HOCHDORF
Swiss Nutrition Solutions

Annual Report

2023

Annual Report 2023

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At a glance

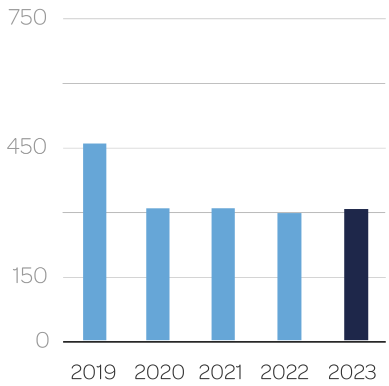
The HOCHDORF Group is continuing to successfully implement its transformation process and achieved its target of positive EBITDA of CHF 7.8 million by the end of 2023. Significant growth in the Infant Nutrition division (+29.7%) made a major contribution to the result. The 5.5 percentage point year-on-year increase in the gross margin (30.8%) and the positive operating cash flow of CHF 13.8 million (2022: CHF –19.6 million) underline the pleasing operational turnaround. Despite the company's competitive earning power, its financial legacy is having a massive negative impact. Potential investors are being approached.

The HOCHDORF Group

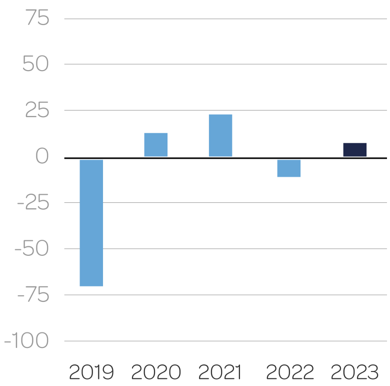
Founded in 1895, HOCHDORF is the Swiss centre of excellence for milk processing, specialising in infant nutrition, powder drying and mixing technology for milk-based and alternative proteins. Based in Hochdorf (LU) and Sulgen (TG) in Switzerland, HOCHDORF develops functional foods and ingredients for 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 consolidated net sales of CHF 307.8 million in 2023 and has 369 employees. HOCHDORF shares are listed on the SIX Swiss Exchange.

Financial data

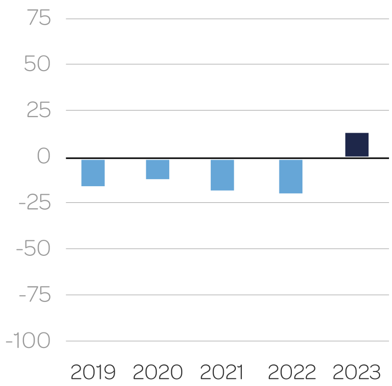
Net sales[1)]
CHF million



EBITDA[1)]
CHF million



Cash flow from operating activities[1)]
CHF million



[1] Comparisons with previous years are limited due to the restructuring and value adjustments in 2019, 2020 and 2021 (such as one time effects like the sale of real estate in 2021)

Key figures

	31.12.2023	31.12.2022	31.12.2021[1]	31.12.2020	31.12.2019[2]
Net sales from deliveries and services (in CHF 1,000)	307,840	292,141	303,515	306,199	456,797
Thereof net sales Food Solutions (in CHF 1,000)	204,721	212,647	218,596	206,708	383,961
Thereof net sales Infant Nutrition (in CHF 1,000)	103,120	79,494	84,918	99,490	72,836
Gross operating profit (in CHF 1,000)	93,008	75,409	111,210	94,332	61,802
EBITDA (in CHF 1,000)	7,831	–10,056	24,715	13,869	–74,709
EBIT (in CHF 1,000)	–3,864	–20,105	6,503	–67,872	–265,309
Net result (in CHF 1,000)	–10,211	–15,791	2,552	–70,274	–271,378
Total assets (in CHF 1,000)	271,714	283,352	293,340	323,838	455,572
Equity ratio	58.1%	59.2%	62.5%	55.8%	56.60%
Cash flow from operating activities (in CHF 1,000)	13,801	–19,648	–17,937	–11,325	–15,430
Staffing level at 31.12.	369	361	387	391	618

1) FY 2021 includes one-off effects from the sale of the property to the municipality of Hochdorf totalling CHF 38.6 million at EBIT level.

2) 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 Infant Nutrition

CHF million

Net sales Food Solutions

CHF million

Key indicators for HOCHDORF Holding Ltd stock

		2023	2022	2021	2020	2019 [1]
Share capital as of 31.12.	TCHF	21,518	21,518	21,518	21,518	17,584
Number of shares, outstanding	Shares	2,151,757	2,151,757	2,151,757	2,151,757	1,758,369
Nominal value per share	CHF	10.00	10.00	10.00	10.00	10.00
Earnings per share	CHF	–4.75	–7.44	1.20	–34.60	–164.55
Earned capital per share	CHF	2.55	–7.32	–1.85	5.15	–19.80
Dividend per share	CHF	0.00 [2]	0.00	0.00	0.00	0.00
Peak price	CHF	29.00	43.40	63.30	92.50	147.20
Lowest price	CHF	15.00	20.40	39.00	50.00	51.90
Price at close of trading as of 31.12.	CHF	15.50	21.20	43.50	63.20	83.20
Market capitalisation as of 31.12.	TCHF	33,352	45,617	93,601	135,991	146,296
Average trading volume per day	Shares	782	364	653	826	3,408
P/E (price/earnings ratio) as of 31.12.		n.a.	n.a.	36	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 HOCHDORF Group successfully finished the second phase of its three-stage strategic transformation program - reaching a significantly better result than expected. With an EBITDA of CHF 7.8 million, the target of a positive EBITDA by the end of 2023 was clearly exceeded (previous year CHF –10.1 million).

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

EBITDA target exceeded

With growth in line with the strategy in the Infant Nutrition division and improved earnings quality in the Food Solutions division, EBIT for the year as a whole improved to CHF –3.9 million (previous year CHF –20.1 million), while the average gross margin for the year increased to 30.8%. The significantly improved and positive cash flow underlines the attractiveness of the new business model initiated in 2022.

In addition to achieving a positive EBIT, the focus for 2024 is on addressing the challenging financing situation. The biggest challenge remains the financial legacy of the failed expansion strategy from 2016 to 2020.

Solid growth in Infant Nutrition

In line with the company strategy, the Infant Nutrition division showed high-margin growth. The positive trend reported in the first half of 2023 continued until the end of the year. At CHF 103.1 million, net sales of Infant Nutrition as a share of total net sales increased to 33.5% (up from 26%). The positive market development with our international partners in the MENA region and Central America contributed significantly to this result.

The Bimbosan brand came under pressure in the Swiss specialist market due to energy-related price increases and stronger competition. Temporary losses of market share have been regained since Q4/23 thanks to intensified brand marketing and sales activities.

The traditional Food Solutions division, focusing on milk as well as skimmed and whole milk powders and cream, generated net sales of CHF 204.7 million.

Improved milk sourcing policy

In the 2023 business year, HOCHDORF continued the change initiated in the previous year to demand-oriented milk procurement planning, achieving significant improvements in costs of raw materials.

HOCHDORF relies on direct suppliers in the Sulgen area for the procurement of milk for infant formula. The remaining milk volumes are contracted through various milk producer and trading organisations or processed on a contract manufacturing basis for customers, based on concrete sales plans. This allows for an improved milk segmentation. Further adjustments will be made in 2024. We expect a positive effect on the ratio of milk costs to product prices.

Dairy industry:
regulation & export

Against the background of the persistently high cost difference between the official Swiss reference prices and the EU reference prices, HOCHDORF created significant impetus in the industry context fostering a reliable export price compensation regime allowing for competitive raw material costs in exported processed foods (especially milk protein). In view of the difficult situation in the cheese segment (full warehouses, declining exports) and in the animal feed market (price collapse, long-term pressure on volumes), the Swiss dairy industry has once again come to appreciate the systemic importance of milk powder production in regulating the market in the course of 2023. While milk market regulation is not a strategic focus of HOCHDORF, the company adopted a supporting role based on clear and commercially viable principles. The measures we have implemented have significantly relieved HOCHDORF’s financial resources and at the same time contributed to stabilising the market.

Financing and liquidity

The short and medium-term financing of the HOCHDORF Group was secured in September 2023 by the continuation of the current syndicated loan by the existing bank consortium with a term of two years. The syndicated loan previously granted at holding company level has now been collateralised by security at HOCHDORF Swiss Nutrition Ltd. operating level.

From an operational perspective, liquidity has improved significantly and the positive cash flow shows the impact of the measures taken to date.

Nonetheless, for its long-term recovery, the company faces financial burdens that cannot be eliminated within reasonable time even by an operationally competitive business. Raising capital at holding company level has proven to be unlikely in view of the hybrid bond (decided in 2017 by the Board of Directors in charge back then), the Board of Directors and Group Management have extended their examination of further options, as announced on 5 March 2024. In view of the limited financial resources, the company management has also decided to focus on the current core business and to address interesting potential and synergies for future business areas (alternative proteins, new functional food for elderly consumers) at a later date.

Outlook

The 2023 results show that the HOCHDORF Group is pursuing an operationally positive and cash-generating business model with its strategic focus on infant formula. Upgrading Swiss milk and whey proteins into high value-added powder products for the global market is at the heart of the HOCHDORF strategy. The corresponding know-how and the company's leading expertise in powder production position HOCHDORF ideally for pioneering product developments and innovations in modern nutrition. At the same time, the company is optimising its cost base by implementing a reliable and predictable milk segmentation and procurement policy for milk suppliers.

We would like to thank you, our valued shareholders, for the feedback we have received over the past year, which has been both positive and constructively critical. We are committed to a fact-based, open and transparent communication policy and continue our dialogue with you and the public in this manner, insofar as regulatory constraints allow us to do so.

We would once again like to thank our team at the two HOCHDORF sites in Sulgen and Hochdorf for their commitment, which has led us to these operationally positive results. The personal initiative of our employees who care about our products and our business makes the crucial difference. Despite all our efforts, the next few months will not be easy. We are counting on your trust, as valued shareholders, and on our experienced team.

Jürg Oleas
Chairman of the Board of Directors

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

Business model and strategy

Purpose: "Food for life"

As the leading Swiss manufacturer of infant nutrition, alongside sophisticated powder specialities, semi-finished products and by-products made from milk and whey, HOCHDORF is the Swiss competence centre for functional nutrition ("Smart Nutrition").

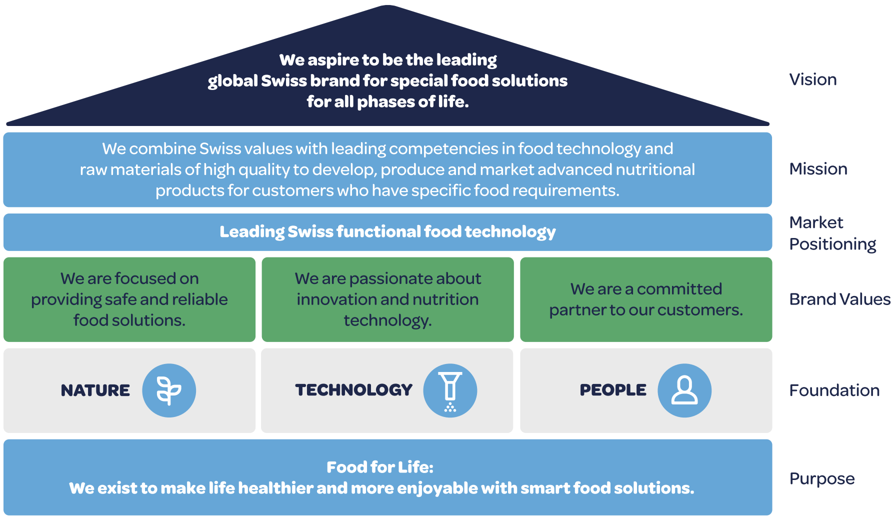
Using state-of-the-art technology and drawing on the expertise of 130 years of company history, we provide the highest Swiss quality, made from the best Swiss raw materials – for nutrition-conscious, sustainability-aware consumers and for business partners in the food industry around the world.

- We process milk and whey from sustainable Swiss production in complex drying, filtration, separation and mixing processes.
- We develop, produce and market infant formula for today's market, covering different infant needs in Switzerland and in various regions of the world.
- We offer industrial customers our knowledge and experience to develop sophisticated semi-finished and finished products as the basis for functional nutritional products for consumers of all ages.

From our sites in Hochdorf (LU) and Sulgen (TG), we currently supply our products to 48 countries in Europe, Africa, Asia, the Middle East and South and Central America. The shares of HOCHDORF Holding Ltd. are listed on the SIX Swiss Exchange.

Vision and mission

HOCHDORF strategy house



Market environment and trends

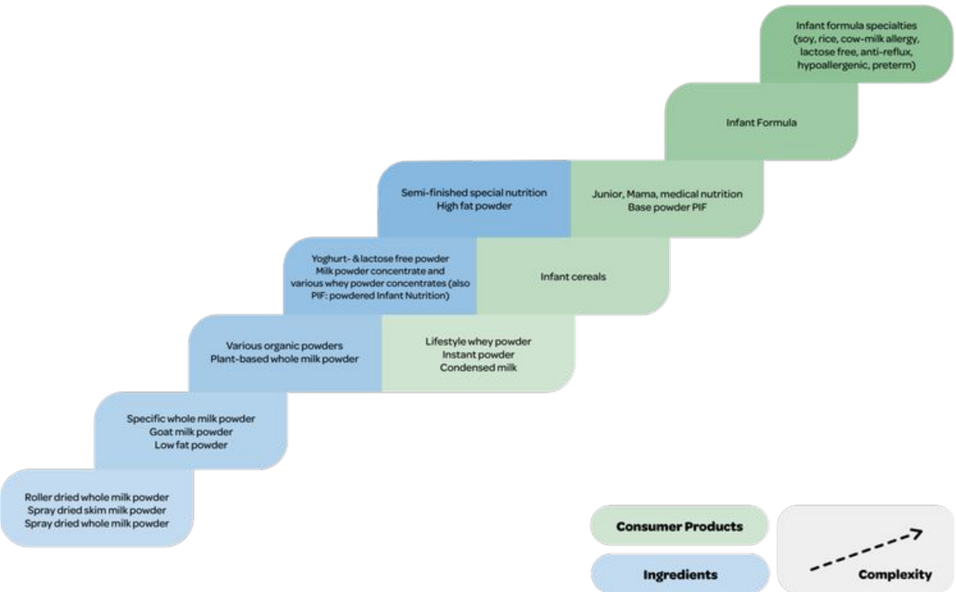
The demand for infant formula will continue to increase in the foreseeable future – in industrialised nations as well as in developing regions of the world. The world's population continues to grow[1]; the number of working women is also increasing[2], as is the proportion of mothers who want to return to work as soon as possible after giving birth[3].

Functional foods with specific additional nutritional benefits are becoming increasingly important in the food market and for the food industry. An environmentally responsible food industry focuses increasingly on nutritional value per unit rather than on more units. The average life expectancy continues to rise and people also want to stay healthy and active into old age.

Milk and whey are the most important and valuable raw materials for both infant formula and functional food products due to their high content of protein, lactose, minerals, vitamins and many other ingredients. Alongside expertise and state-of-the-art technology, utilising these ingredients from milk and whey also requires in-depth experience and reliable, up-to-date knowledge of the strictly controlled food regulations in the various target markets.

Products, customers, markets

The added value HOCHDORF Swiss Nutrition Ltd. creates is largely based on the drying, refining and mixing processes of milk, whey and their derivatives.



Products manufactured by HOCHDORF (blue/green) vs. degree of specification/complexity (light/dark)

The appeal of high-quality foods in powder form is increasing globally. Given their longer shelf life and easier storage, they often offer advantages over fresh products. Increased energy costs along the entire value chain, particularly in cold chains and international transport, also make them an option worth considering as energy costs surge.

