

HOCHDORF Group Press Release: Annual Results 2014

Successful and groundbreaking year

Hochdorf, 26 March 2015 – The HOCHDORF Group significantly increased both turnover and revenue in 2014. The Group achieved growth of 14.0% with gross sales revenue of CHF 428.7 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) were increased by 50.3% to CHF 27.2 million. This resulted in overall net profits of CHF 16.1 million (+166.3%). The Board of Directors is requesting that the AGM approves an increase in dividend from capital reserves from CHF 3.2 to CHF 3.7 per named share.

In the 2014 business year, the HOCHDORF Group sold 99,155 tonnes of product (excluding milk trade business in Lithuania +8.1% compared to the previous year) and achieved a gross sales revenue of 428.7 million (previous year CHF 376.1 million; +14.0%). The main drivers of this upward trend are the high growth in the area of infant formula, high milk prices, which were largely transferred on to the market, and good business performance in Lithuania. The plants were operating at close to capacity all year round and the Group managed to process 507.0 million kg of milk, whey, milk permeate and buttermilk (+11.5%). At the site in Lithuania, 26.7 million kg more milk and whey protein was processed than in the previous year (+38.5%). In its Swiss plants, HOCHDORF dried 25.6 million kg more liquids than in 2014 (+6.6%).

Positive factors in all business areas

There was a percentage increase in gross profits to 24.7% (previous year 23.7%). However the nominal increase in the gross profit to CHF 105.2 million (previous year 89.2 million) is even more significant. HOCHDORF recorded higher operating costs than in the previous year, both in terms of personnel costs and for other operating costs. This increase can be explained by high capacity utilisation, additional staffing and the improved results. In terms of EBITDA, HOCHDORF achieved a record result of CHF 27.2 million (previous year 18.1 million). The EBIT result was CHF 20.0 million (previous year 10.3 million) and net profits were CHF 16.1 million (previous year 6.1 million).

Positive factors from all three business areas contributed to the pleasing results. The high milk prices were largely transferred to the market in the Dairy Ingredients business division. No amortisations were necessary despite the difficult circumstances surrounding the "Schoggi law". The HOCHDORF Group again increased capacity and optimised its product range, as well as improving margins. In Cereals & Ingredients, the product range and portfolio streamlining continued.

Cash flow and financing

In comparison to the previous year, cash flow from operational activities rose from CHF 18.2 million to CHF 20.5 million. There was also a significant increase in earned income from CHF 18.1 million to CHF 25.3 million. In the area of investments, there was expenditure of over CHF 18.3 million, with a further CHF 15.1 million spent on acquisitions. The investments and acquisitions resulted in negative free cash flow for 2014. The net debt attributable to acquisitions stood at CHF 46.8 million at the end of 2014

The HOCHDORF Group, based in Hochdorf, achieved a consolidated gross sales revenue of CHF 428.7 million in 2014. It is one of the leading foodstuff companies in Switzerland, employing 573 staff as of 31/12/2014. Made from natural ingredients such as milk, whey and wheat germ, HOCHDORF products have been contributing to our health and wellbeing since 1895 – from babies to senior citizens. Its customers include the food industry and the wholesale and retail sectors. Its products are sold in around 80 countries. The shares are traded on the SIX Swiss Exchange in Zurich (ISIN CH0024666528).

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(previous year 40.0 million). In spite of the acquisitions, the equity ratio still amounted to a good 43.2% (previous year 42.6%). The HOCHDORF Group's financing therefore forms a solid basis for continued company growth.

Reflecting on the 2014 business year, Dr Thomas Eisenring said: "It was an eventful and ground-breaking year. We have shown that HOCHDORF can achieve sustained success by once again improving our results significantly compared to 2013. We have placed important markers for the future with our two acquisitions in Germany."

The acquisition of Marbacher Ölmühle GmbH in Marbach, Germany and the 60 per cent holding in Uckermärker Milch GmbH as well as the 26 per cent holding in Ostmilch Handels GmbH were only completed at the end of the year. The results for these companies are not therefore included in the income statement for 2014. However, they do appear in the balance sheet as of 31.12.2014.

Dairy Ingredients

Turnover for HOCHDORF Swiss Milk Ltd grew to CHF 258.1 million in 2014 (previous year 232.8 million; +10.9%). This was due to a marked increase in liquid quantities and higher milk prices. There was an overall increase in volumes sold of +6.4% to 63,001 tonnes. A new competitor on the market provided stiff competition in the important area of roller-dried whole milk powder production. However, in addition to its excellent products, HOCHDORF also has the benefit of substantial product know-how, related services and delivery reliability. None of our competitors can supply customers from two plants or work so intensively on the (customer-specific) further development of roller-dried whole milk powder.

HOCHDORF Baltic Milk UAB achieved gross sales revenue of CHF 43.6 million in 2014 (previous year 31.9 million; +36.5%). This huge growth figure is mainly attributable to a milk trade transaction with a Lithuanian dairy. Without the milk trade transaction, there would be growth of almost 9% to CHF 34.8 million. The Russian embargo on milk products from the EU provided the company with a significantly higher milk quantity at lower prices. Because the international prices for milk proteins only fell towards the end of the third quarter, HOCHDORF Baltic Milk was able to pay a relatively good price for milk for longer – and successfully sell its products on the market.

