

HOCHDORF Group Press Release: 2013 Annual Results

A pleasing year thanks to increased efficiency

Hochdorf, 10 April 2014 – The HOCHDORF Group has significantly exceeded expectations for both turnover and revenue for the business year 2013. HOCHDORF achieved 8.5% growth with gross sales revenue of CHF 376.1 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up 26.4% to CHF 18.1 million. There was a resulting net profit of CHF 6.1 million. The Board of Directors is requesting that the Annual General Meeting approves an increase in dividend from CHF 3.0 to CHF 3.2 per share from capital investment reserves.

The HOCHDORF Group sold 91,699 tonnes of products in the 2013 business year (+1.7% compared to the previous year) and achieved gross sales revenue of CHF 376.1 million (previous year 346.6 million; +8.5%). The low milk quantities in spring were offset by a substantial increase in whey and milk per-meat drying, growth in infant formula and higher quantities of milk in the autumn. Overall, capacity utilisation even increased slightly compared to the previous year.

A positive development

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 also had a positive effect. At the bottom line, the group has achieved profits of CHF 6.1 million.

The gross profit margin fell from 24.8% to 23.1%, mainly on account of the rapidly rising milk prices at the beginning of 2013. In the first half of the year, it was not possible to reflect the raw material price in the end products in the traditional milk business quickly enough. However this effect was more than offset by the better than expected results in the Baby Care and Cereals & Ingredients areas. 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.

Commenting on the 2013 business year, CEO Dr Thomas Eisenring said: "Given the background, I am reasonably satisfied with the results. 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."

The HOCHDORF Group, based in Hochdorf, achieved a consolidated gross sales revenue of CHF 376.1 million in 2013. It is one of the leading foodstuffs companies in Switzerland, employing 362 staff as of 31.12.13 (338 full-time staff). Made from natural ingredients such as milk 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 and its products are sold in over 70 countries. The shares are traded on the SIX Swiss Exchange in Zurich (ISIN CH002466528).

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The Milk Derivatives business area

Poor weather conditions and the low milk price reduced milk supplies across the whole of Europe in the first half of year. This situation was reversed in the second half of the year thanks to rising milk prices and improved weather.

HOCHDORF Swiss Milk Ltd. once more increased product sales on the previous year in its most important business area – milk powders for the chocolate industry. This helped the company to maintain its strong position on the market, proving itself as a reliable partner for the foodstuffs-processing industry, even in a difficult year for milk. "Despite the milk quantity situation, it was still always possible to supply our customers with the correct quantities on time," explained the Group's CEO Thomas Eisenring.

The milk plant in Medeikiai was fully integrated into HOCHDORF Swiss Milk Ltd. in 2013. The plant processed approximately the same quantity of milk as 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 UAB as of 1 March 2014. The name change is in the context of the complete takeover by the HOCHDORF Group.

The Baby Care business area

In the Baby Care area, HOCHDORF Nutricare Ltd. managed to surpass the ambitious growth target of 20-30%, achieving 33.8% growth. This growth was mainly due to the markets in Asia – China and Vietnam in particular – as well as markets in the Middle East and North Africa. The considerable increase led in turn to significantly improved plant capacity utilisation for infant formula production and we were also able to increase the added value. HOCHDORF Nutricare Ltd. became a fully-owned subsidiary of HOCHDORF Holding Ltd. as of 1.1.2014.

The Cereals & Ingredients business area

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

Outlook for 2014

"In the current year we want to optimise capacity utilisation for all existing plants, as we have managed to achieve in the first three months of the year," explained CEO Thomas Eisenring. In the area of **Milk Derivatives** the Group will invest in the high-value production of lactose and milk protein – a further business area that creates added value. The aim is to produce own whey proteins and lactose for infant formula by 2015.

Growth in the area of **Baby Care** continues apace: "In the area of Baby Care we estimate growth at between 18% and 22%, based on current order levels," said CEO Thomas Eisenring. As in the previous

year, growth is expected to be generated from the markets in Asia, the Middle East and North Africa. "We are planning our next capacity extension to maintain the growth in infant formula," said Dr Eisenring. According to the CEO, the capacity extension is more likely to be implemented in the EU than in Switzerland.

In the **Cereals & Ingredients** area, business will continue to expand in Europe with healthy wheat germ products and fine desserts. The number of customer projects will be significantly increased in collaboration with distribution partners. The Group will also continue to streamline the range of products and is currently involved in discussions in preparation for entering the children's food market. In principle, the VIOGERM® wheat germ products are well suited to this business expansion.

At Group level we expect gross turnover growth of around 10%. An increase in the nominal EBIT value is also anticipated. "In order to realise planned investments – such as in the area of infant formula – the Board of Directors is requesting that the AGM approves a capital increase of a nominal CHF 4.5 million, i.e. 450,000 registered shares at a nominal value of CHF 10.0," explained Hans-Rudolf Schurter, Chairman of the Board of Directors.

The Board of Directors is convinced of the HOCHDORF Group's continuing success and is therefore proposing a dividend from capital reserves of CHF 3.2 per share at the AGM of Friday 9 May 2014. The dividend increase from CHF 3.0 to CHF 3.2 per share means that a dividend return of 3.0% was achieved for the 31.12.13 closing date.

HOCHDORF Group key figures 2013

CHF 1,000	2013	2012	Change
Gross sales revenues	376,145	346,614	+8.5%
Profits before interest, tax, depreciation and amortisation (EBITDA)	18,099	14,318	+26.4%
as % of production revenue	4.9	4.2	
Profit before interest and tax (EBIT)	10,298	2,759	+273.2%
as % of production revenue	2.8	0.8	
Net profit	6,063	-35,326	n.a.
as % of production revenue	1.6	-10.4	
Staffing levels at 31.12.	362	381	-5.0%
Processed milk, cream and whey amounts in kg (millions)	454.6	442.4	+2.8%
Quantities produced (including cream) in tonnes	89,631	87,518	+2.4%
Quantities sold in tonnes	91,699	90,196	+1.7%

	31.12.2013	31.12.2012	
Balance sheet total	243,485	239,851	+1.5%
of which equity capital	103,774	99,764	+4.0%
as a % of the balance sheet total	42.6	41.6	

Share details	2013	2012	
Profit per share (in CHF)	6.95	-39.45	n.a.
Dividends (in CHF)	3.2*	3.0	+6.7%
Exchange rate at 31.12. (in CHF)	104.00	88.25	+17.85%
Stock exchange capitalisation (in million CHF)	93.6	79.4	+17.85%
Price/earnings ratio	15.0	n.a.	n.a.

* Subject to approval at the Annual General Meeting of 9 May 2014.

For the complete Annual Report in English, go to:

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

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