In the 2023 business year, HOCHDORF Swiss Nutrition Ltd. processed around 369 million kilograms of Swiss milk and milk-based liquid products – primarily whey and lactose – making it one of the largest milk processors and producers of infant formula in Switzerland. Depending on the intended use, the liquid raw materials supplied to Hochdorf are either sent directly for drying or broken down into individual components before being remixed to the specific end-product requirements and supplemented with additional ingredients such as fats, oils, vitamins and minerals.

For these complex processes, which are subject to the highest quality requirements, HOCHDORF Swiss Nutrition Ltd. has six spray and five roller drying facilities as well as systems for ultrafiltration, demineralisation and crystallisation. In addition to milk and milk derivatives, HOCHDORF Swiss Nutrition Ltd: processes high-fat products and vegetable protein sources that provide milk alternatives. HOCHDORF is also the only Swiss manufacturer of condensed milk.


The condensed milk manufacturing site in Hochdorf.

Infant Nutrition and functional food

Since its realignment in 2022, Infant Nutrition (formerly “Baby Care”) has become the company’s core segment and strategic focus. HOCHDORF Swiss Nutrition Ltd. is deliberately positioning itself to complement traditional Swiss dairies and milk processors. By focussing on adding value to milk and whey protein in infant formula, HOCHDORF offers milk producers an important alternative to the traditional milk and cheese product lines . Using whey protein in infant formula is also an interesting way to add value to the whey produced during cheese production and to reduce food waste by upcycling this valuable raw material.

The division of Infant Nutrition is geared towards strategic growth. Alongside the B2C brand Bimbosan, which is positioned exclusively on the Swiss market, HOCHDORF also offers a portfolio of registered brands for infant formula and follow-on formula for international use, as well as the development and production of customised infant formula products. In a complementary segment, HOCHDORF Swiss Nutrition Ltd. offers the development and manufacturing of semi-finished products and by-products from dried milk and whey as ingredients for functional food products. Two in-house laboratories and close cooperation with recognised external analysis providers and test centres guarantee continuous quality control and food safety at the highest level.

Both production sites provide modern lines for filling, labelling and packaging our own brand’s products as well as private label products. Finished products, ingredients and semi-finished products leave our production sites by silo trucks, in big bags, sacks, tubular bags, tubes or cans.

One of the bagging lines in Sulgen

Swiss core market, global growth markets

As a direct and indirect export company with a strong home market, HOCHDORF Swiss Nutrition Ltd. currently works with business partners in 48 countries spread across four continents:

- Swiss pharmacies, chemist shops and retailers.
- Swiss milk processors, cheese producers, retailers, suppliers of dairy products such as cream and whey, suppliers of plant-based milk substitutes.
- International infant formula manufacturers and distribution organisations that we supply with our private label products or with their own brands.
- International food manufacturers, such as the Swiss chocolate industry and convenience food producers.
- International suppliers of functional food products, in the area of whey protein and sports nutrition for example.
- Innovative start-ups, particularly in the functional food sector.

In the 2023 business year, HOCHDORF Swiss Nutrition Ltd. generated 67% of its turnover in Switzerland, 18% in the Middle East and Africa, 11% in Europe and 2% each in South America and Asia. A large proportion of our product portfolio is exported indirectly as components of finished products manufactured by our Swiss customers.

The HOCHDORF plant in Sulgen

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

Results and challenges

In the 2023 business year, HOCHDORF Swiss Nutrition Ltd. reached further important milestones in its transformation from a traditional milk processing company to the leading Swiss manufacturer of smart nutrition products.

The result for the 2023 financial year confirms the strategy and the effectiveness of its implementation:

1. **Infant nutrition focus:** Our B2C brand Bimbosan remains the leader in the Swiss specialist infant formula market. The product portfolio was revised in 2023 with positive results. Targeted marketing activities were used to hone the brand profile and further strengthen its presence on the market. With equally positive results, relationships with key customers and sales partners in the Middle East and North Africa (MENA) and Central America regions were gradually regularised and placed on a solid footing to sustainably strengthen business on the international market. Potential for expanding the business to markets such as Latin America and the USA was consistently pursued by developing new, targeted formulations and registering products. We have also continued to examine opportunities for exports under the Bimbosan brand, for example to South-East Asia.
2. **Improving the ratio of milk costs to product prices:** In our detailed analysis of the overall unfavourable development of raw material and energy costs, milk costs are proving to be an increasing challenge. In the 2023 business year, we continued the transition launched in the previous year which resulted in substantial improvements regarding material costs. With regard to the stability of supply and availability among partners, the ability to plan volumes in the dairy industry is vital. HOCHDORF relies on direct suppliers in the Sulgen area for the procurement of milk for infant nutrition. The remaining milk volumes, contracted via various milk producer organisations / milk trading organisations, are contracted on the basis of reliable sales plans or, alternatively, for contract processing. This allows for a better control of milk costs through optimised milk segmentation by sales markets.
3. **Site strategy to focus production on the HOCHDORF plant in Sulgen:** The successful sale of the property at the company's Hochdorf site in 2021 completed the first step in the agreed future concentration of production at one location. By the end of 2026 at the latest, those facilities that are relevant to the future of the product portfolio, primarily for infant formula, will be gradually relocated to the HOCHDORF plant in Sulgen. Moving all of the existing capacity for the production of milk powder at the Hochdorf site would require investments that are not justifiable or financially viable under the current circumstances and changing milk market conditions in Switzerland.
4. **Sustainability:** As a company manufacturing products using raw materials from Swiss agriculture and serving customers who see the "Swissness" of our products as a crucial quality feature, we attach great importance to sustainable business practices and the careful use of resources. In the 2023 business year, we continued to set forward-looking priorities that represented meaningful steps towards sustainability. For more information on this, see our Corporate Social Responsibility section.

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[1] https://ourworldindata.org/population-growth-over-time

[2] CNN, 7.7.23: "There are more women in the workforce than ever before" https://edition.cnn.com/2023/07/07/economy/women-labor-force-participation/index.html

[3] https://wearethecity.com/careers-after-babies-report-highlights-alarming-statistics-for-women-re-turning-to-work-after-having-children/

Review of 2023

Innovative products, new and more efficient work processes, important trade fairs, new leadership culture, fundraising campaigns and successful graduation of our apprentices – together, we continued to move HOCHDORF forward in 2023 and beyond.

A catalyst and partner for innovative products

Basis for product development: newly developed, low-lactose permeate concentrate

Creating the future: From plant-based chocolate or speciality products made from whey upcycling: HOCHDORFhas strengthening its position as a catalyst and a partner for innovative food products that also meet the increasing demand for more sustainability and less food waste. As an example: Our partner WHEYCATION, a Swiss start-up, is currently developing a product based on a low-lactose permeate concentrate – a sweetener that could be used as a topping, in energy bars or as a complete sweetener substitute in yoghurts (see also: https://youtu.be/8dMIORkY5aA).

New CFO, new board members

New Board members Marjan Skotnicki-Hoogland and Thierry Philardeau with Chairman Jürg Oleas (2nd from right), Jean-Philippe Rochat (far right) and Ralph Siegl (2nd from left) - not pictured: Board Vice-Chairman Andreas Herzog

Experienced leadership: We have appointed a CFO with specific experience in transformation processes and two new members of the Board of Directors with proven industry experience.

On 1 May 2023, Thomas Freiburghaus took over the finance department. In addition to a strong operational focus, he is a driving force behind the company's transformation.

The Board of Directors has been strengthened with the experience of Thierry Philardeau (more than thirty years at Nestlé, most recently responsible for the global management of the company's infant nutrition business) and Marjan Skotnicki-Hoogland (more than twenty years in leading positions in the food industry, including at Chilled McCain, Friesland Campina Riedel and Nestlé Infant Nutrition).

HOCHDORF's market presence and positioning

HOCHDORF booth in the S-GE Pavilion at PLMA in Amsterdam (April 2023)

Performing well, gathering input: From the East-Swiss Food Forum and Food Start-up Summit to the ISM global trade fair for sweets and snacks, the Private Label Manufacturers Trade Show, Vitafoods Europe Summit and Food Ingredients Europe: We made it a priority to travel to important trade fairs and conferences in 2023. Representatives from the business divisions presented the HOCHDORF brand across the globe: Infant nutrition of the best Swiss quality, high-quality products for further processing in the food industry – and reliability as a partner in national and international business.

Training and further education

Sharing experiences: apprentices visit the company F. Murpf AG in Hägendorf

Securing young talent: At HOCHDORF, we continue to offer young people robust vocational training and study support - and understand this to be an important aspect of our social responsibility. We shared in the pride of our graduates as they received their qualifications: Gregor Hodel (Logistics Technician EBA), Bejan Saliu (Food Technologist EFZ) and Perparim Simixhiu (Food Technology with Federal Diploma), as well as Jonas Mägli (Bachelor in Business Information Technology) and Wei Chunyue (CAS Leadership Advanced). Once again this year, we are grateful to the trainers for their commitment in supporting the successful graduates and their final theses, which provide valuable impetus for the further development of important processes in the company.

Promoting study and research

Award winner Marina Caflisch and Dr Thomas Büeler at ETH Zurich

Promoting research: HOCHDORF is also continuing its commitment to targeted support in the academic field. For the 20th time, the HOCHDORF Prize was awarded for an outstanding Master's thesis in the Food Science programme at ETH Zurich. Dr Thomas Büeler, VP Quality & Food Safety, presented the award to Marina Caflisch for a study that provides important detailed insights into the complex relationships between nutrition, digestion, intestinal bacteria and health. This is a topic of particular interest to HOCHDORF as a manufacturer of smart nutrition products for people of all ages.

Political representatives visit HOCHDORF

Tasting in Hochdorf: Cantonal Councillor Fabian Peter (centre) and the Director of Lucerne Business, Ivan Buck, together with Dr Thomas Büeler in the laboratory

Opening doors, representing interests: HOCHDORF has welcomed representatives from regional and national politics to both of its sites on several occasions and used the opportunity to provide information and hold discussions: The Municipal President of Hochdorf, Lea Bischof-Meier, and Local Councillor Reto Anderhub were joined by Cantonal Councillor and Cantonal President Fabian Peter and the Director of Lucerne Business Development, Ivan Buck, to learn about the status of the company's realignment. At the end of the year, the President of the Federation of Swiss Nutrition Industry (fial) and National Councillor Petra Gössi visited our site in Sulgen and took a great interest in finding out about the production of infant formula "Made in Switzerland", speciality products from the drying and processing of milk and whey as well as the current challenges for exporting companies in the dairy industry.

Help where help is needed

South Sudan donations for the local distribution partner SSAC

Alleviating hardship: In cooperation with the local authorities and a trusted distribution partner, Pharmalys Laboratories SA and HOCHDORF Swiss Nutrition Ltd. have ensured that 22,000 cans of infant nutrition have benefited women and children having fled the civil war in Sudan to South Sudan.

HOCHDORF also supported www.lachen-hilft.ch with a significant donation of Bimbosan products to alleviate the suffering in war zones in Ukraine.

Market insight: Doctores Mallén Guerra S.A.

The growth of Babina products in the Dominican Republic and Central America represents an outstanding example of the successful implementation of new strategies in the Infant Nutrition division in 2023.

Represented by Doctores Mallén Guerra S.A. – a company specialising in the distribution and marketing of products primarily in the healthcare sector – Babina brand infant formula has been available in the Dominican Republic since 2015, competing with brands that have been on the market for more than 100 years in some cases. The company expands successfully in Central America.

Babina: campaign visual (copyright: Doctores Mallén Guerra S.A.)

With the launch of Babina Plus, a high-quality product for children aged between 2 and 5, the company took the step in 2020 towards nationwide, sustainable positioning – not only in pharmacies, but also in the specialised retail departments of all major supermarket chains across the country.

In 2023, a market share of 23% in the Dominican Republic was recorded with growth of 20% compared to 2022. The basis for this was the successful implementation of a new, integrated marketing concept communicating the benefits of Babina products in parallel on selected social media channels, on target group-specific digital platforms and by trained staff at the point of sale.

Advertising campaign for Babina Plus (copyright: Doctores Mallén Guerra S.A.)

Market insight: Bimbosan

For the Bimbosan brand, the year 2023 was characterised by a common goal: regaining market share. The focus was set on an increased online presence as well as on intensifying the personal touch points of our sales team with customers and consumers, clearly communicating the brand's "Swissness" benefits.

"Swissness", especially in combination with "Swisstainability" – i.e. Swiss quality based on raw materials that are sustainably produced and processed in Switzerland and tested by Swiss laboratories for compliance with the highest standards - are proving to be strong arguments and a decisive USP (Unique Selling Point) both in the Swiss domestic market and in international markets. Thanks to the efforts of the industry, HOCHDORF, as the producer of Bimbosan, was able to guarantee that from 2024, 100% of its milk will meet the "swissmilk green" standard. This means that the milk used to produce infant formula will only come from producers who fulfil the relevant industry standards. Accordingly, "Swissness" and "Swisstainability" are also the core messages of the new multi-channel communication campaign launched in 2023 to strengthen the Bimbosan brand (www.bimbosan.ch/nachhaltigkeit).

Bimbosan corporate movie with focus "Swissness" (Youtube: https://www.youtube.com/watch?v=u2WLVftzRvM)

The new communication demonstrates why Swissness and sustainability go hand in hand at Bimbosan in a likeable and playful way that is typical for this love brand. In order to communicate "sustainability", credible arguments are needed - as provided by the industry association

SwissMilk in its brochure on "The added value of sustainable Swiss milk" and its facts on cow feeding:

- 80% of Switzerland's agricultural land, including summering areas, is grassland and is particularly suitable for dairy farming.
- In Switzerland, the good grassland allows for high-quality milk production in line with highest standards for animal health and low use of concentrated feed.
- The Swiss grassland offers a balanced mixture of grasses, clover and other herbs. As a result, Swiss farmers get by with less nitrogen fertiliser than other European countries.
- Swiss cows receive 90% domestic feed. Most of this is roughage, such as grass and hay of excellent quality.

The topic of "Grassland Switzerland" has been given more prominence on Bimbosan packaging with a corresponding QR code that leads to a landing page that contains detailled information on sustainability as well as farmer portraits.

Grassland Switzerland: focus of Bimbosan's Swissness communication

Infant Nutrition

With sales of CHF 103.1 million in 2023, corresponding to 33.5% of total sales, and growth of 29.7% compared to the previous year, the Infant Nutrition division has confirmed its importance for the company's value creation and for its strategic direction and further development.

The business year 2023 was marked by the continuation and completion of the exploration, streamlining and renegotiation of contracts with distribution partners already started in the previous year. The division also focused on measures aiming to provide targeted support for the planned growth.

In line with the core strategy of the company, the Infant Nutrition division showed strong growth. The positive trend reported in the first half of the year continued in the second half of 2023.

Sales with private label brands in international markets (MENA, Latin America, various other emerging markets) developed at least in line with expectations and plans (MENA) and in some cases even significantly better (Latin America).

Net revenue, Infant Nutrition division
(in CHF million)

Bimbosan: improved formulations, digital information platform

The portfolio of infant formula under the Bimbosan brand (see also: market insight) has been further expanded in 2023. The company focused on improving two main formulas (Bimbosan Classic and Bimbosan Super Premium) and launching a new lactose-reduced product (Bimbosan Balance). In the baby food segment of the Bimbosan brand, a comprehensive review of all products and, in many cases, their revision and repositioning has been launched: The division is checking that the composition of all formulations meets state-of-the-art standards and adapting these to market requirements. Labelling, packaging design and accompanying information will be revised to appeal to parents with a more contemporary feel and to make it easier to access the essential information in individual cases. The overall process should be completed by mid–2024 at the latest. Parallel to the exploration and optimisation of the product portfolio, the website was relaunched and the brand repositioned online (https://bimbosan.ch/en). Parents and other interested parties can now access scientific based information and receive profound guidance in an attractive format, in line with the easy-to-understand, playful yet professional language of the Bimbosan brand. Health care professionals and specialist sales staff can find specialised information on individual products as well as further details on formulations and updates.

