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HOCHDORF Group press release for the 2012 annual accounts

Revaluation leads to positive starting point

Hochdorf, 17 April 2013 – **The HOCHDORF Group has undergone a challenging, often successful, but also disappointing 2012. Export markets were challenging due to the strong Swiss franc. It was also difficult to implement the changes in the Swiss milk market into day-to-day processes. In spite of this, HOCHDORF was also able to achieve turnover success in exports as well as in the home market. The financial results at EBIT level are disappointing, although there was an increase of +45.4% compared to the previous year.**

The amount of product sold in tonnes is an important indicator of the performance of the HOCHDORF Group. The Group sold a total of 90,196 tonnes of products in 2012, a slight decline of -1.7% (previous year 91,766 tonnes). The gross sales revenue of CHF 346.6 million could be sustained at the same level as the previous year nonetheless (346.6 million).

A solid but unsatisfactory result

The group achieved a consistent EBITDA of CHF 14.3 million (previous year CHF 14.5 million) and the EBIT increased by +45.4%. In absolute terms however, at CHF 2.8 million, it is significantly less than expected. The Board of Directors therefore decided to revaluate the fixed assets. As a result, the assets of HOCHDORF Nutritec Ltd. were amortised in the Swiss GAAP FER financial statement by an additional amount of approximately CHF 40 million. This non-cash amortisation is mainly responsible for the extremely negative company results at concern level of CHF -35.3 million.

Baby & Health Care

HOCHDORF Nutricare Ltd. was a highly successful player in 2012 in selling its Swiss-made infant formula, even surpassing its ambitious growth target. Despite the strong Swiss franc, the quantity sold increase by +55.8% to 11,087 tonnes. Most notably, the company concluded contracts with additional partners in the huge Chinese market. It was also able to achieve major growth with existing customers.

HOCHDORF Nutrimedical Ltd., established at the end of 2011, was unable to generate turnover in this business year. However, its newly developed products were introduced on the market at the end of 2012.

Milk derivatives

Although, less chocolate was produced in Switzerland in 2012, HOCHDORF Swiss Milk Ltd. sold slightly more in this market. The HOCHDORF Group invested in a new nanofiltration plant at the start of 2012 enabling even more specific fractionation of the raw materials of milk and whey.

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HOCHDORF Swiss Milk Ltd. had to grapple with two major factors in 2012: milk segmentation and the system of export aid (“Schoggi law”). Milk segmentation makes it challenging to procure the right quantity of milk in each segment. HOCHDORF purchased too large a quantity of milk for the domestic market in the first half of 2012. It was not possible to market this adequately and it had to be exported. The sharp fall in milk quantities in the second half of the year meant it was not possible to offset this gap as hoped.

The HOCHDORF Group is one of the recipients of export aid (“Schoggi” law). The support provided by the Swiss government and the milk industry organization (BOM) was unfortunately not enough to last until the end of the invoicing period at the end of November. It nevertheless still had to honour contractually agreed exports. This charged the income statement with around CHF 1.2 million. Here, too, the price paid for the milk was essentially too high.

In the first half of 2012, MGL Baltija UAB was unable to purchase the desired milk quantity in the highly competitive Lithuanian milk market. To maintain the asset utilisation in spite of this, whey protein concentrate was dried for commission orders for the first time. The international milk price increased again in the second half of the year, which also increased product prices at MGL Baltija UAB. As a result, considerably more milk could be procured, processed and sold. HOCHDORF Swiss Milk Ltd. took over 100% of the company as of 1.1.2013.

Cereals & Ingredients

An important milestone in this area was the takeover of Femtorp GmbH in Siegburg, Germany, retroactive to the beginning of 2012. The company has been renamed HOCHDORF Deutschland GmbH and serves as a sales and trading platform for various HOCHDORF products in the European economic region. With VIOGERM® wheatgerm and VIOGERM® wheatgerm oil, HOCHDORF Nutrifood Ltd. has been able to maintain its strong position in the domestic Swiss market. However, the strong Swiss franc and the corresponding reduction in profit caused us to decide against some deliveries in the export market.

Forecast for 2013

“We want to concentrate on product sales and the profitability of the Group in the current business year,” said chairman of the Board of Directors, Hans-Rudolf Schurter. HOCHDORF Nutricare Ltd. is planning for growth of 20% to 30%. It wants to achieve this with existing customers in Asia, North Africa and the Middle East as well as with new customers, particularly from Latin America. Following its development year in 2012, HOCHDORF Nutrimedical Ltd. is concentrating more on product sales, particularly on the European market and existing HOCHDORF Nutricare Ltd. customers who have expressed interest in the products.

In the area of milk derivatives, HOCHDORF Swiss Milk Ltd. is seeking to defend its strong position in the domestic Swiss market. MGL Baltija UAB is planning for further expansion of its business activities and the signs bode well for this on the international milk market.

HOCHDORF Nutrifood Ltd. will aim for growth with dessert products in Switzerland and also with healthy VIOGERM® wheatgerm products and other food ingredients in the export market. The company is setting its sights on the neighbouring German-speaking countries for export business.

The economic climate continues to be challenging. The milk quantity in Switzerland remains difficult to predict and the Swiss franc continues to be overpriced. “To achieve increased profitability, we therefore have to further reduce production costs. We are currently examining measures in our management of processes, materials and energy,” said Marcel Gavillet, CFO of the HOCHDORF Group. Due to the difficult and volatile situation, the Group is not currently in a position to speculate on revenues for 2013.

The Board of Directors is convinced that the revaluation and the other measures that have been undertaken will enable the Group to generate higher revenues in the future. It is therefore submitting an unchanged dividend of CHF 3.0 per share to the AGM on Friday, 17 May 2013. “This decision has to be seen in the context of providing continuous dividend payments,” explained Hans-Rudolf Schurter. The dividend is paid out of reserves from capital investments and is therefore tax-free for private individuals resident in Switzerland.

HOCHDORF Group key figures 2012

CHF 1,000	**2012**	**2011**	**Change**
Gross sales revenue	346‘614	346‘574	+0.0
Profits before interest, tax, depreciation and amortisation (EBITDA)	14‘318	14‘538	-1.5%
as % of production revenue	4.2	4.1	
Profit before interest and tax (EBIT)	2‘759	1‘898	+45.4%
as % of production revenue	0.8	0.5	
Net profit	-35‘326	12‘381	n.a.
as % of production revenue	-10.4	3.5	
Staffing levels at 31.12.	381	361	+5.5%
Gross sales revenue per full-time employee	974	1‘025	-5.0%
Processed milk, cream and whey amounts in kg (millions)	423.4	435.8	-2.9%
Quantites produced (including cream) in tonnes	87‘518	92‘394	-5.3%
Quantities sold in tonnes	90‘196	91‘766	-1.7%

	31.12.2012	31.12.2011	
Balance sheet total	239'851	282'487	-15.1%
of which equity capital	99'764	137'338	-27.4%
as a % of the balance sheet total	41.6	48.6	

Share details	**2012**	**2011**	
Profits (in CHF)	-39.45	13.91	n.a.
Dividends (in CHF)	3.0*	3.0	
Exchange rate at 31.12. (in CHF)	88.25	75.70	+16.6%
Stock exchange capitalisation (in million CHF)	79.4	68.1	+16.6&
Price/earnings ratio	n.a.	5.4	

* Subject to the approval of the AGM on 17 May 2013.

For the complete company report, see: www.hochdorf.com/Investoren → Reports.

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