Baby Care

HOCHDORF Nutricare Ltd targeted growth of between 18 and 22 per cent. Unfortunately this target was not quite reached due to a lack of filling capacities. There was nonetheless substantial growth in turnover of over 16% to CHF 110.0 million (previous year CHF 94.5 million). This growth was achieved with existing customers in the Middle East, North Africa and Asia – with particular emphasis on China. We also began trading with a large new customer in China. With regard to limited filling capacities, HOCHDORF is seeking to optimise plant capacities in the short term while also investigating external filling options.

Cereals & Ingredients

Cereals & Ingredients suffered a fall in turnover in 2014 of -9.0% to CHF 18.2 million (previous year CHF 20.0 million). This was mainly due to reduced turnover in bakery products and the streamlining of the product range in line with efficiency and profitability measures. The acquisition of Marbacher Ölmühle GmbH significantly strengthens the cereals area – particularly with regard to organic quality.

Outlook 2015

In mid-January the Swiss National Bank announced that it would no longer support the minimum exchange rate of CHF 1.20 to the euro. The HOCHDORF Group has a euro surplus of around 60 million euros per year. The slight recovery of the euro has eased this pressure to a certain extent. However, the intention is still to press on with the efficiency and value creation measures that were already in place. It is therefore important to continue on the road of "capacity maximisation" and with the "Prenzlau infant formula" project. Additional measures included price reductions for Swiss suppliers and price increases in the area of infant formula. Thomas Eisenring has declared that, in spite of the monetary influences, every effort will be made to meet the budget figures targeted for 2015.

In the area of **Dairy Ingredients**, HOCHDORF is anticipating a fall in milk quantities due to lower milk prices – particularly in the second half of the year. For this reason more whey and other milk-based liquids are being processed. The aim is to run existing plants as near to capacity as possible over the course of the year. The pressure on the Swiss milk price would be significantly reduced if the government were to increase "Schoggi law" funds to the maximum amount permitted by the WTO.

We will exploit international synergies and extend cooperation between the Swiss sites and our new plant in Germany and the plant in Lithuania. We anticipate increased milk quantities for our plant in Lithuania due to the continued import ban for EU milk products to Russia. We are still planning an investment programme in the low millions in Lithuania, in order to increase capacities for the existing plants.

The HOCHDORF Group is expecting a growth in turnover in **Baby Care** due to the various optimisation measures undertaken on the production and packaging plants. However this should be lower than in the business year 2014. We are preparing to set up a company in Uruguay to market infant formula in Latin America. The aim is to win additional infant formula orders so that products from the renovated tower in Prenzlau can be sold immediately.

Cereals & Ingredients will integrate Marbacher Ölmühle GmbH in 2015 and continue to pursue the new business in the children's food market. The acquisition of the oil mill in Marbach (Germany) enables the HOCHDORF Group to internationalise its expertise on the gentle processing of cereals.

At group level, HOCHDORF is anticipating gross sales revenue in the region of CHF 580 to 620 million for the current year. Most of the growth in turnover is attributable to the acquisitions made in 2014. "The nominal EBIT compared to the production revenue will be somewhat lower than in 2014 on account of the acquisitions and their product portfolio at around the 2.8 to 3.0% mark," explains CEO Dr. Thomas Eisenring.

HOCHDORF Holding Ltd is pursuing a cautious dividend policy geared towards sustainability. This is why the Board of Directors is proposing a dividend from capital reserves of CHF 3.70 per share at the AGM of Friday 8 May 2015. The cautious increase in the dividend from CHF 3.20 to CHF 3.70 gives a return of 2.68% as of 31.12.2014.

Key figures for the HOCHDORF Group

CHF 1,000	2014	2013	Change
Gross sales revenues	428,689	376,145	+14.0%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	27,197	18,099	+50.3%
<i>in % of production revenues</i>	<i>6.4</i>	<i>4.9</i>	
Earnings before interest and tax (EBIT)	20,016	10,298	+94.4%
<i>in % of production revenues</i>	<i>4.7</i>	<i>2.8</i>	
Net profit	16,139	6,063	+166.2%
<i>in % of production revenues</i>	<i>3.8</i>	<i>1.6</i>	
Staffing levels at 31.12	573*	362	+58.3%
Liquid quantity processed (milk, cream and whey) in kg (million)	507.0	454.6	+11.5%
Quantities produced (including cream) in tonnes	99,720	89,631	+11.3%
Quantities sold in tonnes	99,155	91,699	+8.1%
	31.12.2014	31.12.2013	
Balance sheet total	331,109	243,485	+36.0%
of which equity capital	143,168	103,774	+38.0%
<i>in % of the balance sheet total</i>	<i>43.2</i>	<i>42.6</i>	
Share details	2014	2013	
Earnings per share (in CHF)	17.45	6.95	+151.1%
Dividend payout (in CHF)	3.7*	3.2	+15.6%
Share price as at 31.12. (in CHF)	138.00	104.00	+32.7%
Stock exchange capitalisation (in CHF million)	147.8	93.6	+57.9%
Price/earnings (P/E) ratio	7.9	15.0	-47.3%

* Including employees at Uckermärker Milch GmbH, Prenzlau (Germany) and Marbacher Ölmühle GmbH, Marbach (Germany).

** Subject to the approval of the AGM on the 8 May 2015.

To read the full Annual Report, go to:

<http://www.hochdorf.com/en/investors/reports-presentations/financial-reporting/>.

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