

HOCHDORF Group press release: half-year results 2013

A pleasing result under challenging circumstances

Hochdorf, 21 August 2013 - The HOCHDORF Group processed a total of 229.3 million kg of milk, whey and permeate in the first six months of the year. Gross sales revenue stands at CHF 182.5 million – slightly below last year’s figure of CHF 184.3 million. The significantly lower milk receipts, persistent pressure exerted by prices and imports as well as the strong Swiss franc made it a testing time for the Group. Business activities from the first half of the year resulted in a lower EBITDA compared to the previous year of CHF 8.4 million (previous year CHF 9.2 million). Operational net profit rose by 108.2% to CHF 1.8 million, with an improvement in the operational net profit margin to 1.0% (first six months of 2012: 0.5%). This is a pleasing result given the market situation outlined and the transition phase in top management.

Across the Group, HOCHDORF processed a total of 229.3 million kg of milk, whey and permeate (previous year 249.6 million kg; -8.1%) and has therefore achieved a gross turnover of CHF 182.5 million (previous year CHF 184.3 million; -1.0%). The fall in turnover is a direct consequence of reduced milk receipts, which is partially offset by rising milk prices. Turnover in Switzerland therefore fell by 1.8% to CHF 117.1 million (previous year CHF 119.3 million), whereas international business rose to CHF 65.3 million (previous year CHF 64.7 million; +0.9%).

A pleasing result

Compared to the previous year, the HOCHDORF Group achieved a lower EBITDA of CHF 8.4 million (previous year CHF 9.2 million; -9.3%). By comparison, operational net profit rose by 108.2% to CHF 1.8 million and there was also an improvement in the operational net profit margin to 1.0% (first six months of 2012: 0.5%). The HOCHDORF Group achieved these results in a first half year that was shaped by the change at top management level as well as rapidly shifting market circumstances and political influences.

The Group was able to partially offset the sharp fall in milk production by purchasing significantly more whey and permeate. The high price pressure with simultaneously rising milk prices on the domestic market, coupled with the latent uncertainty surrounding export contributions on account of the “Schoggi law” put the HOCHDORF Group to the test. Taking these factors into account the turnover and the company’s results in the first half of 2013 can be regarded as a pleasing outcome.

Milk derivatives

We succeeded in securing domestic provision at all times in spite of the lower milk production. In the main segment of the chocolate industry HOCHDORF Swiss Milk Ltd. even

The HOCHDORF Group, based in Hochdorf, achieved a consolidated gross sales revenue of CHF 346.6 million in 2012. It is one of the leading foodstuff companies in Switzerland, employing 381 staff as of 31.12.12 (356 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 around 80 countries. Hochdorf shares are traded on the SIX Swiss Exchange in Zurich (ISIN CH0024666528).

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managed to achieve a positive growth in turnover of +3.2% compared to the previous year. However the reduced milk production did mean it was not possible to maintain all customer relationships built up in the area of exports. We applied for inward processing in order to be in a position to supply a part of our international customer base at least and this application was approved by the Directorate General of Customs.

HOCHDORF Swiss Milk Ltd. increased its share at the milk plant in Lithuania to 100% as of 1.1.2013. In the first six months of the year the plant processed approximately the same quantity of milk as in the previous year. MGL Baltija UAB was able to significantly increase its turnover and revenue thanks to the good prices available on the world market.

Baby & Health Care

HOCHDORF Nutricare Ltd. is planning a growth in turnover of 20% to 30% in the current business year. The company achieved growth of 21.3% at the end of June. This growth was largely due to business with existing customers. There was a particularly positive development with customers in the Asian, North African and European markets. New markets were opened up in Jordan, Yemen, Syria and Morocco.

Unfortunately HOCHDORF Nutrimedical Ltd.'s business in the area of medical nutrition was unable to make significant headway in the first half of the year. After approximately two years' work setting up the business, we came to the conclusion that it was not as successful as we had hoped and anticipated, both in terms of time and finance. The Board of Directors therefore came to the decision to discontinue business in this area.

Cereals & Ingredients

Die HOCHDORF Nutrifood Ltd. reached turnover on a par with the previous year with its VIOGERM® wheat germ products, dessert products and ingredients. The VIOGERM® products established themselves in numerous newly launched products such as muesli, muesli bars, crackers and soups.

Outlook

In the area of milk derivatives, HOCHDORF will increase its sales in whey and composite products and continue to maintain inward processing if required. HOCHDORF Nutricare Ltd. (infant formula) plans to enter new markets in five more Latin American countries in the second half of the year and is in negotiation with additional partners on the Chinese market. HOCHDORF Nutrifood Ltd. is planning to significantly increase sales in desserts, targeting "limited edition" products in particular.

Overall the HOCHDORF Group is anticipating stable milk production in the second half of the year with milk prices remaining high. The Swiss franc will remain strong, which means that exports from Switzerland will continue to come under pressure. HOCHDORF will rise to these challenges and make appropriate changes to structures and capacities as the situation demands. This process is beginning in the second half of 2013 and will impact on revenues from the beginning of 2014. HOCHDORF therefore anticipates that it will not fully achieve its

revenue objectives in 2013 in terms of EBITDA. At the EBIT level, the Group expects an improvement on account of the impairment conducted at the end of 2012.

Key figures for the HOCHDORF Group as of 30.06.13 (consolidated and unchecked)

CHF (thousands)	1.1.13 – 30.06.13	1.1.12 – 30.06.12	Change
Processed milk, whey and permeate in millions of kg	229.3	249.6	-8.1%
Quantities produced (including cream) in tons	46,816	50,541	-7.4%
Quantities sold tons	46,076	49,256	-6.5%
Gross sales revenues	182,516	184,339	-1.0%
<i>Export share</i>	35.8%	35.2%	
Earnings before interest, tax, depreciation and amortisation (EBIDTA)	8,389	9,248	-9.3%
<i>as % of production revenue</i>	4.4%	4.9%	
Earnings before interest and tax (EBIT)	4,437	3,206	+38.4%
<i>as a % of production revenue</i>	2.3%	1.7%	
Concern results	1,810	869	+108.2%
Staffing levels at 30.6.	373	370	+0.8%
Gross sales revenue per employee	489	498	-1.8%

	30.06.2013	31.12.2012	
Balance sheet total	232,661	239,851	-3.0%
of which equity capital	97,570	99,764	-2.2%
as a % of the balance sheet total	41.9	41.6	

Share details	30.06.2013	30.06.2012	
Share price (in CHF)	80.05	67.00	+19.5%
Stock exchange capitalisation (in million CHF)	72.0	60.3	

For the complete letter to the shareholders, see: www.hochdorf.com/Investoren → Reports.

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