HOCHDORF
Swiss Nutrition Solutions

Annual Report 2022

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At a glance

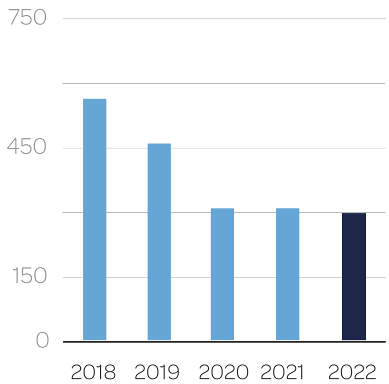
The HOCHDORF group focused on its technology expertise in 2022 and made steady operational progress with improved earnings quality. The gross margin was 29.9% in the second half of the year, with an upward trend. Despite 80.7% higher energy costs and a sharp rise in raw material costs, HOCHDORF achieved a narrowly positive operating profit at EBITDA level in the second half of the year, thus exceeding its projections. The company result for 2022, which is affected by legacy burdens, amounted to CHF –15.8 million. A binding financing confirmation has been received from a bank consortium with regard to a two-year extension of the financing agreement that expires in September 2023. HOCHDORF considers itself to be on track with the implementation of its strategy, establishing the basis for financial recovery in the medium term. The goal for 2023 is to achieve a positive EBITDA.

The HOCHDORF Group

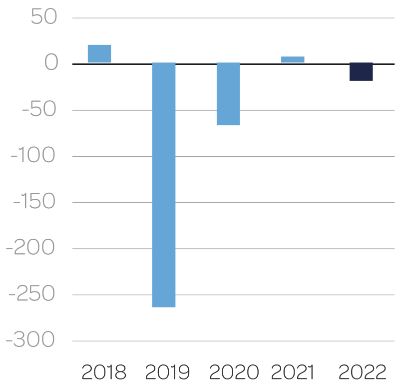
Founded in 1895, HOCHDORF is the Swiss centre of excellence for milk processing, specialising in powder drying and mixing technology for milk-based and alternative proteins. The technology company based in Hochdorf (LU) and Sulgen (TG) in Switzerland develops functional foods and ingredients for industrial customers and consumers around the world. As "food for life", these products help shape the changing eating habits of society today and tomorrow. The HOCHDORF Group achieved a consolidated net sales revenue of CHF 292.1 million in 2022 and employs 361 staff. HOCHDORF shares are listed on the SIX Swiss Exchange.

Financial data

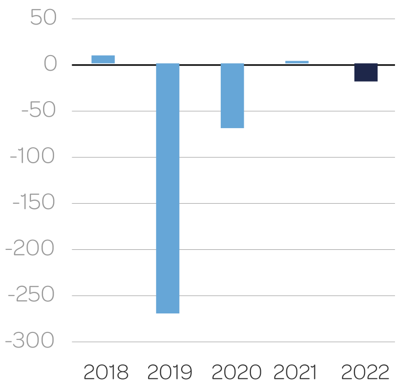
Net sales[1]
CHF million



EBIT[1]
CHF million



Net profit[1]
CHF million



[1] Comparisons with previous years are limited due to the restructuring and value adjustments in 2019, 2020 and 2021

Key figures

	31.12.2022	31.12.2021	31.12.2020	31.12.2019 [1]	31.12.2018
Net sales revenue from goods and services (in CHF 1,000)	292,141	303,515	306,199	456,797	561,031
Gross operating profit (in CHF 1,000)	75,409	111,210	94,332	61,802	171,820
Total assets (in CHF 1,000)	283,352	293,340	323,838	455,572	575,231
Equity ratio	59.2%	62.5%	55.8%	56.6%	48.80%
Cash flow from operating activities (in CHF 1,000)	–19,648	–17,937	–11,325	–15,430	–81,279
Staffing level at 31.12.	361	387	391	618	694

1) Comparative period of the annual financial statements adjusted due to the change in the valuation principles for the hybrid bond (see also the Notes to the annual financial statements of the HOCHDORF Group "Principles of consolidation").

Market data

Net Sales Baby Care

CHF million

Net Sales Food Solutions

CHF million

Key indicators for HOCHDORF Holding Ltd stock

		2022	2021	2020	2019 [1)]	2018
Share capital as of 31.12.	TCHF	21,518	21,518	21,518	17,584	14,348
Number of shares, outstanding	Shares	2,151,757	2,151,757	2,151,757	1,758,369	1,434,760
Nominal value per share	CHF	10.00	10.00	10.00	10.00	10.00
Earnings per share	CHF	–7.44	1.20	–34.60	–164.55	2.02
Earned capital per share	CHF	–7.32	–1.85	5.15	–19.80	21.21
Dividend per share	CHF	0.00 [2)]	0.00	0.00	0.00	0.00
Peak price	CHF	43.40	63.30	92.50	147.20	314.50
Lowest price	CHF	20.40	39.00	50.00	51.90	94.10
Price at close of trading as of 31.12.	CHF	21.20	43.50	63.20	83.20	102.00
Market capitalisation as of 31.12.	TCHF	45,617	93,601	135,991	146,296	146,346
Average trading volume per day	Shares	364	653	826	3,408	1,840
P/E (price/earnings ratio) as of 31.12.		n.a.	36	n.a.	n.a.	n.a.
Dividend return	%	0.00	0.00	0.00	0.00	0.0

1) 2019 value adjusted due to the change in the valuation principles for the Hybrid bond (see also the Notes to the consolidated financial statements of the HOCHDORF Group “Principles of consolidation”).

2) Motion from the Board of Directors to the Annual General Meeting

HOCHDORF Holding Ltd is listed on the SIX Swiss Exchange (ISIN CH0024666528).

Dear Shareholders

The 2022 business year was marked by the implementation of strategic and operational transformation.

Ralph Siegl (CEO and Delegate of the Board of Directors – left) and Jürg Oleas (Chairman of the Board of Directors)

Strategic transformation yields results

The three-step plan implemented by the new management (recovery, conversion, development) is on track. The business targets published for 2023 and beyond are realistic and achievable on the improved operational basis in 2022. While external factors made the economic situation more difficult, the HOCHDORF Group has placed every area of its operation under the spotlight. After a disappointing first half-year influenced by legacy issues, the second half-year indicated the clear success of the measures taken. In addition to improving the gross margin, the corrective intervention also focused on increasing earning power. Despite rising energy costs, inflation and currency losses, the gross margin is on the expected upward trend thanks to product range and customer base streamlining.

Strong second half-year

HOCHDORF achieved net sales revenue of CHF 292.1 million and an EBITDA loss of CHF 10.1 million for the full year. In the second half of the year, the company generated sales of CHF 146.4 million and reported a positive EBITDA of CHF 0.6 million, achieving the goals we had published for the capital market and our shareholders. While there is no doubt that the clearly negative net result is not yet satisfactory, the foundation has now been created for a sustainable recovery. Based on a strict, fact-based adjustment of the product range and customer premiums in the Food Solutions segment, the cooperation with strategic customers, which has been long-standing in some instances, could be prioritised and placed on a more solid basis for both sides. In contrast, purely volume-based business – some of which had not been profitable for years – was discontinued or reduced. The results in the high-margin Baby Care segment suffered in the first half of 2022 due to advanced sales already realised at the end of 2021. Thanks to an improvement in the operational cooperation with the major customer Pharmalys alongside strict reorganisation and control of the payment regime, it was possible to largely realise the growth potential of this attractive market segment in the second half of the year. This creates a solid basis for 2023 and beyond.

The results clearly show that the transformation of the HOCHDORF Group from a milk processor to a technology specialist for functional foods and ingredients is proceeding according to plan. The management made a conscious decision to submit the strategy and its envisaged steps to international experts for critical assessment. They underlined the importance and meaningfulness of the strategy and measures adopted by the Board of Directors and Group Management.

Profit improvement & liquidity management

HOCHDORF has been successful in implementing its plan for the prudent use of currently scarce resources. The positive development is the result of a three-step approach: price negotiations with our customers and suppliers, optimised ordering and production processes and consistent cost management. The Group is committed to continue on this path. While maintaining our strategic focus on the centralisation of production at the Sulgen (TG) site, we have delayed relocation measures from Hochdorf (LU) for the time being. This additionally relieves our liquidity and brings us advantages in terms of innovation and partnerships (for example, through the option to produce specialities in smaller quantities). Declining sales, especially in Food Solutions, are intentional and a sign that the transformation is working: instead of volume at zero margins, we were able to push value-added products in the second half of the year, which is having a correspondingly positive impact.

Complementary positioning

This fundamental shift in the HOCHDORF Group has been positively received by our stakeholders, despite some reservations based on historical events. HOCHDORF remains an important force in the Swiss dairy market, with Bimbosan one of the best-known and most successful Swiss infant milk and formula brands. Milk and milk derivatives such as whey continue to play a major role. HOCHDORF is positioning itself as a technology company for powder drying, complementing the services of traditional dairy companies and milk processors. Increasing the value of milk protein by processing Swiss whey in infant formula, for example, offers increasingly interesting potential in cooperation with cheese producers. At the same time, the focus on refining protein opens up fields of innovation in the medium term relating to modified diets with alternative proteins. This differentiation is the basis of our further strategic development. It makes us an attractive employer in touch with current developments and opens up exciting job profiles to help shape modern food trends in a meaningful way.

Challenging raw material and energy situation

The new management philosophy aligns the company primarily with market demand. Resource planning is less and less determined by the supply of raw materials. Milk remains by far the company's most important raw material and milk procurement has been sustainably placed on a new, more diversified basis. However, expected stagnating milk volumes and high milk prices mean that we must ensure competitiveness in terms of processing and constantly examine raw material alternatives. Although still in its infancy, our development into a supplier and specialist for alternatives to traditional milk is an important building block.

Our dependence on energy sources such as electricity and gas was brought home to us particularly strongly in 2022. We have taken the measures required to meet any anticipated quota, but are going one step further: by introducing a new measurement system and optimising our production times and use of energy we will keep pace with developments on the energy market in the coming years.

Outlook

The strategic measures taken in 2022 will continue to have an effect in 2023 – subject to external factors that are beyond the control of the HOCHDORF Group. We are still committed to achieving a positive business result at EBITDA level in 2023. Medium-term financing is secured thanks to a binding financing confirmation from a bank consortium. We continue to make every effort to bring about transformation both culturally and operationally. Transparency is important to us and creates trust. The notably positive encouragement by stakeholders from many sides and the active interest in the sustainable recovery of the company are very motivating. The trust that you place in us as shareholders, partners and market participants encourages us in our efforts to lead the HOCHDORF Group successfully into the future. Together with our competent employees who act on their own initiative and share our vision of "Food for Life", we are consolidating the strengths of the company to help shape the world of nutrition today and tomorrow.

Jürg Oleas
Chairman of the Board of Directors

Ralph P. Siegl
CEO and Delegate of the Board of Directors

Strategy and business model

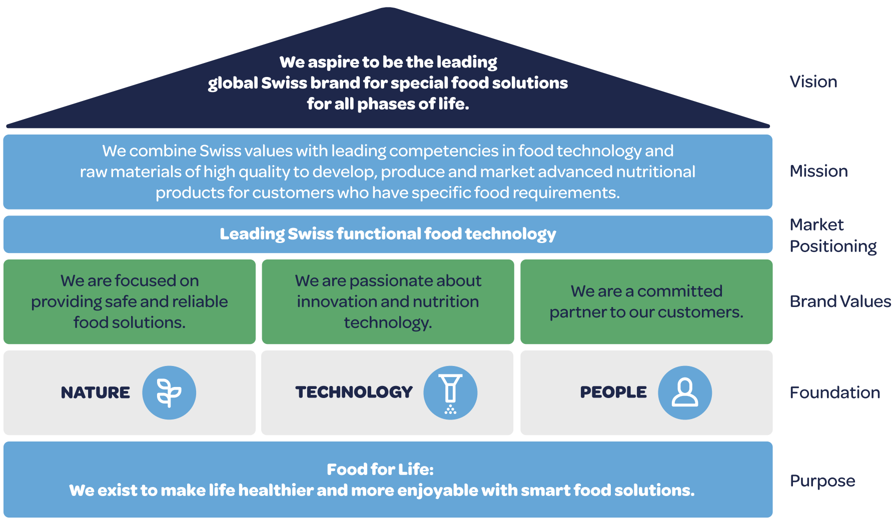
Leading Swiss technology experts for milk and protein powder

As the Swiss competence centre for "Smart Nutrition", HOCHDORF offers functional and progressive semi-finished and finished food products for industrial customers and consumers all over the world. Based on our expertise in powder drying and blending, we produce highly complex infant formula products as well as speciality foods for people of all ages. HOCHDORF is responding to changing nutritional habits related to milk and alternative proteins and is actively involved in innovation circles in this field. We are committed to our corporate purpose of "Food for Life" – channelling our expertise to serve the nutritional needs of society today and tomorrow.

«Channelling our expertise to serve the nutritional needs of society today and tomorrow.»

Vision and mission

HOCHDORF strategy house



Business model, customers, markets

HOCHDORF focuses primarily on adding value to milk proteins and refining milk derivatives. Alternative proteins are becoming increasingly important in this context. As one of the largest milk refiners in Switzerland, the HOCHDORF Group receives around 240 million kilograms of milk (2022 business year) and milk-based liquid products from various suppliers and customers for processing. The raw material milk is further processed within 48 hours. After thorough quality testing, it is separated into individual components depending on the intended use. Water is removed from the milk in an energy-intensive drying processes in order to preserve it. Depending on the end product, liquid or dry ingredients such as fats, oils, vitamins, milk concentrates or milk derivatives are added. For drying, HOCHDORF has six spray towers, five roller dryers and equipment for ultrafiltration, demineralisation and crystallisation. In addition to milk and milk derivatives, we also process high-fat and non-dairy products such as plant-based milk alternatives and are the Swiss manufacturer for condensed milk. We are one of the few domestic manufacturers to produce our infant formula and follow-on milk in Switzerland and exclusively with Swiss milk.

Complementary supplier of protein enhancement products

As a supplier of protein enhancement products, HOCHDORF is positioning itself in a way that complements the traditional Swiss dairies and cheese manufacturers. By adding value to products such as whey from the cheese industry through using whey protein in infant formula, HOCHDORF offers attractive solutions for milk by-products. This contributes to increasing the level of utilisation of the valuable raw material of milk, which in turn impacts the economic value and carbon footprint.

Finished products, ingredients and semi-finished products leave our production sites in Sulgen and Hochdorf by silo trucks, in big bags, sacks, tubular bags, tubes or cans. We have state-of-the-art canning and bagging lines for filling, labelling and packaging private label products. As essential components of quality assurance, two in-house laboratories and close cooperation with various external analysis providers and test centres ensure quality control at the highest level.

Customers in 48 countries

We supply customers in different sectors in 48 different countries:

- International food manufacturers, such as the Swiss chocolate industry and convenience food producers
- International suppliers of smart nutrition products, for example in the area of whey protein and sports nutrition
- International infant formula manufacturers and/or distributors that we supply with our private label products "Babina" (and others) or with their own brands.
- Swiss pharmacies and retailers (for our Swiss brand Bimbosan)
- Swiss milk processors, cheese producers, retailers, suppliers of dairy products such as cream and whey, suppliers of plant-based milk substitutes
- Food start-ups and innovators who use our drying expertise

67% of our sales are generated in Switzerland, 18% in the Middle East and Africa, 11% in Europe and 2% each in South America and Asia. Our largest production volumes are exported indirectly in the finished products of our Swiss customers. The international competitiveness of HOCHDORF products and raw materials and a foreign trade regime that is always efficient are important prerequisites for this.

Smart nutrition specialist in the megatrend scene

In the 2021 Annual Report, we identified five of the megatrends identified by the German Zukunftsinstitut think tank that would influence our positioning in the long term (https://www.zukunftsinstitut.de/dossier/megatrends-en/). The importance of these fundamental changes has been confirmed clearly over the past business year:

- **Gender Shift**: The impact of young women in the workplace has continually grown over the past 50 years. Women are also better trained than ever before. Both factors make a return to work more desirable after the birth of a child. This trend also promotes the demand for infant formula, particularly in the developing markets.
- **Health**: The right nutrition promotes good health. Nutrition is a matter of trust. The quality of food is increasingly multi-dimensional and holistic. Food is increasingly scrutinised for its functional nutritional value.
- **Globalisation**: Different development standards in the markets, the critical availability of agricultural raw materials or inadequate technology competence in different countries have always promoted the trade in food products. HOCHDORF has had an international outlook dating as far back as 1895, bringing high-quality products made from Swiss raw materials to the markets.
- **Neo-ecology**: Sustainable business and food waste are aspects of a growing global awareness around the quality of the food chain. HOCHDORF uses the high-quality by-product whey in human nutrition (such as infant formula). In Switzerland, whey is mostly disposed of or fed to animals. HOCHDORF also refines rapidly perishable raw milk into long-life products.
- **Silver Society**: As life expectancy increases, so does our need for a healthy, age-appropriate diet. The number of people over 60 is expected to be more than 20% of the population by 2050. In 2000 this sector was just 10% (source: PwC, Five Megatrends And Their Implications for Global Defense&Security, 2016, p. 8). HOCHDORF is dedicated to this growing segment; it develops and produces high-quality, fully fortified, specialist foods aligned with nutritional guidelines for infants, people with special medical needs and, increasingly, nutrition for adults and senior citizens.

Brand portfolio

Under our B2B brands Ledor, Blendor and Weydor, we offer powders made from whole milk, skimmed milk, fat, whey and milk protein. Since 2022, our range has also included VIOplus, the first vegan alternative to milk powders. Together with private label customers we develop the formulations, ingredients and packaging for over 30 branded products in the Baby Care and Food Solutions divisions. We offer various registered brands internationally for infant and follow-on formula and also successfully market products based on milk alternatives in this segment. In addition to our B2C brand Bimbosan, we have launched Yuma, a product range based on Swiss whey. This provides us with valuable know-how for B2C private label products in the smart nutrition segment and creates the foundation for further developments in this area.

HOCHDORF brand portfolio

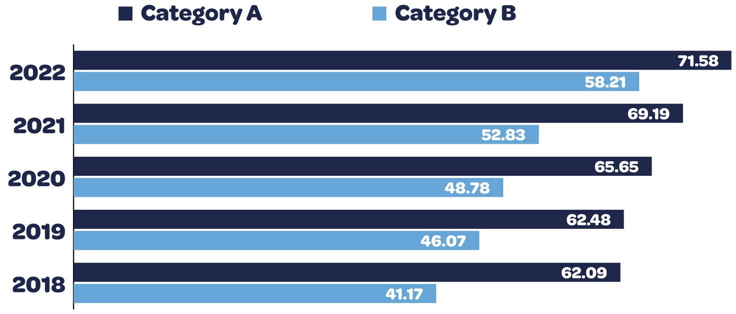
«Together with our customers we develop the formulations, ingredients and packaging for over 30 branded products in the Baby Care and Food Solutions divisions.»

Strategic challenges

Since 2020, the HOCHDORF Group has been pursuing its transformation into the leading smart nutrition manufacturer with improved positioning and a focused vision and mission. The key factors in this transformation are:

1. Addressing the demand for high-quality milk-based infant formula in the global market in a needs-oriented way and in the right markets.
2. Effectively identifying and realising the potential for new customer groups for functional nutrition, for example in the area of specialised nutrition, in the right markets.
3. The constantly rising costs for the raw material milk (see chart) and the simultaneous stagnation of the available total milk volume in the Swiss market are forcing HOCHDORF to reduce its dependence on milk costs on the long term.
4. Costs have a negative impact on the HOCHDORF Group's profit margin if they cannot be passed on in prices. This affects the raw material milk and other input factors, such as the cost of energy in particular. Against this backdrop, HOCHDORF consistently streamlined its product range and customer base in 2022.
5. The trend towards sustainable-ecological consumption could have disruptive consequences for the status of milk from animals as a source of protein. In the medium to long term, HOCHDORF must expect plant-based or artificially produced milk alternatives to gain in importance significantly. Extending this portfolio, which is already supplemented with plant-based alternatives, is essential.

Milk market in Switzerland: Producer prices for dairy milk in Rp./kg (Source: FOAG, Market Analyses Division)



According to a study by the Federal Office for Agriculture, consumption of plant-based milk alternatives has increased strongly in Switzerland since 2017. At 4.2% of the total share of milk products sold, they still occupy a niche position. However, in terms of sales they already account for 35% of all milk substitutes. Oat milk is the most popular plant-based milk in Switzerland – its sales share increased by 45% from 2017 to 2021. (Source: https://www.blw.admin.ch/blw/de/home/services/medienmitteilungen.msg-id-89701.html)

Strategic transformation: action

The HOCHDORF Group's transformation goals implemented under the new 2022 management are divided into three phases: recovery, conversion and development.

Strategic transformation: action

	RECOVERY 2022–2023	CONVERSION 2023–2024	DEVELOPMENT 2025–2027
	Operational recovery by streamlining the current business portfolio	Strategic expansion into additional product segments and geographies	Expanding the portfolio to a broader customer group
Focus	Quality (high-margin) instead of quantity (volume)	Infant nutrition as high-margin product – start developing specialized nutrition for the elderly	Infant nutrition, specialized nutrition, plant-based and other milk alternatives
Region	MENA, LatAm, Asia, Switzerland	MENA, LatAm (extended), Asia, Switzerland, US (FDA approval)	MENA, LatAm, Asia, China (opportunistically), US, Switzerland

Site strategy

The HOCHDORF Group manufactures currently at two sites – in Hochdorf (Lucerne canton) and in Sulgen (Thurgau canton). At the Hochdorf site where the company was founded, the production facilities are located directly in the town centre, next to the railway station. The buildings, which are thus very attractively located and not very suitable for an industrial operation in the medium term, were sold to the municipality of Hochdorf at the end of 2021 and have been rented from the municipality since. The new management confirmed that production would focus on Sulgen in the medium term. The strategic role of the specific production facilities in Hochdorf and a reassessment of the short-term investments required for a relocation in the event of a gradual closure of production in Hochdorf have prompted management to postpone the move for the time being. Rental agreements for the buildings in Hochdorf are secured until 2026. The intention to relocate, which was communicated in 2021, represents a major challenge for regular operations at the Hochdorf site, despite staff retention offers.

Review of 2022

Product launches, changes in the management team, public access to visit the Hochdorf site: selected events from a turbulent year.

New launch and introduction of Primalac Ultima

Primalac Ultima product line from Pharmalys Laboratories SA

Pharmalys Laboratories SA, our most important partner in the MENA region, together with the relevant teams from HOCHDORF, revised its complete Baby Care line in January 2022 due to a change in legislation. As a provider of 360° services in the private label sector, HOCHDORF is responsible not only for product development but also for registration and, in the case of packaging, for implementing the layout of the customer's design – a complex task with countless individual steps and legal requirements that can vary significantly between countries. The process of developing the new high-quality formulations had started in 2017.

CEO change: Ralph Siegl takes over the leadership

CEO and Delegate of the Board of Directors Ralph Siegl

On 21 January, Ralph Siegl took over the leadership of the Group Management from Dr Peter Pfeilschifter. Ralph Siegl has been a member of the Board of Directors since 2020. His new role also represents a return to a familiar business area: he was previously Vice President "Export Infant Formula, Milk Powders and Chocolate" at Nestlé in Switzerland and Australia from 1996 to 2006. From 2006 to 2018, Ralph Siegl was responsible as CEO for the development and expansion of the Swiss chocolate company and the "Läderach – chocolatier suisse" brand.

Presentation of the 19th HOCHDORF prize for outstanding Master's thesis

Dr Thomas Bühler and Sophie Hofer at ETH Zurich

After two years online, the Master's ceremony of the degree programme in Agricultural and Food Sciences took place in person again this year. A total of 107 graduates celebrated their successful graduation on 6 May. Among them was Sophie Hofer, who won the 19th HOCHDORF Prize for her outstanding Master's thesis in the field of vegan meat alternatives. The prize, worth CHF 2000, was presented by Dr Thomas Büeler, VP Quality&Food Safety at HOCHDORF.

Well-deserved graduations of our apprentices

Congratulatory advertisement for apprenticeship graduation 2022

The vocational training of young people is important to us. It provides us with qualified junior staff, secures our competitiveness and is one of the success factors of the Swiss economy. In July 2022, nine apprentices from five different vocational apprenticeships successfully completed their training. A successful apprenticeship company requires well-trained and motivated in-house vocational trainers as well as a professional, modern educational environment for apprentices. As a progressive technology company, we meet these requirements.

Site walk for the residents of Hochdorf

A stopping point on the site walk

We opened the factory gates of our extensive premises at the Hochdorf site to the local population on 27 August. On a guided tour of the site featuring information and activity stands, HOCHDORF employees provided interesting information about our products, history, technology and field of activity. A variety of tasting stands and food options ensured a fun and enjoyable experience. Around 500 visitors took the opportunity to explore the HOCHDORF site, which was purchased by the municipality at the end of 2021.

Expansion of Bimbosan fan shop

A personalised babygrow from the Bimbosan Fanshop

Under the HOCHDORF brand Bimbosan, we carry selected articles that make everyday life easier for parents and their little ones, in addition to our popular infant formula. These include the Trauffer toys that are well-loved in Switzerland, the Bimbosan squeaky ducks and our highly popular baby food spoons. In the past, products were ordered through our customer service. The increasing popularity of our additional articles led us to set up a Bimbosan online fan shop and expand our product range. Starting with a stock of around 30 articles, the shop went live in December 2022.

The HOCHDORF Group appoints a new CFO


Thomas Freiburghaus appointed CFO

HOCHDORF concluded its search for a new Chief Financial Officer on 15 November 2022. Thomas Freiburghaus takes over the post of CFO from Gerhard Mahrle, who held this position ad interim since 4 July 2022. He is currently Managing Director and CFO of the Stadler subsidiary Stadler Deutschland GmbH in Berlin. In addition to a strong operational focus, he has broad strategic business management experience gained in previous management positions in other industrial companies in Switzerland and abroad. Thomas Freiburghaus will start at HOCHDORF by 1 May 2023.