2023: relaunch of Bimbosan website

Pharmalys Laboratories SA: solid growth under new framework conditions

Based on the new framework conditions of the business partnership agreed in the previous year, HOCHDORF was largely able to achieve its growth targets with Pharmalys Laboratories SA, the most important sales partner of the company in the international Infant Nutrition segment, despite a challenging market environment.

In particular, remarkable growth was achieved in Algeria, Jordan and the Ivory Coast.

Essential for the positive development were, on the one hand, optimised formulations for the established Primalac product and, on the other hand, the new launch of the PrimaSure product for "PickyEater", which also expands the portfolio to include a new product category. Further product registrations were driven forward in a number of countries in various regions, including in new markets that are scheduled to be opened up from the 2024 business year.

Production of Primalac Ultima, a Pharmalys Laboratories SA brand, at the Sulgen site of HOCHDORF Swiss Nutrition Ltd

Review of 2023

The positive effects of the portfolio and contract streamlining initiated in the previous year and completed in 2023 are having an impact. This is also the case with the agreement reached with Pharmalys Laboratories SA, the largest customer in the Infant Nutrition division, for new planning, delivery and payment processes: these have been established and are providing a much improved basis for the targeted and sustainably profitable partnership for the markets in MENA. For the markets in Latin America, the sales partnership with Doctores Mallén Guerra S.A. continues to prove beneficial. We were able to achieve the joint targets, significantly exceeding these in some instances. The growth trajectory of the previous year continued unabated on the international markets.

Outlook for 2024

The results achieved in 2023 – both organisationally and commercially – form a solid basis to continue HOCHDORF's course of strategic growth in Infant Nutrition. The company will strengthen and further expand its presence in MENA and Latin America. While entry into the Chinese market is not a strategic focus anymore and has been postponed for the time being due to the specific issues with ongoing new regulatory challenges, the company is pursuing entry into the US market with high intensity. Following the completion of an initial test procedure in 2023 for the products intended for approval in the US, concrete measures to implement market entry are scheduled for 2025. This phase will also be accompanied and supported by proven experts in the industry and the US market for infant nutrition.

HOCHDORF has been developing high-quality Swiss infant formula for over 100 years. We are the only supplier in Switzerland to only 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 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.

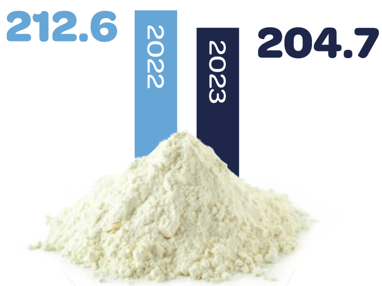
Food Solutions

With a turnover of CHF 204.7 million in 2023 and a share of 66.5% of the HOCHDORF Group's net sales, Food Solutions remains the company's largest division. The continuation of the slight downward trend is in line with the strategy and reflects the company's realignment.

The challenge of the Swiss milk market

In the Food Solutions division, the 2023 business year was characterised by the increasingly challenging situation in the Swiss milk market. While long-term trends foresee a stable or diminishing Swiss milk volume over time, slower than expected sales in the traditional dairy segments such as cheese and stock feed led to a surge in excess milk. Both of these unfavourable situations proved to have a significant impact on the HOCHDORF Group's business.

In line with the realignment of the company and in order not to jeopardise continuing progress, the company pursued a course of cooperative support to the milk producing partners without abandoning the principle of profitability: it only accepted milk volumes in cases where customers had been established and contracts had been signed for processed products.



Net sales, Food Solutions division (in CHF million)

Whey Competence Centre

Increasing demand is confirming whey protein and other raw materials obtained from whey and lactose as products with high value-added potential for HOCHDORF, both for the growing market for functional food products and for use in infant formula. In addition to its established and growing position in the market for infant nutrition, HOCHDORF has created conditions to sustain profitable participation in the functional food market. The company has established initial collaborations with innovative partners.

Outlook for 2024

The challenges on the Swiss dairy market outlined above are expected to further intensify in the 2024 business year. HOCHDORF will stick to its course and continue to offer support, without abandoning its own commercial targets. The company's strategic focus will consistently remain on expanding its portfolio of high-margin products from milk processing, such as lactose-reduced or lactose-free milk powder and whey protein.

As well as traditional milk-based products such as classic milk powder, the Food Solutions division also develops and sells innovative semi-finished products like high-fat powder, enriched powder for specialist nutrition or vegan milk powder. 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 Swiss butter manufacturing and 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 positively 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 contribution of the Innovation, Research & Development department is crucially important to the success of HOCHDORF's strategic direction. The investment in terms of finance and human resources is therefore correspondingly high. The company remarkably exceeded its targeted innovation rate. The department generated ideas with sustainable profitability across all business areas. It also designed and supported improvements to products and processes and developed pioneering concepts for products and collaborations.

For the department, the 2023 business year was characterised by three key areas:

- Product improvement and product development within the Infant Nutrition division and across the entire portfolio of the Bimbosan brand (see section Infant Nutrition for further details).
- Optimisation of processes and applications relating to consumer products and functional ingredients.
- Support to the preparation for the planned market entry in the USA.

Improvements, specifications and innovations

As the international market for Infant Nutrition grows, so do the requirements for the products, the expectations of customers and the regulatory requests from respective FDA authorities. A total of 174 specifications were drawn up for the Bimbosan brand and for private label products. The department also presented six innovative concepts and three formulations within the area of specialized nutrition and facilitated the development of products with alternative raw materials.

Numerous products in the Food Solutions segment were revised and updated to meet the needs of our customers. The department achieved important milestones, particularly in the further development of the portfolio with lactose-free formulations, permeate refinement and innovative approaches to the use of plant-based milk powder substitutes.

Support through expertise and experience

As a competent service provider to internal divisions and to our customers and partners, the department also provided support in the production of specialist brochures and information material of all kinds, as well as for training courses and presentations – in collaboration with the Marketing & Sales departments in particular.

Optimising processes

Alongside high-quality raw materials, products designed to meet the highest quality standards require optimum technical and organisational conditions and procedures in the production processes. The team from the Innovation and R&D department has provided significant support in this regard across all production areas. The focus here has been to harmonise procedures and make them more efficient, control processes better, minimise failures and speed up product changeovers, thus supporting not only the commercial goals of the company but also contributing to improving HOCHDORF's energy footprint and sustainability targets.

Innovation rate

HOCHDORF has been reporting an innovation rate since the 2021 business year, measuring the proportion of sales accounted for by products that are less than three years old in relation to the total sales of the company. The target for 2023 (10%) was clearly exceeded at 18.5%. This again reflects the ability of HOCHDORF not just to meet the high level of market dynamics, continuous improvements and regulatory adjustments, but also to provide economically valuable, innovative impetus thanks to a skilled and highly motivated team.

In terms of total net sales, the Food Solutions and Infant Nutrition divisions generated CHF 56.8 million in sales with new products. The respective innovation rate amounting to 47.2% in Infant Nutrition and 4.0% in Food Solutions.

Cumulative innovation rate (Infant Nutrition and Food Solutions) for 2023: 18.2% (net sales: CHF 307.8m)

Outlook 2024

For 2024, the goals of the Innovation, Research & Development department will be:

- Further steps to consolidate overall production of Infant Nutrition at the Sulgen plant: The full portfolio of products should be produced in Sulgen by the end of 2024.
- Adapting formulations in the Infant Nutrition division to the latest scientific standards and to specific customer requirements.
- Increasing resource efficiency by further optimising processes.
- Further development of new segments, including specialised nutrition and alternative proteins.
- Product development with a focus on the US market.

Financial Report

The 2023 business year has seen further significant operational progress with positive EBITDA and positive cash flow. The Board of Directors and management of the HOCHDORF Group see the positive operational development of the last two years as confirmation that HOCHDORF has a sustainable business model.

Net sales

The HOCHDORF Group generated net sales of CHF 307.8 million in 2023 (previous year: CHF 292.1 million; +5.4%). The Food Solutions segment contributed around 66.5% (CHF 204.7 million) to net sales in the reporting year, meaning minus 3.7% compared to the result of the previous year (CHF 212.6 million). The Infant Nutrition segment – formerly "Baby Care" - contributed around 33.5% (CHF 103.1 million) to sales in the 2023 financial year. In line with the strategy, this segment increased significantly compared to the previous year (plus CHF 23.6 million; +29.7%), thus confirming expectations. HOCHDORF and its partners have registered more than 100 new articles for existing and new markets for further growth in the Infant Nutrition segment.

Gross operating profit

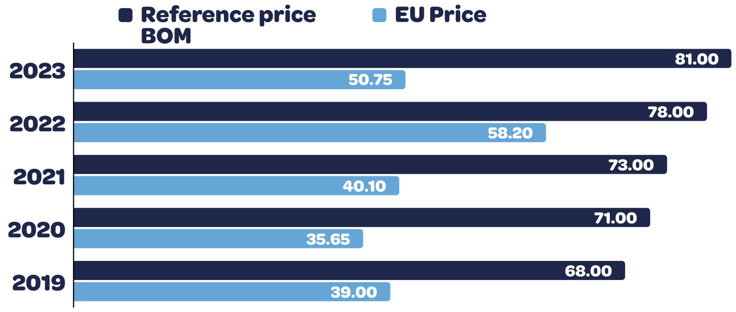
Gross operating profit developed favourably in 2023 and the HOCHDORF Group achieved a gross profit of CHF 93.0 million, which corresponds to an increase of CHF 17.6 million compared to the previous year. The gross operating margin (gross operating profit as a percentage of production revenue) rose from 25.3% in the previous year to 30.8% in the 2023 business year. The HOCHDORF Group benefited from sales from the high-margin Infant Nutrition segment, renegotiated milk prices and good cream sales. Thanks to a consistent focus on earnings quality and growth, the gross margin in the Infant Nutrition segment increased from 41.0% in the previous year to 45.0%.

The cost of materials and goods was 6.3% lower in 2023 than in the previous year 2022 (CHF 208.9 million vs. 223.0 million). This decline is mainly due to a volume effect, as the price level generally increased. Great emphasis was put on optimised warehousing.

Costs of milk

The Swiss milk price remains high compared to the international markets (see chart below). In contrast to the easing of price levels in the EU, the Swiss dairy industry is confronted with an upward trend in domestic milk prices. Although the WTO-compliant Swiss export price compensation regime for processed milk in exported goods ensures a level playing field for Swiss agricultural raw materials on the international market. Nevertheless, the system has a delayed effect on falling EU prices. The corresponding gap had a negative effect for HOCHDORF in 2023 and is subject to adjustment initiatives in the industry.

Milk market: farmgate prices Switzerland & EU (in Rp. per Kg)



Reference price BOM: A-milk Dairy milk price according to the BOM milk sector organisation, Bern
EU Price: raw material value of milk according to average value; ife, Institute for Nutrition and Food Economics, Cologne and Milkprices Dairy NL, The Hague

Personnel and other operating expenses

At CHF 38.1 million, personnel expenses are CHF 0.8 million (1.9%) lower than in 2022. Other operating expenses increased by CHF 0.5 million to CHF 47.1 million (previous year: CHF 46.6 million) due to higher occupancy and maintenance costs and other external expenses. As a percentage of production revenue, operating expenses (personnel expenses plus other operating expenses) fell by 0.4 percentage points from 28.6% (2022) to 28.2% (2023). The situation on the energy and logistics markets eased. However, these prices were still above the pre-corona level. The stabilisation of these prices gave us planning security and had a positive impact on deliveries and operating performance.

EBITDA, EBIT, net profit

The operating result (EBITDA) was positive compared to the negative result in 2022. As of 31 December 2023, HOCHDORF achieved a positive operating profit at EBITDA level of CHF 7.8 million (2.6% of production revenue) and a negative EBIT of CHF –3.9 million (–1.3% of production revenue). The company was thus able to increase earnings at EBIT level by CHF 16.2 million.

The financial result of CHF –6.1 million deteriorated compared to the previous year (CHF –3.3 million). This is mainly due to the higher interest rates for the syndicated loan as well as the lower euro and dollar exchange rates. The net result at Group level remains negative at CHF –10.2 million.

Assets, financing, cash flow

Current assets have decreased from CHF 107.5 million as of 31 December 2022 to CHF 96.1 million. The main reason for this was the significantly lower level of inventories (decrease of CHF 9.7 million compared to December 2022). The decrease in trade receivables from related parties (CHF 2.0 million) is due to the reclassification of receivables from the customer Pharmalys Laboratories SA as non-current. The further reduction in trade accounts receivables (CHF 0.6 million) is due to the reduction in average payment terms, etc. Property, plant and equipment decreased by CHF 5.6 million compared to 31.12.2022. The increase in financial assets (see reclassification of Pharmalys receivables above) offset the decrease in property, plant and equipment (disposals, impairments), with the result that fixed assets appear only CHF 0.3 million lower compared to 2022. While particularly the infant nutrition-business was growing strongly in 2023, all receivables from Pharmalys Laboratories SA amounted to CHF 70.0 million as at 31.12.2023 (31.12.2022: CHF 65.9 million). Of all deliveries from 2023, including interest invoices (CHF 1.4 million), CHF 7.0 million remained unpaid as at 31 December 2023 despite incoming payments of EUR 65.8 million. These receivables outstanding as at 31 December 2023 from deliveries in the 2023 financial year (CHF 7.0 million minus CHF 1.4 (interest) = CHF 5.6 million) were paid by Pharmalys Laboratories SA after the balance sheet date by mid-March 2024. Liabilities fell from CHF 115.6 million (31.12.2022) to CHF 113.8 million. This is mainly due to the CHF 5.5 million decrease in lower trade payables (as at the reporting date) and the CHF 4.2 million increase in accrued liabilities and deferred income.

The financial covenants to be complied with at Group level as part of the syndicated loan agreement and the bilateral credit limit of Luzerner Kantonalbank are the equity ratio of at least 40.0% and a maximum loss at EBITDA level of CHF 5.0 million. These covenants were complied with as at 30 June 2023 and 31 December 2023. Group Management and the Board of Directors of the HOCHDORF Group assume that there is no risk of a breach of the agreed covenants as at 31 December 2024.

The cash flow situation is stable and has improved significantly compared to the same period of the previous year. Cash flow from operating activities is clearly positive at CHF 13.8 million. This is partly due to lower inventories.

Events after the balance sheet date

The HOCHDORF Group, and therefore HOCHDORF Holding Ltd. as the parent company of the entire Group, continued the refinancing of the company at full speed in the summer of 2023, as the syndicated loan expired on 30 September 2023. The syndicated loan was extended for two more years on 23 September 2023. The operational turnaround and the extension of the loan agreement for a further two years are important building blocks for the further examination of refinancing options. External consultants are supporting the company in this process.

In the view of the Board of Directors and the HOCHDORF Group’s management, this ensures the HOCHDORF Group’s solvency for the medium term.

Despite the significant operational progress with positive EBITDA and cash flow, the Executive Management and the Board of Directors of the HOCHDORF Group have come to the conclusion that in the foreseeable future, even competitive earning power will not be sufficient in any plausible scenario to bear the increasing legacy burdens from the complex financing and capital structure. Measures to this end - partly due to the hybrid bond from 2017 and the resulting rising interest burden - have proven to be virtually impossible to realise. Various options are being examined; the focus is on a sale or partial sale, with the aim of keeping the operating business together. The approach to potential investors is being expanded accordingly. No decisions have yet been made.

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:

- **Financing:** 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. As the syndicated loan expired on 30 September 2023, the refinancing of the company was continued as a matter of urgency in the summer of 2023.
  The syndicated loan was extended by additional two years until the end of September 2025. The operational turnaround and the extension of the loan agreement for two more years are important building blocks for the option review(s) of the refinancing and redemption of the hybrid bond.
- **Collaboration with Pharmalys Laboratories SA:** Pharmalys Laboratories SA is by far the largest customer in the Infant Nutrition segment, which represents a cluster risk to the company. The high level of receivables from Pharmalys Laboratories SA has a major impact on the liquidity and thus the solvency of the HOCHDORF Group. The cash flow for goods and services in 2023 was significantly higher than in 2022. There was no longer any significant increase in the outstanding receivables.
  There is close contact between the management of the HOCHDORF Group and the management of Pharmalys Laboratories SA. Regular, bi-weekly meetings were held to discuss the development of the markets in which Pharmalys Laboratories SA is active, the ordering and delivery processes and the liquidity development. These meetings aim to ensure transparent communication about market developments, optimise processes and meet payment terms .
  From February 2024, pricing, cash forecast and new markets shall also be discussed on a monthly basis. These meetings shall be held on Bord of Directors-level and shall give both business partners a maximum of transparency and certainty about the entire course of business. We assume that Pharmalys Laboratories SA in 2024 will be able to further increase its volume compared to 2023 and may be in the position to pay off a small portion of its legacy liabilities by the end of 2024.

