

Ad hoc announcement of the HOCHDORF Holding Ltd pursuant to Art. 53 LR

## **HOCHDORF takes next steps towards financial recovery and strategic focus**

*Hochdorf, 31 August 2021* – **After examining the financial strategy options for stabilising the balance sheet and supporting sustainable corporate development, the HOCHDORF Group is initiating a far-reaching restructuring programme. The measures adopted take into account the Group's site-related set-up, the linchpins of its new strategy and the current strained balance sheet situation. The Board of Directors and Group Management intend to concentrate production at the Sulgen site by the end of 2023. Its headquarters and administration will remain in Hochdorf. The proceeds from the planned sale of the land and building in Hochdorf will relieve the balance sheet.**

In recent quarters, HOCHDORF succeeded in stabilising its operating business and selling or closing its participations. Nevertheless, the group continues to suffer from an excessive debt burden of approximately CHF 100 million (excluding hybrid bond in the nominal amount of CHF 125 million), which is attributable to the forward strategy that failed in 2019. Measures for further efficiency improvements and cost savings are therefore necessary to put the operating business on a long-term sustainable basis and to lead the company back into profit. To ensure further debt reduction and a return to profitability, production will be centralised and optimised at the Sulgen site.

### **Strengthening the Sulgen site**

The company currently operates two sites, Hochdorf and Sulgen, with Sulgen already employing about twice as many production staff as Hochdorf. The Sulgen plant has state-of-the-art facilities for the Baby Care division and sufficient capacity reserves for future strategic development. The relocation will make the Sulgen plant more profitable in all areas, increasing the volume of raw materials processed and thus also the plant utilisation. In contrast, considerable investments would have to be made to the plant at Hochdorf over the next few years, which will not be possible for the company from an economic point of view. The Board of Directors and the Group Management therefore intend to concentrate production at the Sulgen site and develop Sulgen into a centre of excellence for "Smart Nutrition".

### **Headquarters to remain in Hochdorf**

The Group Management, administration and central services such as sales, marketing, development, product management, quality and human resources management, regulatory affairs, customer service, communications, finance and IT will remain at the headquarters. The departments associated with production in Hochdorf will be phased out by the end of 2023. Some production and packaging processes, as well as production-related departments including raw material procurement and quality assurance, will gradually transfer to Sulgen.

HOCHDORF expects annual cost savings of CHF 7 to 9 million from 2024 thanks to the site optimisation. It is also an important step in the implementation of the group strategy, which focuses on organic growth with higher-margin baby care and "smart nutrition" products.

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The HOCHDORF Group, which is listed on the Zurich Stock Exchange, achieved a consolidated net sales revenue of CHF 306.2 million in 2020. It is one of the leading foodstuff companies in Switzerland, employing 391 staff as of 31.12.2020. HOCHDORF is known for advanced processing expertise for high-quality raw materials, state-of-the-art production technology and the market-focused nutrition know-how of its employees. The company is therefore unique on the global market as a developer, manufacturer and marketer of specialist foods for people of all ages with specific nutritional requirements. Its portfolio offers solutions ranging from high-quality semi-finished products for the processing food industry to consumer products in the sensitive infant formula segment.

**HOCHDORF Holding AG**  
Siedereistrasse 9  
Postfach 691  
CH-6281 Hochdorf  
Tel. +41 41 914 65 65  
Fax +41 41 914 66 66  
hochdorf@hochdorf.com  
www.hochdorf.com

In order to relieve the balance sheet and reduce debt, the site in Hochdorf will be sold with the aim of identifying a buyer by the end of 2021.

### **Collaboration with social partners**

The planned restructuring of the HOCHDORF Group will lead to a gradual reduction in the number of employees in Hochdorf over the next two years, from about 190 today to around 70 by the end of 2023. The plan will see the number of employees at the Sulgen site increase by around 45 over the same period. The Board of Directors and Group Management will contact the social partners and are committed to ensuring this process is managed carefully and in a socially acceptable way with all those involved.

The first relocation steps are planned from the beginning of 2023. Until then, the product assortment and the milk demand in Hochdorf will remain unchanged.

The package of measures is an unavoidable step towards equipping the company for the future and placing it on a solid economic footing. HOCHDORF wants to continue to develop into Switzerland's technology leader for smart nutrition solutions and sees a great opportunity in the globally growing market for high-quality, functional foods and semi-finished products.

Contact: Dr Christoph Hug, VP Brand & Communication HOCHDORF Group,

Tel: +41 (0)41 914 65 62 / +41 (0)79 859 19 23, [christoph.hug@hochdorf.com](mailto:christoph.hug@hochdorf.com).