Field service staff switch to electric vehicles


The Bimbosan field service team together with the SKODA team of AMAG Sursee

Our Bimbosan field service and sales staff are highly committed and friendly brand ambassadors. Their branded company cars mean they always stand out. The vehicles were replaced in October 2022 by an electrically powered ŠKODA ENYAQ iV, the “Swiss Car of the Year 2022” and winner of the red dot Design Award. Our employees were given in-depth electric training from the AMAG Sursee team when they collected the vehicles.

Donations for Ukraine

Monika Hohler (DSV, Freight Forwarder), 2nd from right and Daniel Jermann (DSV, Senior Business Development Manager), 2nd from left with some of the HOCHDORF sales team with Oliver Seelig, far right, in front of the headquarters in Hochdorf.

In 2022, we supported three relief deliveries of infant formula, milk powder and condensed milk together with the mooh milk cooperative, with a privately organised convoy delivery in conjunction with the freight company DSV and the Bern branch of the Ukrainian Society of Switzerland. The last delivery in December 2022 alone comprised 122,000 cans of infant milk and formula, provided by Pharmalys Laboratories and donated to the organisation “Malenki Peremohy” (Small Wins Charity Foundation) in Lviv.

Market insight: Pharmalys Laboratories SA

Infant formula “Made in Switzerland”: insights into the history of Pharmalys Laboratories SA and three important markets.

The history of Pharmalys Laboratories SA is closely linked to its founder, Amir Mechria. Trained as a medical doctor, he noticed that despite access to the same European and US brands, many countries in Africa and the Middle East tended to import infant formula with different, inferior ingredients. The difference in quality was often justified by lower purchasing power and different dietary preferences. Amir Mechria realised that there was a strong demand for high-quality infant formula products that would actually promote the health and well-being of infants, meeting European quality standards. He visited the HOCHDORF Group and other manufacturers in 2008. Although HOCHDORF had been producing high-quality infant formula for 100 years, its export business was just starting to grow. Amir Mechria was enthusiastic about the company's idea of producing infant formula from 100% Swiss milk – "Made in Switzerland” – and marketing it worldwide. Following the success of initial test sales, Amir Mechria founded the company Pharmalys Laboratories in Switzerland in 2009. The positioning of Pharmalys products reflects their high quality: they are often slightly more expensive than other products in their respective markets. Rather than supermarkets, they are sold in many countries through specialist outlets such as chemists or pharmacies, where health care professionals and trained staff can provide advice.

Pharmalys Laboratories SA at a congress in Dubai

Following a successful start and strong growth, Pharmalys Laboratories now markets its products in over 30 countries. In addition to the region around North Africa and the Middle East, HOCHDORF produced "Made in Switzerland" infant formula is now also sold in numerous countries south of the Sahara. A continuation of the expansion strategy into further countries and regions worldwide is planned. Pharmalys Laboratories is a symbol of Swiss quality and a testament to its unwavering commitment to infant health. Distribution partners and an extensive network of medical representatives – specialised field staff – confirm that the high quality of infant and follow-on formula make a crucial difference. This has enabled Pharmalys products to catch up with and even surpass the large multinational competitors from Europe and the US in many markets in a comparatively short time.

A sales stand with Pharmalys products in Saudi Arabia

In addition to traditional infant formula, Pharmalys also produces numerous specialist foods for infants with specific nutritional needs such as digestive problems or allergies. Continually developing its formulations is an important and demanding aspect of its work. This goes far beyond marketing slogans: it is a regulatory requirement in the highly regulated infant formula market and an integral part of the quality culture at Pharmalys. Through a network of local distributors, Pharmalys maintains links with healthcare professionals, pharmacists and chemists to strengthen local expertise and raise quality awareness. When it comes to follow-on formula for growing children, the attending paediatrician is the first point of contact for questions or recommendations in most countries.

Canning line in Sulgen: products for Pharmalys Laboratories are filled and packaged for transport here

According to a study by Deloitte Touche Tohmatsu (2020), the infant formula market in Africa is expected to grow by 13% annually until 2026. Reasons for this include the rising number of working mothers, the general economic development and the growing popularity of infant and children's formula. This is combined with a young population, continuing high birth rates and increasing urbanisation.

In the following section, we take a look at three important markets with Pharmalys executives: Jordan, Tunisia and Saudi Arabia.

Jordan

«Despite the challenging economic situation last year, the infant formula market in Jordan was stable. Pharmalys was able to significantly increase its market share compared to 2021.»

Dr Ashraf Hinnawi
Regional Director Levant

The market for infant and follow-on formula in Jordan has been highly competitive for decades. Despite the strong and well-established presence of numerous traditional international brands, Pharmalys was able to expand its market share to 20% in 2022. The extensive Primalac product range and a strong local distributor were crucial in this respect.

Tunisia

«The economic crisis has not affected the consumer behaviour of parents in Tunisia. They still buy high-quality infant formula from Switzerland – the price is secondary. What counts for them is the investment in their children's future.»

Dr Kais Fehri
Country Manager Tunisia

Pharmalys Laboratories was the first company to import high-quality infant formula to Tunisia. With its Primalac and Ultima products manufactured by HOCHDORF, it is now the market leader in Tunisia with a team of more than 50 employees. The market share in Tunisia is over 50%: more than 4 million cans of infant formula are sold in Tunisia every year. Infant formula is a matter of trust here; it is often recommended by medical professionals or paediatricians, and can be bought in regular shops. The country also serves as a gateway for other African countries that benefit from the experience in Tunisia.

Saudi Arabia

«Besides the milk fat content and the premium packaging with a separate golden dosing spoon in the lid, the Swiss origin of Primalac products is endorsed and appreciated by local consumers.»

Youssef Ghobrial
General Manager KSA & Gulf

Saudi Arabia is one of the world's most attractive and therefore most competitive markets for infant formula and children's nutrition. With more than 30 international brands and private label suppliers, there is a strong demand for high-quality, innovative products: more than 92% of all women rely on a supplementary infant formula for their children.[1] In 2021 and 2022, the Saudi government decided to remove subsidies for infant formula manufacturers and the previous price cap, which created price increases for most suppliers. Sales of infant formula remained stable despite this, although follow-on formula – marketed to children from the age of 3 – suffered a significant decline in volume as parents looked for cheaper alternatives. In the medium term, however, further market growth is forecasted. 97% of infant formula is purchased in pharmacies and 3% online. Saudi Arabia is one of Pharmalys Laboratories' most important markets.

1 According to the WHO, breastfeeding is the healthiest nutrition for new-born babies and young children.

Baby Care division

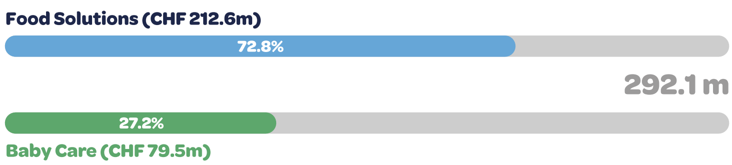
Accounting for 27.2% of sales, the Baby Care division is an important source of revenue for the HOCHDORF Group – set to be further expanded internationally in a targeted approach involving partners and private label distribution. In 2022, Baby Care sales amounted to CHF 79.5 million, a drop of 6.4% compared to 2021. The second half of the year developed much stronger in terms of sales than the first half, which was also significantly below average due to volumes pre-produced and sold for a major customer in the previous year. The Baby Care division also had to contend with the negative effects of rising raw material prices and currency losses.

In line with the entire HOCHDORF Group, the focus in 2022 was on portfolio and contract streamlining. Customer relationships were analysed in terms of profitability and contracts renegotiated. The clear aim was to bring the HOCHDORF Group and its most important revenue drivers through the challenging period caused by inflation and energy shortages in a spirit of partnership and to lay the foundation for a mutually fruitful business relationship. Unprofitable customer relationships were terminated or temporarily stopped. The Sales and Marketing department, under the leadership of Gerina Eberl-Hancock, and the Innovation and R&D department, led by Lukas Hartmann, have been part of the Group Management since May 2022.

Net sales revenue 2022, Baby Care division (in CHF million)

Strong demand in MENA and emerging markets

In terms of demand, there are signs of interesting and positive developments in the customer markets served by HOCHDORF, namely the MENA region (Middle East and North Africa), Latin America or other emerging markets. Thanks to various market visits in the MENA region and discussions with our go-to-market partners, namely Pharmalys Laboratories, and their distribution partners, as well as with their customers in pharmacies, hospitals and among paediatricians, HOCHDORF management and product experts were able to extend positive development in the markets and coordinate innovation planning.



Review of 2022

In addition to the strategic focus on portfolio streamlining, the 2022 business year was marked by intensified cooperation. Collaboration with HOCHDORF's largest baby care customer, Pharmalys Laboratories, was strengthened at several different levels: a planning process for future sales volumes was defined with ongoing optimisation. A transparent payment regime was introduced. A liquidity plan with standard market payment arrangements applies to the gradual reduction of existing receivables, which are regularly reviewed and have been strictly adhered to since spring 2022. At the beginning of 2022, the HOCHDORF and Pharmalys teams also revised the complete line for the MENA infant formula market due to a change in the law and launched it in new packaging.

«Bimbosan enjoys the trust of consumers and professionals alike in Switzerland. We are proud that we were also able to promptly respond to numerous questions from parents with our customer service team in 2022.»

Désirée Metzler
Head of Marketing

Registration in China and preparations for market entry in the US

As outlined in the Interim Report, HOCHDORF has received approval to manufacture products for the Chinese baby care market on behalf of the leading infant formula brand Biostime. The approval was communicated internationally through an online platform for imported products of the State Administration for Market Regulation (SAMR). It is crucial for the next steps that HOCHDORF will take together with the H&H Group. Revisions to the local food law are due in 2023. This means that the formulations for the SIGMA Star brand will have to be revised and resubmitted, which will delay the process further.

On a positive note, we have taken the first steps in the approval process for the US market. We are also now approved for initial sampling via a local trading partner there. Preparations to have our production site in Sulgen audited for the US market have been underway since then. While the process is resource and cost-intensive, it is focused on the potential in the US market. We envisage a first test procedure in 2023.

Outlook

There is considerable potential for further expansion in the "Infant Nutrition" division – which will become the new divisional name, replacing "Baby Care" from 2023. HOCHDORF is planning to expand its private label products in this area in a targeted way with its existing distribution partners. This is particularly the case in the MENA and Latin America regions, where customers such as Pharmalys are already well-positioned in many markets and want to grow further. Many regions are suitable sales markets for infant nutrition due to their demographic conditions – a young and high birth rate population. In addition, with a focus on the FDA process, we will prepare for expansion into other markets and cooperation with new partners for 2024. China will no longer be developed as a strategic core market; it will be approached opportunistically and with local partners due to the lengthy regulatory processes and other hurdles.

In Switzerland, the Bimbosan brand will be further strengthened in 2023 thanks to qualitative value growth and the expansion of the omnichannel strategy. The aim is to maintain market leadership in specialist outlets and expand the range with exciting alternatives in line with the needs of today's customers. Plant-based alternatives to cow's milk, which are already available in the Bimbosan range with goat's milk, soy milk and rice-based milk, will also play an important role in the future composition of the product portfolio, even if they are still subordinate in terms of volume.

HOCHDORF has been developing high-quality Swiss infant formula for over 100 years. With two production sites in Switzerland, we process all raw materials on site – using ingredients from Switzerland wherever possible. We are the only supplier in Switzerland to work with Swiss cow's milk and our own lactose and whey powder, which means that we can produce a large proportion of the ingredients ourselves, depending on the product. This has the advantage that we can monitor the quality at every step of production and thus meet the strictest requirements. It also means we can contribute to sustainable, local production. In terms of Baby Care – infant nutrition – we offer products for expectant mothers, new-born infants, babies and preschool children. In addition to our Bimbosan and Babina brands, we are a specialised manufacturer of third-party brands from all over the world. Our experienced team advises interested resellers on products (development and production), registration, marketing, packaging and logistics.

Food Solutions Division

The Food Solutions and Food Specialities division contributed CHF 212.6 million or 72.8% to total net sales revenue in the 2022 business year. Sales remained at almost the same level as the previous year (–2.7%). In 2022, the focus was on a consistent and strategy-aligned profitability review and a possible (price and cost) correction for existing products as well as the streamlining of the product and customer range.

Rising milk prices

The sharp rise in raw material prices also had an impact on the Food Solutions division. HOCHDORF conducted intensive negotiations and implemented far-reaching price adjustments as a result of the increased raw material and energy costs in some cases, while recognising the importance of its partnerships. However, some existing contracts did not allow for adjustments during the year or flexible changes, which was adapted from 2023 by adjusting the GTCs. Individual price increases will therefore only have a positive impact on the margin in the following year. Demand for roller-dried whole milk powder and other HOCHDORF products for the chocolate industry was sustained in 2022 and periodically exceeded production capacities. A cooperation for the contract manufacturing of milk and plant-based powder ingredients was agreed with a renowned Swiss manufacturer.

Net sales revenue 2022, Food Solutions division
(in CHF million)

Encouraging development of the whey competence centre

The introduction of improved controlling tools allowed us to continuously improve the added value of whey and expand our own internal applications. We will be in a position to commercially exploit the universal demand for whey protein more effectively in the future.

«Our vegan milk powder substitute VIOplus is an example of how we can offer the food industry an increasingly broad range of alternative plant-based solutions in the future.»

Lukas Hartmann
CIO

Outlook

After a year when Food Solutions focused clearly on streamlining the portfolio, optimising liquidity thanks to milk provided or processed under contract and consolidating the whey competence centre (MKZ), the transformation into a high-margin milk processor is set to continue in 2023. We will continue to promote and further develop milk and whey products with a functional or specific added benefit, such as lactose-free milk powder or vegan milk powder substitute. One example of this is VIOplus, developed by HOCHDORF and based on fava beans, which may be of particular interest to the chocolate industry or for similar alternative uses in dairy products.

At the same time, requirements and production planning are being converted internally to demand and order-oriented processing – this in close cooperation with the sales and procurement teams, in order to make the entire value chain of milk processing more productive in the long term. Matching the available, seasonally fluctuating quantity of milk with customer demand, as well as other factors such as energy, raw material availability, order volumes and the utilisation of milk derivatives that arise during production, poses constant challenges for the HOCHDORF Group. Demand-driven production also allows food waste and energy requirements to be reduced further. We are meeting these challenges with increasingly digitalised and better coordinated processes across the group, a demand-oriented marketing and sales structure, and an ongoing optimisation of the production processes at the two plants in Hochdorf and Sulgen based on environmental considerations.

As well as traditional milk-based products such as classic milk powder, the Food Solutions and Food Specialities divisions also include innovative semi-finished products like high-fat powder, enriched powder for specialist nutrition or vegan milk powder for chocolate production. HOCHDORF's key area of expertise is the gentle concentration and drying of milk and other valuable raw materials. In addition to milk, whey and fat powders, we also produce condensed milk and cream for internationally renowned brands and supply important ingredients for the production of milk chocolate, yoghurts or ice cream and other convenience products for the food industry. The HOCHDORF Group's strongest revenue field is evolving as it develops from a volume-based business model to a speciality portfolio of the most sophisticated functional ingredients – those with a specific nutritional or application-related added value – which require specialist food technology expertise to produce.

Innovation and R&D

The Innovation, Research & Development division is responsible for the new and further development of all HOCHDORF products and a large number of third-party and own-brand products. The individual teams in the competence areas of nutritional science and knowledge transfer, product development, processes and applications keep abreast of the latest nutritional trends and innovative technological developments. They work closely with sales, production, procurement and quality assurance. Since April 2022, the Innovation, Research and Development department has been represented on HOCHDORF's Group Management by Lukas Hartmann as Chief Innovation Officer.

2022 was marked by multiple customer-specific product launches and formulation optimisations for the Innovation and R&D team, including the revision or publication of more than 300 specifications for internal and external customers. In 2022, for example, we successfully launched a new line for Pharmalys Laboratories despite ambitious deadlines. In other developments we also supported the first production of speciality products, developed a new junior formulation, launched the plant-based infant formula "Bisoja 2" and designed a rice-based variant for customers abroad after its successful launch in Switzerland. In line with the corporate strategy, the first tests and concept phases for the new Specialised Nutrition division focusing on functional specialist nutrition for adults were also carried out, as well as numerous feasibility studies based on enquiries in a wide range of areas.

Process optimisation and support for product launches

An important function of the R&D department is to support process improvements initiated internally that involve new products, production methods or ingredients. One example was the introduction of WPC45 (whey protein concentrate) for the production of infant formula in 2022, which has been produced on our own facilities in Sulgen since mid-2021 and is no longer purchased abroad. In line with our strategy, this has enabled us to expand the value chain of product lines made from whey in Switzerland, significantly increase the proportion of Swiss raw materials in infant nutrition and improve the logistical climate footprint thanks to significantly lower transport costs. We also continued to focus on production stability in cooperation with the production department.

In 2022, the introduction of a central digitalisation project impacted the strategic goal of process optimisation and the requirement to meet the highest quality and safety standards: new product data management (PDM) software connects raw material and product specifications with our suppliers across the company via the formulations, increasing efficiency by reducing susceptibility to errors and increasing precision.

Innovation and industry partnerships

In 2022, HOCHDORF enhanced its complementary positioning vis-à-vis the traditional dairy industry as a technology competence centre for milk-based and alternative proteins and corresponding value-added specialist powders. The enquiries received from the food technology community in the first half of 2022 continued in the second half of the year. There was significant interest in the HOCHDORF Group's drying and mixing expertise in particular. Preliminary studies were carried out for a lactose-free whey permeate, for example, which could form the basis for exciting applications in the field of sports and lifestyle nutrition relevant for the Food Specialties division. In the Food Solutions division, an optimised spray-dried skimmed milk powder was developed for a major industrial customer. The HOCHDORF R&D team also took the first steps towards developing its own oat milk powder product. From numerous enquiries from the food start-up scene, around 20 contacts crystallised into joint cooperations that are being pursued further. These include the drying of plant-based alternatives to milk or protein products produced via fermentation. We are also examining projects related to process sustainability on an ongoing basis, such as for the reduction or re-use of rinse water that includes milk residues produced during the milk drying process. An important cooperation partnership has been established with an internationally experienced expert on food trends and the food industry. She provides the HOCHDORF team with practical advice on trend analysis, product range planning and networking – and provides feedback on important developments in the market.

«HOCHDORF has improved its complementary positioning as a technology competence centre for proteins and high value-added special powders.»

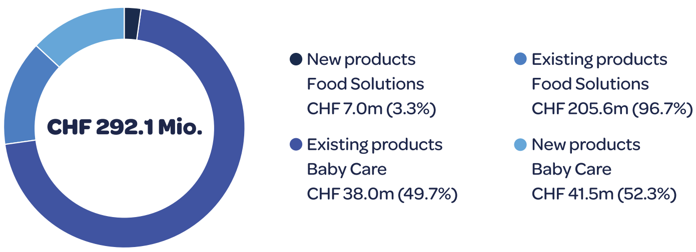
Training partners and employees

Product and ingredient training was established further on a more professional footing in 2022. Specific training content was developed and taught for the Bimbosan field service and the Customer Care team. Depending on their role, new employees at HOCHDORF are also trained on the entire production cycle, from milk delivery and drying to specific further processing. In 2022, the team established exchange programmes with specialist retailers, paediatricians and pharmacists in the MENA region, for example, in order to impart nutritional knowledge on private label products from Pharmalys Laboratories in workshops. In Switzerland, HOCHDORF's expertise on the properties of whole milk powder was requested for a seminar offered by the chocolate industry. Attending trade fairs and conferences was an important part of the continuous training of the R&D team last year.

2022 innovation rate

HOCHDORF has been reporting an innovation rate since the 2021 financial year, measuring the proportion of total sales accounted for by new products that are less than three years old. The 2022 target of 10% was clearly exceeded at 18% indicating the dynamic nature of innovations in our areas of activity, whether from a regulatory perspective or as a result of new nutrition trends. As a percentage of total sales, CHF 53.9 million in new product sales were achieved across the Food Solutions and Baby Care divisions. This represents 52.3% in Baby Care and 3.3% in Food Solutions 3.3%.

Cumulative innovation rate (Baby Care and Food Solutions) for 2022: 18%



Outlook 2023

For 2023, the innovation rate is the third key figure in the HOCHDORF Group's business strategy, alongside the gross margin and EBITDA. The target for the innovation rate remains 10%. In the Baby Care division, two exciting product lines are being developed internationally. The focus here is on further bolstering our strengths and supporting the numerous new registrations of existing formulations for new markets. There is further potential in infant formula based on goat's milk and vegan follow-on formula for growing toddlers. In 2022, we recorded an increasing number of enquiries in these areas. Together with our customers, particularly Pharmalys Laboratories SA, and on the basis of our existing product range, we will seek to exploit market opportunities and develop country-specific formulations. Regulatory requirements continue to be a challenge that requires continuous monitoring and adjustment.

«For the first time, external collaborations and an 'open innovation' approach will contribute to developing initial prototypes faster and in line with market demand.»

In terms of the development process, one overriding goal is to further improve the lead time from development to market maturity throughout the HOCHDORF Group. For the first time, external collaborations and an "open innovation" approach will contribute to developing initial prototypes faster and in line with market demand and placing them with customers. The existing network partnerships will also be specifically expanded and further cultivated for the new business areas in which we want to position ourselves with "Smart Nutrition".

Financial Report

2022 was a challenging year for the HOCHDORF Group. The first half of the year was marked by an almost complete lack of sales in the Baby Care Export segment. This was because large quantities of the high-margin infant formula products for 2022 had already been sold by the end of 2021. Baby Care sales, especially with Pharmalys Laboratories, only picked up again in the second half of the year. Another major challenge was the 81% increase in energy costs in the last business year compared to the year before. It was not always possible to pass on these price increases for contractual reasons. These major influencing factors led to a loss at EBITDA level of CHF 10.7 million in the first half of 2022. Thanks to consistent strategy implementation, stringent cost management and the focus on higher-margin sales, the company achieved an EBITDA profit of CHF 0.6 million in the second half of the year. For the full financial year, the EBITDA loss was thus reduced to CHF 10.1 million.

Net sales revenue

At CHF 292.1 million, **net sales revenue** was 3.7% lower than in the previous year (CHF 303.5 million). Adjusted for currency effects, the decline in net sales revenue was 2.1%. This is mainly due to the fact that, from September onwards, an agreement was reached with selected major customers that the milk to be processed for cream and certain types of milk powder would be provided by the customers and no longer purchased by Hochdorf. This relieved the income statement on the purchasing side and reduced the liquidity requirement.

Net sales revenue developed negatively in both divisions. **Baby Care** sales decreased by 6.4% compared to the previous year to CHF 79.5 million while the net sales revenue for **Food Solutions** decreased by 2.7% to CHF 212.6 million. The decline in Baby Care is explained by the large volumes sold to Pharmalys Laboratories SA towards the end of 2021, which brought sales to a virtual standstill in the first half of 2022. The decline in Food Solutions sales is due to product and customer portfolio streamlining to remove loss-making sales and the provision of milk for the production of lower-margin products.

Milk powder continued to be the strongest product group in terms of sales, accounting for 50.0% of net sales revenue. These sales increased by 13.3% to CHF 146.0 million in the reporting year, followed by milk products and cream with a share of 21.7% or CHF 63.3 million. The third strongest area was infant formula with net sales revenue of CHF 78.6 million and a share of 26.9%.

Gross operating profit

Gross operating profit developed favourably. While the gross operating profit, adjusted for the one-time effects from the property sales in Hochdorf and Welschenrohr, was 22.9% of operating revenues in 2021, this key figure improved significantly to 25.3% in 2022. The **gross margin** has been rising steadily since the third quarter of 2022 and the measures taken by the Board of Directors and Group Management, particularly in terms of price enforcement and product mix, began to take effect. Specifically, a start was made on increasing sales prices wherever possible in line with the new circumstances in the course of 2022 and shifting the product mix towards higher-margin products. This development is all the more pleasing as the milk price rose by an average of 5 centimes per kilogramme in the last business year and, even more significantly, the costs for packaging materials, other raw materials and logistics also increased.

Staff and other operating expenses

Staff expenses decreased by 3.5% in the reporting year, although additional costs were incurred due to double staffing and various temporary and interim employees. The number of employees decreased from 387 full-time positions as at 31.12.2021 to 361 full-time positions as at 31.12.2022 (decrease of 6.7%).

At CHF 46.6 million, **other operating expenses** remained practically constant compared to the previous year (CHF 46.2 million), although energy and waste disposal costs rose from CHF 10.4 million to CHF 18.7 million, an increase of 80.7%. In the past business year, energy costs were the HOCHDORF Group's third-largest cost block after the cost of materials and merchandise and staff costs. The development of these costs is illustrated starkly in terms of their share of operating income. While they accounted for 3.0% of operating income in 2021, they amounted to 6.3% in 2022. It was not possible to pass on these significant cost increases universally due to contractual obligations. Since the sale of the entire operating site in Hochdorf at the end of 2021, operating expenses now also include rental costs of CHF 3.0 million per year. The Group Management decision taken during 2022 to delay the transfer from Hochdorf to

Sulgen planned for 2023 and 2024 released provisions in 2022 for onerous contracts of CHF 1.6 million.

Operating result

In the 2022 business year, the HOCHDORF Group achieved an **operating profit before depreciation and amortisation** (EBITDA) of CHF –10.1 million (previous year: CHF 24.7 million). Adjusted for special effects (CHF –29.6 Mio.), the EBITDA in 2021 amounted to CHF –4.9 million, excluding property sales and the project costs for the move from Hochdorf to Sulgen. In 2022, the EBITDA adjusted for non-recurring items amounted to CHF –11.7 million, excluding the release of provisions for onerous contracts (CHF 1.6 Mio.). In the second half of 2022, HOCHDORF achieved a positive EBITDA of CHF 0.6 million.