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.

Finally 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's internal audit in 2023 was carried out by a full-time employee who reported directly to the Chairman of the Audit Committee of the Board of Directors. The internal auditor supported the Board of Directors in handling its monitoring and controlling tasks. The internal auditor provided an independent and objective audit and advisory service by reviewing, evaluating and continuously improving the effectiveness of risk management, controls and management and monitoring processes using a systematic and targeted approach.

An audit were carried out in the area of Sales in 2023. The results were recorded in written audit reports which, in addition to the findings and recommendations of the internal auditor, contain the management response with planned measures and schedules for implementation. The report is distributed to the members of the Board of Directors and the Group Management. The report and the defined measures are presented and discussed within the framework of the Audit Committee meetings. Group Management checks the implementation of the defined measures, ensures their progress and keeps the Audit Committee continually updated.

As of 31 December 2023, the position of internal auditor was dissolved, respective responsibilities shall be reallocated.

Taking responsibility. Making a difference.

The company is committed to consistently implementing its goals for greater sustainability

As a company manufacturing products using raw materials from Swiss agricultural production and serving customers who see the "Swissness" as a crucial quality feature, HOCHDORF Swiss Nutrition Ltd attaches great importance to sustainable business practices and the careful use of resources.

In 2020, the company set targets for three core areas: nature, technology, people – to be met by 2030. Additional steps to reach these goals were implemented in 2023.

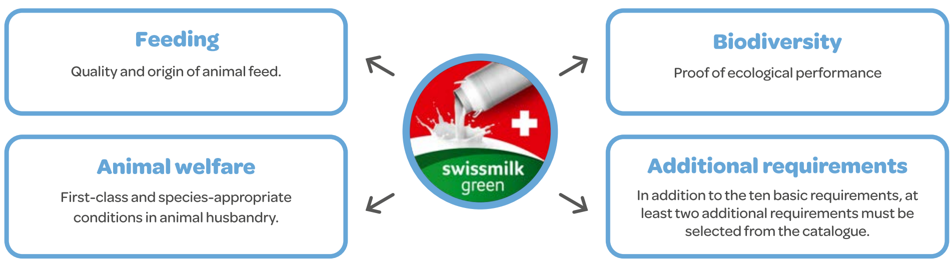
Climate and animal-friendly milk

HOCHDORF milk is 100% “swissmilk green”

HOCHDORF is committed to 100% “swissmilk green” quality standards for all processed milk: “The “Swissmilk green” brand stands for ’close-to nature’ and sustainable in reference to milk produced in Switzerland. The quality level in the Swiss dairy industry is already high by international comparison. With the production standard it should be even higher. The production standard stands for the high level of Swiss milk producers with respect to animal welfare, feeding, proximity and health, and is constantly enhanced. Milk producers who meet the production standard receive an award of 3 centimes (for dairy milk in the A-segment). With this programme, the milk sector organisation is a forerunner for all sectors of Swiss and international agriculture."[1)]

More information about this voluntary commitment you can find here .

1) www.swissmilkgreen.com

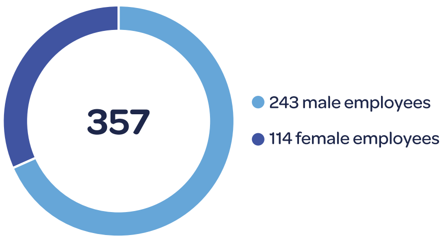


The industry standard for sustainable Swiss Milk (source: https://api.swissmilk.ch/wp-content/uploads/2023/09/SMP_MilchprodSchweiz04_A5_EN_RZ_web.pdf)

Employees and society

Regional roots. Individual responsibility.

HOCHDORF Swiss Nutrition Ltd. employs 357 people (369 people including apprentices & trainees) at its two sites in Hochdorf and Sulgen: 114 women, 243 men (as at: 31.12.2023). The company is an important regional employer for the cantons of Lucerne and Thurgau.



Equality

In accordance with its Code of Conduct, the company ensures a working environment that is free from discrimination for all employees. New vacancies are advertised on a gender-neutral basis. Training and further education are always offered, regardless of gender, origin, religious denomination or other cultural and social affiliations.

Safety

Safety at work takes top priority.

Occupational safety procedures are based on the guidelines and recommendations of SUVA (Swiss National Accident Insurance Fund). An exception is the "emergency organisation", which is placed at a higher level and is the responsibility of the company's safety management. An external expert regularly inspects both of the company's sites, making recommendations for improving safety measures as necessary.

Employees receive regular updates on this and are obliged to take part in mandatory training courses.

The accident rate in the company was reduced by 78% in the 2023 business year. With a total of 4 (four) accidents, this was the lowest rate statistically since records began.

Remuneration culture

In accordance with the revised Gender Equality Act, HOCHDORF Swiss Nutrition Ltd., as a company with 100 or more employees, was obliged to carry out an equal pay analysis every four years and to have this analysed by an independent body.

The aim of the analysis is to establish whether employees of the same age earn the same for producing work of equal value. Landolt & Mächler Consultants AG, Hünenberg, carried out this analysis on behalf the company. The independent auditors KPMG confirmed that all employees and all salary components were fully recorded.

The results show that female and male employees have an almost identical basic salary for similar activities; the difference is only 0.2% ("transformed discrimination factor"). If bonuses and special payments are included, male employees earn 6.2% more on average. This is explained by the fact that the proportion of male shift workers in the company (i.e. recipients of wage supplements for shift work) is considerably higher (71.7%) than that of female shift workers (29.3%).

In line with the Gender Equality Act, the next equal pay analysis must be carried out by the end of May 2026 at the latest.

Long Term Incentive Plan

For 2023, the Board of Directors approved the introduction of a long-term incentive (LTI) plan for selected top performers.

This was introduced retroactively to 1 January 2023 after the corresponding amendment to the Articles of Association was approved at the Annual General Meeting on 10 May 2023.

For details, please refer to the Remuneration Report.

2023 at a glance

- Specific measures for employer branding and personnel development / training have been introduced and being implemented consistently.
- Recruitment processes are carried out using digital tools and platforms.
- Comprehensive occupational health management is in place. Specific measures are available for the reintegration of employees who have missed work for an extended period of time due to sickness.
- A new time recording system ensures all data is available to employees in real time in the employee portal.
- Salaries are based on a recognised and transparent system.
- At least one annual appraisal is held with all employees, in which achievements are discussed, targets are agreed and training needs are determined.
- Feedback to line managers is also possible and encouraged in these meetings.
- All employees are informed about important topics online and offline through different communication channels, as and when required. An employee app is also in place.
- In line with its code of conduct, the company has put in place a whistleblower process, allowing for employees to address sensitive issues to an impartial body in all confidence. In 2023, this was used once and led to adequate corrective actions supported fully by the management.

CO^2 reduction and resource conservation

Increasing energy efficiency

Processes for refining milk and milk derivatives, in particular their drying and refining into specialized powders, semi-finished products and by-products, are technically complex and energy-intensive.

HOCHDORF Swiss Nutrition Ltd. has also made considerable investments in 2023 to make these processes more efficient and to further reduce the consumption of electricity and gas. Oil only accounts for 0.01% of HOCHDORF Swiss Nutrition Ltd.'s energy consumption; the option of switching certain production areas to oil operation is only maintained as an alternative for extreme gas shortage situations.

In line with the decision to focus the company's production at the Sulgen site from 2027, most of the targets relate to this site:

- In the milk drying area, an existing gas air heater was replaced with a state-of-the-art and considerably more energy-efficient steam air heater.
- A photovoltaic system was installed on the roof of the production site in Sulgen to generate up to one gigawatt of electricity, which corresponds to around 5% of the company's total annual consumption. The system is currently one of the largest photovoltaic systems in the canton of Thurgau.

Corporate Governance

The HOCHDORF Corporate Governance Report 2023 follows the SIX Swiss Exchange Directive 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 of the hereby following chapter, namely to the annual financial statement, or the Articles of Association of HOCHDORF Holding Ltd. The statements in the Corporate Governance Report in each case refer to the status on the balance sheet date of 31 December 2023.

1. Group structure and shareholders

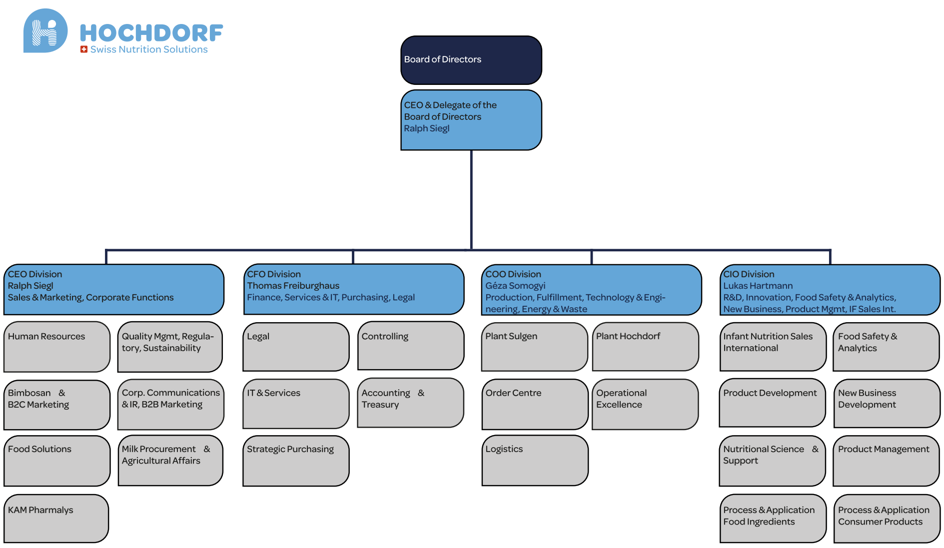
1.1. Group structure

1.1.1. Outline of the operational group structure

The members of the Board of Directors are listed in Sec. 3.1 of this report; the members of the Group Management are listed in Sec. 4.1 respectively. Each member of the Group Management (CFO, COO and CIO) is representing a corporate area or business division in the Group Management as outlined hereafter and is reporting to the CEO/Delegate of the Board who, in turn, is reporting to the Chairman of the Board of Directors.

HOCHDORF's operational business activities are separated in two divisions: Infant Nutrition, offering infant formula and baby nutrition to babies and toddler, and Food Solutions, offering cream, dairy and non-dairy finished or semi-finished products for the consumer product food industry. The responsibility for each business division is further divided into three areas: target markets, customer, brand.

- The strategic business activities regarding important customers or brands, the Milk Procurement / Agricultural Affairs, the Regulatory affairs, the Corporate Communications / Investor Relations, and the Human Resources departments are represented in the Group Management by and are reporting to the CEO / Delegate of the Board.
- The Research & Development, Product Management, Production Quality, Food Safety and Analytics and the Business Development departments and infant nutrition business other than those mentioned above are represented by and are reporting the CIO.
- The departments of Finance and Controlling, Information Technology, Procurement, and Legal are represented by and are reporting to the CFO, while the respective auditor directly reports to the Board of Director's Audit Committee.
- The departments of Operations, Technology and all production plants (Hochdorf and Sulgen) are represented by and are reporting to the COO.



Operational group structure as of 31 December 2023

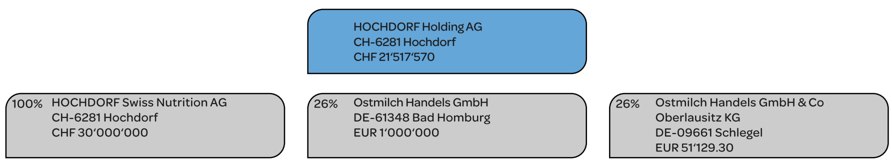
1.1.2. All companies that are part of the issuer's scope of consolidation

HOCHDORF Holding Ltd. has its registered office in Hochdorf (Canton of Lucerne).

The shares of HOCHDORF Holding Ltd. are listed on the SIX Swiss Exchange in Zurich. The market capitalisation on 31 December 2023 was CHF 33'352'233.50. The security number is 2466652 and the ISIN number is CH0024666528.

1.1.3. Non-listed companies that are part of the issuer's scope of consolidation

HOCHDORF Holding AG directly holds all the companies belonging to the HOCHDORF Group. The below structure shows the non-listed companies as of 31 December 2023, together with the percentage of shares held and the share capital.



Subsidiaries relevant for the financial result of HOCHDORF as of 31 December 2023

For the Corporate Governance Report 2023, HOCHDORF Group has changed the presentation of the structure so that dormant companies and companies in liquidation are no longer listed.

1.2. Significant shareholders

As of 31 December 2023, HOCHDORF Holding Ltd. noted the following shareholders holding more than 3% of the share capital of HOCHDORF Holding Ltd. directly, indirectly or in concert with third parties:

Amir Mechria, Ayia Napa, Cyprus	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 SIX Swiss Exchange: https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TBH3U00014

1.3 Cross-investments

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

2. Capital structure

2.1.–2.3. Capital

The ordinary share capital of HOCHDORF Holding Ltd. amounted to CHF 21’517’570 as of 31 December 2023 and has not changed during the reporting period 2023. HOCHDORF Holding Ltd. has neither resolved a capital band nor a contingent capital.

2.4.–2.5. Shares, participation and dividend-rights 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 neither issued any participation nor dividend rights certificates.

2.6. Restrictions on transferability and nominee entries

2.6.1.–2.6.2. 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. No exceptions were granted during 2023.

2.6.3. Nominee entries

Nominees are not entitled to be entered in the share register.

2.6.4. Procedure and conditions for the cancellation of statutory privileges

There are no special provisions in the Articles of Association. Refer to section 2.6.1 of this document for further information.

2.7. Convertible bonds and options, hybrid bond

HOCHDORF Holding Ltd. has not issued any Convertible Bonds or Options during 2023.

In 2017, HOCHDORF Holding Ltd. issued a hybrid bond for a nominal amount of CHF 125 million. It is a perpetual subordinated bond with paid interests with a coupon rate of 2.5% until its first call date on 21 June 2023. After that first call date has not been exercised, the interests payable increased to 6.9425% in accordance with the terms of the bond.

3. Board of Directors

3.1. Members of the Board of Directors as of 31 December 2023

The Board of Directors of HOCHDORF Holding Ltd. consists of five 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 2024; **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 2001 as member of the Executive Board and from 2005 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., Zug.

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 2024; **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 und Frankfurt 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 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, Ruschlikon, and member of the Board of Directors of SBB AG, Berne; since 2023 member of the Board of Directors of Brandsoul AG, Zurich.

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 2024; **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.

Thierry Philardeau

Member of the Board of Directors

1962, French citizen

Profession: Business economist; **Place of residence:** Paris (FR); **First election to the Board of Directors:** 2023; **Elected until:** Annual General Meeting 2024; **Training/degree:** Master in marketing and financial management at NEOMA business school in France, PED IMD business school, Lausanne; **Professional activity:** 1984 to 1986 Quantitative Research Executive at Unilever France; 1986 to 2023 employed in various marketing, sales and management roles at Nestlé in Paris, Brussels, Milan and Vevey; until 1 April 2023 as Head of the Nutrition Strategic Business Unit, Nestlé Vevey; **Other activities:** none.

