

HOCHDORF Group Press Release: Half-yearly Results 2014

Pleasing results with high capacity usage

Hochdorf, 20 August 2014 – The HOCHDORF Group processed a total of 255.9 million kg of milk, whey and permeate in the first six months of the year (+11.5% compared to the previous year). Gross sales revenue at CHF 220.7 million is also substantially higher than the previous year's value of CHF 182.5 million (+20.9%). Revenue figures also showed a significant increase: the EBITDA was increased by +64.3% to CHF 13.8 million (previous year CHF 8.4 million) and the EBIT rose as much as +129.6% to CHF 10.2 million (previous year CHF 4.4 million). Operating net profit rose by +246.3% to CHF 6.3 million (previous year CHF 1.8 million).

Across the Group, HOCHDORF processed 255.9 million kg of milk, whey and permeate, achieving an +11.5% increase in liquid quantities compared to the previous year (229.3 million kg) and so obtaining a gross sales revenue result of CHF 220.7 million (previous year CHF 182.5 million; +20.9%). The growth in turnover can be partly explained by higher milk prices, which we were largely able to convert into higher sales prices on the market. But the quantity of products sold exceeded the 50,000-ton threshold for the first time, reaching 50,179 tons (previous year 46,109 t; +8.8%).

A pleasing result

Our efforts on the market, coupled with our efficiency and value-creation measures, have enabled us to achieve an EBITDA of CHF 13.8 million (+64.3%) and an EBIT of CHF 10.2 million (+129.6%). The operating net profit even increased by +246.3% to CHF 6.3 million. Part of the reason for the positive revenue results was the significantly higher capacity usage compared to the previous year. Unfortunately net profits were affected by unusually high expenditure (CHF 1.82 million) resulting from damages in the Baby Care area in 2011.

Milk Derivatives

Around 20% more milk was processed at the Hochdorf and Sulgen plants compared to the previous year (189 million kg). This is partly due to the general increase in milk quantities but also because of amounts made available by quantity restrictions on Emmental cheese production. To enable us to process these milk quantities, we accepted and processed significantly less whey into powder in the milk-rich months (-31%).

The project to produce high-quality lactose and milk proteins is on schedule. We anticipate being able to produce these products in around one year for our own use in infant formula and for the international sales market.

HOCHDORF Baltic Milk UAB processed 26.4 million kg, which was approximately the same amount as in the same period last year. However, the purchase and processing of additional milk concentrate enabled us to achieve a 20% increase in the quantity of products sold.

Baby Care

In the first six months of 2014, HOCHDORF Nutricare Ltd. achieved turnover growth of 18.1%. The change from low-value to high-value projects is on schedule due to high capacity usage. At the same time various measures led to an increase in productivity on the new line 8 of around 15%.

The audit undertaken by the Chinese authorities was very important for us and this has now been successfully completed. On May 7, the Hochdorf and Sulgen production sites were certified to produce infant formula for the Chinese market.

Cereals & Ingredients

HOCHDORF Nutrifood Ltd. achieved slightly lower turnover than in the same period last year. The main reason for this fall was the lower turnover for bakery products. However, we have joined our various distribution partners in significantly increasing the number of customer projects in the areas of VIOGERM[®] wheat germ products and dessert mixtures.

Outlook

We have succeeded in maintaining significant growth in the Baby Care area in the first half of the year. We anticipate that the plants used in infant formula production will operate at capacity this year or next year. For this reason, we intensified our search for additional milk plant in the first half of 2014. We are currently still at an exploratory stage with this in Western Europe and are focusing our attention on Germany.

In the second half of the year we again expect a slight growth in milk quantities. But we also anticipate a fall in the price of milk. This is not least due to the latest international price developments. However, because the price of Swiss A milk is falling too slowly, the price difference compared to the international milk price and the shortfall in "Schoggi law" funds are ever greater.

We expect to achieve the predicted growth of 10% across the entire Group, with between 18-22% for Baby Care. We are assuming that neither turnover nor profit will be as strong in the second half of the year as in the first. This is largely due to the seasonal nature of milk quantities, with the greatest amounts coming between April and June, as well as uncertainty over the extent of the shortfall in "Schoggi law" funding.

**Key figures for the HOCHDORF Group as of 30.06.2014
(consolidated and unchecked)**

CHF 1,000	1.1.14 – 30.06.14	1.1.13 – 30.06.13	Change
Processed milk, whey and permeate in millions of kg	255.9	229.3	+11.5%
Quantities produced (including cream) in tons	53,821	46,816	+15.0%
Quantities sold in tons	50,179	46,109	+8.8%
Gross sales revenues	220,656	182,516	+20.9%
Earnings before interest, tax, depre- ciation and amortisation (EBITDA)	13,779	8,389	+64.3%
<i>as % of production revenue</i>	<i>5.8%</i>	<i>4.4%</i>	
Earnings before interest and tax (EBIT)	10,187	4,437	+129.6%
<i>as % of production revenue</i>	<i>4.3%</i>	<i>2.3%</i>	
Concern results	6,268	1,810	+246.3%
<i>as % of production revenue</i>	<i>2.6%</i>	<i>0.9%</i>	
Staffing levels at 30.06.	371	373	-0.5%
Gross sales revenue per employee	595	489	+21.5%
	30.06.2014	31.12.2013	
Balance sheet total	253,332	243,485	+4.0%
of which equity capital	104,691	103,774	+0.9%
as a % of the balance sheet total	41.3%	42.6%	
Share details	30.06.2014	30.06.2013	
Share price (in CHF)	130.50	80.05	+63.0%
Stock exchange capitalisation (in million CHF)	117.7	72.0	+63.4%

For the complete letter to the shareholders, see: www.hochdorf.com/en/Investors
→ Financial reporting.

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