The reported **EBIT** amounted to CHF –20.1 million (previous year: CHF 6.5 million).

Company result

The **financial result** amounted to CHF –3.3 million (previous year: CHF –5.3 million). The sale of the sites in Hochdorf and Welschenrohr made it possible to reduce debts during 2021, which had a positive effect on the financial result in 2022.

The tax income of CHF 8.5 million is due to the reversal of deferred tax provisions in the course of the release of hidden reserves on inventories and property, plant and equipment as part of a partial restructuring at HOCHDORF Swiss Nutrition Ltd.

The net result was CHF –15.8 million. The previous year's result was positive at CHF 2.6 million due to the sale of real estate.

Cash flow statement

In the 2022 business year the earned capital amounted to CHF –15.7 million (previous year: CHF –4.0 million) due to the negative group result.

With qualitative improvements in the sales structure, the **operating cash flow** amounted to CHF –19.6 million (previous year: CHF –17.9 million). This was due to a significantly lower increase in net current assets than in the same period of the previous year.

In the past business year, **free cash flow** was negative at CHF –21.6 million, while in 2021 it was positive at CHF 61.2 million as a result of the divestments of properties detailed above.

The **cash flow from financing activities** mainly consists of an increase in bank debt of CHF 10.0 million and interest payments of CHF 2.6 million. In the previous year, CHF 43.0 million in bank loans were repaid from the proceeds from property sales and interest payments amounted to CHF 6.4 million.

Balance sheet

The HOCHDORF Group's **balance sheet** shows a solid equity ratio of 59.2% (previous year: 62.5%).

The reduction in **current assets** and the increase in financial assets is mainly due to a reclassification of trade receivables from Pharmalys Laboratories SA in the amount of CHF 25.5 million. This led to a corresponding increase in non-current assets.

Bank debt of CHF 67.0 million was reclassified from long-term financial liabilities to short-term financial liabilities because the current syndicated loan agreement expires on 30 September 2023. The short-term and medium-term financing of the HOCHDORF Group is secured with a binding financing confirmation from a bank consortium to continue the existing syndicated loan, which expires on 30 September 2023, with a term of two years. Net debt at the end of the year amounted to CHF 56.8 million (previous year: CHF 32.7 million).

Due to the clearly negative company result and the continued high level of debt, the Board of Directors is proposing to the Annual General Meeting on 10 May 2023 that no dividend is paid for the 2022 business year. As a result, HOCHDORF will not yet repay the hybrid bond with a nominal value of CHF 125.0 million on the first call date of 21 June 2023 and will defer the interest payments for a further year. From 21 June 2023, the interest coupon of the hybrid bond will be 5.0% plus the applicable average five-year swap rate calculated on the principal, which would currently be 1.96%.

Key Figures of the HOCHDORF Group

CHF 1,000	2022	2021	2020	2019 [1]	2018
Turnover (net sales from goods and services)	292,141	303,515	306,199	456,797	561,031
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**–10,056**	**24,715**	**13,869**	**–74,709**	**35,886**
As % of production revenue	–3.4%	7.1%	4.5%	–17.0%	6.3%
Earnings before interest and taxes (EBIT)	**–20,105**	**6,503**	**–67,872**	**–265,309**	**18,649**
As % of production revenue	–6.7%	1.9%	–22.3%	–60.3%	3.3%
Earnings before taxes	**–24,312**	**663**	**–72,608**	**–273,962**	**10,405**
As % of production revenue	–8.2%	0.2%	–23.8%	–62.3%	1.8%
Net profit	**–15,791**	**2,552**	**–70,274**	**–271,378**	**8,656**
As % of production revenue	–5.3%	0.7%	–23.0%	–61.7%	1.5%
Personnel expenses	**38,860**	**40,280**	**39,722**	**50,757**	**52,980**
As % of production revenue	13.0%	11.5%	13.0%	11.5%	9.2%
Depreciation of fixed assets	**9,847**	**17,591**	**82,722**	**47,891**	**13,030**
As % of average net position	6.8%	12.1%	38.0%	17.1%	4.4%
Investments in fixed assets	**1,954**	**4,095**	**3,718**	**8,449**	**34,924**
As % of production sales	0.7%	1.2%	1.2%	1.9%	6.1%
Earned Capital	**–15,724**	**–3,991**	**11,097**	**–34,821**	**30,425**
in % of net sales	–5.4%	–1.3%	3.6%	–7.6%	5.4%
Cash flow from operating activities (cash flow)	**–19,648**	**–17,937**	**–11,325**	**–15,430**	**–81,279**
As % of net sales	–6.7%	–5.9%	–3.7%	–3.4%	–14.5%
Free cash flow (loss)	–21,602	61,215	17,339	16,537	–148,530
Equity ratio	59.2%	62.5%	55.8%	56.6%	48.8%
Number of shares, outstanding, in units	2,151,757	2,151,757	2,151,757	1,758,369	1,434,760
Earnings per share in CHF	–7.44	1.20	–34.60	–164.55	2.02
Earned Capital per share in CHF	–7.31	–1.85	5.14	–19.80	21.21
Dividend	0%	0%	0%	0%	0%
Payout ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Share price as at 31.12. in CHF	21.20	43.50	63.20	83.20	102.00
Dividend return	0.00%	0.00%	0.00%	0.00%	0.00%
Price/earnings (P/E) ratio	n.a.	36.3	n.a.	n.a.	50.4
Market capitalisation	45,617	93,601	135,991	146,296	146,346
Staffing levels as at 31.12.	361	387	391	618	694

1) 2019 values adjusted due to the change in the valuation principles for the Hybrid bond (see also the Notes to the consolidated financial statements of the HOCHDORF Group "Principles of consolidation").

Risk Report

Risk management

Risk management is an important pillar in protecting and securing the future potential of the HOCHDORF Group. The Board of Directors of the HOCHDORF Group bears ultimate responsibility, with implementation delegated to the Group Management.

The HOCHDORF Group has implemented a risk management process for all Group companies. Using workshops and individual interviews, risks are identified and assessed in terms of their potential financial impact on the HOCHDORF Group's results and their probability of occurrence. Risks are categorised according to strategic, operational, financial and other risks. Based on this, risk minimisation measures are defined (measure, person responsible, time, required resources) and risk reporting is carried out.

The Board of Directors of HOCHDORF Holding Ltd approved the risk assessment in the reporting year and monitors the implementation of measures by the Group Management. The process is generally repeated once a year. The Group Management also reviews and assesses the risks and their implementation every six months, informing the Board of Directors immediately in the event of deviations.

The following risks, among others, have been identified as significant risks for the HOCHDORF Group:

- **Refinancing:** The HOCHDORF Group’s absolute priority is to ensure its financial competence and stability until positive operating profitability is restored, alongside consistent implementation of the strategic and operational corrective measures. To ensure medium-term solvency, the HOCHDORF Group has a binding financing confirmation from a bank consortium to extend the existing syndicated loan agreement for at least 2 years (see also notes 30 and 31 in the financial section of this Annual Report.
- **Collaboration with Pharmalys Laboratories SA:** Pharmalys is by far the largest customer in the Baby Care division, which represents a cluster risk to the company. The high level of receivables from Pharmalys has a major impact on the liquidity and thus the solvency of the HOCHDORF Group. There is close contact between the management of the HOCHDORF Group and the management of Pharmalys, with the aim of providing each other with transparent information about market developments and processes and ensuring that payment targets are met (see also note 30 in the financial section of this Annual Report).
- **Procurement:** Milk remains the company’s most important raw material and milk procurement has been sustainably placed on a more diversified basis. However, stagnating milk volumes and a high milk price mean that competitiveness must be ensured and raw material alternatives constantly examined. Geopolitical tensions also made important basic production materials more expensive and affected their availability. At the same time, prices for packaging materials and logistics rose sharply. In response to this, a strategic raw material and material analysis was carried out. On this basis, the availability of the particularly relevant raw materials and materials is continuously assessed and procurement is ensured by means of suitable measures.
- **Energy:** Dependency on electricity and gas was particularly evident in 2022 and will continue to have a major impact on production costs in the coming years. HOCHDORF began examining alternatives and contingency plans for energy procurement in the summer, implementing these where possible. In addition, various energy optimisation measures were initiated (see also the Sustainability Report “HOCHDORF takes responsibility”).

Regulatory and political risks

In principle, the HOCHDORF Group is dependent on a wide range of regulatory and political aspects. Changes could have a negative impact on the HOCHDORF Group's business activities, financial position and/or profitability (e.g. legal and regulatory changes in export markets, customs agreements, food requirements, etc.). They could result in high price and volume volatility on the procurement and sales markets. HOCHDORF monitors economic and political developments in the individual countries to keep the procurement and sales risks to a minimum.

Financial risks

The HOCHDORF Group is exposed to various financial risks in the course of its international activities. These include exchange rate and interest rate risks as well as credit, liquidity and capital risks. Liquidity risks are managed through central cash management by ensuring that planned liquidity needs are covered by appropriate financing arrangements.

Ultimately the risk policy of the HOCHDORF Group includes hedging risks by means of comprehensive and efficient insurance cover. An international insurance programme that includes the areas of liability, product protection, property insurance and transport serves to achieve this.

Internal control system

The HOCHDORF Group has an internal control system (ICS) in place with the aim of ensuring the effectiveness and efficiency of operations, the reliability of accounting and compliance with legal requirements. It represents an essential part of the risk management system and is continually monitored and optimised.

Internal audit

The HOCHDORF Group internal audit department reports directly to the Audit Committee. It supports the Board of Directors in the handling of its monitoring and controlling tasks. It provides an independent and objective audit and advisory service aimed at reviewing, evaluating and continuously improving the effectiveness of risk management, controls and management and monitoring processes using a systematic and targeted approach.

Audits were carried out in the areas of Sales, Contract Management and Human Resources in 2022. The results were recorded in written audit reports which, in addition to the findings and recommendations of the internal audit, contain the management response with planned measures and times for implementation. The report is distributed to the members of the Board of Directors and the Group Management. The reports and defined measures are presented and discussed within the framework of the Audit Committee meetings. Group Management checks the implementation of the defined measures, implements these and keeps the Audit Committee continually updated.

HOCHDORF takes responsibility

The sustainability strategy of the HOCHDORF Group comprises the three pillars: nature, technology and people.

Medium-term targets up to 2030 have been set for the following focus topics that have been defined since 2020:

- Climate and animal-friendly milk
- CO_2/greenhouse gases and sustainable raw materials
- Efficient use of resources
- Water
- Employees and society

Energy: the main topic of 2022

The requirements for freshness in food production and the corresponding cooling and drying processes at HOCHDORF are naturally relatively energy-intensive. Measures to use energy as efficiently as possible have therefore always been a key pillar of the company's sustainability strategy. In 2022, Switzerland's energy policy, which relies on imported electricity, presented the company with special challenges that are likely to continue. As a result of the uncertainties related to availability, the energy costs for the company have increased massively and today – despite the selective easing in the second half of the year – form one of the three largest cost items in the income statement. HOCHDORF began examining alternatives and contingency plans for production as early as the summer. These focused on alternatives for the gas-powered spray towers, which cannot be converted to oil. At the same time, targeted investments were made to create the basis for improving the transparency of energy use per production plant and corresponding planning. For the Sulgen plant, HOCHDORF has agreed to implement a photovoltaic concept in 2023. Thanks to a new cooperation with an AI-supported service provider for electricity procurement, the company was able to optimise purchasing planning. Employees were encouraged to save electricity within their own sphere of influence in an internal campaign focused on energy.

At the same time, HOCHDORF prepared for a possible quota system with its electricity and gas suppliers. As one of the Swiss companies in the food industry that jointly consumes 25% of the Swiss gas volume, the Federation of Swiss Food Industries (fial) represented our interests to the Federal Council. It drew particular attention to the high level of interdependence in the processing of fresh food – and to the electricity required in the various processing steps.

Nature

Together with the industry organisations Swiss Milk, BOM, IP Lait and the farmers of Switzerland, HOCHDORF is also concerned to further promote the sustainability of its most important production raw material, milk. As a purchaser, we are responsible for quality control and hygienic processing. In 2019, the new production standard for sustainable Swiss milk was introduced: swissmilk green. As of the end of 2022, 85% of the Swiss milk volume complied with this production standard, which defines the high standards for animal welfare, feeding, sustainability and social issues (see also: https://www.swissmilk.ch/en/green/international/). Switzerland offers ideal conditions for sustainable milk production with its grassland and feeding with 90% local fodder.

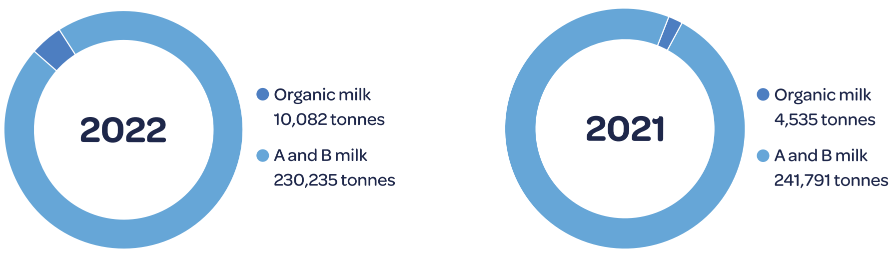
Focus area: climate and animal-friendly milk

Situation in 2022

- HOCHDORF is an active and long-term participant in the ongoing development of the Swiss "swissmilk green" industry standard. HOCHDORF is an advocate of Switzerland's pasture areas and therefore supports pasture-based milk production
- HOCHDORF processes Swiss cow's milk, of which 85% are produced in accordance with the "swissmilk green" industry standard.
- Milk from the HOCHDORF direct supplier (Thur Milch Ring AG) already fulfils over 97% of "swissmilk green" requirements.
- HOCHDORF, along with Thur Milch Ring AG, is an important and reliable partner for regional milk producers. HOCHDORF is well aware of the regional and social responsibility of this role.

Goals for 2030

- 100% of HOCHDORF direct suppliers meet the "swissmilk green" Swiss industry standard.
- Additional sustainability requirements are also being developed with the HOCHDORF direct suppliers to supplement the "swissmilk green" industry standard.
- All milk from direct suppliers is collected in a CO_2-neutral way and delivered to HOCHDORF.



Milk volume receipt (raw milk): comparison of 2022 and 2021 (A and B milk: swissmilk green).

Focus area: emissions, recycling and water

The HOCHDORF Group operates a wastewater pre-treatment plant (WWTP) at both sites, Sulgen and Hochdorf. The plant's own wastewater treatment plant at the Hochdorf site, built in 2002, purifies an average of 500 m^3 per day. The biogas produced during fermentation is mixed with natural gas and used to generate heat. The WWTP at the Sulgen site was commissioned at the beginning of 2017 and, as in Hochdorf, supplies biogas for heat generation.

With the increase in whey processing at the Sulgen plant, challenges arise for compliance with the discharge limits for COD (chemical oxygen demand), phosphorus and nitrogen. HOCHDORF has addressed the issue with a concrete investment plan as part of a key site development project, implemented initial measures and made important progress. Constructive cooperation and regular communication with experts from the municipal wastewater treatment plant in Weinfelden, the Central Thurgau Wastewater Association and the Thurgau Environment Agency are key success factors in this regard, enabling the situation to be regulated on a sustainable basis.

Situation in 2022

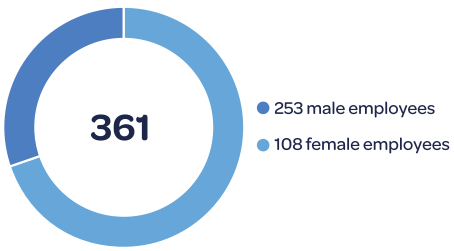
- HOCHDORF is pursuing specific measures to optimise its water/waste water management.
- There is insufficient awareness about how we use water to produce our raw materials
- **Sulgen:**
  The company's own wastewater plant in Sulgen was analysed in close cooperation with the authorities; a project manager was hired to remedy the problems and targets were defined for the plant

Goals for 2030

- HOCHDORF has a sustainable water/wastewater strategy in place
- HOCHDORF works with a functioning water cascading system, i.e. with multiple use of the available water (incl. water vapour)
- **Sulgen:**
  By the end of 2023, the values for COD and phosphorus to remain below the maximum
- By the end of 2025, the WWTP should fully comply with the Environment Agency targets and become a reliable partner in the microcosm of waste recycling in the region.

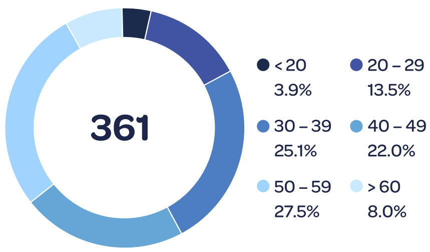
People

In 2022, a total of 361 employees worked at the two HOCHDORF sites in Hochdorf (LU) and Sulgen (TG) (as at 31.12.2022, excluding two interns). As a training company, we employ five apprentices at each of our two locations.



Gender distribution for the HOCHDORF Group as of 31.12.2022

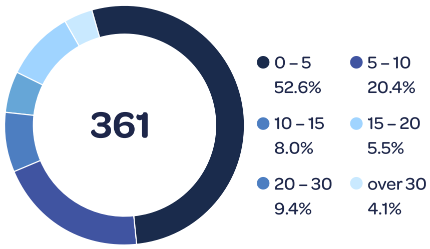
HOCHDORF employs 253 men and 108 women. Our Code of Conduct states that we offer all employees a working environment that is free of discrimination. Our advertising for vacancies is gender-neutral whenever possible and we support people in apprenticeships and internships regardless of their gender identity. HOCHDORF is an important employer in the region – both in Sulgen in the canton of Thurgau and in Hochdorf in the canton of Lucerne.



Age structure of HOCHDORF employees

Focus area: employees and society

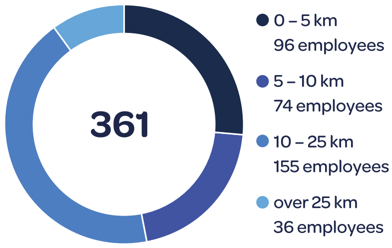
Safety in the workplace is dealt with as a priority in various workshops at the HOCHDORF Group. Employee training and periodic awareness-raising measures are carried out on a regular basis. Occupational safety is structured organisationally in line with the SUVA concept, with the exception of the "emergency organisation", which is ranked higher in the safety management. The collaboration with an external expert, who regularly inspects the companies and proposes measures for the attention of the safety officer, has proven highly valuable.



HOCHDORF employees: number of years of service and distribution in percent

A local focus

In 2022, we organised a site walk for the local community at the Hochdorf site (see: 2022 Review), aimed at providing an insight into our production processes, history and products. The event was a great success, attracting over 500 visitors.



Commuting distance to place of work of all HOCHDORF employees

Long-term incentive, salary alignment and remuneration culture

As of 1 January 2023, the Board of Directors and General Management decided on a general salary increase of 2.3% for all employees of the HOCHDORF Group to compensate for inflation. The Group Management, the Operational Leadership Team, apprentices, interns and employees who took up their posts on 1 October 2022 or later are excluded from this pay increase. The annual appraisal interviews have been updated and streamlined for 2023. Until now, the Operational Leadership Team (senior management) and the Group Management did not have a standardised remuneration programme focused on increasing the value of the company. HOCHDORF plans to change this with the introduction of a long-term incentive programme (LTI). This is in line with the industry standard for listed companies and is intended to further promote HOCHDORF's attractiveness as an employer. The LTI is to be introduced retrospectively to 1 January 2023, subject to the approval of the AGM, and is based on the quantitative targets of the corporate strategy. The target values will be determined at the beginning of each year on a company-wide basis. The LTI consists of a share component and a cash bonus component. The share portion is paid out or transferred in the form of share rights after three years.

Situation in 2022

- At least one annual appraisal interview is held with all employees every year. This review is used to jointly agree goals and define additional training requirements
- Feedback is also given to line managers in the annual appraisal interviews.
- Salaries are based on a recognised and transparent system.
- All employees are provided with the information they require via various communication channels

Goals for 2025

- Physical and mental health: HOCHDORF is taking various measures to reduce the ratio of staff absence to the number of employees by at least 75%. The base year is 2021.
- Training and further education: HOCHDORF is initiating an education offensive which aims to provide all employees with at least three training or further education days per year
- An employer branding concept has been implemented.
- An employee app will be launched to make internal communication more accessible and up to date

Technology

HOCHDORF's core technologies for powder and roller drying are energy-intensive because high temperatures of over 200 degrees are required. Alternative energy sources can only be used to a limited extent, as the necessary temperatures cannot be reached with geothermal or solar energy, for example. HOCHDORF has been participating in programmes to reduce energy consumption and thus CO_2 and greenhouse gases for years. According to data verified by the Energy Agency of the Swiss Private Sector (EnAW), the HOCHDORF Group has reduced CO_2 emissions by 8.8% in 2022 compared to the starting year 2013.

Focus area: energy production and energy procurement

Solar plant in Sulgen

In 2022, a study was conducted to determine whether certain roof areas at the Sulgen site are suitable for a photovoltaic system. The study identified the roof area of the warehouse and high-bay warehouse as having interesting solar potential with an area of around 7000 m^2. With around 2,400 panels, the system should supply 950 MWh over the whole year, which corresponds to the annual consumption of 190 households. The energy could be used 100% directly by the HOCHDORF plant at Sulgen. The Group Management decided in December to pursue this project in 2023.

Software for energy monitoring

At the end of the year, the HOCHDORF Group decided to purchase software for energy monitoring at the Sulgen site. Existing and additional meters will be included in the monitoring for granular measurement of the consumption of natural gas, steam, fresh water, pure water, ice water, compressed air, carbon dioxide and nitrogen. The project has two aims: to obtain an overview of the resource consumption per quantity of milk powder produced and to uncover inefficiencies and optimise production processes. Initial successes have already been achieved through the software implementation and electricity consumption in the high-bay warehouse has been reduced by more than half, for example.

Steam pipe project for waste heat utilisation

HOCHDORF has signed a letter of intent with the Weinfelden waste incineration plant to collaborate in the use of waste heat. From January 2023, a preliminary study involving stakeholders will examine how a direct pipeline for district steam from the plant to HOCHDORF in Sulgen could be envisaged. This process heat is generated at the waste incineration plant when waste is recycled. With this collaboration, HOCHDORF aims to become a main consumer of this climate-friendly and hygienically safe waste heat, which is important in terms of regional policy and regional economy. The condensate (cooled steam) at approx. 90°C could be used for heating or hot water for the surrounding companies and private households before it flows back to the waste incineration plant. Commissioning is expected to take place by 2030.

Situation in 2022

- HOCHDORF has been familiar with CO_2 reduction programmes for many years. Up to now, the focus has been on impact area 1
- The CO_2 footprint or the climate footprint of the raw materials purchased in our supply chain is not currently recorded
- Sustainability criteria currently play more of a subordinate role in the selection of suppliers.
- For our Bimbosan field service team, we have replaced the vehicle fleet with electric cars.
- Bimbosan infant formula: all product launches since 2020 are 100% free from palm oil
- Impact area 2: a utilisation study for photovoltaics in Sulgen has been completed

Goals for 2030

Impact area 1

- In the medium term, we will clarify the position for the increased use of fuels of non-fossil origin.
- We want to reduce our own CO_2 emissions per tonne of saleable product produced by 25% (base year 2020) and be able to report the carbon footprint per product
- All Bimbosan milk and cereal foods are CO_2 neutral
- All our own brand products are produced palm oil free
- The palm oil used in third-party brands at least meets the requirements of the RSPO certificate.

Impact area 2

- 50% reduction in CO_2 compared to the base year 2020 for electricity purchased.

Impact area 3

- 100% of suppliers meet the sustainability requirements to be defined
- 100% of suppliers meet the SEDEX criteria
- HOCHDORF knows the CO_2 footprint of all the important raw materials purchased and aims to take appropriate measures for continual reductions in the supply chain
- Sustainability criteria that are relevant to decision making are built into the supplier evaluation
- Electric charging stations at both locations

Focus area: efficient use of resources

The responsible use of resources, namely food waste, is promoted and trained at HOCHDORF as part of various projects to increase operational efficiency.

Situation in 2022

- Projects are currently underway in the areas of raw material use, packaging, facilities, buildings, production processes, logistics, administration and purchasing. Particular attention is being paid to the measurement of faulty production or “first time right”.

Goals for 2030

Packaging

- Consumer packaging is made of 100% of recyclable material
- Packaging for internal processes is 100% recycled
- Overall, our aim is to reduce packaging per tonne of saleable product

Food waste

- A recognised food waste&loss standard is in place and corresponding reduction measures are implemented

Waste/efficiency

- Manufacturing defects are a particular cause of waste. We are therefore aiming to create a "first time right" value of >98%.

Waste reduction

- Increase the proportion of recycling in relation to the total amount of waste to 70%

Corporate Governance

The following details correspond to the latest guidelines of the SIX Swiss Exchange on Information Relating to Corporate Governance (RLCG). Information on remuneration is presented separately in the Remuneration Report. To avoid repetition of information contained elsewhere in the Annual Report, appropriate references are made in the relevant places in the Corporate Governance Report, namely to the Annual Report, the annual financial statement or the Articles of Association of HOCHDORF Holding Ltd. The statements in the Corporate Governance Report refer in each case to the status on the balance sheet date of 31 December 2022.

1. Group structure and shareholders

1.1. Group structure

1.1.1. Outline of the operational group structure

HOCHDORF Holding Ltd is a company under Swiss law with its registered office in Hochdorf (Canton of Lucerne) that holds all the companies belonging to the HOCHDORF Group (hereinafter HOCHDORF). All shareholdings are shown in the table below, together with the percentage of shares held.