Marjan Skotnicki-Hoogland

Member of the Board of Directors

1967, Dutch citizen

Profession: Business economist; **Place of residence:** Bussum (NL); **First election to the Board of Directors:** 2023; **Elected until:** Annual General Meeting 2024; **Training/degree:** Master in Business Administration (drs) University of Groningen (NL), Corporate Governance program Nyenrode University (NL), various leadership programmes at London Business School/IMD; **Professional background:** 1990 to1994 various roles for NUTRICIA infant nutrition in The Netherlands and Poland; 1994 to 2013 various roles for Nestlé Nutrition, building the infant nutrition business in Central & Eastern Europe and The Netherlands; 2013 to 2017, Managing Director FrieslandCampina Riedel; 2018 to 2022 Managing Director CelaVita/VP Chilled McCain Europe; **Professional activity:** since April 2023 Global Managing Director Specialised Nutrition and Dietary Supplements of Cargill; **Other activities:** Board roles for several industry associations (e.g.VNFKD / AIJN), supervisory role (voluntary) for It Fryske Gea (nature conservation).

Ralph Siegl

CEO and 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 2024; **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 Trade in Goods Desk Officer at the FDFA/FDEA Integration Office, Bern and Brussels; 1995 to 2006 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 Chairman & Partner 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 (Chairman 2016 to 2020) of LLB (Switzerland) AG, Uznach; since 2020 Chairman of Zibatra Beteiligungen AG, Rickenbach SO; since 2021 member of the Board of Directors of W. Kündig & Cie. AG, Zurich; since 2022 member of the Board of Directors of laflor AG, Zurich; since 2023 President of the association SwissBoardForum, Bern; **Other activities at HOCHDORF Group**: Since 2022 Chairman of the Board of Trustees of the HOCHDORF pension fund ("Pensionskasse der HOCHDORF-Gruppe"), Hochdorf.

Changes in 2023:
Markus Bühlmann resigned from the Board of Directors at the Annual General Meeting 2023.

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 sec. 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 division of responsibilities of all members of the Board of Directors since the Annual General Meeting 2023 are shown below:

Members of the Audit Committee:

- Andreas Herzog (Chair)
- Jürg Oleas
- Thierry Philardeau
- Jean-Philippe Rochat

Members of the Personal and Remuneration Committee:

- Jean-Philippe Rochat (Chair)
- Marjan Skotnicki-Hoogland
- Jürg Oleas

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

The composition of committees is shown above under Section 3.5.1 of this document.

Audit Committee

The members of the Audit Committee are determined by the Board of Directors for the term of office until the next Annual 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 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.

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 the Board of Directors shall meet at least four times per year. In 2023, the Board of Directors held seven ordinary meetings, each lasting between three and six hours, and two extraordinary meetings, each lasting between one and two hours. Four from six members attended all meetings, two members missed one meeting each.

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 Chairman of the Board of Directors has the deciding vote. In the event that a member of the Board of Directors is also a member of the Executive Management (e.g. as CEO) of the company, that delegate adheres to a consequent policy to abstain from decisions with a risk of conflict of interests to positions.

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 Chairman and the Secretary to the Board.

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.

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 2023, the Audit Committee had three members and met three times, with the meetings lasting between one 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. Two of three members of the audit committee attended all meetings and one missed one meeting. The members of the audit committee regularly received the written internal audit reports. In 2023, 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 Annual General Meeting.
- 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 auditor responsible for the internal audit reports directly to the Chair of the Audit Committee and is an essential part of the internal control system.

4. Group Management

4.1. Members of the Group Management as at 31 December 2023

Ralph Siegl

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

For detailed CV see chapter 3.1.

Thomas Freiburghaus

CFO (Chief Financial Officer)

1968, Swiss citizen

Place of residence: Wettingen, AG; **Position**: CFO (Chief Financial Officer) of the HOCHDORF Group since 1 May 2023; **Training/degree:** Business Economist HWV; **Professional experience**: 1997 to 2004 various management positions in finance and controlling at ABB Switzerland, ABB Thailand, and ABB subsidiaries (Micafil); 2005 to 2015 CFO Business Area Plastics Technology at WEIDPLAS (formerly WEIDMANN Plastics Technology) and later as CEO responsible for the implementation of the EXIT strategy with completion of the sale in May 2014; 2016 to 2019 Deputy Managing Director and Head of Automotive at SIKA Automotive AG, Romanshorn, and later as Business Director at SIKA India Ltd., SIKA Automotive & Global Industry; 2020 to 2023 CFO & Managing Director of the division and all companies in Germany at STADLER Germany, Berlin. **Other activities:** since 2016 founder and independent business consultant of Linked Concept Management GmbH; since 2016 member of the Board of Directors at Mäder und Partner AG, Zurich.

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 experience:** 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 Infant Nutrition and since 2021 VP Innovation and R&D at the HOCHDORF Group. **Other activities:** none.

Changes during the reporting period:
Gerina Eberl-Hancock, CRO (Chief Revenue Officer), was relieved of all operational duties as of 18 August 2023 and the Group Management was reorganized at that occasion.

4.2. Other activities and vested interests

Refer to section 4.1 for further information.

4.3. Permissible number of other mandates

In line with section 24 of the Articles of Association, members of the Group Management may hold a maximum of 1 mandate in listed companies Art.727 (1), (2) CO 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.

5. Remuneration, shareholdings, loans

The relevant information can be found in the Remuneration Report.

6. Shareholders' rights of participation

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

The Articles of Association (in German language) can be downloaded from the HOCHDORF website: https://www.hochdorf.com/fileadmin/hochdorf/pdf/HOCHDORF_Holding/Investor_Relations/2023/Statuten_HOCHDORF_Holding_AG_2023.pdf

6.1. Restrictions to voting rights and proxy voting

6.1.1.–6.1.5. Statutory rules concerning restrictions on voting rights with reference to group clauses

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. For further information see section 2.6.1.

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 Annual General Meeting. Shareholders who represent at least 0.5% of the share capital or votes may request that an item be added to the agenda for the Annual General Meeting Art. 699b A1. 1 CO).

One or more shareholders who collectively represent at least 5% 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 auditor in charge

The Annual General Meeting elects the statutory auditor 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 2024. 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 2023 amounted to approximately CHF 283.500.

8.3. Additional fees

In the reporting year additional expenses of CHF 2.678 were incurred by KPMG AG 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 2023, representatives of the statutory 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. The consolidated financial statements were prepared 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 are published in accordance with the guidelines for ad-hoc publicity.

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

Shareholders and other interested parties 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-6281 Hochdorf
Tel. +41 41 914 65 83
E-mail: ir@hochdorf.com

10. Blackout periods

In accordance with HOCHDORF Groups Insider Trading Regulation, Company Insiders, as defined below, may, irrespective of whether or not they actually are in possession of insider information, not trade in HOCHDORF Holding Ltd shares during the following periods (blackout periods):

- During a period beginning 20 calendar days prior to, and ending with 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.
- During a period beginning 20 calendar days prior to, and ending with the Board of Directors meetings which take place before the publication of information to be disclosed pursuant to Art. 49 (Annual reporting) and 50 (Interim reporting) of SIX Swiss Exchange's listing rules and the publication itself.

Company Insiders (with reference to the relevant legal provisions, namely Art. 142 ff. Financial Market Infrastructure Act (FinMIA)) are defined as members of the Board of Directors and the Group Management and 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.

5. 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. On the other hand, the system of remuneration should be appropriate and in line with the market to enable recruitment of qualified employees.

An Long-Term Incentive Plan (LTI) was introduced for the 2023 business year with the aim providing managers (including the Executive Leadership Team (ELT), Operational Leadership Team (OLT) and the Senior Legal Counsel) with the opportunity to participate in the future long-term success of the company. The plan is intended to anchor the company's strategy and harmonise the long-term interests of shareholders and participants, thereby increasing the value of the company for the benefit of shareholders. It was introduced retroactively to 1 January 2023 and received approval for the corresponding amendment to the Articles of Association at the Annual General Meeting on 10 May 2023. The LTI is aligned with the market standard among listed Swiss companies and provides for an annual allocation of performance share units (PSUs). This represents a conditional right to receive a cash payment if certain performance targets and conditions relating to the employment relationship are met within a three-year period.

No PSUs were allocated for 2023. Based on the course of business in 2023, the Board of Directors has decided to forgo the allocation of PSUs and to issue a cash payment until further notice. The cash payment applies to all LTI recipients mentioned above and is set at the maximum possible amount.

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 additional remuneration for special tasks. HOCHDORF Holding Ltd. pays the legally required 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 of 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 the Group Management comprises a fixed monthly basic salary and a performance-related variable remuneration. 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. Targets and the degree of target achievement are set by the Board of Directors on the recommendation of the Personnel and Remuneration Committee (PRC). The LTI for the Group Management for 2023 will be a cash payment with the maximum amount available as approved by the Bord of Directors.

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 Annual General Meeting, 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 2024 Annual General Meeting

Shareholders will vote on the following remuneration components at the 2024 Annual General Meeting:

- Board of Directors: Prospectively over the maximum total amount of the fixed remuneration for the period from the 2024 AGM to the 2025 AGM
- Group Management: Prospectively over the maximum total amount of the fixed and variable remuneration for the 2024 business year

Remuneration of the Board of Directors "audited"

Remuneration is shown according to the expectant 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]	2023	2022
Jürg Oleas Start date: 30.06.2020	Chairman Member PRC Member AC	145,147	5,000	8,777	158,924	185,977
Andreas Herzog Start date: 30.06.2020	Vice Chairman Chair AC	104,834	5,000	6,079	115,913	136,749
Jean-Philippe Rochat Start date: 30.06.2020	Chair PRC Member AC	94,546	5,000	5,390	104,936	124,853
Ralph Siegl [2] Start date: 30.06.2020		65,000	5,000	4,241	74,241	102,559
Markus Bühlmann Start date: 12.04.2019 Leaving: 10.05.2023	Member PRC	24,121	1,667	1,992	27,780	99,728
Marjan Skotnicki-Hoogland Start date: 10.05.2023	Member PRC	50,000	3,333	0	53,333	0
Thierry Philardeau Start date: 10.05.2023	Member AC	46,144	3,333	3,855	53,332	0
Total		**529,792**	**28,333**	**30,334**	**588,459**	**649,836**

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 previous term of office from AGM 2022 to AGM 2023, a total amount of CHF 600'000 was proposed by the AGM of 13 April 2022. This amount has been complied with.

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)	191,303	
Total	**553,558**	**600,000**

For the current term of office from AGM 2023 to AGM 2024, a total amount CHF 650'000 was approved by the AGM of 10 May 2023.

Period	Amount paid out (in CHF)	Amount approved (in CHF)
AGM 2023 (10.05.2023) – 31.12.2023	397,156	
01.01.2024 – AGM 2024 (15.05.2024)		Available: 252'844
Total	**397,156**	**650'000**

Remuneration of the Group Management "audited"

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 2023					
Group Management Total [4]	1,798,083	271,766	404,924	101,250	2,576,023
Thereof highest remuneration [5]	643,000	107,680	165,239	0	915,919

1) Monthly salary, 13th monthly salary payment, flat-rate amount for representation 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 and vehicle payments
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 (workload increased from 80% to 100% as of 1 January 2023)

Ralph Siegl is Delegate of the Board of Directors and CEO of the HOCHDORF Group

Thomas Freiburghaus has been CFO (Chief Financial Officer) of the HOCHDORF Group since 1 May 2023

Lukas Hartmann is CIO (Chief Innovation Officer) of the HOCHDORF Group

Geza Somogyi is COO (Chief Operating Officer) of the HOCHDORF Group

Gerina Eberl-Hancock, CRO (Chief Revenue Officer; relieved from operational duty as from 18 August 2023, formally left the company on 31 January 2024)

Gerhard Mahrle ended on his position as Interim CFO with the appointment of Thomas Freiburghaus on 1 May 2023

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

The Annual General Meeting on 10 May 2023 approved a total amount of CHF 2'850'000 for the 2023 business year.

Period	Amount paid out (in CHF)	Amount approved (in CHF)
Business year 2022 (01.01.22–31.12.22)	2,770,167	2,600,000
Business year 2023 (01.01.23–31.12.23)	2,576,023	2,850,000

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 "audited"

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 "audited"

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 HOCHDORF Holding Ltd share options of the members of the Board of Directors and the Group Management "audited"

As at 31 December 2023, 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 (according to the share register):

Board of Directors		31.12.2023	31.12.2022
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 till 10.05.2023	0	0
Jean-Philippe Rochat	as of 30.06.2020	0	0
Ralph Siegl [1]	as of 30.06.2020	100	100
Marjan Skotnicki-Hoogland	as of 10.05.2023	0	0
Thierry Philardeau	as of 10.05.2023	0	0
	Total Board of Directors	**100**	**100**

Group Management		31.12.2023	31.12.2022
Ralph Siegl [1]	CEO; as of 21.01.2022	0	0
Gerhard Mahrle	CFO a.i.; as of 15.08.2022 untill 30.04.2023	0	0
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 untill 18.08.2023	0	0
Thomas Freiburghaus	CFO; as of 01.05.2023	0	0
Total Group Management		**0**	**0**
Total Board of Directors and Group Management		**100** [1]	**100**
as % of total number of shares		0.005%	0.005%

1) Ralph Siegl: shares counted once

Activities at other companies "audited"

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 Report.

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 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the sections marked “audited” on pages 65 to 71 of the Remuneration Report

In our opinion, the information pursuant to Art. 734a-734f CO in the Remuneration Report complies 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 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 sections marked “audited” in the Remuneration Report, the consolidated financial statements, the stand-alone 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 pursuant to Art. 734a-734f CO 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 judgement and maintain professional skepticism 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, 19 March 2024

Consolidated balance sheet as of 31 December

	Explanations in the notes	2023 TCHF	in %	2022 TCHF	in %
Assets					
Cash and cash equivalents	1)	14,556	5.4%	10,205	3.6%
Securities	2)	0	0.0%	223	0.1%
Trade accounts receivables	3)	21,400	7.9%	22,022	7.8%
Trade accounts receivables from related parties	3)	28,153	10.4%	30,146	10.6%
Trade accounts receivables from associated companies	3)	39	0.0%	107	0.0%
Other receivables	3)	1,933	0.7%	3,189	1.1%
Inventories	4)	25,415	9.4%	35,163	12.4%
Accrued income	5)	4,638	1.7%	6,441	2.3%
Current assets		**96,135**	**35.4%**	**107,496**	**37.9%**
Property and plant	6)	46,706	17.2%	48,468	17.1%
Other fixed assets	6)	85,412	31.4%	89,243	31.5%
Investments in associated companies		762	0.3%	1,325	0.5%
Financial assets	7)	42,031	15.5%	35,951	12.7%
Intangible assets	8)	669	0.2%	869	0.3%
Non-current assets		**175,579**	**64.6%**	**175,856**	**62.1%**
Total assets		**271,714**	**100.0%**	**283,352**	**100.0%**
Liabilities and equity					
Trade payables	9)	21,225	7.8%	26,712	9.4%
Trade payables to associated companies	9)	0	0.0%	139	0.0%
Short-term financial liabilities	10)	118	0.0%	67,118	23.7%
Other liabilities	11)	1,810	0.7%	2,926	1.0%
Other liabilities to related parties		706	0.3%	310	0.1%
Accrued liabilities and deferred income	12)	15,058	5.5%	10,813	3.8%
Short-term provisions	13)	252	0.1%	313	0.1%
Current liabilities		**39,169**	**14.4%**	**108,331**	**38.2%**
Long-term financial liabilities	10)	67,003	24.7%	121	0.0%
Provisions	13)	7,646	2.8%	7,165	2.5%
Non-current liabilities		**74,649**	**27.5%**	**7,286**	**2.6%**
Share capital	14)	21,518	7.9%	21,518	7.6%
Treasury shares		–319	–0.1%	–5,747	–2.0%
Capital reserves		158,413	58.3%	163,389	57.7%
Hybrid capital	14)	116,437	42.9%	116,437	41.1%
Accumulated losses		–127,946	–47.1%	–112,124	–39.6%
Net result (shareholder)		–10,210	–3.8%	–15,796	–5.6%
Equity excl. minority interests		**157,892**	**58.1%**	**167,676**	**59.2%**
Minority interests		3	0.0%	60	0.0%
Shareholders' equity		**157,895**	**58.1%**	**167,736**	**59.2%**
Total liabilities and equity		**271,714**	**100.0%**	**283,352**	**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	2023 TCHF 01.01.23-31.12.23	in %	2022 TCHF 01.01.22-31.12.22	in %
Net sales from deliveries and services	**15)**	**307,840**	**102.0%**	**292,141**	**98.0%**
Other operating income	16)	2,827	0.9%	3,292	1.1%
Change in inventories of semi-finished and finished products		–8,719	–2.9%	2,991	1.0%
Production revenue		**301,948**	**100.0%**	**298,424**	**100.0%**
Cost of materials and goods		–208,940	–69.2%	–223,015	–74.7%
Gross operating profit		**93,008**	**30.8%**	**75,409**	**25.3%**
Personnel expenses	17)	–38,107	–12.6%	–38,860	–13.0%
Other operating expenses	18)	–47,070	–15.6%	–46,605	–15.6%
Total operating expenses		**–85,177**	**–28.2%**	**–85,465**	**–28.6%**
EBITDA		**7,831**	**2.6%**	**–10,056**	**–3.4%**
Depreciation of fixed assets	6)	–11,409	–3.8%	–9,847	–3.3%
Amortisation of intangible assets	8)	–288	–0.1%	–202	–0.1%
EBIT		**–3,864**	**–1.3%**	**–20,105**	**–6.7%**
Result from associates	19)	–180	–0.1%	–964	–0.3%
Financial result	19)	–6,142	–2.0%	–3,288	–1.1%
Ordinary result		**–10,187**	**–3.4%**	**–24,357**	**–8.2%**
Non-operating result	20)	–23	–0.0%	45	0.0%
Earnings before taxes		**–10,210**	**–3.4%**	**–24,312**	**–8.1%**
Income taxes	21)	–1	–0.0%	8,521	2.9%
Net result		**–10,211**	**–3.4%**	**–15,791**	**–5.3%**
Attributable to:					
Net result (shareholder)		–10,210	–3.4%	–15,796	–5.3%
Net result (minority interests)		–1	–0.0%	5	0.0%
Net result		**–10,211**	**–3.4%**	**–15,791**	**–5.3%**
Earnings per share (basic)	**22)**	**–4.75**		**–7.44**	
Earnings per share (diluted)	**22)**	**–4.75**		**–7.44**	

