minimum euro exchange rate by the Swiss National Bank on 15 January 2015. Turnover rose as a result of the integration of the new companies in Germany, which also made a positive contribution to earnings. In addition, the net income of HOCHDORF Baltic Milk UAB was once again very positive. HOCHDORF Swiss Nutrition Ltd was also able to boost its operating income despite difficult market conditions. The quantity produced rose by 136.0% in comparison to the same reporting period in the previous year, and the quantity sold increased by 150.6%. Cash flow from operating activities, with seasonal variations due to the build-up of receivables and inventory, was CHF –11.8 million (previous year: CHF –11.9 million). The seasonal variation in inventory will fall again in the second half of the year. At CHF 10.9 million, cash outflow from investment activities in the first half of the year was higher than in the previous year (CHF 8.2 million). The Group performed very well under difficult markets conditions, achieving results that exceeded our expectations. We remain optimistic about the outlook for the second half of the year. Future trends in world market prices are still unclear, with a current downward tendency, which means that the shortfall in «Schoggi law» funding is widening further on account of the continued stability of Swiss milk prices.

Recognised in extraordinary expenses were losses from the sale of fixed assets, as well as, for Uckermärker Milch GmbH, a delayed final accounting for milk deliveries of BMG in 2014, which was not known in this amount and therefore not accrued.

As a result of possible competitive disadvantages compared with unlisted and large listed competitors, customers and suppliers, the presentation of segment results pursuant to Swiss GAAP FER 31/8 was dispensed with. The Swiss milk market is small and tightly knit, with few key companies and providers. Milk production is in the hands of just a few organisations. On the processing side, the market is shaped by four large dairies, along with cheesemakers. On the customer side, the chocolate industry segment is predominant, likewise with just a few large processors. In the area of infant formula (based on milk), only one other firm produces infant formula for the Swiss and international market apart from the HOCHDORF Group.

The balance sheet total decreased slightly to CHF 323 million as at 30 June 2015 from CHF 331 million as at 31 December 2014. Net debt increased over the same period from CHF 46.8 million to CHF 60.6 million on account of the reduction in liquidity for investments in net current assets and property, plant and equipment. Shareholders' equity increased from 43.2% as at 31 December 2014 to 47.0% as at 30 June 2015. This was due in particular to further conversions of convertible bonds. As at 30 June 2015, a total of CHF 12.08 million had been converted.

Notes to the consolidated half-year financial statements as at 30 June 2015

7. Breakdown of gross turnover by product group and region

By product group

CHF 1,000	1st half-year 2015		1st half-year 2014	
Milk products/cream	117,367	41.3%	52,195	23.7%
Milk powder	102,597	36.1%	107,111	48.6%
Infant formula	49,765	17.5%	52,638	23.9%
Specialities/wheat germ	5,842	2.1%	2,989	1.3%
Bakery/confectionary goods	3,152	1.1%	3,356	1.5%
Remaining products/services	5,296	1.9%	2,268	1.0%
Total	**284,019**	**100.0%**	**220,557**	**100.0%**

By region

CHF 1,000	1st half-year 2015		1st half-year 2014	
Switzerland/Liechtenstein	105,284	37.0%	121,858	55.3%
Europe	132,744	46.7%	50,766	23.0%
Asia	12,650	4.5%	15,060	6.8%
Middle East/Africa	26,993	9.5%	28,850	13.1%
USA/Canada	0	0.0%	1	0.0%
Americas (others)	766	0.3%	219	0.1%
Rest	5,582	2.0%	3,803	1.7%
Total	**284'019**	**100.0%**	**220'557**	**100.0%**

8. Key figures

CHF 1,000

January to June	2015	2014	Change
Processed milk and whey in million kg	421.4	255.9	+64.7%
Gross sales revenue	284,297	220,656	+28.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	15,503	13,779	+12.5%
in % of production revenue	5.40%	5.80%	
Earnings before interest and taxes (EBIT)	10,682	10,187	+4.9%
in % of production revenue	3.70%	4.30%	
Net profit	4,117	6,268	−34.3%
in % of production revenue	1.40%	2.60%	
Staffing level as at 30 June (nominal)	588	371	+58.5%

Important dates

7 April 2016:	Annual results press conference
6 May 2016:	Annual General Meeting
August 2016:	18th Letter to Shareholders on the 2016 half-year financial statements

Auditing/ Approval

The balance sheet and income statement in this Letter to Shareholders have not been audited. The consolidated half-year financial statements were approved by the Board of Directors at its meeting on 12 August 2015.

Investor newsletter

Information about the HOCHDORF Group can be found at www.hochdorf.com. In the Investor Relations sector, investors can also register for the newsletter. They will then receive an email each time a press release is posted online.

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Kind Regards from your BEST PARTNER
HOCHDORF Holding AG

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