HOCHDORF Holding Ltd
CH-6281 Hochdorf
CHF 21'517'570

100%	HOCHDORF Swiss Nutrition Ltd CH-6281 Hochdorf CHF 30'000'000	100%	Schweizer Milch Gesellschaft AG CH-6281 Hochdorf CHF 100'000	100%	Hochdorf Swiss Nutrition UG DE-69126 Heidelberg EUR 10'000
100%	HOCHDORF Americas Ltd. UY-11000 Montevideo UYU 3'232'800	54.47%	Thur Milch Ring AG CH-8583 Sulgen CHF 170'00	26%	Ostmilch Frischdienst Magdeburg GmbH DE-39179 Meitzendorf EUR 25'000
26%	Ostmilch Handels GmbH DE-61348 Bad Homburg EUR 1'000'000	26%	Ostmilch Handels GmbH & Co Oberlausitz KG DE-09661 Schlegel EUR 51'129.20	100%	Zifru Trockenprodukte GmbH DE-02763 Zittau EUR 200'000 in Liquidation

Group structure as at 31 December 2022

1.1.2. All listed companies that are part of the issuer's scope of consolidation

HOCHDORF Holding Ltd is listed on the SIX Swiss Exchange in Zurich. The market capitalisation as at 31 December 2022 was CHF 45,617,248. The security number is 2466652 and the ISIN number is CH0024666528.

1.2. Significant shareholders

As at 31 December 2022, HOCHDORF Holding Ltd was aware that the following shareholders held more than 3% of the share capital of HOCHDORF Holding Ltd directly, indirectly or in concert with third parties:

Amir Mechria, Tunis Tunesia / Dubai UAE	20.68%
ZMP Invest AG, Lucerne, Switzerland	17.95%
Bermont Master Fund (CI) LP, Georgetown, Cayman Islands	14.55%
Innovent Holding AG, M. Weiss & Co AG and Family Weiss, Wollerau, Switzerland*	5.58%

*Innovent Holding AG, M. Weiss&Co AG, and the Weiss family comprising Françoise Andrée Weiss, Hardy Peter Weiss, Claudia Weiss und Raphael Weiss form an organised group of 5.58% in line with Art. 121 of the Financial Market Infrastructure Act (FinMIA).

The disclosure notifications in connection with shareholdings in HOCHDORF Holding Ltd are published on the electronic publication platform of the SIX Swiss Exchange: www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html

1.3 Cross-investments

There are no cross-investments with other companies involving capital or voting rights.

2. Capital structure

2.1. Capital

The ordinary share capital of HOCHDORF Holding Ltd amounted to CHF 21,517,570 as at 31 December 2022. No resolutions were passed either on capital increases from authorised capital (in accordance with the law applicable until 1.1.2023) or on the introduction of a capital band in accordance with the new law before this date.

2.2. Capital band and conditional capital in particular

HOCHDORF Holding Ltd had no conditional share capital as at 31 December 2022. There is no capital band or a decision has not yet been reached on its introduction.

2.3. Changes in capital

The overview of the capital changes in the reporting year is contained in the consolidated financial statements of the HOCHDORF Holding Ltd (consolidated statement of changes in equity).

2.4. Shares and participation certificates

HOCHDORF Holding Ltd has 2,151,757 registered shares with restricted transferability and a nominal value of CHF 10 each. Each share carries one vote. It has not issued any participation certificates.

2.5. Dividend-rights certificates

HOCHDORF has not issued any dividend-rights certificates.

2.6. Restrictions on transferability and nominee entries

2.6.1. Restrictions on transferability, references to statutory group clauses

Pursuant to Art. 5 of the Articles of Association of HOCHDORF Holding Ltd, the recognition of an acquirer of shares in HOCHDORF Holding Ltd as a shareholder with voting rights (full shareholder) requires the approval of the Board of Directors. Pursuant to Art. 6 of the Articles of Association, recognition by the Board of Directors may be refused only if the applicable law so provides, if the number of shares acquired per acquirer exceeds 15% of the total number of shares, or if the acquirer, at the request of the company, refuses to declare that they acquired the shares in their own name and for their own account. Acquirers who are related to each other by capital, voting power, management or otherwise, and all persons and legal communities acting in concert or otherwise in a coordinated manner to circumvent the registration restriction, shall be deemed to be one acquirer.

2.6.2. Notes on exceptions in the reporting year

No exceptions were granted.

2.6.3. Nominee entries

Nominees are not entered in the share register. Refer to section 2.6.1 for further information.

2.6.4. Procedure and conditions for the cancellation of statutory privileges

There are no special provisions in the Articles of Association.

2.7. Mandatory convertible bond

HOCHDORF Holding Ltd had not issued any convertible bonds as at 31 December 2022.

2.8. Hybrid capital

In 2017, HOCHDORF Holding Ltd issued a hybrid bond for a nominal amount of CHF 125 million. It is a perpetual subordinated bond which pays interest with a coupon rate of 2.5%. The hybrid bond has its first call date on 21 June 2023. If this is not exercised, the amount of interest payable increases (“step-up”). See also note 14 of the Notes to the annual financial statements of the HOCHDORF Group.

3. Board of Directors

3.1. Members of the Board of Directors as at 31 December 2022

The Board of Directors of HOCHDORF Holding Ltd consists of four non-executive members and one executive member. The executive member performs the function of Delegate of the Board of Directors of HOCHDORF Holding Ltd and CEO of the HOCHDORF Group.

The basis for nomination is the fulfilment of a specific requirement profile. In addition to the expertise relevant to the long-term strategic development of HOCHDORF, this also takes into account the balance of the Board.

The non-executive members of the Board of Directors of HOCHDORF Holding Ltd have not served on the Group Management of HOCHDORF Holding Ltd or any other Group company in the past three business years nor have they had any significant business relationships with HOCHDORF Holding Ltd or any other Group company.

Jürg Oleas
Chairman of the Board of Directors

1957, Swiss citizen

Profession: Mechanical engineer; **Place of residence:** Eich, LU; **First election to the Board of Directors:** 2020; **Elected until:** Annual General Meeting 2023; **Training/degree:** Mechanical engineer ETH with additional specialisation in law; **Professional background:** 1982 to 1998 employed in various roles at the ABB Group; 1999 to 2001 CEO at Alstom Power Switzerland; 2001 to 2019 employed in various roles at the GEA Group, from 2004 as its CEO; **Other activities:** since 2011 Member of the Board of Directors of RUAG International Holding Ltd, Bern; since 2016 Member of the Board of Directors of Holcim Ltd, Zurich.

Andreas Herzog
Vice Chairman of the Board of Directors

1957, Swiss Citizen

Profession: Business economist; **Place of residence:** Laax, GR; **First election to the Board of Directors:** 2020; **Elected until:** Annual General Meeting 2023; **Training/degree:** Various postgraduate courses in marketing and financial management at business schools in France, Canada and the US after graduating in business economics (HWV); **Professional background:** 1984 to 1990 employed in various roles at Ciba-Geigy, Basel, Mexico City, Abidjan, Bogota; 1990 to 1995 employed in various roles at SWATCH, Biel, Bad Soden/Fkft a.M.; 1996 to 2001 Vice President Finance at Daniel Swarovski Corporation, Feldmeilen; 2001 to 2002 CFO at Eichhof Holding AG, Lucerne; 2002 to 2019 CFO of the Buhler Group, Uzwil; **Professional activity:** Self-employed since October 2019; **Other activities:** since 2017 Vice Chair of the Swiss-Chinese Chamber of Commerce; since 2018 Member of the Board of Directors of SeedCapital Invest AG, Lucerne; since 2019 member of the Board of Directors of Meyer Burger Technology AG Thun and Chairman of the Board of Directors of Systemcredit AG, Schlieren; since 2021 member of the Board of Directors of Kleiderberg AG, Rüschlikon ZH and member of the Board of Directors of SBB AG, Bern

Markus Bühlmann
Member of the Board of Directors

1962, Swiss citizen

Profession: Master farmer; **Place of residence:** Rothenburg, LU; **First election to the Board of Directors:** 2019; **Elected until:** Annual General Meeting 2023; **Training/degree:** Master farmer with advanced specialist qualification; **Professional background:** Federal VET diploma in agriculture; advanced specialist master farmer qualification; **Professional activity:** Farmer and owner of an agricultural business with milk production and pig breeding in Rothenburg; **Other activities:** since 2014, member of the pilot project REDES BLW; since 2015 member of the Central Switzerland Milk Producers Regional Committee (Zentralschweizer Milchproduzenten ZMP); since 2015 member of the Executive Board of Central Switzerland Milk Producers (ZMP); since 2018 member of the Board of Directors of ZMP Invest AG and Vice Chair of ZMP.

Jean-Philippe Rochat

Member of the Board of Directors

1957, Swiss citizen

Profession: Lawyer; **Place of residence:** Lausanne, VD; **First election to the Board of Directors:** 2020; **Elected until:** Annual General Meeting 2023; **Training/degree:** lic. iur., admitted to the bar of the Canton of Vaud; **Professional background:** Studies in law at the University of Lausanne; **Professional activity:** Since 1988 Partner at Kellerhals Carrard; **Other activities:** since 1999 member of the Board of Directors of Investissements Fonciers SA, Lausanne VD; since 2005 member of the Board of Directors of Casino de Montreux SA, Montreux VD; since 2010 member of the Board of Directors of Vaudoise Assurances Holding SA, Lausanne VD; since 2012 member of the Board of Directors of Ferragamo (Suisse) SA, Mendrisio TI; since 2013 member of the Board of Directors at Sagrave Holding Gravier AG, Lausanne VD; since 2019 member of the Board of Directors at Vetropack Holding SA, Saint-Prex VD, since 2022 member of the Board of Directors at Miauton Holding SA, La Chaux-de-Fonds NE; since 2022 member of the Board of Directors at VW Volleyball World SA, Lausanne VD; Honorary Counsul of Finland, Lausanne.

Ralph Siegl

CEO und Delegate of the Board of Directors

1966, Swiss Citizen

Profession: Political scientist and economist; **Place of residence:** Wolfhausen, ZH; **First election to the Board of Directors:** 2020; **Elected until:** Annual General Meeting 2023; **Training/degree:** Licentiate in Political Science/International Relations at the University of St. Gallen (HSG) (lic. rer. publ.) and Master Degree in Economics at the London School of Economics and Political Science (LSE) (MSc Economics); **Professional background:** 1993 to 1995 Research assistant for goods transport at the FDFA/FDEA Integration Office, Bern and Brussels; 1995 to 2006 worked for Nestlé Suisse SA, Vevey and Nestlé Australia Ltd, Sydney, ultimately as Vice President Exports; 2006 to 2016 CEO of Confiseur Läderach AG, Ennenda; 2016 to 2018 Managing Director, Group Management & Operations, Läderach Group, Ennenda; **Other activities:** Since 2018, consultant at Experts for Leaders AG, Zurich; since 2010 member of the Board of Directors of Gübelin Holding AG, Lucerne; since 2013 member of the Board of Directors (Chair 2016 to 2020) of Bank Linth LLB AG, Uznach; since 2019 member of the Board of Directors of Ylex AG, Aarau; since 2020 chair of Zibatra Beteiligungen AG, Rickenbach SO; since 2022 member of the Board of Directors of laflor AG, Zurich. **Other activities at HOCHDORF Group**: Since 2022 Chairman of the foundation board of HOCHDORF, Hochdorf.

3.2. Other activities and vested interests

A detailed description of the other activities and vested interests is integrated in the details under section 3.1.

3.3. Permissible number of other mandates

In line with Art. 15 of the Articles of Association of HOCHDORF Holding Ltd, members of the Board of Directors may hold a maximum of three other mandates as members of the Board of Directors in listed companies that are considered public companies pursuant to Art. 727 para. 1 point 1 CO, as well as an additional five mandates in non-listed companies pursuant to Art. 727 para. 1 point 2 CO and ten mandates in a legal entity that does not meet the above criteria.

3.4. Election and period of office

The date of the first election per member of each member of the Board of Directors is listed in section 3.1. With regard to the election and term of office of the Chairman of the Board of Directors, the Board committees and the independent proxy, the legal provisions of the applicable company law shall apply.

3.5. Internal Organisation

3.5.1. Division of responsibilities of the Board of Directors

In line with Art. 14 and Art. 16 of the Articles of Association, the Board of Directors conducts the business of the company itself insofar as it is legally obliged to do so (Art. 716a CO) or has not delegated this to the Group Management or individual members of the Board of Directors. As far as the Board of Directors has not delegated the management of the company, it shall be the joint responsibility of all members.

The following table shows the division of responsibilities of all members of the Board of Directors since the AGM 2022:

	Audit Committee	Personnel and Remuneration Committee
Jürg Oleas Chairman of the Board of Directors	x	x
Andreas Herzog Vice Chairman of the Board of Directors	x (Chair)	
Markus Bühlmann Member of the Board of Directors		x
Ralph Siegl Delegate of the Board of Directors		
Jean-Philippe Rochat Member of the Board of Directors	x	x (Chair)

3.5.2. Composition of all Board of Directors' committees, their tasks and competencies

The composition of committees is shown in the table in 3.5.1.

Audit Committee

The members of the Audit Committee are determined by the Board of Directors for the term of office until the next General Meeting; the Committee constitutes itself. The Board of Directors appoints the Chair.

The Audit Committee supports the Board of Directors in its supervision of the Group Management, particularly with regard to financial matters. The main tasks of the Audit Committee are:

- Monitoring internal and external accounting and financial reporting to shareholders and the public. Assessment of the consolidated and individual financial statements of the Group companies with recommendation to the Board of Directors for submission to the Annual General Meeting.
- Assessing the effectiveness and independence of the external auditors and the interaction with the internal auditors. Evaluation and recommendation to the Board of Directors regarding the selection of the external auditors as well as internal audit measures.
- Assessment of the functionality of the internal control system of the group of companies, including risk management
- Observation of the development of and compliance with legal and regulatory provisions, in particular accounting standards, auditing principles, requirements of the SIX Swiss Exchange, as well monitoring adherence to internal regulations and principles (compliance).

Personnel and Remuneration Committee

The members of the Personnel and Remuneration Committee are elected by the Annual General Meeting for the term of office until the next Annual General Meeting. The committee constitutes itself. The Board of Directors appoints the Chair.

The main tasks of this committee are:

- Support and advice to ensure a far-sighted human resources policy at HOCHDORF
- Drawing up competence profiles of the Board of Directors and the CEO, ensuring succession planning in the Board of Directors including identification and evaluation of new candidates
- Performance appraisal of the CEO and, if applicable, the members of the Group Management
- Drawing up employment agreements for the members of the Group Management
- Recommendations for the compensation of the members of the Board of Directors and the Group Management, including the assessment of corresponding remuneration systems

Market and Strategy Committee

The Market and Strategy Committee that existed during the last reporting period was dissolved in connection with the restructuring of the Board of Directors with a corresponding resolution in the middle of the 2022 business year.

3.5.3. Operating procedures for the Board of Directors and its committees

The frequency of meetings of the Board of Directors shall be determined by business requirements, but it shall meet at least four times per year. In the 2022 business year, the Board of Directors held seven ordinary meetings, each lasting between three and eight hours, and four extraordinary meetings, each lasting between one and two hours. All members attended the regular meetings. One member was absent at two of the extraordinary meetings.

As a rule, meetings are called in writing seven days in advance with the agenda items included. In urgent cases, the Chair may deviate from these formal requirements. The agenda items for the meetings are set by the Chair. Likewise, any member of the Board of Directors may request the inclusion of items on the agenda.

The Board of Directors is empowered to make decisions if the majority of the members are present. A valid resolution requires the majority of the votes cast. In the event of a tie, the Chair of the Board of Directors has the deciding vote.

The CFO attends the meetings of the Board of Directors in an advisory capacity for all agenda items, with the exception of closed-door meetings. When required, the Board of Directors also invites external specialists and other members of the Group Management or other employees for advice on specific topics. Minutes are kept of the proceedings and resolutions of each meeting and are signed by the Chair and the Secretary.

In his dual role as CEO and Delegate of the Board of Directors, Ralph Siegl recused himself from all Board decisions directly affecting the role and duties or proposals of the CEO.

To support it, the Board of Directors has established an Audit Committee and a Personnel and Remuneration Committee, each consisting of at least two non-executive members. In order to organise its duties efficiently and effectively, the Board of Directors relies on recommendations of these committees.

The Chairs of the committees report to the Board of Directors at each Board meeting on their activities and results. They also keep minutes of their deliberations and resolutions, which are made available to all Board members. In the case of important matters, the Board of Directors is informed immediately after the meeting.

The committees meet as often as business requires. In 2022, the Audit Committee had three members and met three times, with the meetings lasting between three and four hours. The meetings were attended by representatives of the auditors, the CFO, the Senior Internal Auditor and, on a case-by-case basis, by other members of the Board of Directors of the Group Management as well as external advisors. All committee members attended all meetings and regularly received the written internal audit reports. In 2022, the Personnel and Remuneration Committee had three members and met three times. The meetings were attended by the VP Human Resources on a case-by-case basis. All committee members attended all meetings.

The Board of Directors are subject to annual performance assessments (self-evaluation).

3.6. Division of responsibilities between the Board of Directors and the Group Management

The Board of Directors is the supreme governing body of the company. It may pass resolutions on all matters that are not legally assigned to the general meeting of shareholders (Art. 698 CO). It conducts the business of the company itself insofar as it is legally obliged to do so (Art. 716a CO) or has not delegated this to the Group Management or individual members of the Board of Directors in accordance with the regulations.

Based on this, the Board of Directors of HOCHDORF Holding Ltd discusses and decides on the following matters in particular:

- Definition of the corporate mission statement, the corporate policy and the corporate strategy and preparation of the necessary regulations
- Annual and investment budgets, financial and liquidity planning several years ahead
- Annual and half yearly financial statements
- Group organisational chart up to and including the Group Management
- Wage policy
- Design of an internal control system (ICS) and risk management adapted to the needs of the company
- Strategy-relevant cooperations and contracts, in particular the purchase and sale of participations, companies, parts of companies, lines of business and rights to products or intellectual property rights
- Foundation and dissolution of companies
- Nomination of candidates for the Board of Directors of the HOCHDORF Group for the attention of the AGM
- Appointment and dismissal of the persons entrusted with the management of the company
- Submission of an application for debt-restructuring moratorium and notification of the court in the event of over-indebtedness

The Board of Directors delegates all other duties in full to the Delegate of the Board of Directors, who has the right to issue directives to the other members of the Group Management and who also takes on the role of CEO.

The Delegate of the Board of Directors/CEO leads, monitors and coordinates the other members of the Group Management and grants them the necessary powers required to fulfil their roles. In particular, the CEO is responsible for the following responsibilities and tasks:

- Implementation of the strategic objectives, definition of key operational areas and priorities as well as ensuring the availability of the material and staffing resources required to fulfil these
- The management, monitoring and coordination of the remaining members of Group Management
- Convening, preparing and presiding over Group Management meetings

In addition, the division of responsibilities and the type of cooperation between the Board of Directors and Group Management are set out in detail in the HOCHDORF Group's organisational regulations.

3.7. Information and control instruments with regard to Group Management

At each meeting, the Board of Directors is informed by the Chairs of the Committees, by the Delegate/CEO, CFO and, depending on the agenda item, by other HOCHDORF Group employees about the course of business, risks, the financial situation and important business events (e.g. changes in management personnel). The Board of Directors also receives all minutes of the Group Management meetings, which are usually monthly. Extraordinary events are promptly communicated to the members of the Board of Directors by the Delegate/CEO by circular.

Outside the meetings, each member of the Board of Directors may request information from the members of the Group Management on the course of business and on transactions.

Otherwise, the following additional information and control instruments are in place:

- **Reporting:** The Board of Directors receives a monthly report from the Group Management that provides information on the income statement and cash flow statement at Group level and for the legal entities and the important investment projects. These figures are compared with the budget and the previous year. A year-end forecast is prepared on a quarterly basis
- **Risk management process:** As part of a formalised process, risks are identified by the Group Management at least once a year and assessed according to probability of occurrence and extent of damage. The Group Management presents these to the Board of Directors, including the measures to be implemented (see also: Risk Report)
- **Internal and external auditors:** The internal and external auditors liaise directly with the Audit Committee, primarily through attendance at meetings. The internal auditor reports directly to the Chair of the Audit Committee and is an essential part of the internal control system. The Board of Directors, on the recommendation of the Audit Committee, approves the annual audit plan of the internal auditors, receives all audit reports and is informed about the findings as well as the related measures

4. Group Management

4.1. Members of the Group Management as at 31 December 2022

Ralph Siegl

CEO (Chief Executive Officer) and Delegate of the Board of Directors

A detailed curriculum vitae is included under 3.1.

Gerhard Mahrle

CFO (Chief Financial Officer a.i.)

1957, Swiss citizen

Place of residence: Abtwil, SG; Position: Interim CFO (Chief Financial Officer) of the HOCHDORF Group since 15 August 2022; **Training/degree:** Degree in Business and Economics at the University of St. Gallen (lic. oec.); **Professional experience:** 1985 to 1991 various roles at the Galenica Group, Bern (BE), ultimately as CFO of the Hausmann/Vifor Group and 1991 to 1992 Head of Financial Reporting of the Hilti Group, Schaan (FL); 1992 to 1998 CFO at the Eugster Frismag Group, Romanshorn; 1998 to 2000 CFO at Batigroup Holding AG, Basel; 2000 to 2009 CFO at sia Abrasives Holding AG, Frauenfeld (TG); 2009 to 2013 CFO at Kardex AG, Zurich; 2014 to 2022 CFO / deputy CEO at COLTENE Holding AG, Altstätten (SG); since 2022 working as an independent consultant; **Other activities:** none

Gerina Eberl-Hancock

CRO (Chief Revenue Officer)

1966, German citizen

Place of residence: Pully, VD; Position: CRO (Chief Revenue Officer) of the HOCHDORF Group since 1 May 2022; **Training/degree:** Bachelor of Science in Business Administration and Master of Business Administration (MBA) in California/US; **Professional background:** 1990 to 1997 in international commercial roles at Hoechst (Brazil), European Vinyls (France) and Nielsen Company (Germany and USA); 1997 to 2011 major leadership roles at Nestlé SA from marketing management for coffee and hot drinks in the US, Nestlé Switzerland and global headquarters to Director for hot drinks and member of the senior management team at Nestlé Germany; from 2011 to 2014 member of the senior management team at Nestlé Switzerland as Head of Corporate Marketing focusing on nutrition and sustainability and until 2016 in leading business development roles at Nestlé within Europe; from 2016 to 2020 as Managing Director Food& Beverages at Nestlé Maghreb responsible for the areas coffee/hot drinks, dairy (milk powder and concentrate, Nesquik, Grain D`Or), chocolate and food in Morocco, Tunisia and Algeria; 2021 to 2022 Sales and Business Development Officer at Cellular Swiss AG, Switzerland. **Other activities:** since 2021 Advisory Board Member at Vital Technologies Ltd.

Géza Somogyi

COO (Chief Operating Officer)

1978, Hungarian citizen

Place of residence: Güttingen, TG; **Position:** COO (Chief Operation Officer) of the HOCHDORF Group since 1 July 2020; **Training/degree:** Food science; **Professional experience:** 2002 to 2013 Development Engineer and Head of Production at Mars Inc. Bokros (Hungary); 2015 to 2020 Head of Production at several plants with additional responsibility for the registration of German plants and formulations as a condition of market entry in China at Danone/Milupa, Fulda (Germany); **Other activities:** none

Lukas Hartmann
CIO (Chief Innovation Officer)

1983, Swiss citizen

Place of residence: Steinhausen, ZG; **Position:** CIO (Chief Innovation Officer) of the HOCHDORF Group since 1 April 2022; **Training/degree:** Master of Science in Food Sciences from the ETH Zurich and Master of Business Administration MBA from the University of St. Gallen (HSG); **Professional background:** 2009 to 2013 Project Lead in Research and Development at Nestlé, Orbe, in the Product Technology Center in the area of Infant Cereal Nutrition, responsible for developing and implementing formulations and processes in various factories worldwide; 2013 to 2015 Process Engineer at Nestlé Suisse S.A., Konolfingen, responsible for developing, implementing and going live with an investment project for producing powdered infant formula; 2016 member of an early start-up in the area of sustainable probiotic feed supplements as Business Development Manager, Root; 2017 to 2022 Head of Development for Baby Care and since 2021 VP Innovation and R&D at the HOCHDORF Group. **Other activities:** None

Changes during the reporting period:

1. Peter Pfeilschifter, CEO, left the company on 21 January 2022. Ralph Siegl took over the role of Delegate/CEO as of this date.
2. As of 1 April 2022, the Group Management was expanded to include “Innovation, Research &Development” with Lukas Hartmann as CIO (Chief Innovation Officer); as of 1 May 2022, it also included “Sales and Marketing” with Gerina Eberl-Hancock as CRO (Chief Revenue Officer).
3. Nanette Haubensak, CFO, left the company on 15 August 2022.
4. Thomas Freiburghaus was appointed CFO on 15 November 2022. He will take up his position on 1 May 2023.

4.2. Other activities and vested interests

Refer to section 4.1 for further information.

4.3. Permissible number of other mandates

Members of the Group Management may hold a maximum of 1 mandate in listed companies (Art.727 (1)(2) and three mandates in non-listed companies within the meaning of Art.727 (1)(2) CO as well as 5 mandates in a legal entity that does not meet the above criteria.

4.3. Management contracts

There are no management contracts between HOCHDORF Holding Ltd and third parties or third-party companies.

Remuneration, shareholdings, loans

The relevant information can be found in the Remuneration Report.

6. Shareholders' rights of co-determination

The shareholders' rights of co-determination are based exclusively on the Swiss Code of Obligations and the Articles of Association.