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

Consolidated cash flow statement

	Explanations in the notes	01.01.23-31.12.23 TCHF	01.01.22-31.12.22 TCHF
Net result		–10,211	–15,791
Depreciation of fixed assets and amortisation of intangible assets	6) 8)	11,696	10,049
Profit from sale of associates		–383	0
Net interest expense	19)	4,490	2,908
Other non-cash adjustments [1]		–1,079	–2,450
Change in provisions	13)	420	–11,376
Net gain from sales of fixed assets		–7	–27
Income from associates		564	964
Cash flow from operating activities before changes in working capital		**5,489**	**–15,724**
As % of net sales		1.78%	–5.38%
Change in accounts receivable	3)	–2,401	–5,507
Change in other receivables and accrued income	3) 5)	2,934	–1,363
Change in inventories	4)	9,747	–3,312
Change in trade payables	9)	–4,665	476
Change in other liabilities and deferred income	11) 12)	2,696	5,781
Change in net current assets		**8,312**	**–3,924**
Cash flow from operating activities		**13,801**	**–19,648**
As % of net sales		4.48%	–6.73%
Investments in fixed assets		–6,788	–1,954
Investments in intangible assets		–88	0
Divestment of intangible assets		947	–0
Cash flow from investing activities		**–5,930**	**–1,954**
Free cash flow		7,871	–21,602
As % of net sales		2.56%	–7.39%
Change in short-term financial liabilities	10)	–67,001	66,882
Change in long-term financial liabilities	10)	66,882	–57,000
Change in minority interests in capital and profit		–57	5
Sale own shares net cash flow		452	159
Interest paid		–3,661	–2,585
Cash flow from financing activities		**–3,385**	**7,461**
Currency translation		–136	61
Net change in cash and cash equivalents		**4,351**	**–14,080**
Cash and cash equivalents at 1 January		10,205	24,285
Cash and cash equivalents at 31 December		**14,556**	**10,205**

1) The non-cash items mainly include unrealized exchange rate gains/losses from receivables and liabilities to customers/suppliers in the EUR area (see Note 19 in the notes to the 2023 financial statements)

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	Retained earnings [2]	Accumulated 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**
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 result	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**
Change in scope of consolidation	0	0	0	0	34	–0	33	0	33
Capital increase	0	0	0	0	0	0	0	0	0
Sale treasury shares	0	5,428	–4,976	0	0	0	452	0	452
Currency translation differences	0	0	0	0	0	–60	–60	–56	–116
Net result	0	0	0	0	–10,210	–0	–10,210	–1	–10,211
Equity as at 31.12.2023	**21,518**	**–319**	**158,413**	**116,437**	**–138,146**	**–11**	**157,891**	**3**	**157,895**

1) 2022 and 2023: 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

2) Of which non-distributable reserves TCHF 24'550 (31.12.2022 TCHF 18'510). This includes deferred interest under the hybrid bond of TCHF 13'931 (PY: TCHF 7'891) as at 31.12.2023, which will become due for payment at the time of a dividend resolved by the Annual General Meeting

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 2023.

Notes to the 2023 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 19 March 2024. 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 2023, 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	
	2023	2022	31.12.2023	31.12.2022
1 EUR	0.9710	1.0040	0.9297	0.9875
1 USD	0.8976	0.9498	0.8416	0.9252
1 GBP	1.1172	1.1760	1.0729	1.1129
1 UYU	0.0239	0.0230	0.0216	0.0233

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 – 50 years
Devices, equipment	5 – 25 years
Machines, appliances	5 – 25 years
IT systems, communication	3 – 10 years
Vehicles	3 – 10 years

During the 2023 financial year, the useful life intervals of the asset groups were adjusted in line with operating conditions and the new Group guidelines. In particular, the maximum useful life in the capital-intensive property asset groups was reduced by 15 years. These adjustments were made at the beginning of the financial year and resulted in higher depreciation and amortisation of CHF 1.3 million in the financial year compared to the previously applicable useful lives (see Note 6 of the notes to the consolidated balance sheet).

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 bond with an indefinite term. The hybrid bond had a first call date on June 21, 2023. This was not exercised. The interest payable increased by 2.5% plus an interest component based on a CHF-SWAP-rate, five years.

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 2022 and 2023. As at 31.12.2022 and 31.12.2023, there was no liability from the hybrid bond (the deferred interest from the hybrid bond is recognised in the retained earnings in equity).

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 2023 business year:

Additional receivables from Pharmalys Laboratories SA in the amount of CHF 6.2 million were reclassified as financial assets, as these will only be repaid after 31 December 2024 due to current discussions and in accordance with the business plan of Pharmalys Laboratories SA (see note 7).

A new syndicated loan agreement in the amount of CHF 67.0 million with HOCHDORF Swiss Nutrition AG (previously with HOCHDORF Holding AG) came into force on 13.09.2023 and was classified as long-term with a term until 29.09.2025 (see notes 10, 30 and 31).

As at 30.11.2023, a 100% value-adjusted receivable of CHF 2.1 million was settled (court ruling).

In 2023, property, plant and equipment were inventoried and the useful lives were adjusted to the operating conditions. The depreciation method for all assets was adjusted to the method 'residual value divided by remaining useful life'. This resulted in an effect of CHF 1.3 million higher value adjustments.

Changes in the scope of consolidation

There were the following changes in the scope of consolidation of the HOCHDORF Group in 2023. Those changes did not have a significant impact on the consolidated figures as of 31.12.2023.

Consolidated companies	Location	Function	Currency	Capital in thousands 31.12.2023	Capital share 31.12.2023	Capital in thousands 31.12.2022	Capital share 31.12.2022
Thur Milch Ring AG	Sulgen CH	Trade	CHF	170	97.1%	170	56.5%

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

1. Cash and cash equivalents

TCHF	2023	2022
Cash	4	5
Post account	434	52
Bank account	14,118	10,149
Total	**14,556**	**10,205**

2. Securities

TCHF	2023	2022
Securities	0	223
Total	**0**	**223**

3. Accounts receivables

TCHF	2023	2022
Trade accounts receivable from third parties	30,565	33,164
./. Provision for doubtful accounts	–9,165	–11,142
Trade accounts receivable from related parties [1]	28,153	30,146
Trade accounts receivable from associated companies	39	107
Other receivables	1,933	3,189
Total	**51,525**	**55,464**

1) In the 2023 financial year, additional receivables from Pharmalys Laboratories SA in the amount of CHF 6.1 million were reclassified as financial assets (total CHF 41.9 million)

The bad debt allowance includes the value adjustments made to receivables from customers that are still carried under trade receivables from third parties. In 2023, a 100% value-adjusted receivable of CHF 2.1 million was settled (court ruling) and the value adjustment was adjusted accordingly.

Trade accounts receivable 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 2022 and 30.06.2023 (see also the explanation under financial assets, note 7).

The other receivables mainly include receivables from government agencies (EStV value added tax, Directorate General of Customs due to milk 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.

The trade accounts receivable from third parties of HOCHDORF Swiss Nutrition Ltd. (CHF 30.6 million) are assigned globally as collateral to a financial institution for a bilateral credit limit from 23.09.2023.

4. Inventories

TCHF	2023	2022
Raw/auxiliary/operating materials	5,102	6,374
Finished goods and semi-finished products	21,738	32,594
Goods in transit	634	0
Value adjustments for inventories	–2,058	–3,804
Total	**25,415**	**35,163**

Value adjustments in 2023 and 2022 were mainly due to the sales price devaluations for milk powder.

5. Accrued income

TCHF	2023	2022
Accrued income	0	2,440
Customs receivables	2,912	1,733
CO refund	377	497
KEV refund electricity	602	0
Others	747	1,771
Total	**4,638**	**6,441**

Customs receivables consist of income not yet received and prepaid expenses. The main 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 electricity and CO2 refunds.

6. Fixed assets

TCHF	Property and plant [4]	Equipment, warehouse equipment, fixed equip-ment	Machines, production appliances, furnishings	Office equipment, IT systems, commu-nication, equipment	Vehicles	Current investment projects (assets under construction)	Total
Net book value 01.01.2022 [1]	**50,014**	**31,586**	**58,341**	**1,211**	**298**	**3,595**	**145,045**
Costs							
As at 01.01.2022 [1]	**103,703**	**82,869**	**185,521**	**8,462**	**1,471**	**3,595**	**385,621**
Additions	-	-	-	-	-	2,041	2,041
Disposals	-	-	-	-	–77	-	–77
Reclassification [3]	110	1,590	1,388	1,233	26	–3,876	472
Currency differences	-	-	-	-	-	-	-
As at 31.12.2022	**103,814**	**84,460**	**186,909**	**9,694**	**1,420**	**1,760**	**388,057**
Accumulated depreciation							
As at 01.01.2022 [1]	**53,689**	**51,283**	**127,179**	**7,250**	**1,173**	**-**	**240,576**
Disposals	-	-	-	-	–77	-	–77
Depreciation	1,656	3,097	4,566	442	86	-	9,847
Impairments	-	-	-	-	-	-	0
Currency differences	-	-	-	-	-	-	0
As at 31.12.2022	**55,345**	**54,380**	**131,746**	**7,692**	**1,182**	**-**	**250,345**
Net book value 31.12.2022	**48,469**	**30,079**	**55,163**	**2,003**	**237**	**1,760**	**137,712**
Costs							
As at 01.01.2023	**103,814**	**84,460**	**186,909**	**9,694**	**1,420**	**1,760**	**388,057**
Additions [2]	7	16	523	175	-	5,057	5,778
Disposals	–1,921	–327	–366	–506	–41	-	–3,161
Reclassification [3]	0	49	2,596	120	-	–2,675	90
As at 31.12.2023	101,900	84,197	189,663	9,484	1,378	4,143	390,765
Accumulated depreciation							
As at 01.01.2023	**55,345**	**54,380**	**131,746**	**7,692**	**1,182**	**-**	**250,345**
Disposals	–1,916	–314	–363	–480	–34	-	–3,107
Depreciation	1,765	1,911	7,227	438	69	-	11,409
As at 31.12.2023	55,194	55,977	138,610	7,650	1,217	0	258,647
Net book value 31.12.2023	46,706	28,220	51,053	1,834	161	4,143	132,117

1) Changes within the asset groups in 2023 (CHF 15.1 million was transferred from "equipment" to "machines") also led to a retrospective change in the allocation in the opening balance for acquisition values and accumulated depreciation for 2022

2) New acquisitions that are applied for during the financial year and put into operation in the same year appear as additions directly in the corresponding asset group

3) New acquisitions requested and started in previous years as ongoing investment projects were put into operation in the financial year and reclassified to the corresponding asset group

4) CHF 67 million of the properties at the Sulgen site have been pledged as security for the syndicated loan of CHF 67 million

Of which assets subject to financial leasing

The assets under finance leases included in property, plant and equipment relate to the leasing of laptops, computers, printers and vehicles at HOCHDORF Swiss Nutrition Ltd. The net carrying amount was CHF 0.2 million in 2023.

Comparability of depreciation and amortisation

It is not possible to compare depreciation and amortisation in 2023 with the previous year, as the useful lives of the assets were adjusted to reflect the operational circumstances and the new Group guidelines. These adjustments were made at the beginning of the financial year and also led to a change in the previous year's asset portfolio, as this was presented retrospectively under the same asset group allocations. The amortisation method for all assets is straight-line amortisation over a useful life. For existing assets, the principle of "residual value divided by remaining useful life" applies to depreciation. The adjustments to asset accounting in line with the new Group guidelines resulted in higher depreciation and amortisation of CHF 1.3 million in 2023, leading to total depreciation and amortisation of CHF 11.7 million in 2023.

7. Financial assets

TCHF	2023	2022
Securities	37	37
Non-current receivables from related parties	41,879	35,799
Assets from employer contribution reserves	116	116
Total	**42,031**	**35,951**

The non-current receivables from related parties mainly relate to receivables from Pharmalys Laboratories SA classified as non-current. In 2023 additional receivables from Pharmalys Laboratories SA in the amount of CHF 6.3 million were reclassified as financial assets, as these will only be repaid after 31 December 2024 due to current discussions and in accordance with the business plan of Pharmalys Laboratories SA.

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	2023	2022
2026 and later Cantonal tax	391,389	361,778
Total	**391,389**	**361,778**

Taxable losses carried forward after expiration TCHF	2023	2,022
2026 and later Federal tax	381,608	371,559
Total	**381,608**	**371,559**

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	01.01.2023	31.12.2023	31.12.2023	2023	31.12.2022	2023	2022	2023	2022
Pension fund HGR	116	0	116	0	116	0	0	3	3

The interest on the employer contribution reserve for 2023 has not yet been posted. CHF 2.6 thousand has been accrued (interest rate 2.25% as in the previous year).

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	
	31.12.2023	31.12.2023	31.12.2022			2023	2022
HGR pension fund	24,693	0	0	0	4,124	4,124	3,998

8. Intangible assets

TCHF	Software	Brands	Others intangible assets	Current projects	Total
Net book value as at 01.01.2022	**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	0	-	-	-	0
Amortisation	202	-	0	-	202
Impairment	0	-	-	-	0
Currency differences	0	-	-	-	0
As at 31.12.2022	**2,866**	**–0**	**700**	**-**	**3,566**
Net book value as at 31.12.2022	**517**	**-**	**-**	**352**	**869**
Costs					
As at 01.01.2023	**3,383**	**–0**	**700**	**352**	**4,435**
Additions	2	-	-	175	178
Disposals	–483	-	-	-	–483
Reclassifications	12	-	-	–103	–90
Currency differences	-	-	-	-	-
As at 31.12.2023	**2,914**	**–0**	**700**	**425**	**4,039**
Accumulated amortisation					
As at 01.01.2023	**2,866**	**–0**	**700**	**-**	**3,566**
Disposals	–483	-	-	-	–483
Amortisation	288	-	-	-	288
Impairment	-	-	-	-	-
Currency differences	-	-	-	-	-
As at 31.12.2023	**2,671**	**–1**	**700**	**-**	**3,370**
Net book value as at 31.12.2023	**243**	**1**	**-**	**425**	**669**

Intangible assets only cover acquired assets. Own brand names are not evaluated and not recognized on the balance sheet date.