The Articles of Association can be downloaded from the HOCHDORF website under "Investor Relations": https://www.hochdorf.com/en/investors/corporate-governance-1/

6.1. Restrictions to voting rights and proxy voting

6.1.1. Statutory rules concerning restrictions on voting rights with reference to group clauses as well as 6.1.2 to 6.1.5

The shareholder is entitled to cast one vote for every share. All shareholders listed in the shareholder register are entitled to attend the Annual General Meeting and are authorised to vote. Under certain circumstances, acquirers of shares in HOCHDORF Holding Ltd may be refused entry in the share register. Refer to section 2.6.1 for further information.

Art. 12 of the Articles of Association addresses the assignment of the voting right to an independent proxy, as well as the ability to electronically cast a vote to the independent proxy.

6.1.6. Statutory provisions concerning rules for giving instructions to the independent proxy and rules for electronic participation in the Annual General Meeting

Art. 12 of the Articles of Association of HOCHDORF Holding Ltd addresses the assignment of the voting right to an independent proxy, as well as the ability to electronically cast a vote to the independent proxy.

6.2. Statutory quorum

The Annual General Meeting adopts its resolutions and conducts its elections by relative majority of the votes cast, with abstentions being left out of consideration in determining the majority and excluding blank and invalid votes, unless the law provides otherwise.

6.3 Convening of the Annual General Meeting

The Annual General Meeting takes place annually, at the latest six months after the end of the business year. The Annual General Meeting shall be convened by publication of the invitation in the company's official medium of publication at least 20 days prior to the date of the meeting. Registered shareholders entered in the share register shall also receive the invitation by post.

6.4. Proposal of agenda items

Invitations to submit items for the agenda and questions about the Annual Report are given with the invitation to the AGM. Shareholders who represent shares with a nominal value of at least CHF 1 million may request that an item be added to the agenda. One or more shareholders who collectively represent at least 10% of the share capital may request that the Board of Directors calls a General Meeting and/or that an item be added to the agenda.

6.5. Entries in the share register

The share register is usually closed ten days prior to the Annual General Meeting. Upon request, the Board of Directors can approve exceptions for late submissions.

7. Change of control and defensive measures

7.1. Duty to make an offer

The Articles of Association of HOCHDORF Holding Ltd do not contain any opting-out or opting-up clauses. The statutory rules within the meaning of Articles 125 and 135 of Financial Market Infrastructure Act (FinMIA) apply with regard to the legal obligation to make a takeover offer.

7.2. Change of control clauses

There are no change of control clauses with members of the Board of Directors or Group Management.

8. Auditors

8.1. Duration of the mandate and term of the chief auditor

The Annual General Meeting elects the auditors for terms of one year each. KPMG Ltd, Lucerne, was re-elected as the auditor of HOCHDORF Holding Ltd until the Annual General Meeting in 2023. It has acted as statutory auditor since 2020. The auditor in charge is Thomas Affolter.

8.2. Audit fee

Calculated on an accrual basis, the expenses of the auditor KPMG AG for the audit of the individual financial statements and the consolidated financial statements for 2022 amounted to approximately TCHF 236.

8.3. Additional fees

In the reporting year, no additional expenses were incurred by KPMG Ltd for consulting services.

8.4. Instruments for supervising and monitoring the audit

The Audit Committee of the Board of Directors assesses the performance, invoicing and independence of the external auditors and makes recommendations to the Board of Directors. Every year, the Audit Committee checks the scope of the external audits, the audit plans and the relevant processes and discusses the audit results with the external auditors. In 2022, the chief auditor attended three meetings of the Audit Committee.

9. Information policy

HOCHDORF maintains open and continuous communication with shareholders, potential investors and other interest groups. Shareholders are informed about HOCHDORF's annual and half-yearly financial statements in the Letters to Shareholders published online. The aim is to provide transparent information about the company, its strategy and business development, and to offer a truthful picture of the past and current performance of HOCHDORF and its outlook for the future.

HOCHDORF publishes a comprehensive Annual Report that includes business activities, Corporate Governance, the Remuneration Report and financial reporting that is generated and audited in accordance with Swiss GAAP FER. An Interim Report is also produced in accordance with the Swiss GAAP FER guidelines. Press releases about events relevant to the stock exchange, such as acquisitions, minority or majority shareholdings, joint ventures and alliances are published in accordance with the guidelines for ad-hoc publicity.

Media releases and investor information are available on the HOCHDORF website under "Investors & Media".

Shareholders and persons interested in HOCHDORF can also subscribe to a newsletter that provides ad-hoc notifications and press releases: https://www.hochdorf.com/en/investors/newsletter/

Contact for Investor Relations:

HOCHDORF Holding Ltd, Investor Relations
Siedereistrasse 9, CH-6280 Hochdorf
Tel. +41 41 914 65 62
E-mail: ir@hochdorf.com

10. Blackout periods

In accordance with HOCHDORF's insider dealing regulations, persons who have knowledge of confidential information ("company insiders") may not trade in HOCHDORF Holding Ltd shares during the following periods (blackout periods):

- Between 20 calendar days prior to the Board of Directors meeting which takes place before the publication of the agenda of an ordinary or extraordinary General Meeting and the time of the publication itself or;
- 20 calendar days prior to Board meetings which take place before the publication of information to be disclosed pursuant to Art. 49 (Annual reporting) and 50 (Interim reporting) of the SIX Swiss Exchange listing rules and the publication itself.

Corporate insiders as defined in the HOCHDORF Insider Regulations (with reference to the relevant legal provisions, namely Art. 142 ff. Financial Market Infrastructure Act (FinMIA)) are, in addition to the members of the Board of Directors and the Group Management, all persons who have knowledge of confidential information by virtue of their function, in the performance of their duties or by chance, or persons to whom the Board of Directors has specifically communicated such confidential information or authorised them to have knowledge thereof.

Remuneration report

The remuneration report complies with the regulations on remuneration for listed companies (Art. 732 ff. CO), which came into force on 1 January 2023. The corresponding fundamental principles are also anchored in Art. 19 and 23 of the Articles of Association of HOCHDORF Holding.

Guidelines and remuneration principles

HOCHDORF places great importance on recruiting, engaging, motivating, and developing employees at all levels. This is particularly important when it comes to staffing those positions that have a significant bearing on the management of the company. On the one hand, remuneration should create incentives that promote long-term corporate development and increase the value of the company. Furthermore, the system of remuneration should be appropriate and in line with the market in order to be able to recruit qualified employees.

There were no share or option plans or similar shareholding programmes at HOCHDORF in the 2022 business year.

For the 2023 business year, the Board of Directors has approved the introduction of a long-term incentive (LTI) programme for selected top performers. Subject to the approval of the corresponding amendment to the Articles of Association by the Annual General Meeting on 10 May 2023, the introduction shall be retroactive to 1 January 2023. The LTI is based on the market standard among listed Swiss companies and provides for an annual allocation of performance share units. These represent a conditional right to receive HOCHDORF shares if certain performance targets and conditions relating to the employment relationship are met within a three-year period.

System of remuneration

Board of Directors

The members of the Board of Directors receive a non-performance-related basic remuneration as well as allowances for roles and for memberships in committees. The Board of Directors may also determine special remuneration for special tasks. HOCHDORF Holding Ltd pays the legally required pension and social contributions; the members of the Board of Directors also receive an annual lump-sum expense allowance. Details are shown in the table “Remuneration of the Board of Directors”. The remuneration of the members of the Board of Directors is paid in two to four instalments at the end of each quarter. In the event that a member the Board of Directors is not in place for the full term, the remuneration is calculated on a pro rata basis.

Group Management

The remuneration of the members of Group Management comprises a fixed monthly basic salary and a performance-related variable remuneration. Both are paid out in cash. The variable remuneration results from the achievement of certain performance targets, which consist of quantitative financial targets (EBITDA at Group level, gross margin and innovation rate). There is an upper limit to the variable remuneration for all members of Group Management. Targets and the degree of target achievement are set by the Board of Directors on the recommendation of the Personnel and Remuneration Committee (PRC).

Group Management employment agreements are concluded for an indefinite period of time with a notice period of six months.

Jurisdiction and procedure for defining remuneration

Competencies

The Board of Directors decides on all compensation-related issues within the compensation framework approved by the General Meeting of Shareholders, in each case at the request of the Personnel and Remuneration Committee.

The competencies of the Board of Directors and the Personnel and Remuneration Committee related to remuneration are shown in the following table:

Topic	Recommendation by	Approval by
Maximum total amount of remuneration to be paid to the Board of Directors	Board of Directors	Annual General Meeting
Maximum total amount of remuneration to be paid to Group Management	Board of Directors	Annual General Meeting
Individual remuneration of the members of the Board of Directors	Personnel and Remuneration Committee	Board of Directors
Fixed remuneration paid to Group Management (subsequent year)	Personnel and Remuneration Committee	Board of Directors
Variable remuneration paid to Group Management (subsequent year)	Personnel and Remuneration Committee	Board of Directors
Remuneration Report	Personnel and Remuneration Committee	Board of Directors

The approval by the Board of Directors is subject to the approval of the Annual General Meeting, which votes separately on maximum remuneration and consultatively on the remuneration report each year.

Approval model for the 2023 Annual General Meeting

Shareholders will vote on the following remuneration components at the 2023 Annual General Meeting:

- Board of Directors: Prospectively over the maximum total amount of the fixed remuneration for the period from the 2023 AGM to the 2024 AGM
- Group Management: Prospectively over the maximum total amount of the fixed and variable remuneration for the business year 2023

Remuneration of the Board of Directors

Remuneration is shown according to the vested amounts for the respective business year to the members of the Board of Directors who held office in the respective periods.

Member	Role/committees	Remuneration	Expenses	Social contributions [1]	2022	2021
Jürg Oleas Start date: 30.06.2020	Chairman, Board of Directors Member PRC Member AC	167,928	5,942	12,107	185,977	156,402
Andreas Herzog Start date: 30.06.2020	Vice Chairman, Board of Directors Chair AC	122,086	5,942	8,722	136,749	115,479
Jean-Philippe Rochat Start date: 30.06.2020	Chair PRC Member AC	111,145	5,942	7,736	124,823	106,384
Ralph Siegl [2] Start date: 30.06.2020		90,944	5,842	5,773	102,559	106,199
Markus Bühlmann Start date: 12.04.2019	Member PRC	87,521	5,942	6,266	99,728	84,670
Total		**579,623**	**29,609**	**40,604**	**649,836**	**569,134**

AC = Audit Committee; PRC = Personnel and Remuneration Committee

1) Social benefits include employer contributions

2) Ralph Siegl replaced Dr Peter Pfeilschifter as CEO of the HOCHDORF Group from 21 January 2022. The remuneration for his role as CEO is listed separately in the Group Management remuneration table.

Comparison of the remuneration paid out with the amount approved by the AGM

For the completed term of office from AGM 2021 to AGM 2022, a total amount of CHF 600,000 was proposed by the AGM of 09 June 2021. This was observed.

Period	Amount paid out (in CHF)	Amount approved (in CHF)
AGM 2021 (09.06.2020)–31.12.2021	284,939	
01.01.2022–AGM 2022 (13.04.2022)	287,581	
Total	**572,520**	**600,000**

For the current term of office from AGM 2022 to AGM 2023, a total amount CHF 600,000 was approved by the AGM of 13 April 2022. As of 31.12.2022, 40% of this was still available.

Period	Amount paid out (in CHF)	Amount approved (in CHF)
AGM 2022 (13.04.2022)–31.12.2022	362,255	
01.01.2023–AGM 2023 (10.05.2023)		Available: 237'745
Total	**362,255**	**600'000**

Remuneration of the Group Management

The variable compensation (bonus) of the Group Management is accrued at the end of the year, as the performance-related salary components are only paid out in the following year. In the event of that a member of the Group Management leaves or starts during the year, the remuneration is included pro rata up to the time of the completion or assumption of the corresponding role.

In CHF	Basic salary [1]	Bonus	Social contributions [2]	Other contributions [3]	Total
Remuneration to Group Management 2022					
Group Management Total [4]	1,803,004	351,768	453,906	161,489	2,770,167
Thereof highest remuneration [5]	422,134	107,680	121,006	0	650,820
Remuneration to Group Management 2021					
Group Management Total	1,008,290	200,353	282,967	171,689	1,663,299
Thereof highest remuneration [6]	470,400	129,840	143,003	111,689	854,932

1) Monthly salary, 13th monthly salary payment, flat-rate amount for entertainment expenses, including employee contributions
2) Pension and social contributions include employer contributions to social insurance schemes and pension funds.
3) Private shares for company vehicles, vehicle payments, company loyalty gifts, payment of holiday days
4) Total remuneration of the Group Management including the advisory fee for Gerhard Mahrle (Interim CFO)
5) Ralph Siegl , CEO & Delegate of the Board of Directors
6) Dr. Peter Pfeilschifter, CEO

Peter Pfeilschifter, CEO, left the company on 21 January 2022. On the same date, Ralph Siegl was appointed Delegate of the Board of Directors and simultaneously took over the role of CEO.

As of 1 April, the Group Management was expanded to include “Innovation, Research & Development” with Lukas Hartmann as CIO (Chief Innovation Officer); as of 1 May 2022, it also included “Sales and Marketing” with Gerina Eberl-Hancock as CRO (Chief Revenue Officer).

Nanette Haubensak, CFO, left the company on 15 August 2022. Gerhard Mahrle took up his position as Interim CFO on 15 August 2022.

Comparison of the reported remuneration with the amount approved by the AGM

The Annual General Meeting on 13 April 2022 approved a total amount of CHF 2,600,000 for the 2022 reporting year. This total amount was exceeded by CHF 170,167 because the salary payments owed under the employment contract with the former CEO exceeded the budgeted reserves. The Board of Directors will propose to the 2023 Annual General Meeting to retroactively approve the excess amount of approximately TCHF 171 for the remuneration to the Group Management in 2022.

Period	Amount paid out (in CHF)	Amount approved (in CHF)
Business year 2021 (01.01.21–31.12.21)	1,663,300	2,000,000
Business year2022 (01.01.22–31.12.22)	2,770,167	2,600,000

Change-of-control clauses

The employment agreements for the members of Group Management do not include any change-of-control clauses.

Severance payments, remuneration in advance, takeover commissions

No severance payments, remuneration in advance or commissions for the acquisition or transfer of companies or parts thereof by the company or by companies directly or indirectly controlled by the company were paid to members of the Board of Directors or the Group Management.

Loans and credits to existing members of the Board of Directors and the Group Management

No loans or credits within the meaning of Art. 734b CO have been granted or paid to current or former members of the Board of Directors and the Group Management. Accordingly, no loans or credits are outstanding to current or former members of the Board of Directors or the Group Management.

Remuneration, loans and credits to related parties

No remuneration, loans or credits within the meaning of Art. 734c CO were granted or paid to parties related to members of the Board of Directors and the Group Management.

Participation rights and options in shares of HOCHDORF Holding Ltd of the members of the Board of Directors and the Group Management

As at 31 December 2022, the individual members of the Board of Directors and the Group Management (including parties related to them) held the following number of shares in the company:

Board of Directors		31.12.2022	31.12.2021
Jürg Oleas	Chairman; as of 30.06.2020	0	0
Andreas Herzog	Vice Chairman; as of 30.06.2020	0	0
Markus Bühlmann	as of 12.04.2019	0	0
Jean-Philippe Rochat	as of 30.06.2020	0	0
Ralph Siegl	as of 30.06.2020	100	100
	Total Board of Directors	**100**	**100**

Group Management		31.12.2022	31.12.2021
Ralph Siegl	CEO; as of 21.01.2022		
Gerhard Mahrle	CFO a.i.; as of 15.08.2022	0	n.a
Géza Somogyi	COO; as of 01.07.2020	0	0
Lukas Hartmann	CIO; as of 01.04.2022	0	0
Gerina Eberl-Hancock	CRO; as of 01.05.2022	0	0
Dr. Peter Pfeilschifter	CEO; as of 01.01.2020 until 21.01.2022	n.a	257
Nanette Haubensak	CFO; as of 29.06.2020 until 15.08.2022	n.a	0
Total Group Management		**0**	**257**
Total Board of Directors and Group Management		**100** [1]	**357**
as % of total number of shares		0.005%	0.02%

1) Ralph Siegl: shares counted once

Activities at other companies

An overview of the activities of the members of the Board of Directors and the Group Management at other companies within the meaning of Art. 734e CO can be found in the individual personal descriptions in section 3.1 and 4.1 of the Corporate Governance Reports.

Listing of benefits

Unless stated in this report, no benefits were paid to existing or former members of the Board of Directors and the Group Management or their related parties.

Auditor's report on the Remuneration Report

KPMG

Report of the Statutory Auditor

To the General Meeting of HOCHDORF Holding Ltd., Hochdorf

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of HOCHDORF Holding Ltd. (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables "Remuneration of the Board of Directors" and "Remuneration of the Group Management" on pages 83 to 85 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the attached Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Remuneration Report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables "Remuneration of the Board of Directors" and "Remuneration of the CEO and Group Management" in the Remuneration Report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Remuneration Report
The Board of Directors is responsible for the preparation of a Remuneration Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s Responsibilities for the Audit of the Remuneration Report
Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Joel Wachter
Licensed Audit Expert

Lucerne, 22 March 2023

Consolidated balance sheet as of 31 December

	Explanations in the notes	2022 TCHF	in %	2021 TCHF	in %
Assets					
Cash and cash equivalents	1)	10,205	3.6%	24,285	8.3%
Securities	2)	223	0.1%	253	0.1%
Trade accounts receivables	3)	22,022	7.8%	23,841	8.1%
Trade accounts receivables from related parties	3)	30,146	10.6%	45,133	15.4%
Trade accounts receivables from associated companies	3)	107	0.0%	170	0.1%
Other receivables	3)	3,189	1.1%	3,333	1.1%
Other receivables from related parties	3)	0	0.0%	1,225	0.4%
Inventories	4)	35,163	12.4%	31,851	10.9%
Accrued income	5)	6,441	2.3%	4,810	1.6%
Current assets		**107,496**	**37.9%**	**134,901**	**46.0%**
Property and plant		48,468	17.1%	50,013	17.0%
Other fixed assets		89,243	31.5%	95,032	32.4%
Total fixed assets	6)	**137,711**	**48.6%**	**145,045**	**49.4%**
Investments in associated companies		1,325	0.5%	2,289	0.8%
Financial assets	7)	35,951	12.7%	9,869	3.4%
Intangible assets	8)	869	0.3%	1,236	0.4%
Non-current assets		**175,856**	**62.1%**	**158,440**	**54.0%**
Total assets		**283,352**	**100.0%**	**293,340**	**100.0%**
Liabilities					
Trade payables	9)	26,712	9.4%	25,963	8.9%
Trade payables to associated companies	9)	139	0.0%	17	0.0%
Short-term financial liabilities	10)	67,118	23.7%	118	0.0%
Other liabilities	11)	2,926	1.0%	2,465	1.1%
Other financial liabilities to related parties		310	0.1%	0	0.0%
Accrued liabilities and deferred income	12)	10,813	3.8%	5,417	1.6%
Short-term provisions	13)	313	0.1%	1,355	0.5%
Current liabilities		**108,331**	**38.2%**	**35,334**	**12.0%**
Non-current financial liabilities	10)	121	0.0%	57,239	19.5%
Non-current provisions	13)	7,165	2.5%	17,500	6.0%
Non-current liabilities		**7,286**	**2.6%**	**74,739**	**25.5%**
Share capital	14)	21,518	7.6%	21,518	7.3%
Treasury shares		–5,747	–2.0%	–7,105	–2.4%
Capital reserves		163,389	57.7%	164,490	56.1%
Hybrid capital	14)	116,437	41.1%	116,437	39.7%
Accumulated losses		–112,124	–39.6%	–114,675	–39.1%
Net result of the period (shareholder)		–15,796	–5.6%	2,550	0.9%
Equity excl. minority interests		**167,676**	**59.2%**	**183,213**	**62.5%**
Minority interests		60	0.0%	55	0.0%
Shareholders' equity		**167,736**	**59.2%**	**183,267**	**62.5%**
Total liabilities and equity		**283,352**	**100.0%**	**293,340**	**100.0%**

The figures were recorded to the nearest centime, but not shown. Rounding differences may therefore occur.

Consolidated income statement

	Explanations in the notes	2022 TCHF 1.1.22–31.12.22	in %	2021 TCHF 1.1.21–31.12.21	in %
Net sales from goods and services	**15)**	**292,141**	**97.9%**	**303,515**	**86.9%**
Other operating income	16)	3,292	1.1%	43,878	12.6%
Change in inventories of semi-finished and finished products		2,991	1.0%	2,028	0.6%
Production revenue		**298,424**	**100.0%**	**349,421**	**100.0%**
Cost of materials and goods		–223,015	–74.7%	–238,210	–68.2%
Gross operating profit		**75,409**	**25.3%**	**111,210**	**31.8%**
Personnel expenses	17)	–38,860	–13.0%	–40,280	–11.5%
Other operating expenses	18)	–46,605	–15.6%	–46,215	–13.2%
Total operating expenses		**–85,465**	**–28.6%**	**–86,495**	**–24.8%**
EBITDA		**–10,056**	**–3.4%**	**24,715**	**7.1%**
Depreciation of fixed assets	6)	–9,847	–3.3%	–17,591	–5.0%
Amortisation of intangible assets	8)	–202	–0.1%	–621	–0.2%
EBIT		**–20,105**	**–6.7%**	**6,503**	**1.9%**
Result from associates and joint ventures	19)	–964	–0.3%	–557	–0.2%
Financial result	19)	–3,288	–1.1%	–5,341	–1.5%
Ordinary result		**–24,357**	**–8.2%**	**604**	**0.2%**
Non-operating result	20)	45	0.0%	59	0.0%
Earnings before taxes		**–24,312**	**–8.1%**	**663**	**0.2%**
Income taxes	21)	8,521	2.9%	1,889	0.5%
Net result for the period		**–15,791**	**–5.3%**	**2,552**	**0.7%**
Attributable to:					
Net result for the period (shareholder)		–15,796	–5.3%	2,550	0.7%
Net result for the period (minority interests)		5	0.0%	2	0.0%
Net result for the period		**–15,791**	**–5.3%**	**2,552**	**0.7%**
Earnings per share (basic)	**22)**	**–7.44**		**1.20**	
Earnings per share (diluted)	**22)**	**–7.44**		**1.20**	

The figures were recorded to the nearest centime, but not shown. Rounding differences may therefore occur.

Consolidated cash flow statement

	Explanations in the notes	1.1.2022–31.12.22 TCHF	1.1.2021–31.12.21 TCHF
Net result for the period		–15,791	2,552
Depreciation of fixed assets and amortisation of intangible assets	6) 8)	10,049	18,213
Net interest expense		2,908	5,863
Other non-cash adjustments items [1]		–2,450	3,922
Change in provisions	13)	–11,376	6,202
Gains (losses) from sales of fixed assets		–27	–41,300
Income from associates and joint ventures		964	557
Cash flow from operating activities before changes in working capital		**–15,724**	**–3,991**
As % of net sales of goods and services		–5.38%	–1.36%
Change in trade accounts receivables	3)	–5,507	–12,906
Change in other receivables and accrued income	3) 5)	–1,363	–2,335
Change in inventories	4)	–3,312	–2,617
Change in trade payables	9)	476	3,775
Change in other liabilities and deferred income	11) 12)	5,781	136
Change in net current assets		**–3,924**	**–13,946**
Cash flow from operating activities		**–19,648**	**–17,937**
As % of net sales of goods and services		–6.73%	–6.12%
Investments in fixed assets		–1,954	–4,095
Divestments of fixed assets		0	53,306
Investments in intangible assets		0	–78
Investments in/divestment of long-term financial assets		0	81
Net cash flow from the purchase (–) / sale (+) of subsidiaries	3)	0	29,939
Cash flow from investing activities		**–1,954**	**79,152**
Free cash flow		–21,602	61,215
As % of net sales of goods and services		–7.39%	20.87%
Change in short-term financial liabilities	10)	66,882	0
Change in long-term financial liabilities	10)	–57,000	–43,000
Change in minority interests in capital and profit		5	61
Sale of treasury shares - net cash inflow		159	0
Interest paid		–2,585	–6,393
Cash flow from financing activities		**7,461**	**–49,332**
Currency translation adjustment		61	–9
Net change in cash and cash equivalents		**–14,080**	**11,874**
Cash and cash equivalents at 1 January		24,285	12,411
Cash and cash equivalents at 31 December		**10,205**	**24,285**

1) Other non-cash items mainly include the utilisation of the employer contribution reserves for the pension fund (see Note 7) in 2021 and currency effects in 2022.

The figures were recorded to the nearest centime, but not shown. Rounding differences may therefore occur.

Consolidated statement of changes in equity

	Share capital [1]	Treasury shares	Capital reserves	Hybrid capital	Acc. losses	Accumu-lated currency translation differences	Total excl. minority shares	Minority shares	Total incl. minority shares
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
Equity as at 31.12.2020	**21,518**	**–7,105**	**164,490**	**116,437**	**–114,697**	**–181**	**180,461**	**87**	**180,548**
Change in scope of consolidation	0	0	0	0	–26	0	–26	–35	–61
Currency translation differences	0	0	0	0	0	229	229	0	229
Net profit	0	0	0	0	2,550	0	2,550	2	2,552
Equity as at 31.12.2021	**21,518**	**–7,105**	**164,490**	**116,437**	**–112,174**	**48**	**183,213**	**55**	**183,267**
Capital increase	0	0	99	0	0	0	99	0	99
Sale treasury shares	0	1,359	–1,200	0	0	0	159	0	159
Currency translation differences	0	0	0	0	0	2	2	0	2
Net profit	0	0	0	0	–15,796	0	–15,796	5	–15,791
Equity as at 31.12.2022	**21,518**	**–5,747**	**163,389**	**116,437**	**–127,970**	**49**	**167,676**	**60**	**167,737**

1) 2021 and 2022: 2,151,757 registered shares at nominal CHF 10.00; each share corresponds to one vote; the maximum entry limit in the share register is 15 % of the votes)

The figures were recorded to the nearest centime, but not shown. Rounding differences may therefore occur.

Contingent capital

The Group has no contingent capital.

Changes

Explanations are included in the Notes to the annual financial statements 2022.

Notes to the 2022 consolidated financial statements of the HOCHDORF Group

Principles of consolidation

General information

The Board of Directors of HOCHDORF Holding Ltd approved these consolidated financial statements on 22 March 2023. They are subject to approval by the Annual General Meeting.

Consolidation principles

Basic accounting principles

The consolidated financial statements are based on the annual financial statements of the Group companies as at 31 December 2022, prepared in accordance with uniform principles. The Group's financial statements are prepared in accordance with all the guidelines of the Swiss GAAP FER (Accounting and Reporting Recommendations) and the provisions of Swiss law. The valuation basis is formed by acquisition or production costs or current values. The income statement is presented in accordance with the overall cost procedure. The consolidated financial statements are based on business values and reflect the actual status of the asset, financial and revenue position. The consolidated financial statements were prepared on the assumption of the continuation of the company.

The consolidated financial statements are prepared in Swiss francs (CHF).

Consolidation basis and methods

The consolidated annual financial statements of the HOCHDORF Group comprise the annual financial statements of HOCHDORF Holding Ltd holding company as well as all subsidiaries in which HOCHDORF Holding Ltd has a capital-relevant and vote-relevant majority or where control over the financial and business policy is exercised through contractual agreement. Assets and liabilities as well as expenses and revenue are recorded at 100% for the fully consolidated companies. Minority interests in the consolidated shareholders' equity and in the business results are shown separately. All intercompany transactions and relationships between consolidated companies are eliminated. Intercompany profits on such transactions are eliminated. The consolidated individual financial statements for the companies are adapted to the standard Group structure and evaluation regulations and entered in accordance with the full consolidation method.

Shareholdings in joint enterprises or shareholdings with 20% to 50% of the voting rights are accounted for using the equity method.

Capital consolidation

The capital consolidation is carried out according to the purchase method. Companies acquired during the year are consolidated from the date on which control is transferred. The net assets acquired in an acquisition are revalued at current values as at the acquisition date. The difference between the purchase price and the pro rata revalued net assets is offset against equity as goodwill/bad will. The acquisition of minority interests is also accounted for using the purchase method. Here, a purchase price allocation is waived. Accordingly, the difference between the purchase price and the pro rata equity capital is offset against equity capital as goodwill or bad will in accordance with Swiss GAAP FER.

Companies sold during the year are excluded from the consolidated financial statements from the date on which control is transferred. If shares in fully consolidated companies or companies accounted for using the equity method are sold, the difference between the disposal proceeds and the proportionate carrying amount, including goodwill/bad will, is recognised as a gain or loss on the income statement. Minority interests in subsidiaries with negative equity are also recognised proportionately with this negative equity.

Foreign currency translation

The foreign currency transactions and items included in the individual financial statements of the consolidated companies are converted as follows: foreign currency transactions are translated into the book currency at the exchange rate of the transaction date (current rate). At the end of the year, monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss at the exchange rate on the balance sheet date. Foreign currency gains and losses from the valuation of intercompany loans of an equity nature are recognised in equity.

The consolidated financial statements are presented in Swiss francs. Assets and liabilities of Group companies with different currencies are translated at year-end rates (closing rates), equity at historical rates, and the income statement and cash flow statement at average rates for the year. The conversion differences incurred are recognised in equity without affecting net income.

The accumulated translation differences for the translation of the annual financial statements and intercompany loans recorded in equity for a foreign company are derecognised when the company is sold and recognised in the income statement as part of the gain or loss on disposal.

	Average exchange rates		**End-of-year exchange rates**	
	2022	2021	31.12.2022	31.12.2021
1 EUR	1.004	1.079	0.987	1.036
1 USD	0.950	0.913	0.925	0.911
1 GBP	1.176	1.254	1.113	1.234
1 UYU	0.023	0.02	0.023	0.02

Cash flow statement

Cash and cash equivalents form the basis for the presentation of the cash flow statement. Cash flow from operating activities is calculated using the indirect method.

Accounting principles

Cash and cash equivalents

Cash and cash equivalents include cash and deposits on postal and bank accounts, as well as short-term time deposits with a remaining time of less than three months. They are recognized at nominal values.

Securities

Securities are measured at the market value on the balance sheet date. Unlisted securities are stated at cost less any value impairments. The securities are not of a participating nature and are short-term.

Accounts receivables from third parties

Accounts receivables from ordinary business activities include short-term receivables with a remaining term of up to one year. Accounts receivables are valued at nominal value. The operational default risks are taken into account by means of individual and general value adjustments. General value adjustments are made for items which have not already been subject to specific value adjustments. The general value adjustment is based on the assumption that the default risk rises as the receivable becomes increasingly overdue.

Receivables	General value adjustment
Overdue for 1–30 days	2% of the receivable amount
Overdue for 31–90 days	5% of the receivable amount
Overdue for 91–180 days	10% of the receivable amount
Overdue for more than 180 days	20% of the receivable amount
Ongoing collections	100% of the receivable amount

Accounts receivables from related parties and associated companies

The operational default risk from receivables from deliveries and services to related parties and associated companies are taken into account through individual value adjustments.

Inventories

The HOCHDORF Group's inventories consist largely of foodstuffs. These are subject to guide prices set by industry organisations and to market price fluctuations. The processing and storage of foodstuffs are subject to various regulations, such as storage temperatures, processing time frames and shelf lives. These factors have an impact on the valuation of inventories and are taken into account.

Raw materials, auxiliary materials operating materials and merchandise

Raw materials, auxiliary materials operating materials and merchandise are valued at the lower of cost or net market value. The net market values are derived using the last purchase price.

Finished and semi-finished products

The goods produced internally are valued at manufacturing cost, which is determined on the basis of standard costs. An ongoing comparison of standard costs with actual production costs ensures that the deviation between standard costs and actual production costs is within reasonable limits.

Individual value adjustments are made for goods with an expired best-before date and defective goods. In addition, value adjustments according to inventory turnover are taken into account in accordance with defined ranges. The value adjustments calculated in this way are adjusted accordingly for normal saleability or longer shelf life. In a further step, a sales price devaluation is carried out if necessary.

Property/plant and other fixed assets

Fixed assets are measured at the acquisition cost less economically necessary depreciation and permanent value impairments. Own work is only capitalised if it is clearly identifiable and the costs can be reliably determined, and if it provides the company with a measurable benefit over several years. Depreciation is calculated on a straight-line basis over the useful life of the asset as shown in the table below. The useful lives are reviewed on an ongoing basis and adjusted if necessary.

Asset group	Service life
Property, plant	15 – 65 years
Devices, equipment	5 – 25 years
Machines, appliances	5 – 25 years
IT systems, communication	5 – 10 years
Vehicles	5 – 10 years

Financial assets

Financial assets include securities held on a long-term basis as well as assets from employer contribution reserves and non-current receivables from Pharmalys Laboratories SA from the sale of the Pharmalys shareholding as well as the receivables from Pharmalys Laboratories SA transferred from accounts receivables to financial assets. Securities are measured at purchase value less the economically necessary value adjustments. Employer contribution reserves are recognised at nominal value.

Intangible assets

Intangible assets include software, patents, licences and brand values. These are accounted for at acquisition costs. They are depreciated on a straight-line basis over their useful economic life of 5–10 years and impaired if there are indications of impairment.

Impairment

The recoverability of non-current assets is assessed at each balance sheet date. If there are indications of impairment, the recoverable amount is calculated (impairment test). A recoverable amount is the higher of the net market value and the value-in-use. If the book value exceeds the recoverable amount, an adjustment is made to the income statement through impairment expense.

For cash generation units, an impairment test is performed annually based on value-in-use calculations if there is an indication of impairment. These are based on the cash flows for the next five years as a rule and the extrapolated values from the sixth year onwards. The figures used are part of the multi-year plan approved by the Board of Directors.

The composition of the assets of the cash-generating units is usually determined annually based on sales and production planning.

Liabilities

Liabilities are measured at nominal value.

Provisions

Provisions are recognised when there is a reasonable probable obligation as a result of a past event, the amount and/or timing of which is uncertain but can be estimated. The measurement of the provision is based on the estimate of the cash outflow to settle the obligation.

Deferred taxes

The accrual of deferred income tax is based on a balance sheet approach; in principle, it takes into account all future income tax effects. The calculation of deferred income taxes to be accrued annually is based on the future tax rate applicable to the respective taxable entity as at the balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset if they relate to the same taxable entity and are levied by the same taxation authority. Deferred tax assets on temporary differences and tax losses carried forward are only capitalised if it is probable that they can be offset against future taxable profits.

Equity/treasury shares

Treasury shares are recognised as a deduction from equity at cost. Gains and losses from transactions with treasury shares are recognised in capital reserves without affecting net income.

Equity/hybrid bond

The hybrid bond is a perpetual subordinated bond. The hybrid bond has its first call date after five-and-a-half years (21.06.2023). This is the first possible call date in the case of the bond for HOCHDORF. If this is not exercised, the interest payable increases by 2.5% plus an interest component based on a swap rate.

In principle, the interest payments under the hybrid bond are only due after the occurrence of a mandatory payment event, in particular after a resolution of the Annual General Meeting to pay a dividend. If no such event exists and no voluntary interest payments are made, the interest obligation is deferred until the occurrence of a mandatory event. The future obligations are only recognised as liabilities at the time of the occurrence of a corresponding condition (e.g. dividend resolution by the Annual General Meeting).

In 2020, HOCHDORF reassessed the accounting for the hybrid bond and concluded that only contractual payments that HOCHDORF cannot prevent should be included in the debt component. HOCHDORF suspended interest payments on the hybrid bond in 2021 and 2022. As at 31.12.2021 and 31.12.2022, there was no liability from the hybrid bond.

Equity/goodwill

The accounting policy choice described in Swiss GAAP FER 30 of offsetting goodwill/badwill against equity is exercised. The disclosure on the theoretical capitalisation of goodwill is described in the Notes to the consolidated income statement.

Employee pension plan

Employees and former employees of all companies receive different employee pension payments or old-age pensions corresponding to the legal requirements applicable in the countries where they are paid out.

The pension liabilities of HOCHDORF Holding Ltd and its subsidiary HOCHDORF Swiss Nutrition Ltd are governed by the legally independent pension fund of the HOCHDORF Group. The pension fund is a defined contribution plan. The costs resulting from the employee pension are charged to the income statement for the appropriate period. The actual economic effects of pension plans on the company are calculated on the balance sheet date. An economic benefit is carried as an asset if it is used for the company’s future pension expenses. A financial obligation is shown as a liability if the requirements for the creation of a provision are met. Existing employer contribution reserves are recognised as an asset under assets (financial assets).

Net sales from goods and services

Net sales include revenues from the sale of goods and services. Revenue from the sale of goods is recognised in the income statement when the risks and rewards of ownership of the products are transferred to the buyer. Revenue from services is recognised in the period in which the services are rendered. Sales deductions such as discounts, credit notes, rebates and sales taxes are deducted in the reported net sales.

Research and development

In-house research and development costs are charged in full to the income statement. These costs are included in the items "Personnel expenses" and "other operating costs".

Contingent liabilities

The probability and amount of contingent liabilities are assessed and evaluated on the balance sheet date and disclosed in the notes.

Transactions with related parties

Business relationships with related parties are conducted at arm's length. Related parties (natural or judicial) are defined as any party directly or indirectly able to exercise significant influence over financial or operating decisions of organisations. Organisations that are controlled directly or indirectly by the same related parties are also considered to be related parties.

Notes to the consolidated balance statement

Significant transactions

The following significant transactions occurred in the 2022 business year:

Receivables from Pharmalys Laboratories SA of CHF 23.8 million were reclassified to financial assets, as these will only be repaid after 31 December 2023 due to current discussions and in accordance with the business plan of Pharmalys Laboratories SA (see note 7).

The syndicated loan of CHF 67 million matures on 30 September 2023, which is why these liabilities were reclassified from long-term financial liabilities to short-term financial liabilities. The HOCHDORF Group has a binding term sheet for a new syndicated loan with a term of 2 years (see notes 10, 30 and 31).

At HOCHDORF Swiss Nutrition Ltd, hidden reserves of CHF 66.9 million were released in the 2022 business year, which led to a release of deferred tax provisions of CHF 8.5 million to the income statement.

Changes in the scope of consolidation

There were no significant changes in the scope of consolidation of the HOCHDORF Group in 2022.

Consolidated companies	Location	Function	Currency	Capital in thousands 31.12.2022	Capital share 31.12.2022	Capital in thousands 31.12.2021	Capital share 31.12.2021
Snapz Foods AG [1]	Hochdorf CH	Handel	CHF	0	0%	100	100%

1) Liquidated as of 19.07.2022

For further information on the companies included in the scope of consolidation, see note 29.

1. Cash and cash equivalents

TCHF	2022	2021
Cash	5	11
Post account	52	55
Bank account	10,149	24,219
Total	**10,205**	**24,285**

2. Securities

TCHF	2022	2021
Securities	223	253
Total	**223**	**253**

3. Accounts receivables

TCHF	2022	2021
Accounts receivables from third parties	33,164	34,878
./. Provision for doubtful accounts	–11,142	–11,037
Short-term receivables from related parties	30,146	45,133
Accounts receivables from associated companies	107	170
Other accounts receivables	3,189	3,333
Other accounts receivables from related parties	0	1,225
Total	**55,464**	**73,702**

The accounts receivables from third parties do not contain any concentration of credit risk due to customer diversification. The bad debt item includes the value adjustment made in 2019 for a receivable from a customer of CHF 10 million, that will still be carried under accounts receivables from third parties in 2021 and 2022.

Accounts receivables from related parties include outstanding invoices from deliveries of goods to Pharmalys Laboratories SA. A significant portion of these receivables was classified as non-current as at the end of June 2022 (see also the explanation under financial assets, note 7).

The other accounts receivables mainly include receivables from government agencies (value added tax, Directorate General of Customs) and from social welfare organisations.

With regard to the recoverability of the accounts receivables and the other receivables from related parties, see the assessment as a going concern in note 30.

Accounts receivables from third parties in the amount of CHF 10 million have been globally ceded as collateral for a bilateral credit line of CHF 10 million with a financial institution from 31 August 2022.

4. Inventories

TCHF	2022	2021
Raw/auxiliary/operating materials	6,374	5,628
Finished goods and semi-finished products	32,594	29,603
Value adjustments for inventories	–3,804	–3,380
Total	**35,163**	**31,851**

Value adjustments in 2022 and 2021 were mainly due to the sales price devaluations for milk powder.

5. Accrued income

TCHF	2022	2021
Accrued income	2,440	0
Customs receivables	1,733	4,510
CO_2 refund	497	280
Others	1,771	20
Total	**6,441**	**4,810**

The accrued income is comprised of revenues not yet received as well as costs paid in advance. Significant items are customer deliveries that have been delivered but not yet invoiced, receivables from the Directorate General of Customs due to milk export transactions and receivables for CO_2 refunds.

6. Fixed assets

TCHF	Property and plant	Equipment, warehouse equipment, fixed equipment	Machines, production appliances, furnishings	Office equipment, IT systems, communication, equipment	Vehicles	Current investment projects (assets under construction)	Total
Net book value 01.01.2020	**62,901**	**39,776**	**59,616**	**5,314**	**440**	**2,369**	**170,415**
Costs							
As at 01.01.2021	**155,115**	**90,183**	**179,964**	**25,418**	**1,721**	**2,369**	**454,769**
Additions	-	-	-	-	-	4,226	4,226
Disposals [1]	–51,661	–7,653	–11,045	–2,749	–250	-	–73,357
Reclassification [2]	257	340	1,541	862	0	–3,000	-
Currency differences	–8	–0	–8	–0	–0	-	–17
As at 31.12.2021	**103,703**	**82,869**	**170,452**	**23,531**	**1,471**	**3,595**	**385,621**
Accumulated depreciation							
As at 01.01.2021	**92,214**	**50,407**	**120,348**	**20,104**	**1,281**	**-**	**284,354**
Disposals [1]	–41,282	–6,018	–11,055	–2,749	–250	-	–61,353
Depreciation	2,765	3,548	4,398	1,110	111	-	11,930
Impairments [3]	0	3,348	1,220	1,062	32	-	5,661
Currency differences	–8	–0	–8	–0	–0	-	–17
As at 31.12.2021	**53,689**	**51,283**	**114,903**	**19,527**	**1,173**	**-**	**240,576**
Net book value 31.12.2021	**50,014**	**31,586**	**55,549**	**4,004**	**298**	**3,595**	**145,045**
Costs							
As at 01.01.2022	**103,703**	**82,869**	**170,452**	**23,531**	**1,471**	**3,595**	**385,621**
Additions	-	-	-	-	-	2,041	2,041
Disposals [1]	-	-	-	-	–77	-	–77
Reclassification [2]	110	1,590	1,355	1,267	26	–3,876	472
As at 31.12.2022	103,814	84,460	171,806	24,797	1,420	1,760	388,057
Accumulated depreciation							
As at 01.01.2022	**53,689**	**51,283**	**114,903**	**19,527**	**1,173**	**-**	**240,576**
Disposals [1]	-	-	-	-	–77	-	–77
Depreciation	1,656	3,097	4,101	907	86	-	9,847
As at 31.12.2022	55,345	54,380	119,004	20,433	1,182	-	250,345
Net book value 31.12.2022	48,469	30,079	52,802	4,364	237	1,760	137,712

1) Disposals in 2021 due to the sale of real estate/properties at the Welschenrohr and Hochdorf sites in Switzerland and at Zittau, Germany
2) New acquisitions are posted with project numbers under "current investment projects" as inward movements. After the start of operations there is a transfer posting from the "current investment projects" account to the appropriate fixed asset account
3) Value adjustment on assets at the Hochdorf site that are no longer needed

In 2021, the properties at the Hochdorf, Welschenrohr and Zittau sites were sold and a value adjustment carried out on property, plant and equipment at the Hochdorf site.

To secure the syndicated loan of CHF 67 million (2021 CHF 57 million), CHF 30 million of the properties at the Sulgen site have been pledged.

Of which assets subject to financial leasing

The assets included in fixed assets under financial leasing relate to the leasing of laptops, computers, printers and vehicles at HOCHDORF Swiss Nutrition Ltd. The net book value amounted to CHF 0.4 million in 2021 and CHF 0.3 million in 2022.

7. Financial assets

TCHF	2022	2021
Securities	37	37
Non-current receivables from related parties [1)]	35,799	9,719
Assets from employer contribution reserves	116	113
Total	**35,951**	**9,869**

The non-current receivables from related parties relate to receivables from Pharmalys Laboratories SA classified as non-current.

In the case of HOCHDORF Holding Ltd and HOCHDORF Swiss Nutrition Ltd, no deferred tax assets were recognized on the loss carried forward, as it is not certain that they can be offset against future taxable profits within the next seven years.

Taxable losses carried forward after expiration

Taxable losses carried forward after expiration TCHF	2022	2021
2025 and later Cantonal tax	361,778	322,782
Total	**361,778**	**322,782**

Taxable losses carried forward after expiration TCHF	2,022	2,021
2025 and later Federal tax	371,559	313,002
Total	**371,559**	**313,002**

Assets from employer contribution reserves

TCHF	Nominal value	Renounced use	Balance sheet	Addition per	Balance sheet	Result of employer contribution reserve		Result of employer contribution reserve in financial income	
Employer contribution reserve	**31.12.2022**	**31.12.2022**	**31.12.2022**	**2022**	**31.12.2021**	**2022**	**2021**	**2022**	**2021**
Pension fund HGR	116	0	116	0	113	0	–3,944	3	0

The posting of interest from employer contribution reserves through pension plans appears as a credit in the financial revenues. Interest of 2.25% (PY: 0%) was calculated on the employer contribution reserves in 2022. From 1 May 2019 to 31 December 2021, the employer contributions were offset against the employer contribution reserves.

TCHF Economic benefit/ economic liability and pension expenditure	Credit/debit balance	Economic Share of the organisation		Change from the previous year	Contribution accrued to the period	Pension expenditure in personnel expenses	
	31.12.2022	31.12.2022	31.12.2021			2022	2021
HGR pension fund	19,668	0	0	0	3,998	3,998	3,944

8. Intangible assets

TCHF	Software	Brands	Others intangible assets	Current projects	Total
Net book value as at 01.01.2021	**973**	**-**	**124**	**437**	**1,533**
Costs					
As at 01.01.2021	**3,743**	**3,520**	**700**	**437**	**8,400**
Additions	0	-	-	324	324
Disposals	–603	–3,520	-	-	–4,123
Reclassifications	218	-	-	–218	-
Currency differences	–0	-	-	0	–0
As at 31.12.2021	**3,358**	**–0**	**700**	**542**	**4,600**
Accumulated amortisation					
As at 01.01.2021	**2,771**	**3,520**	**576**	**-**	**6,867**
Disposals	–603	–3,520	-	-	–4,123
Amortisation	497	-	124	-	621
Impairment	0	-	-	-	0
Currency differences	–0	-	-	-	–0
As at 31.12.2021	**2,664**	**–0**	**700**	**-**	**3,364**
Net book value as at 31.12.2021	**694**	**-**	**0**	**542**	**1,236**
Costs					
As at 01.01.2022	**3,358**	**–0**	**700**	**542**	**4,600**
Additions	25	-	-	282	307
Disposals	-	-	-	-	-
Reclassifications	-	-	-	–472	–472
Currency differences	-	-	-	-	-
As at 31.12.2022	**3,383**	**–0**	**700**	**352**	**4,435**
Accumulated amortisation					
As at 01.01.2022	**2,664**	**–0**	**700**	**-**	**3,364**
Disposals	-	-	-	-	-
Amortisation	202	-	-	-	202
Impairment	-	-	-	-	-
Currency differences	-	-	-	-	-
As at 31.12.2022	**2,866**	**–0**	**700**	**-**	**3,566**
Net book value as at 31.12.2022	**517**	**-**	**-**	**352**	**869**

Intangible assets only cover acquired assets. The brand disposal in 2021 relates to the liquidation of Snapz Foods AG and the associated Snapz brand. Own brand names are not evaluated and not recognized on the balance sheet date.

9. Trade payables

TCHF	2022	2021
Trade payables to third parties	26,712	25,963
Trade payables to associated companies	139	17
Total	**26,851**	**25,980**

10. Financial liabilities

Short-term financial liabilities

TCHF	2022	2021
Leasing liabilities	118	118
Bank loans	67,000	0
Total	**67,118**	**118**

Leasing liabilities include laptops, computers and other equipment at HOCHDORF Swiss Nutrition Ltd.

Bank loans relate to the syndicated loan maturing on 30.9.2023. As at 31.12.2022, HOCHDORF has fully utilised the syndicated loan facility of CHF 67.0 million (2021 CHF 57 million) by drawing CHF 10.0 million.

In 2021, the syndicated loan was classified as long-term due to its term.

Long-term financial liabilities

TCHF	2022	2021
Leasing liabilities	121	239
Bank loans	0	57,000
Total	**121**	**57,239**

Terms and interest rates

Syndicated loan	67,000	30.09.2023	von 2.75 % bis 6.50 %
Total	**67,000**		

The financial liabilities are recorded and valued at the nominal value. The interest rate depends on the debt factor.

Syndicated loan

The HOCHDORF Group has a syndicated loan (agent: Luzerner Kantonalbank) with a total limit of CHF 67.0 million. The key financial indicators to be complied with under the syndicated loan agreement are an equity ratio of at least 40.0% as at 31.12.2022 and a loss at the EBITDA level of no more than CHF 7.0 million for the second half of 2022. As at 31 December 2022, the equity ratio was 59.2% and the profit at EBITDA level amounted to CHF 0.6 million in the second half of 2022. The covenants agreed with the syndicate banks were complied with as at 31 December 2022.

The syndicated loan was adjusted in August 2022. The maximum available credit limit was reduced from CHF 75.0 million to CHF 67.0 million. The covenant debt factor was replaced by the covenant minimum EBITDA per semester for the remaining term of the syndicated loan agreement until 30 September 2023. Accordingly, the EBITDA for the second half of 2022 and the first half of 2023 may not fall below CHF –7.0 million.

In August 2022, the HOCHDORF Holding Ltd credit line of CHF 3.0 million was also replaced with a bilateral credit line of CHF 10.0 million from Luzerner Kantonalbank to HOCHDORF Swiss Nutrition Ltd. The term and use of this credit line is subject to compliance with the conditions of the current syndicated loan. To secure this bilateral credit, a part of the accounts receivables was ceded. The credit line was not utilised by 31 December 2022.

In the event of a breach of the covenants, the credit agreement can be terminated extraordinarily (with immediate maturity of all liabilities) by the syndicate banks. The credit agreement only allows dividend payments if certain debt factors are met (see notes 30 and 31).

11. Other financial liabilities

TCHF	2022	2021
Other short-term liabilities [1]	1,858	1,559
Salary accounts (salary payments, profit-sharing, AHV, SUVA, health insurance, etc.)	713	758
Government bodies (taxes, source taxes, value added taxes)	356	149
Total	**2,926**	**2,465**

1) The largest items under “Other short-term liabilities” are advance payments for customers and payments to the Swiss Milk Sector Organisation (BOM) for the fund contributions from milk suppliers collected in December

Employee holiday credits and overtime were reallocated from other liabilities to accrued expenses and deferred income.