9. Trade payables

TCHF	2023	2022
Trade payables to third parties	21,225	26,712
Trade payables to associated companies	0	139
Total	**21,225**	**26,851**

10. Financial liabilities

Short-term financial liabilities

TCHF	2023	2022
Leasing liabilities	118	118
Bank loans	0	67,000
Total	**118**	**67,118**

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

Bank loans 2022 relate to the syndicated loan due on 30.9.2023. A new syndicated loan of CHF 67.0 million with a term of two years was concluded as at 01.10.2023 and is classified as non-current.

Long-term financial liabilities

TCHF	2023	2022
Leasing liabilities	3	121
Bank loans	67,000	0
Total	**67,003**	**121**

Terms and interest rates

Syndicated loan	67,000	29.09.2025	6.0 - 6.90 %
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. Furthermore the HOCHDORF Group has a bilateral credit line of CHF 10.0 million, which was concluded together with the syndicated loan agreement on 23.09.2023 with a term of two years. The credit line was not utilized as at 31.12.2023.

The financial covenants to be complied with in 2023 under the syndicated loan agreement and the bilateral credit line are as follows at consolidated level equity ratio of at least 40.0% as at 31 December 2023 and a loss at EBITDA level of no more than CHF 5.0 million. As at 31.12.2023, the equity ratio was 58% and EBITDA was CHF 7.8 million. The covenants agreed with the syndicate banks were complied with as at 31.12.2023.

The syndicated loan and the credit line are secured by a guarantee from HOCHDORF Holding Ltd. CHF 67 million of the properties at the Sulgen site have been pledged as additional collateral. Furthermore, HOCHDORF Swiss Nutrition AG undertakes to assign all accounts receivable.

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.

11. Other liabilities

TCHF	2023	2022
Other short-term liabilities [1]	1,244	1,858
Salary accruals (salary payments, profit-sharing, AHV, SUVA, health insurance, etc.)	305	713
Government bodies (taxes, source taxes, value added taxes)	261	356
Total	**1,810**	**2,926**

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

12. Accrued liabilities and deferred income

TCHF	2023	2022
Reimbursements	4,304	1,281
Employee overtime	313	361
Employee holiday credits	656	534
Accrued income from sale of goods	707	1,284
Others	9,078	7,352
Total	**15,058**	**10,813**

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 2023, the delivered goods not invoiced (milk deliveries) increased.

13. Provisions

TCHF	Deferred tax provisions	Restructuring provisions	Various provisions	Total
As at 31.12.2021	**8,534**	**7,870**	**2,450**	**18,854**
Additions	0	0	214	214
Used	0	–345	–103	–448
Unusued amounts reversed [1]	–8,520	–1,725	–897	–11,142
As at 31.12.2022	**14**	**5,800**	**1,664**	**7,478**
Of which short-term provisions	**0**	**100**	**214**	**314**
Additions [2]	0	0	671	671
Used [3]	0	–97	–100	–197
Unusued amounts reversed [4]	0	–0	–54	–54
As at 31.12.2023	**14**	**5,702**	**2,181**	**7,898**
Of which short-term provisions	**0**	**192**	**60**	**252**

1) 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”).
2) Creation of provision Lübbers, CIP systems, open settlement negotiations
3) Payment as part of Hochdorf site closure ("retention program"); payment from Swiss Baby's Best settlement
4) Resolution of Galexis provision, case closed

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 2023 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 (Securities number 39,164,798; ISIN CH0391647986). It is a perpetual subordinated bond which pays interest with a coupon rate of 2.5%. The hybrid bond had a first call date on 21.06.2023. This was not exercised. The interest payable increases by 2.5% plus an interest component based on a swap rate. From the 1st call date the interest rate is 6.94%.

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 2022 and 2023, 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 2023 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 deliveries and services

No significant adjustments for bad debts were made in 2023 and 2022.

By product group

TCHF	2023	Share	2022	Share
Milk products/cream	74,172	24.09%	63,257	21.65%
Milk powder	126,825	41.20%	145,956	49.96%
Infant formula	102,739	33.37%	78,599	26.90%
Specialities	1,744	0.57%	463	0.16%
Bakery/confectionary goods	637	0.21%	907	0.31%
Other products/services Infant Nutrition	381	0.12%	895	1.01%
Other products/services Food Solution	1,342	0.44%	2,064	1.01%
Total	**307,840**	**100%**	**292,141**	**100%**

The Infant Nutrition segments includes the infant formula product group and other product groups.

By region

TCHF	2023	Share	2022	Share
Switzerland/Liechtenstein	206,619	70.92%	207,173	70.92%
Europe	27,452	10.05%	29,368	10.05%
Asia	4,932	2.36%	6,886	2.36%
Middle East/Africa [1)]	61,561	12.95%	37,818	12.95%
Americas	7,276	3.73%	10,898	3.73%
Total	**307,840**	**100.00%**	**292,141**	**100.00%**

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

By segments

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	2023	Share	2022	Share
Food Solutions	204,721	66.50%	212,647	72.79%
Infant Nutrition	103,120	33.50%	79,494	27.21%
Total	**307,840**	**100.00%**	**292,141**	**100.00%**

16. Other operating income

TCHF	2023	2022
Various other operating income	2,827	3,292
Total	**2,827**	**3,292**

Various other operating income includes the rental of storage space and insurance benefits as major items

17. Personnel expenses

TCHF	2023	2022
Wages	–30,736	–31,097
Social security contributions	–5,103	–5,001
Other personnel expenses	–2,268	–2,762
Total	**–38,107**	**–38,860**

The other personnel expenses include expenses in connection with the closure of production and relocation from Hochdorf to Sulgen (including social plan). As at 31.12.2023, the HOCHDORF Group reported a headcount of 369 (31.12.2022: 361).

18. Other operating expenses

TCHF	2023	2022
Facilities expenditure (incl. warehouse rents)	–5,345	–3,930
Maintenance, repairs	–7,247	–6,052
Vehicle and transport costs	–3,928	–4,560
Insurance, fees, duties	–1,413	–1,780
Energy and disposal expenditure	–16,534	–18,723
Administration and IT expenditure	–6,130	–5,687
Advertising costs incl. commissions to customers	–2,503	–2,266
Various other operating expenses	–3,970	–3,607
Total	**–47,070**	**–46,605**

The cost of facilities expenditure 2023 was essentially the same as in the previous year. The cost of facilities expenditure in 2022 benefited from CHF 1.6 million reduction in provisions for rental obligations at the Hochdorf site ("onerous contract"). This provision for rental obligations at the Hochdorf site ("onerous contract") of CHF 3.9 million remains unchanged in 2023.

19. Result from associates, financial income and expenses

TCHF	2023	2022
Results from associates	**–180**	**–964**
Income from the disposal of associated companies	383	0
Interest income	1,456	1,945
Foreign currency income	504	1,804
Total financial income	**2,343**	**3,749**
Interest expenses	–4,490	–2,905
Deposit fees, fees	–96	–0
Foreign currency expenses	–3,899	–4,132
Total financial expenses	**–8,485**	**–7,037**
Total	**–6,142**	**–3,288**

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.

20. Non-operating result

TCHF	2023	2022
Non-operating result	–23	45
Total	**–23**	**45**

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

21. Taxes

TCHF	2023	2022
Current income taxes		
Taxes on operating result	–2	–13
Deferred income taxes		
Net change in deferred tax assets and liabilities	0	8,534
Total	**–2**	**8,521**

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 12.6%

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)

	2023	2022
Weighted average shares outstanding, basic	2,149,476	2,123,588
Weighted average shares outstanding, diluted	2,149,476	2,123,588
Earnings current year (shareholder); TCHF	–10,211	–15,796
Earnings per share (shareholder) basic (in CHF)	**–4.75**	**–7.44**
Earnings per share (shareholder) diluted (in CHF)	**–4.75**	**–7.44**

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

	2023	2022
Balance as at 1 January in units	**24,316**	**29,738**
Purchases in units	0	0
Sales/allocations in units	–22,035	–5,422
Balance as at 31 December in units	**2,281**	**24,316**
At an average price per share of CHF	140.00	236.34

As at 31.12.2023, HOCHDORF Holding Ltd. held 2’281 treasury shares (31.12.2022: 24'316). In 2023, a total of 22’035 shares were sold. No share-based compensation was paid to either the Board of Directors or the Group Management.

HOCHDORF Group pension fund

	2023	2022
Registered shares of HOCHDORF Holding Ltd	18,000	18,000
Total	**18,000**	**18,000**

24. Additional notes

Leasing obligations

TCHF	2023	2022
Unrecognised leasing obligations	9,086	9,167
Total	**9,086**	**9,167**

The majority of the unrecognised leasing obligations relate to the rental obligation with the municipality of Hochdorf, which runs until 2026.

The HOCHDORF Group has signed a 4-year rental agreement with a start date of 01.01.2022. This rental agreement provides for a rental period until 31.12.2025, but was extended by one year to 31.12.2026 in 2023. The annual rental price was set at CHF 3 million. As at 31.12.2023, this still resulted in a rental obligation of CHF 9.0 million. A provision for onerous contracts of CHF 3.9 million was recognized for this obligation in 2022. The reassessment at the end of 2023 showed that this provision is still material.

Liabilities from pension fund

TCHF	2023	2022
HOCHDORF Group pension fund	706	310
Total	**706**	**310**

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	2023	2022
As at 1 January	35,047	35,047
As at 31 December	**35,047**	**35,047**

Accumulated amortisation TCHF

TCHF	2023	2022
As at 1 January	–33,124	–27,366
Additions	–1,923	–5,758
Disposals	0	0
As at 31 December	**–35,047**	**–33,124**
Theoretical goodwill as at 31 December	**0**	**1,923**

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

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

TCHF	2023	2022
Net result	–10,210	–15,796
Amortisation of goodwill	–1,923	–5,758
Theoretical net result	**–12,133**	**–21,554**

TCHF	2023	2022
Shareholders' equity	157,895	167,736
Theoretical goodwill	0	1,923
Theoretical Shareholders' equity	**157,895**	**169,659**

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 2023 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	2023	2022
Net sales	172	1,128
Cost of goods	0	–3,213
Financial income	1	34
Financial expenses	–1	–24

Associated: Ostmilch Handels GmbH, Uckermärker Milch GmbH.

Transactions with related companies

TCHF	2023	2022
Net sales	68,333	35,729
Service revenue	150	441
Financial income	5,020	1,714
Financial expenses	–5,383	–2,480

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 2023 and 2022.

29. Overview of the Group companies and associated companies

Consolidated companies	Location	Function	Currency	Capital in thousands 31.12.2023	Capital share 31.12.2023	Capital in thousands 31.12.2022	Capital share 31.12.2022
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 [3]	Sulgen CH	Trade	CHF	170	97.1%	170	56.5%
Schweiz. Milch-Gesellschaft AG	Hochdorf CH	Dormant	CHF	100	100%	100	100%
Snapz Foods AG [1]	Hochdorf CH	Trade	CHF	n.a.	n.a.	n.a.	n.a.
Zifru Trockenprodukte GmbH [2]	Zittau DE	Production	EUR	200	100%	200	100%

1) Liquidation per 19.07.2022
2) In Liquidation
3) Acquisition of shares 2023

Associated companies	Location	Function	Currency	Capital in thousands 31.12.2023	Capital share 31.12.2023	Capital in thousands 31.12.2022	Capital share 31.12.2022
Ostmilch Handels GmbH	Bad Homburg, Germany	Trade	EUR	1 000	26%	1,000	26%
Ostmilch Handels GmbH und Co. Frischdienst Oberlausitz KG	Schlegel, Germany	Logistics	EUR	51	26%	51	26%
Ostmilch Frischdienst Magdeburg GmbH [1]	Meitzendorf, Germany	Trade	EUR	0	0%	25	26%
Uckermärker Milch GmbH [2]	Prenzlau, Germany	Production	EUR	10 000	26%	10,000	26%

1) Sale as of 25.04.2023
2) 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 cast significant doubts about the ability of the HOCHDORF Group to continue as a going concern.

The material uncertainties relate to:

a. Refinancing of HOCHDORF Holding Ltd.
b. The recoverability of the receivables from Pharmalys Laboratories SA amounting to CHF 70.0 million.
c. Compliance with the financial covenants from the syndicated loan agreement and
d. Ensuring solvency

Assessment by the Board of Directors

a) Refinancing of HOCHDORF Holding Ltd.
For the Board of Directors and Group Management of the HOCHDORF Group, it was important that the Group confirmed the operational turnaround by the end of 2023 and that the follow-up financing of the syndicated loan agreement was extended for a further 2 years. This is the basis for examining further refinancing and reorganisation options.

Despite the significant operational progress with positive EBITDA and cash flow, the Board of Directors and Group Management of the HOCHDORF Group have come to the conclusion that in the foreseeable future, even competitive earning power will not be sufficient in any plausible scenario to bear the increasing legacy burdens from the complex financing and capital structure. Measures to this end - partly due to the hybrid bond from 2017 and the resulting rising interest burden - have proven to be virtually impossible to realise. Various options are being examined; the focus is on a sale or partial sale, with the aim of keeping the operating business together. Approaching potential investors is being expanded accordingly. No decisions have yet been made.

b) The recoverability of the receivables from Pharmalys Laboratories SA amounting to CHF 70.0 million.
The Board of Directors and Group Management of 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 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. Reliable sales planning was introduced in the first instance 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. From February 2024, there will be another important meeting – the Commercial Meeting – to discuss pricing, cash forecast and new markets. The meeting will take place between the Executive of Pharmalys and the Key Account Manager, CEO, CFO of HOCHDORF on a monthly basis. It cannot be ruled out that Pharmalys employees will relocate to Hochdorf in order to further intensify the collaboration.

Sales forecasts in Pharmalys Laboratories SA’s markets to end customers assume double-digit growth rates on average from 2024 to 2026.

As at 31 December 2023, the HOCHDORF Group's receivables from Pharmalys Laboratories SA amounted to CHF 70.0 million. Of this amount, CHF 28.2 million is recognized as trade accounts receivables from related parties subject to exchange rate fluctuations and CHF 41.8 million as financial assets. Financial assets are also subject to exchange rate fluctuations. A payment agreement in connection with a supply agreement is being drawn up for the repayment of these non-current receivables. These non-current receivables were not reduced between 1 January 2024 and the date of publication of this annual report.

However, Pharmalys Laboratories SA has always met its verbally agreed payment obligations for current trade receivables from the HOCHDORF Group at all times.

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

The HOCHDORF Group's syndicated loan agreement for CHF 67.0 million is concluded with HOCHDORF Swiss Nutrition Ltd (until 23.09.2023 with HOCHDORF Holding Ltd.). The covenants of the loan agreements are calculated mainly on the basis of the consolidated figures of the HOCHDORF Group. The current loan agreement ends on 30 September 2025, on which date the covenants will be tested for the last time.

The financial covenants to be met under the syndicated loan agreement for 2023 at consolidated level were an equity ratio of at least 40.0% as at 31 December 2023 and a loss at EBITDA level of no more than CHF 5.0 million. As at 31 December 2023, the equity ratio was 58% and the EBITDA CHF 7.8 million (see consolidated financial statement).