12. Accrued liabilities and deferred income

TCHF	2022	2021
Reimbursements	1,281	2,214
Employee overtime	361	192
Employee holiday credits	534	534
Accrued income from sale of goods	1,284	1,231
Others	7,352	1,246
Total	**10,813**	**5,417**

The accrued liabilities and deferred income mainly comprises accruals in the context of reimbursements and commissions as well as invoices for received but not yet invoiced goods and other supplier services (power, water, transport). Due to the shortened closing process in 2022, the delivered goods not invoiced (milk deliveries) increased.

13. Provisions

TCHF	Deferred tax provisions	Restructuring provisions	Various provisions	Total
As at 31.12.2020	**10,434**	**-**	**2,218**	**12,652**
Additions [1]	0	7870	900	8,770
Used [2]	0	0	–479	–479
Unusued amounts reversed [3]	–1,900	0	–189	–2,089
As at 31.12.2021	**8,534**	**7,870**	**2,450**	**18,854**
Of which short-term provisions	**0**	**355**	**1,000**	**1,355**
Additions	0	–0	214	1,004
Used	0	–345	–103	–448
Unusued amounts reversed [4]	–8,520	–1,725	–897	–11,932
As at 31.12.2022	14	5,800	1,664	7,478
Of which short-term provisions	**0**	**100**	**214**	**313**

1) Restructuring: In connection with the relocation of production from the Hochdorf site to Sulgen (incl. onerous contracts, social plan etc.); Other: In connection with impending legal dispute
2) Mostly related to the liquidation of Snapz Foods AG
3) Various: In connection with announcement of joint venture with Stellium AG (Hochdorf Americas)
4) Reversal of deferred taxes after reversal of valuation difference due to release of hidden reserves on property, plant and equipment and inventories as part of a restructuring step and reduction of provisions for rental obligations at the Hochdorf site ("onerous contract").

14. Share capital – hybrid capital – contingent capital

The share capital of HOCHDORF Holding Ltd of CHF 21,517,570 nominal (divided into 2,151,757 registered shares of CHF 10 each) as at 31 December 2022 is unchanged from the previous year.

In 2017 (payment 21.12) HOCHDORF Holding Ltd issued a public hybrid bond with a nominal value of CHF 125 million, net CHF 124.17 million. It is a perpetual subordinated bond which pays interest with a coupon rate of 2.5%. The hybrid bond has its first call date on 21.06.2023. If this is not exercised, the interest payable increases by 2.5% plus an interest component based on a swap rate. Securities number 39,164,798; ISIN CH0391647986.

The interest payments under the hybrid bond are essentially optional and HOCHDORF Holding Ltd can choose whether to make the interest payments annually or defer them. The interest payments become payable upon the occurrence of certain events, e.g. when HOCHDORF Holding Ltd declares and pays dividends on its shares. In 2021 and 2022, HOCHDORF Holding Ltd exercised its voting rights and suspended the interest payments.

The hybrid bond is treated as a compound financial instrument and consists of a debt and an equity component. The debt component includes all contractually owed and unavoidable payments. As at 31 December 2022 there was no liability (PY: CHF 0).

Notes to the consolidated income statement

The following explanatory remarks are given to supplement the income statement, structured in accordance with the total cost of expenditure method (production income statement).

15. Net sales from goods and services

No significant adjustments for bad debts were made in 2022 and 2021.

By product group

TCHF	2022	Share	2021	Share
Milk products/cream	63,257	21.65%	84,548	27.86%
Milk powder	145,956	49.96%	128,805	42.44%
Infant formula	78,599	26.90%	84,255	27.76%
Specialities	463	0.16%	2,148	0.71%
Bakery/confectionary goods	907	0.31%	810	0.27%
Other products/services	2,960	1.01%	2,950	0.97%
Total	**292,141**	**100%**	**303,515**	**100%**

The Baby Care division includes the infant formula product group and other product groups.

By region

TCHF	2022	Share	2021	Share
Switzerland/Liechtenstein	207,173	70.92%	202,577	66.74%
Europe	29,368	10.05%	34,836	11.48%
Asia	6,886	2.36%	6,864	2.26%
Middle East/Africa [1)]	37,818	12.95%	53,277	17.55%
Americas	10,898	3.73%	5,961	1.96%
Total	**292,141**	**100.00%**	**303,515**	**100.00%**

1) Net revenues with Pharmalys Laboratories SA are reported under Middle East/Africa

By division

As a result of possible competitive disadvantages compared to non-listed and large listed competitors, customers and suppliers, presentation of the segment results was waived, pursuant to Swiss GAAP FER 31/8. The Swiss milk market is small and tightly knit with few key companies and providers. The supplier side (milk producers) is organised within several milk producer organisations. On the processing side, the market is dominated by the cheese dairies and four large dairies. On the customer side, the chocolate industry segment is predominant, likewise with just a few large producers. In the area of infant formula (based on milk), only one other company in Switzerland produces infant formula for the Swiss and international market, apart from the HOCHDORF Group.

TCHF	2022	Share	2021	Share
Food Solutions	212,647	72.79%	218,596	72.02%
Baby Care	79,494	27.21%	84,918	27.98%
Total	**292,141**	**100.00%**	**303,515**	**100.00%**

16. Other operating income

TCHF	2022	2021
Various other operating income	3,292	43,878
Total	**3,292**	**43,878**

Various other operating income includes the rental of storage space and insurance benefits as major items. The various other operating income in 2021 include gains from the sale of real estate at the Hochdorf and Welschenrohr locations of Hochdorf Swiss Nutrition Ltd and Zifru GmbH.

17. Personnel expenses

TCHF	2022	2021
Wages	–31,097	–31,293
Social security contributions	–5,001	–4,992
Other personnel expenses	–2,762	–3,995
Total	**–38,860**	**–40,280**

The other personnel expenses in 2021 include expenses in connection with the closure of production and relocation from Hochdorf to Sulgen (including social plan). As at 31.12.2022, the HOCHDORF Group reported a headcount of 361 (31.12.2021: 387).

18. Other operating expenses

TCHF	2022	2021
Facilities expenditure (incl. warehouse rents)	–3,930	–8,453
Maintenance, repairs	–6,052	–6,657
Vehicle and transport costs	–4,560	–4,773
Insurance, fees, duties	–1,780	–1,812
Energy and disposal expenditure	–18,723	–10,361
Administration and IT expenditure	–5,687	–8,170
Advertising costs incl. commissions to customers	–2,266	–2,330
Various other operating expenses	–3,607	–3,659
Total	**–46,605**	**–46,215**

In 2022, the change was mainly driven by increased energy costs and the reduction of provisions for rental obligations at the Hochdorf site ("onerous contract") by CHF 1.6 million. In 2021, occupancy expenses included provisions for rental obligations at the Hochdorf site ("onerous contract") of CHF 5.5 million and administrative and IT expenses in connection with the sale of the property and buildings at the Hochdorf site.

19. Financial result and income from associates and joint ventures

TCHF	2022	2021
Results from associates and joint ventures	**–964**	**–557**
Income from holdings	0	273
Income from financial assets	0	764
Interest revenue	1,945	636
Exchange rate income	1,804	986
Value adjustment from financial assets	–0	337
Total financial income	**3,749**	**2,995**
Interest expenses	–2,905	–5,863
Deposit fees, fees	–0	-5
Exchange rate losses	–4,132	–2,469
Total financial expenses	**–7,037**	**–8,337**
Total	**–3,288**	**–5,342**

The result from share of profit of associates comes mainly from the annual loss of Uckermärker Milch GmbH held by Ostmilch Handels GmbH.

The interest income includes the interest charged for the receivables of Pharmalys Laboratories SA.

Lower interest expenses in 2022 are due to the reduced syndicated loan following the sale of the properties at the Hochdorf site in 2021.

20. Non-operating result

TCHF	2022	2021
Non-operating result	45	59
Total	**45**	**59**

The non-operating income consists of expenses and rental income from non-operating properties.

21. Taxes

TCHF	2022	2021
Current income taxes		
Taxes on operating result	–13	–11
Deferred income taxes		
Net change in deferred tax assets and liabilities	8,534	1,900
Total	**8,521**	**1,889**

Valuation of deferred taxes occurs in line with the tax rates that are actually expected in meeting future tax liability or in the realisation of future receivables (liability method). For HOCHDORF Swiss Nutrition Ltd this is 13.0%

In the case of HOCHDORF Holding Ltd and HOCHDORF Swiss Nutrition Ltd, no deferred tax assets were formed on the loss carried forward, as it is not certain that they can be offset against future taxable profits within the next seven years. If the possible deferred tax assets for HOCHDORF Holding Ltd and for HOCHDORF Swiss Nutrition Ltd were offset, and taking into account the maximum possible capitalisation for the other companies, the weighted average tax rate would be 12.5%. In the previous year, this was stated at 12.6%.

The tax effect in 2022 results from the reversal of deferred taxes due to the release of hidden reserves on property, plant and equipment and inventories as part of a restructuring step.

22. Earnings per share

Earnings per share (shareholder)

	2022	2021
Weighted average shares outstanding, basic	2,123,588	2,122,019
Weighted average shares outstanding, diluted	2,123,588	2,122,019
Earnings current year (shareholder); TCHF	–15,796	2,550
Earnings per share (shareholder) basic (in CHF)	**–7.44**	**1.20**
Earnings per share (shareholder) diluted (in CHF)	**–7.44**	**1.20**

To determine the earnings per share, the earnings attributable to the shareholders of the HOCHDORF Group for the reporting year are divided by the average number of outstanding shares.

The treasury shares held are not included in the calculation.

23. Treasury shares

Transactions with treasury shares

	2022	2021
Balance as at 1 January in units	**29,738**	**29,738**
Purchases in units	0	0
Sales/allocations in units	–5,422	0
Balance as at 31 December in units	**24,316**	**29,738**
At an average price per share of CHF	236.34	238.93

As at 31.12.2022, HOCHDORF Holding Ltd held 24,316 treasury shares (31.12.2021: 29,738). In 2022, a total of 5,422 shares were sold. No share-based compensation was paid to either the Board of Directors or the Group Management.

HOCHDORF Group pension fund

	2022	2021
Registered shares of HOCHDORF Holding Ltd	18,000	18,000
Total	**18,000**	**18,000**

24. Further notes

Leasing obligations

TCHF	2022	2021
Unrecognised leasing obligations	9,167	12,218
Total	**9,167**	**12,218**

The majority of the unrecognised leasing obligations relate to the rental obligation with the municipality of Hochdorf, which runs until 2025.

The HOCHDORF Group has signed a 4-year rental agreement starting on 1 January 2022. This rental agreement provides for a rental period until 31.12.2025 with the option of extension for 1 year. The annual rental price was set at CHF 3 million. On 31.12.2022, this still resulted in a rental obligation of CHF 9 million. As at 31.12.2021, a provision for onerous contracts of CHF 5.5 million was created for this obligation (see note 14 in the Notes to the 2021 Annual Report), which was reduced to CHF 3.9 million in 2022.

The formation of the provision was justified by a planned relocation of production in 2023/2024, which was postponed for operational reasons, which in turn triggered the partial release of this provision. As at 31.12.2022, there is no provision for onerous contracts for off-balance sheet lease obligations in the amount of CHF 5.3 million.

Liabilities from pension fund

TCHF	2022	2021
HOCHDORF Group pension fund	310	0
Total	**310**	**0**

25. Companies in liquidation

The liquidation proceedings of Snapz Foods AG have been formally concluded and the removal from the commercial register took place in July 2022. Zifru Trockenprodukte Gmbh (D) remains in liquidation proceedings.

26. Goodwill offset against equity

Acquisition costs

TCHF	2022	2021
As at 1 January	35,047	35,047
As at 31 December	**35,047**	**35,047**

Accumulated amortisation TCHF

TCHF	2022	2021
As at 1 January	–27,366	–21,608
Additions	–5,758	–5,758
Disposals	0	0
As at 31 December	**–33,124**	**–27,366**
Theoretical goodwill as at 31 December	**1,923**	**7,681**

This is shown based on a linear amortisation over 5 years (pro rata).

The effects of theoretical capitalisation on the income statement and balance sheet are shown in the following tables.

TCHF	2022	2021
Net result	–15,796	2,552
Amortisation of goodwill	–5,758	–5,758
Theoretical net profit	**–21,554**	**–3,206**

TCHF	2022	2021
Equity	167,736	183,267
Theoretical goodwill	1,923	7,681
Theoretical equity	**169,659**	**190,948**

27. Transactions with related parties and companies

The business transactions with related persons and companies are based on standard commercial contracts and conditions. All transactions are reported in the financial statements of 2021 and 2022. These cover deliveries of goods and raw materials as well as services to and from related companies. This is shown separately in the corresponding balance sheet items.

Transactions with associated companies

TCHF	2022	2021
Net revenue	1,128	1,448
Cost of goods	–3,213	–1,365
Financial income	34	8
Financial expenses	–24	–11

Associated: Ostmilch Handels GmbH, Uckermärker Milch GmbH

Transactions with related companies

TCHF	2022	2021
Net revenue	35,729	47,775
Service revenue	441	390
Financial income	1,714	2,100
Financial expenses	–2,480	–1,794

The transactions shown relate to transactions with Pharmalys Laboratories SA. Deliveries to Pharmalys Laboratories SA are made on the basis of an industry-standard supply contract with industry-standard payment terms and are mostly made in EURO. Since October 2022, a payment period of 90 days has been agreed.

Financial income includes interest charged on outstanding payments as well as currency gains. Interest on outstanding payments is charged as interest on arrears of less than 5%. Financial expenses mainly include currency losses. The supply and the payment agreements with Pharmalys Laboratories SA are currently being renegotiated.

28. Contingent liabilities

HOCHDORF becomes involved in legal disputes as part of its normal business operations. Although the outcome cannot be conclusively assessed at the present time, HOCHDORF assumes that it will not have any significant negative impact on its business activities or financial position. Anticipated payments to be made are set aside. There were no material contingent liabilities as at the balance sheet date in 2022 and 2021.

29. Overview of the Group companies and associated companies

Consolidated companies	Location	Function	Currency	Capital in thousands 31.12.2022	Capital share 31.12.2022	Capital in thousands 31.12.2021	Capital share 31.12.2021
HOCHDORF Holding AG	Hochdorf CH	Holding	CHF	21 517	100%	21 517	100%
HOCHDORF Swiss Nutrition AG	Hochdorf CH	Production	CHF	30 000	100%	30,000	100%
HOCHDORF Swiss Nutrition UG	Heidelberg DE	Trade	EUR	10	100%	10	100%
HOCHDORF America's Ltd	Montevideo UY	Trade	UYU	3,232	100%	3,232	100%
Thur Milch Ring AG	Sulgen CH	Trade	CHF	170	56.5%	170	56.5%
Schweiz. Milch-Gesellschaft AG	Hochdorf CH	Shell company	CHF	100	100%	100	100%
Snapz Foods AG [1]	Hochdorf CH	Trade	CHF	n.a.	n.a.	100	100%
Zifru Trockenprodukte GmbH [2]	Zittau DE	Production	EUR	200	100%	200	100%

1) Liquidation per 19.07.2022
2) In Liquidation

Associated companies	Location	Function	Currency	Capital in thousands 31.12.2022	Capital share 31.12.2022	Capital in thousands 31.12.2021	Capital share 31.12.2021
Ostmilch Handels GmbH	Bad Homburg, Germany	Trade	EUR	1 000	0	1,000	26%
Ostmilch Handels GmbH und Co. Frischdienst Oberlausitz KG	Schlegel, Germany	Logistics	EUR	51	0	51	26%
Ostmilch Frischdienst Magdeburg GmbH	Meitzendorf, Germany	Trade	EUR	25	0	25	26%
Uckermärker Milch GmbH [1]	Prenzlau, Germany	Production	EUR	10 000	0	10,000	26%

1) Indirectly associated; Uckermärker Milch GmbH has been 100% owned by Ostmilch Handels GmbH since 28.02.2020

30. Assessment as a going concern

The Board of Directors and Group Management of the HOCHDORF Group are of the opinion that the following material uncertainties may raise significant doubts about the HOCHDORF Group's ability to continue as a going concern. The ability to continue as a going concern at this time is dependent on the successful completion of the follow-on financing from 30 September 2023, based on the binding financing confirmation signed by the banks and available to the HOCHDORF Group.

The material uncertainties relate to:

a) The recoverability of the receivables from Pharmalys Laboratories SA amounting to CHF 65.9 million in total.

b) Compliance with the financial covenants from the syndicated loan agreement

c) Ensuring solvency

Assessment by the Board of Directors

a) Recoverability of receivables from Pharmalys Laboratories SA

The Board of Directors and Group Management of the HOCHDORF Group consider the receivables from Pharmalys Laboratories SA to be recoverable. At the present time, no future payment default is to be expected.

There is a close contact between the management of the HOCHDORF Group and the management of Pharmalys Laboratories SA. The development of the markets in which Pharmalys Laboratories SA is active, the ordering and delivery processes and the liquidity development are discussed and agreed in regular meetings. The aim of these meetings is to ensure transparent communication about market developments, optimise processes and meet payment targets. In the first instance, reliable sales planning was introduced and Pharmalys Laboratories SA was able to reduce the payment terms in the markets relevant for the HOCHDORF Group (North Africa and the Middle East) to a level that is customary in the industry.

Sales forecasts in Pharmalys Laboratories SA's markets to end customers assume double-digit growth rates on average for the years 2023 to 2026.

As at 31 December 2022, receivables from Pharmalys Laboratories SA amounted to CHF 65.9 million, of which CHF 30.1 million related to current receivables and CHF 35.8 million to non-current receivables posted under financial assets. Pharmalys Laboratories SA has complied with the payment obligations arising from current receivables up to the date of publication of this Annual Report. Between 1 January 2023 and the publication date of the Annual Report 2022, a total of CHF 14.1 million has been paid by Pharmalys Laboratories SA. A payment agreement in connection with a supply agreement is being worked out for the repayment of these non-current receivables.

b) Compliance with the financial covenants from the syndicated loan agreement

The covenants of the financing agreements for the HOCHDORF Group were complied with as at 31 December 2022. The Group Management and Board of Directors of the HOCHDORF Group currently assume that there is no threat of a breach of the agreed covenants as at 30 June 2023. This is the last date on which covenants must be tested for the current credit agreement, which ends on 30 September 2023.

The key financial indicators to be complied with under the syndicated loan agreement are an equity ratio of at least 40.0% at as at 31 December 2022 and a loss at the EBITDA level of no more than CHF 7.0 million for the second half of 2022. As of 31 December 2022, the equity ratio was 59.2% and the EBITDA profit in the second half of 2022 was CHF 0.6 million. For the first half of 2023, the EBITDA loss may also not exceed CHF 7.0 million.

The HOCHDORF Group's 2023 budget shows a positive EBITDA for the first half of the year. For the entire 2023 business year, the management also expects a positive business result at the EBITDA level. Based on the cautious planning and the measures adopted in the 2023 budget to improve the result in 2023, the Board of Directors and Group Management assume that the covenants will be complied with in the first half of 2023 and that there is a limited risk of a breach.

c) Ensuring solvency

As at 31.12.2022, the net debt of the HOCHDORF Group amounted to CHF 56.8 million (previous year: CHF 32.7 million). The freely available credit line amounted to CHF 10.0 million. The 12-month liquidity plan from January 2023 shows that the available credit line is sufficient if the operating business is realised as planned and if payment by Pharmalys Laboratories SA is delayed. However, this credit line would not compensate for a complete default on the outstanding receivables from Pharmalys Laboratories SA.

The financing of the HOCHDORF Group is secured in the short term by the following loans from financial institutions:

- A committed syndicated loan totalling CHF 67 million, which is secured by a lien and expires on 30 September 2023.
- A bilateral loan in the amount of CHF 10.0 million, which is secured by a portion of the accounts receivable. This credit line is uncommitted and indirectly linked to the conditions of the syndicated loan and is therefore also valid until 30 September 2023.

To ensure medium-term solvency, the HOCHDORF Group has a binding financing confirmation signed by a bank consortium for the extension of the existing syndicated loan agreement for 2 years. The new syndicated loan agreement to be negotiated with the banks will contain covenants within the previous framework based on the consolidated financial statements (targets for absolute EBITDA and equity ratio), which the company assumes will be met based on the business plan. See also note 31 “Events after the balance sheet date”.

The Board of Directors and Group Management of the HOCHDORF Group conclude that the Group’s short-term and medium-term solvency is therefore ensured.

31. Events after the balance sheet date

The HOCHDORF Group started the refinancing of the company with great intensity in the summer of 2022, as the syndicated loan expires on 30 September 2023. The Board of Directors and Group Management have commissioned an external consultant to support the company in this process. At the time of publication of the 2022 annual financial statements, HOCHDORF has received a binding financing confirmation signed by a syndicate of banks for the extension of the existing syndicated loan agreement, which expires on 30 September 2023, for the extension for two years.

In the view of the Board of Directors and Group Management, this ensures the solvency of the HOCHDORF Group for the medium-term future. In the coming weeks, the Board of Directors and the Group Management will finalise and sign the new syndicated loan agreement in cooperation with the banks on the basis of the current term sheet.

According to the binding and signed financing confirmation from the banks, the credit amount is CHF 77.0 million and is committed for 2 years. The credit amount is made up of the existing credit lines of CHF 67.0 million and CHF 10.0 million. The HOCHDORF Group’s premises in Sulgen TG and part of the accounts receivable serve as collateral. It is expected that the new syndicated loan agreement to be finally negotiated with the banks will contain covenants within the current framework.

No other significant events have occurred since the balance sheet date of 31.12.2022 that could affect the informational value of the consolidated financial statements for 2022 or that would have to be disclosed here.

32. Non-GAAP indicators used in this report

The financial information in the annual financial statements includes certain non-GAAP indicators that are not defined by Swiss GAAP FER. These measures are used by management to set targets and assess HOCHDORF's performance. The non-GAAP indicators used may differ from similar measures used by other companies and should not be considered a substitute for the Swiss GAAP FER indicators.

Operating income

The operating income includes net revenues (gross revenues less sales deductions) plus other operating income, such as warehouse inventory changes.

Gross operating profit

The gross operating profit comprises the operating income less cost of materials.

EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITA) comprise the gross operating profit less all operating expenses.

EBIT

Earnings before interest and taxes (EBIT) comprise the EBITDA less depreciation of tangible assets and amortisation of intangible assets as well as impairment of investments.

Free cash flow

Free cash flow includes cash flow from working capital less changes in net working capital and cash flow from investing activities.

Net debt

Net debt includes short-term and long-term interest-bearing liabilities less cash and cash equivalents.

Auditor's report

KPMG

Statutory Auditor's Report

To the General Meeting of HOCHDORF Holding Ltd., Hochdorf

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of HOCHDORF Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 90 to 118) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 30 in the consolidated financial statements, which indicates that material uncertainties exist in relation to the recoverability of receivables from Pharmalys Laboratories SA, as well as compliance with the financial covenants from the syndicated loan agreement and ensuring solvency. As stated in Note 30, these events or conditions, along with other matters as set forth in Note 30, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Recoverability of receivables from Pharmalys Laboratories SA

Valuation of fixed assets

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Material Uncertainty Related to Going Concern" section we have determined the matters described below to be the key audit matters to be communicated in our report.

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Recoverability of receivables from Pharmalys Laboratories SA

Key Audit Matter

HOCHDORF Group has significant business relationships with Pharmalys Laboratories SA.

As at 31 December 2022 receivables in the amount of CHF 65.9 million due from Pharmalys Laboratories SA exist, thereof CHF 30.1 million relating to trade accounts receivable and CHF 35.8 million relating to financial assets. These receivables represent a significant portion of the groups' current and non-current assets.

A potential valuation adjustment on these receivables can have a significant impact on the financial covenants, which according to the syndicated loan agreement must be complied with.

In assessing the recoverability management has to make respective evaluations.

Our response

In the course of our audit we have assessed management's evaluation of the recoverability of the receiva-bles due from the Pharmalys Laboratories SA.

We performed among others the following audit procedures:

— Assessment of the basis, method and process to determine the recoverability of the receivables;

— Challenging the most important assumptions used in the recoverability assessment, including future cash flows, by comparison to payments received and underlying documents such as cash forecasts;

— Reconciliation of the plan figures with Pharmalys Laboratories SA management's latest forecasts.

For further information on the receivables from Pharmalys Laboratories SA refer to the following:

— Note 3 Accounts receivables

— Note 7 Financial assets

— Note 30 Assessment as a going concern

Valuation of fixed assets

Key Audit Matter

Fixed assets represent with 48.6% of total assets a significant element of the consolidated balance sheet of HOCHDORF Group.

Fixed assets are valued at acquisition cost less depreciation. If impairment indicators exist, a discounted cash flow calculation of the respective cash-generating unit is performed.

These calculations are based on estimates and as-sumptions concerning future cash flows, underlying growth rates and applied discount rates. The results are therefore subject to uncertainty and can have a significant impact on the financial covenants of the HOCHDORF Group, which according to the syndicated loan agreement have to be complied with.

Our response

In the course of our audit we have assessed management's evaluation of the valuation of fixed assets. In doing so, we have assessed whether a methodologically correct valuation method was applied and whether the calculations are reasonable.

In relation to fixed assets for which, based on qualitative and quantitative factors, a discounted cash flow calculation for the respective cash generating unit was prepared, we performed the following procedures:

— Assessment of the method and process to determine the cash generating units;

— Assessment whether the carrying amounts of fixed assets were correctly considered in the discounted cash flow calculation;

— Assessment of the forecasting accuracy by performing a retrospective review of budgeted and actual figures;

KPMG

- Reconciliation of budgeted figures to management's and the Board of Directors' latest forecasts;
- Challenging the assumptions used in the calculation of the recoverable amount, including future cash flows, long-term growth rates and discount rates by comparing to publicly available data and by involving our own valuation specialist;
- Performing sensitivity analyses.

For further information on fixed assets refer to the following:

- Note 6 Fixed assets

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Thomas Affolter Licensed Audit Expert Auditor in Charge	Joel Wachter Licensed Audit Expert

Lucerne, 22 March 2023

HOCHDORF Holding Ltd

Balance Sheet as at 31 December

TCHF	Explanations in the notes	2022	in %	2021	in %
Assets					
Cash and cash equivalents and short-term assets with market price		614	0.3%	11,279	3.7%
Other receivables		27	0.0%	49	0.0%
Other receivables from related parties	3.1)	0	0.0%	1,218	0.4%
Accrued income		53	0.0%	0	0.0%
Current assets		**695**	**0.3%**	**12,547**	**4.2%**
Loans due from subsidiaries	3.2)	117,475	52.9%	98,667	32.7%
Loans due from subsidiaries under subordiantion	3.2)	92,631	41.7%	91,714	30.4%
Investments	3.4)	382	0.2%	88,637	29.4%
Intangible assets		25	0.0%	0	0.0%
Non-current receivables from related parties	3.3)	10,945	4.9%	9,719	0.0%
Fixed assets		**221,458**	**99.7%**	**288,738**	**95.8%**
Total assets		**222,153**	**100.0%**	**301,285**	**100.0%**
Liabilities					
Trade payables		130	0.1%	111	0.0%
Short-term interest-bearing liabilities		37,000	16.7%	6	0.0%
Accrued liabilities and deferred income		8,368	3.8%	4,917	1.6%
Short-term liabilities	**3.5)**	**45,498**	**20.5%**	**5,033**	**1.7%**
Long-term interest-bearing liabilities		125,000	56.3%	152,000	50.5%
Long-term interest-bearing liabilities to subsidiaries		89	0.0%	88	0.0%
Long-term liabilities	**3.5)**	**125,089**	**56.3%**	**152,088**	**50.5%**
Total liabilities		**170,586**	**76.8%**	**157,121**	**52.2%**
Share capital	6)	21,518	9.7%	21,518	7.1%
Statutory capital reserves (capital contribution reserve)		139,503	62.8%	139,404	46.3%
Legal retained earnings		10,172	4.6%	10,172	3.4%
Voluntary retained earnings		20,348	9.2%	20,348	6.8%
Accumulated losses		–134,884	–60.7%	–41,053	–13.6%
- (loss)/profit carried forward		–41,053	–18.5%	–35,273	–11.7%
- result for the year		–93,831	–42.2%	–5,780	–1.9%
Treasury shares	5)	–5,089	–2.3%	–6,224	–2.1%
Equity		**51,567**	**23.2%**	**144,164**	**47.8%**
Total liabilities and equity		**222,153**	**100.0%**	**301,285**	**100.0%**

The figures were recorded to the nearest centime, but not shown. Rounding differences may therefore occur.

HOCHDORF Holding Ltd

Income Statement

TCHF	Explanations in the notes	2022 01.01.22 - 31.12.22	2021 01.01.21 - 31.12.21
Income from investments	3.6)	0	273
Financial income	3.6)	2,289	4,110
Operating income	3.6)	0	20
Total income		**2,289**	**4,403**
Financial expenses	3.7)	–6,127	–8,064
Operating expenses	3.8)	–1,739	–2,109
Impairment of investments	3.9)	–88,255	0
Direct taxes		1	–10
Total expenses		**–96,120**	**–10,183**
Result for the year		**–93,831**	**–5,780**

The figures were recorded to the nearest centime, but not shown. Rounding differences may therefore occur.

HOCHDORF Holding Ltd

Notes to the annual financial statements for 2022

Notes in accordance with Art. 959c et seq. CO

1. Company, name, registered office

HOCHDORF Holding Ltd, Siedereistrasse 9, 6280 Hochdorf LU

The holding company does not have any staff (previous year: 0 employees).

2. Principles

General information

These financial statements have been prepared in accordance with the provisions on commercial accounting from the Swiss Code of Obligations (Art. 957–963 b CO). The additional requirements for large companies under Art. 961 d (1) of the Swiss Code of Obligations (CO) (additional information in the notes, cash flow statement and management report) are waived because the company prepares its consolidated financial statements in accordance with Swiss GAAP FER.

Cash and cash equivalents and short-term assets with market price

Cash and cash equivalents include cash and deposits on postal and bank accounts. They are recognised at their nominal value. Short-term securities are measured at the market price on the balance sheet date.

Receivables

Receivables are measured at nominal value less valuation allowance. Recognisable individual risks are taken into account by means of corresponding valuation allowance. Receivables with expected payments over 12 months are assessed as non-current.

Financial assets, loans to shareholdings, shareholdings

Loans to group companies are measured at no more than acquisition cost less possible value adjustments.

Treasury shares

Treasury shares are entered in the balance sheet as a deduction from equity at cost at the time of acquisition. At subsequent resale, the gain or loss is recorded in the income statement as financial income or expense.

3. Information on balance sheet and income statement items

3.1. Other receivables from related parties

Other receivables from related parties mainly include the still outstanding repayment of the loan to Pharmalys Laboratories SA (formerly Pharmalys Invest Holding AG), and a receivable of TCHF 18 from the HOCHDORF pension fund.

3.2. Loans due from subsidiaries

	31.12.2022	31.12.2021
Loans due from subsidiaries	122,642	104,089
Loans due from subsidiaries under subordination	92,631	91,714
Valuation allowance on loans due form subsidiaries	–5,167	–5,422
Total	**210,106**	**190,381**

3.3. Non-current receivables from related parties

These include the non-current receivables from Pharmalys Laboratories SA (formerly Pharmalys Invest Holding AG) from the sale of the Pharmalys Laboratories SA shareholding.

3.4. Investments

				Capital in 1,000		Capital and voting share	
	Location	Purpose	Currency	31.12.2022	31.12.2021	31.12.2022	31.12.2021
HOCHDORF Swiss Nutrition AG	Hochdorf CH	Production	CHF	30,000	30,000	100%	100%
HOCHDORF Swiss Nutrition UG [1]	Hochdorf CH	Sales	EUR	10	10	100%	100%
HOCHDORF America,s Ltd [2]	Montevideo UY	Trade	UYU	3,232	3,232	100%	100%
Thur Milch Ring AG	Sulgen CH	Trade	CHF	170	170	56%	56%
Schweiz. Milch-Gesellschaft AG	Hochdorf CH	Shell company	CHF	100	100	100%	100%
Snapz Foods AG [3]	Hochdorf CH	Trade	CHF	0	100	0%	100%
Zifru Trockenprodukte GmbH [4]	Zittau DE	Production	EUR	200	200	100%	100%
Uckermärker Milch GmbH [5]	Prenzlau DE	Production	EUR	10,000	10,000	26%	26%
Ostmilch Handels GmbH	Bad Homburg DE	Trade	EUR	1,000	1,000	26%	26%
Ostmilch Handels GmbH Frischdienst Oberlausitz KG	Schlegel DE	Logistics	EUR	51	51	26%	26%
Ostmilch Frischdienst Magdeburg GmbH	Meitzelsdorf DE	Trade	EUR	25	25	26%	26%

1) New company: registered on 28.06.2021
2) Share increased to 100% as of 12.10.2021; no further business activities
3) Liquidation per 19.07.2022
4) In liquidation
5) Sale of shares as of 28.02.2020 to Ostmilch Handels GmbH, Bad Homburg, which thus owns 100% of the shares. Thereby still held as an indirect interest.

The following changes took place in the reporting period:

	2022	2021
Investments net book value 1.1. (CHF 1,000)	**88,637**	**88,566**
Addition of investment in HOCHDORF Swiss Nutrition UG due to formation of new company, registered on 28.06.2021	0	11
Addition of shareholding in HOCHDORF America's Ltd as a result of purchase on 12.10.2021	0	60
Impairment on investment in HOCHDORF Swiss Nutrition Ltd	–85,755	0
Impairment on investment in Ostmilch Handels GmbH	–2,500	0
Investments net book value 31.12.	**382**	**88,637**

In the 2022 business year, the statutory book value of the investment in HOCHDORF Swiss Nutrition Ltd in the amount of CHF 85.8 million was 100% impaired. The company has been generating high operating losses for several years. The new realistic business plan and the changed interest rate environment have called into question the recoverability of the book value, which is why it was impaired.

Likewise, the investment in Ostmilch Handels GmbH was fully written off in 2022, as its subsidiary Uckermärker Milch GmbH made a loss and the prices of dairy products in Germany are under pressure.

3.5. Liabilities (CHF 1,000)

Short-term liabilities

	31.12.2022	31.12.2021
Payables to third parties	130	111
Syndicated loan	37,000	6
Accrued liabilities and deferred income	8,368	4,917
Total	**45,498**	**5,033**

The accrued liabilities and deferred income include CHF 7.9 million interest (2.5%) for the hybrid bond since 2020.

The syndicated loan was reclassified to short-term liabilities in 2022 due to its term. In the first half of 2022, HOCHDORF fully utilised the syndicated loan limit by drawing CHF 10.0 million.

Long-term interest-bearing liabilities

	31.12.2022	31.12.2021
Syndicated loan	0	27,000
Long-term financial liabilities (hybrid bonds)	125,000	125,000
Long-term interest bearing liabilities to subsidiaries	89	88
Total	**125,089**	**152,088**

Maturity structure

	31.12.2022	31.12.2021
Up to five years	89	27,088
More than five years	125,000	125,000
Total	**125,089**	**152,088**

3.6. Income from investments/financial income/ operating income (CHF 1,000)

	31.12.2022	31.12.2021
Income from investments	0	273
Financial income	2,289	4,110
Operating income	0	20
Total	**2,289**	**4,403**

Financial income mainly includes interest from loans to subsidiaries of CHF 2.1 million (2021 CHF 3.4 million). In 2021, financial income also includes interest from an outstanding purchase price payment of Pharmalys Laboratories SA (CHF 0.6 million). In 2021, income from investments includes dividends from Ostmilch Handels GmbH, Ostmilch Handels GmbH Frischdienst Oberlausitz KG and Ostmilch Frischdienst Magdeburg GmbH.

3.7. Financial expenses (CHF 1,000)

	31.12.2022	31.12.2021
Interest expenses	–4,821	–7,933
Other financial expenses	–1,306	–131
Total	**–6,127**	**–8,064**

The other financial expenses mainly include exchange rate losses of CHF 1.2 million (2021: CHF 0.1 million). Interest expenses decreased due to the partial repayment of the syndicated loan in Q4 2021.

3.8. Operating expenses (CHF 1,000)

	31.12.2022	31.12.2021
Personnel expenses	–643	0
Vehicle and transport expenses	–8	0
Property insurances, fees	–190	–236
Administration and IT expenses	–702	–1,579
Marketing and sales expenses	–193	–215
Other operating expenses	–0	–74
Bank charges, agency fees	–3	–5
Total	**–1,739**	**–2,109**

3.9. Impairment of investment (CHF 1,000)

	31.12.2022	31.12.2021
Impairment of investment	–88,255	0
Total	**–88,255**	**0**

The impairment expenses resulted from the impairment of the statutory book value of the shareholding in HOCHDORF Swiss Nutrition Ltd and Ostmilch Handels GmbH.

4. Shareholders

Shareholders >3% of total share capital	31.12.2022	31.12.2021
Amir Mechria, Tunis, Tunisia	20.68%	20.63%
ZMP Invest AG, Lucerne, Switzerland	17.95%	17.95%
Bermont Master Fund (CI) LP, Georgetown, Cayman Islands	14.55%	14.55%
Invest Holding AG, M. Weiss & Co AG und Family Weiss, Wollerau, Switzerland	5.58%	5.58%

Shareholders >3% of the total voting rights	31.12.2022	31.12.2021
The maximum entry limit is 15% in the share register of votes.		
Amir Mechria, Tunis, Tunisia	15.00%	15.00%
ZMP Invest AG, Lucerne, Switzerland	15.00%	15.00%
Bermont Master Fund (CI) LP, Georgetown, Cayman Islands	14.55%	14.55%
Invest Holding AG, M. Weiss & Co AG und Family Weiss, Wollerau, Switzerland	5.58%	5.58%

5. Transactions with treasury shares

Business year 2022 (in CHF)			Business year 2021 (in CHF)		
01.01.2022 balance	29,738 shares	Share price 209.30	01.01.2021 balance	29,738 shares	exchange rate 209.30
2022 purchases	0 shares	daily share price 0	2021 purchases	0 shares	daily exchange rate 0
2022 sales	5,422 shares	daily share price 29.30	2021 sales	0 shares	daily exchange rate 0
31.12.2022 balance	24,316 shares	Share price 209.30	31.12.2021 balance	29,738 shares	exchange rate 209.30

6. Contingent capital

There was no contingent capital in 2022 and 2021.

7. Shareholdings of the Board of Directors and the Group Management

As at 31 December, the members of the Board of Directors and the Group Management (including related persons) held the following number of shares in the company:

Board of Directors

Board of Directors		31.12.2022	31.12.2021
Jürg Oleas	Chairman; as of 30.06.2020	0	0
Andreas Herzog	Vice Chairman; as of 30.06.2020	0	0
Markus Bühlmann	as of 12.04.2019	0	0
Jean-Philippe Rochat	as of 30.06.2020	0	0
Ralph Siegl	as of 30.06.2020	100	100
	Total Board of Directors	**100**	**100**

Group Management

Group Management		31.12.2022	31.12.2021
Ralph Siegl	CEO; as of 21.01.2022		
Gerhard Mahrle	CFO a.i.; as of 15.08.2022	0	n.a
Géza Somogyi	COO; as of 01.07.2020	0	0
Lukas Hartmann	CIO; as of 01.04.2022	0	0
Gerina Eberl-Hancock	CRO; as of 01.05.2022	0	0
Dr. Peter Pfeilschifter	CEO; as of 01.01.2020 until 21.01.2022	n.a	257
Nanette Haubensak	CFO; as of 29.06.2020 until 15.08.2022	n.a	0
Total Group Management		**0**	**257**
Total Board of Directors and Group Management		**100** [1]	**357**
as % of total number of shares		0.005%	0.02%

1) Ralph Siegl: shares counted once

According to the 2020 remuneration regulations, the remuneration for the Board of Directors and the Group Management is paid in cash. There is therefore no allocation of shares.

8. Contingent liabilities

On 30.04.20, HOCHDORF Holding AG issued a letter of comfort to Zifru Trockenprodukte GmbH, Germany. The company is in liquidation; the letter of comfort secures liquidity up to an amount of EUR 0.5 million. This contingent liability still exists in 2022.

As a guarantor under the syndicated loan agreement of the HOCHDORF Group, HOCHDORF Holding Ltd has given a guarantee to the lenders to make all payments to the agent in favour of the other lenders which are not paid by HOCHDORF Swiss Nutrition Ltd when due.

9 Assessment as a going concern (see also note 30 of the Notes to the annual financial statements of the HOCHDORF Group)

9.1. Uncertainties as of the balance sheet date of 31.12.2022

The Board of Directors and Group Management of HOCHDORF Holding Ltd are of the opinion that the following material uncertainties may cast significant doubt about the ability of HOCHDORF Holding Ltd to continue as a going concern. The ability to continue as a going concern at this time is dependent on the successful completion of the follow-on financing from 30 September 2023, which is based on the binding term sheet signed by the banks and available to the HOCHDORF Group

The main material uncertainties relate to:

a) The recoverability of the receivables from Pharmalys Laboratories SA amounting to CHF 10.9 million.

b) Compliance with the financial covenants from the syndicated loan agreement

c) Ensuring solvency

9.2. Assessment by the Board of Directors

a) Recoverability of receivables from Pharmalys Laboratories SA

The Board of Directors and Group Management of HOCHDORF Holding Ltd consider the receivables from Pharmalys Laboratories SA to be recoverable. At the present time, no future payment default is to be expected.

There is a close contact between the management of the HOCHDORF Group and the management of Pharmalys Laboratories SA. The development of the markets in which Pharmalys Laboratories SA is active, the ordering and delivery processes and the liquidity development are discussed and agreed in regular meetings. The aim of these meetings is to ensure transparent communication about market developments, optimise processes and meet payment terms. In the first instance, reliable sales planning was introduced and Pharmalys Laboratories SA was able to reduce the payment terms in the markets relevant for the HOCHDORF Group (North Africa and the Middle East) to a level that is customary in the industry.

Sales forecasts in Pharmalys Laboratories SA's markets to end customers assume double-digit growth rates on average for the years 2023 to 2026.

As at 31 December 2022, receivables from Pharmalys Laboratories SA amounted to CHF 10.9 million, which are recorded under non current receivables from related parties. A payment agreement in connection with a supply agreement is being worked out for the repayment of these non-current receivables. Pharmalys Laboratories SA did not reduce these receivables between 1 January 2022 and the publication of this Annual Report. However, Pharmalys Laboratories SA has complied with its payment obligations for deliveries and goods from HOCHDORF Swiss Nutrition Ltd, which were agreed verbally, up to the publication of this Annual Report.

b) Compliance with the financial covenants from the syndicated loan agreement

HOCHDORF Holding Ltd is the borrower of the syndicated loan agreement in the amount of CHF 37.0 million. The covenants of the loan agreements are calculated on the basis of the consolidated figures of the HOCHDORF Group. These were complied with at the HOCHDORF Group level as at 31 December 2022. The Group Management and Board of Directors of HOCHDORF Holding Ltd currently assume that there is no threat of a breach of the agreed covenants as at 30 June 2023. This is the last date on which covenants will be tested for the current credit agreement, which ends on 30 September 2023.

The key financial indicators to be complied with under the syndicated loan agreement are an equity ratio of at least 40.0% at the consolidated level as at 31 December 2022 and a loss at the EBITDA level of no more than CHF 7.0 million for the second half of 2022. As of 31 December 2022, the equity ratio was 59.2% and the EBITDA profit in the second half of 2022 was CHF 0.6 million. For the first half of 2023, the EBITDA loss may also not exceed CHF 7.0 million.

The HOCHDORF Group's 2023 budget shows a positive EBITDA for the first half of the year. For the entire 2023 financial year, the management also expects a positive business result at the EBITDA level. Based on the cautious planning and the measures adopted in the 2023 budget to improve the result in 2023, the Board of Directors and Group Management assume that the covenants can be complied with in the first half of 2023 and that there is a limited risk of a breach.

c) Ensuring solvency

The solvency of HOCHDORF Holding Ltd is essentially dependent on that of HOCHDORF Swiss Nutrition Ltd and thus on the entire HOCHDORF Group. As at 31.12.2022, the net debt of the HOCHDORF Group amounted to CHF 56.8 million (previous year: CHF 32.7 million). The freely available credit line amounted to CHF 10.0 million. The HOCHDORF Group's 12-month liquidity plan from January 2023 shows that the available credit line is sufficient if the operating business is realised as planned and if payment by Pharmalys Laboratories SA is delayed. However, this credit line would not compensate for a complete default on the outstanding receivables from Pharmalys Laboratories SA.

The financing of the HOCHDORF Group is secured in the short term by the following loans from financial institutions:

- A committed syndicated loan totalling CHF 67 million, which is secured by a lien and expires on 30 September 2023. HOCHDORF Holding Ltd's share amounts to CHF 37.0 million; HOCHDORF Swiss Nutrition Ltd is the borrower for the remaining amount.

- A bilateral loan in the amount of CHF 10.0 million in favour of HOCHDORF Swiss Nutrition Ltd, which is secured by a portion of the accounts receivable. This credit limit is uncommitted and indirectly linked to the conditions of the syndicated loan and is therefore also valid until 30 September 2023.

To ensure medium-term solvency, the HOCHDORF Group has a binding financing confirmation signed by a bank consortium for the extension of the existing syndicated loan agreement for 2 years. The new syndicated loan agreement to be negotiated with the banks will contain covenants within the previous framework based on the consolidated financial statements (targets for absolute EBITDA and equity ratio). See also note 9.3 "Events after the balance sheet date".

The Board of Directors and Group Management of HOCHDORF Holding Ltd conclude that the company's short-term and medium-term solvency is ensured.

9.3. Events after the balance sheet date

The HOCHDORF Group, and thus HOCHDORF Holding Ltd as the parent company of the entire group, started the refinancing of the company with great intensity in the summer of 2022, as the syndicated loan expires on 30 September 2023. External advisors are supporting the company in this process. At the time of publication of the 2022 annual financial statements, HOCHDORF has received a binding financing confirmation signed by a syndicate of banks for the continuation of the existing syndicated loan, which expires on 30 September 2023, for two years.

In the view of the Board of Directors and Group Management of HOCHDORF Holding Ltd, this ensures the solvency of the HOCHDORF Group for the medium-term future. In the coming weeks, the Board of Directors and the Group Management will finalise and sign the new syndicated loan agreement in cooperation with the banks based on the present financing confirmation.

According to the binding financing confirmation from the banks, the credit amount is CHF 77.0 million and this is committed for 2 years. The credit amount is made up of the existing credit lines of CHF 67.0 million and CHF 10.0 million. The HOCHDORF Group's premises in Sulgen TG and part of the accounts receivable serve as collateral. The new syndicated loan agreement to be negotiated with the banks will contain covenants within the previous framework based on the consolidated financial statements (targets for absolute EBITDA and equity ratio), which the company assumes will be met based on the business plan.

No other significant events have occurred since the balance sheet date of 31 December 2022 that could affect the informational value of the 2022 annual financial statements of HOCHDORF Holding Ltd or that would have to be disclosed here.

Appropriation of net loss

	31.12.2022	31.12.2021
	TCHF	TCHF
(Loss)/profit carried forward	–41,053	–35,273
Result of the year	–93,831	–5,780
Offsetting of voluntary retained earnings	20,348	0
Total available to Annual General Meeting	**–114,536**	**–41,053**

The figures were recorded to the nearest centime, but not shown. Rounding differences may therefore occur.

	TCHF	TCHF
Balance carried forward	–114,536	–41,053
Total appropriation of net loss	**–114,536**	**–41,053**

Auditor's report

KPMG

Statutory Auditor's Report

To the General Meeting of HOCHDORF Holding Ltd., Hochdorf

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HOCHDORF Holding Ltd. (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 124 to 134) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 9 in the financial statements, which indicates that material uncertainties exist in relation to the recoverability of receivables from Pharmalys Laboratories SA, as well as compliance with the financial covenants from the syndicated loan agreement and ensuring solvency. As stated in Note 9, these events or conditions, along with other matters as set forth in Note 9, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Valuation of investments and recoverability of loans to subsidiaries

Recoverability of receivables from Pharmalys Laboratories SA

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Material Uncertainty Related to Going Concern" section we have determined the matters described below to be the key audit matters to be communicated in our report.

KPMG

Valuation of investments and recoverability of loans to subsidiaries

Key Audit Matter

HOCHDORF Holding Ltd. holds all significant investments of the HOCHDORF Group and grants loans to several subsidiaries.

The investments and loans to subsidiaries account for a material portion of total assets. Therefore, valuation of these assets has a significant impact on the result and equity of HOCHDORF Holding Ltd.

If impairment indicators exist, management analyses the valuation of investments on the basis of discounted cash flow calculations and assesses the recoverability of the loans to subsidiaries on the grounds of the future prospects.

Our response

In the course of our audit, we have assessed management's valuations. In doing so, we have assessed whether a methodologically correct valuation method was applied and whether the calculations are reasonable.

In relation to subsidiaries for which, based on qualitative and quantitative factors, a detailed discounted cashflow calculation was prepared, we performed among others the following procedures:

— Assessment whether the carrying amounts of investments and loans were correctly considered in the discounted cash flow calculation;

— Assessment of the forecasting accuracy by performing a retrospective review of budgeted and actual figures;

— Reconciliation of budgeted figures to management's latest forecasts and to business plans ap-proved by the Board of Directors;

— Challenging the most important assumptions used in the calculation of the recoverable amount, including future cash flows, long-term growth rates and discount rates by comparing to publicly available data and by involving our own valuation specialist;

— Performing sensitivity analyses;

— Assessment of the correct recognition of valuation allowances.

For further information on investments and loans to subsidiaries refer to the following:

— Note 3.2 Loans due from subsidiaries

— Note 3.4 Investments

Recoverability of receivables from Pharmalys Laboratories SA

Key Audit Matter

HOCHDORF Group has significant business relationships with Pharmalys Laboratories SA.

As at 31 December 2022 receivables in the amount of CHF 10.9 million due from Pharmalys Laboratories SA exist. These receivables represent a significant portion of HOCHDORF Holding Ltd.'s non-current assets.

A potential valuation adjustment on these receivables can have a significant impact on financial covenants,

Our response

In the course of our audit, we have assessed management's evaluation of the recoverability of the receivables due from the Pharmalys Laboratories SA.

We performed among others the following audit procedures:

— Assessment of the basis, method and process to determine the recoverability of the receivables;

which according to the syndicated loan agreement have to be complied with.

In assessing the recoverability management has to make respective evaluations.

— Challenging the most important assumptions used in the recoverability assessment, including future cash flows, by comparison to payments received and underlying documents such as cash forecasts;

— Reconciliation of the plan figures with Pharmalys Laboratories SA management's latest forecasts.

For further information on the receivables from Pharmalys Laboratories SA refer to the following:

— Note 3.3 Non-current receivables from related parties

— Note 9 Assessment as a going concern

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed offsetting and carry forward of the accumulated losses (page 135) comply with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Thomas Affolter Licensed Audit Expert Auditor in Charge	Joel Wachter Licensed Audit Expert

Lucerne, 22 March 2023

KPMG AG, Pilatusstrasse 41, CH-6003 Luzern

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Photo copyright

Main theme: Aerial view of HOCHDORF plant Sulgen, David Biedert Photography

Review of 2022, Market Insight: Copyright by Pharmalys Laboratories SA and HOCHDORF Holding AG

Portraits: David Biedert Photography (VR), HOCHDORF Holding AG (GL)

Design and coding

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Dorfstrasse 29
8037 Zürich

Financial calendar

- 10 May 2023, 9 to 11 a.m.: Annual General Meeting. Kulturzentrum Braui, Hochdorf
- 24 August 2023: Interim Report

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