The financial covenants to be complied with in 2024 under the syndicated loan agreement are as follows at consolidated level equity ratio of at least 40.0% as at 30.06 and 31.12.2024 and a positive EBITDA as at 30 June 2024 and more than CHF 7.5 million as at 31 Decembre 2024. In addition, equity of HOCHDORF Swiss Nutrition Ltd. must be higher than CHF 40.0 million (taking into account subordinated loans) on the two reporting dates. The HOCHDORF Group's 2024 budget shows EBITDA of CHF 15.3 million and a positive operating result at EBIT level. Based on the cautious planning and the measures adopted as part of the 2024 budget, the Board of Directors and Group Management assume that the covenants will be complied with in 2024 and that there will be no breach.

d) Ensuring solvency

The HOCHDORF Group's solvency is essentially dependent on that of HOCHDORF Swiss Nutrition Ltd. As at 31.12.2023, the HOCHDORF Group's net debt amounted to CHF 52.4 million (previous year: CHF 56.8 million as at 31.12.2022). The freely available credit limit amounted to CHF 10.0 million. The 12-month liquidity plan of the HOCHDORF Group shows that the free credit line is sufficient for the planned realization of the operating business.

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

- A committed syndicated loan totaling CHF 67 million, which is pledged as security with real estate and expires on 30 September 2025. HOCHDORF Swiss Nutrition Ltd. is the borrower.
- A bilateral loan in the amount of CHF 10.0 million in favor of HOCHDORF Swiss Nutrition AG, which is pledged as security with accounts receiveable of HOCHDORF Swiss Nutrition Ltd. This credit limit is uncommitted and indirectly linked to the conditions of the syndicated loan and is therefore also also valid until 30 September 2025.

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, and therefore HOCHDORF Holding Ltd. as the parent company of the entire Group, continued the refinancing of the company at full speed in the summer of 2023, as the syndicated loan expired on 30 September 2023. The syndicated loan was extended for two more years on 23 September 2023. The operational turnaround and the extension of the loan agreement for a further two years are important building blocks for the further examination of refinancing options. External consultants are supporting the company in this process.

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.

Despite the significant operational progress with positive EBITDA and cash flow, the Board of Directors and Group Management of the HOCHDORF Group have come to the conclusion that in the foreseeable future, even competitive earning power will not be sufficient in any plausible scenario to bear the increasing legacy burdens from the complex financing and capital structure. Measures to this end - partly due to the hybrid bond from 2017 and the resulting rising interest burden - have proven to be virtually impossible to realise. Various options are being examined; the focus is on a sale or partial sale, with the aim of keeping the operating business together. The approach to potential investors is being expanded accordingly. No decisions have yet been made.

Nevertheless, the going concern is given with reference to note 30.

No other significant events have occurred since the balance sheet date as at 31.12.2023 that could affect the informational value of the 2023 annual financial statements of HOCHDORF Holding Ltd. 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.

Production revenue

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

Gross operating profit

The gross operating profit comprises the production revenue less cost of materials and goods.

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 2023 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 75 to 105) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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 Group'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.

Recoverability of receivables from Pharmalys Laboratories SA

Key Audit Matter

HOCHDORF Group has significant business relationships with Pharmalys Laboratories SA.

As at 31 December 2023 receivables in the amount of CHF 70.0 million due from Pharmalys Laboratories SA exist, thereof CHF 28.2 million relating to trade accounts receivable and CHF 41.8 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 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;

— 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

KPMG

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 assumptions 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;

— 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 the course of our audit performed in accordance with article 728a para. 1 item 3 CO and PS-CH 890, we noted that HOCHDORF Holding Ltd. has an internal control system for the preparation of the consolidated financial statements designed according to the instructions of the Board of Directors, however it is not documented and implemented in all material respects as of 31 December 2023 due to the fact that the Group was in a phase of strategic transformation and personnel reorganization.

In our opinion, except for the matter described in the preceding paragraph, an internal control system for the preparation of consolidated financial statements, designed in accordance with the instructions of the Board of Directors, exists.

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, 19 March 2024

HOCHDORF Holding Ltd

Balance Sheet as at 31 December

TCHF	Explanations in the notes	31.12.2023	in %	31.12.2022	in %
Assets					
Cash and cash equivalents and short-term assets with market price	(3.1)	592	0.3%	614	0.3%
Other receivables		47	0.0%	27	0.0%
Accrued income and prepaid expenses		0	0.0%	53	0.0%
Current assets		**638**	**0.3%**	**695**	**0.3%**
Loans to subsidiaries	(3.2)	78,252	42.5%	117,475	52.9%
Loans to subsidiaries under subordination	(3.2)	93,557	50.9%	92,631	41.7%
Non-current receivables to related parties	(3.3)	11,071	6.0%	10,945	4.9%
Investments	(3.4)	427	0.2%	382	0.2%
Intangible Assets		0	0.0%	25	0.0%
Fixed assets		**183,307**	**99.7%**	**221,458**	**99.7%**
Total assets		**183,946**	**100.0%**	**222,153**	**100.0%**
Liabilities					
Trade payables		210	0.1%	130	0.1%
Short-term interest-bearing liabilities		0	0.0%	37,000	16.7%
Other short-term liabilities		142	0.1%	0	0.0%
Accrued liabilities and deferred income		14,157	7.7%	8,368	3.8%
Short-term liabilities	**(3.5)**	**14,509**	**7.9%**	**45,498**	**20.5%**
Long-term interest-bearing liabilities		125,000	68.0%	125,000	56.3%
Long-term interest-bearing liabilities from subsidiaries		90	0.0%	89	0.0%
Long-term liabilities	**(3.5)**	**125,090**	**68.0%**	**125,089**	**56.3%**
Liabilities		**139,599**	**75.9%**	**170,586**	**76.8%**
Share capital	(6)	21,518	11.7%	21,518	9.7%
Legal Capital reserves (Reserves from capital contributions)		139,503	75.8%	139,503	62.8%
Legal retained earnings		10,172	5.5%	10,172	4.6%
Voluntary retained earnings		0	0.0%	20,348	9.2%
Treasury shares	(5)	–477	–0.3%	–5,089	–2.3%
Loss carried forward		–114,536	–62.3%	–41,053	–18.5%
Loss for the year		–11,831	–6.4%	–93,831	–42.2%
Shareholders' equity		**44,347**	**24.1%**	**51,567**	**23.2%**
Total liabilities and equity		**183,946**	**100.0%**	**222,153**	**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	2023 01.01.2023 - 31.12.2023	2022 01.01.2022 - 31.12.2022
Income from sale of investments	(3.6)	383	0
Financial income	(3.6)	2,140	2,289
Total income		**2,524**	**2,289**
Financial expenses	(3.7)	–12,046	–6,127
Operating expenses	(3.8)	–2,285	–1,739
Impairment of investments	(3.9)	–24	–88,255
Direct taxes		0	1
Total expenses		**–14,355**	**–96,120**
Result for the year		**–11,831**	**–93,831**

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 2023

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 annual financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company may create or release hidden reserves. The additional requirements for larger companies (additional disclosures in the notes, cash flow statement and management report) are waived as the consolidated financial statements are prepared 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.

Loans to subsidiaries

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

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expense.

3. Information on balance sheet and income statement items

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

In 2022 the item 'Cash and cash equivalents and short-term assets with market price' consisted of bank balances of TCHF 391 and shares of TCHF 223. In the 2023 business year, the securities (purchase rights/options and shares in Luzerner Kantonalbank and shares in Emmi AG) were sold and the item consists of bank balances of TCHF 592.

3.2. Loans to subsidiaries

TCHF	31.12.2023	31.12.2022
Loans to subsidiaries	83,117	122,642
Loans to subsidiaries under subordination	93,557	92,361
Value adjustments on loans to subsidiaries [1]	–4,865	–5,167
Total	**171,809**	**210,106**

1) Zifru Trockenprodukte GmbH

The loan to participations under subordination (in favour of HOCHDORF Swiss Nutrition Ltd.) bore interest at 1% and increased to TCHF 926 with interest.

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 investment.

3.4. Investments

				Capital in 1,000		Capital and voting share	
	Location	Purpose	Currency	31.12.2023	31.12.2022	31.12.2023	31.12.2022
HOCHDORF Swiss Nutrition AG	Hochdorf CH	Production	CHF	30,000	30,000	100%	100%
HOCHDORF Swiss Nutrition UG	Hochdorf CH	Sales	EUR	10	10	100%	100%
HOCHDORF America,s Ltd	Montevideo UY	Trade	UYU	3,232	3,232	100%	100%
Thur Milch Ring AG [4]	Sulgen CH	Trade	CHF	170	170	97%	56%
Schweiz. Milch-Gesellschaft AG	Hochdorf CH	Dormant	CHF	100	100	100%	100%
Zifru Trockenprodukte GmbH [1]	Zittau DE	Production	EUR	200	200	100%	100%
Uckermärker Milch GmbH [2]	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 [3]	Meitzelsdorf DE	Trade	EUR	0	25	0%	26%

1) In liquidation
2) Sale of shars as of 28 February 2020 to Ostmilch Handels GmbH, Bad Homburg, which thus owns 100% of the shares. Thereby still held as an indirect interest.
3) Sale as of 25.04.2023
4) Acquisition of shares 2023

The following changes took place in the reporting period:

TCHF	2023	2022
Bookvalue of investments as at January 1	**382**	**88,637**
Impairment of investment in HOCHDORF Swiss Nutrition Ltd.	0	–85,755
Impairment Ostmilch Handels GmbH	0	–2,500
Impairment Ostmilch Handels GmbH Frischdienst Oberlausitz KG	–24	0
Purchase of 690 shares of Thur Milch Ring AG	69	0
Bookvalue of investments as at December 31	**427**	**382**

The participation on Ostmilch Frischdienst Magdeburg GmbH was impaired in 2023 completly. Ostmilch Frischdienst Magdeburg GmbH was sold.

HOCHDORF Holding acquired 690 shares of Thur Milch Ring AG and now holds 97% of the shares.

3.5. Liabilities

Short-term liabilities

TCHF	31.12.2023	31.12.2022
Services provided by third parties	210	130
Syndicated loan	0	37,000
Accrued liabilities and deferred income	14,157	8,368
Other	142	0
Total	**14,509**	**45,498**

The accrued liabilities and deferred income include CHF 13.9 million interest (previous year CHF 7.9 million) for the hybrid bond since 2020. The interest rate was adjusted as of 23 June 2023 (1st call date) to 5% coupon plus 5-year CHF SWAP, which corresponds to 6.94% (before adjustment 2.5%).

The syndicated loan was newly concluded with HOCHDORF Swiss Nutrition Ltd. as of 13 September 2023 (see also point 3.2. aboves).

Long-term interest-bearing liabilities

TCHF	31.12.2023	31.12.2022
Long-term financial liabilities (hybrid bonds)	125,000	125,000
Loans from subsidiaries	90	89
Total	**125,090**	**125,089**

Maturity structure

TCHF	31.12.2023	31.12.2022
Up to five years	90	89
More than five years	125,000	125,000
Total	**125,090**	**125,089**

3.6. Income from sale of investments/financial income

TCHF	31.12.2023	31.12.2022
Income from sale of investments	383	0
Financial income	2,140	2,289
Total	**2,524**	**2,289**

Financial income mainly includes interest from loans to subsidiaries and related parties (CHF 2.1 million) and the sale of the investment in Ostmilch Frischdienst Magdeburg GmbH (CHF 0.4 million).

3.7. Financial expenses

TCHF	31.12.2023	31.12.2022
Interest costs	–7,847	–4,821
Other financial expenses	–39	0
Loss from sale of treasury shares	–4,160	–1,306
Total	**–12,046**	**–6,127**

Interest expenses increased primarily due to the increase in the interest rate (since June 2023, see point 3.5. Deferred income) for the hybrid bond and by the loss from the sale of treasury shares.

3.8. Operating expenses

TCHF	31.12.2023	31.12.2022
Personnel expenses	–794	–643
Vehicle and transportation expenses	0	–8
Property insurances, fees	–194	–190
Administration and IT expenditure	–1,079	–702
Marketing and sales expenditure	–171	–193
Other operating expenses	–43	–0
Bank charges, agency fees	–3	–3
Total	**–2,285**	**–1,739**

The administrative and IT expenditure is due to increased consultancy services in connection with refinancing matters.

3.9. Impairment of investment

TCHF	31.12.2023	31.12.2022
Impairment of investments	–24	–88,255
Total	**–24**	**–88,255**

The impairment of investments results from the value adjustment of the Ostmilch shareholdings (TCHF –24).

4. Shareholders

Shareholders >3% of total share capital	31.12.2023	31.12.2022
Amir Mechria, Ayia Napa, Cyprus	20.68%	20.68%
ZMP Invest AG, Lucerne	17.95%	17.95%
Bermont Master Fund LP, Cayman Island (previously: Stichting General Holdings, Amersfoort)	14.55%	14.55%
Weiss Family and Innovent Holding AG, Wollerau	5.58%	5.58%

Shareholders >3% of the total voting rights	31.12.2023	31.12.2022
The maximum entry limit is 15% in the share register of votes.		
Amir Mechria, Ayia Napa, Cyprus	15.00%	15.00%
ZMP Invest AG, Lucerne	15.00%	15.00%
Bermont Master Fund LP, Cayman Island (previously: Stichting General Holdings, Amersfoort)	14.55%	14.55%
Weiss Family and Innovent Holding AG, Wollerau	5.58%	5.58%

5. Transactions with treasury shares

Business year 2023 (in CHF)			Business year 2022 (in CHF)		
01.01.2023 balance	24'316 shares	share price 209.30	01.01.2022 balance	29,738 shares	share price 209.30
BY 2023 purchases	0 shares	share price 0	BY 2022 purchases	0 shares	share price 0
BY 2023 sales	22'035 shares	share price 20.51	BY 2022 sales	5,422 shares	share price 29.30
31.12.2023 balance	2'281 shares	share price 209.30	31.12.2022 balance	24,316 shares	share price 209.30

6. Contingent capital

There was no contingent capital in 2023 and 2022.

7. Shares held by the Board of Directors and the Group Management

As of 31 December 2023, 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

	31.12.2023	31.12.2022
Jürg Oleas; Chair; from 30.06.2020	0	0
Andreas Herzog; Vice Chair from 30.06.2020	0	0
Ralph Siegl, from 30.06.2020	100	100
Jean Philippe Rochat, from 30.06.2020	0	0
Markus Bühlmann, from 12.04.2019 to 10.05.2023	0	0
Marjan Skotnicki-Hoogland, from 10.05.2023	0	0
Thierry Philardeau, from 10.05.2023	0	0
Total Board of Directors	**100**	**100**

Group Management

	31.12.2023	31.12.2022
Ralph Siegl [1]; CEO from 21.01.2022	0	0
Gerhard Mahrle; Acting CFO; from 15.08.2022 to 30.04.2023	0	0
Géza Somogyi; COO; from 01.07.2020	0	0
Lukas Hartmann; CIO; from 01.04.2022	0	0
Gerina Eberl-Hancock; CRO; from 01.05.2022	0	0
Thomas Freiburghaus; CFO; from 01.05.2023	0	0
Total Group Management	**0**	**0**

1) Ralph Siegl shares counted once

An LTI (Long-Term Incentive Plan) was introduced for the 2023 financial year with the aim of providing managers (including the Executive and Operational Leadership TEAM and Senior Legal Counsel) the opportunity to participate in the future long-term success of the company. It was decided that no allocation will be made in 2023, but that a cash payment will be made.

8. Contingent liabilities

On 30 April 2020, 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 2023.

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 Deember 2023

The follow-on financing was agreed in September 2023. 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 main material uncertainties relate to:

a) Refinancing of HOCHDORF Holding Ltd.

b) The recoverability of the receivables from Pharmalys Laboratories SA

c) Compliance with the financial covenants from the syndicated loan agreement and

d) Ensuring solvency

9.2. Assessment by the Board of Directors

a) Refinancing of HOCHDORF Holding Ltd.

For the Board of Directors and Group Management of HOCHDORF Holding Ltd., it was important that HSN (HOCHDORF Swiss Nutrition Ltd.) confirmed the operational turnaround by the end of 2023 and that the financing of the syndicated loan agreement was extended as a follow-up for further 2 years. This is the basis for examining further refinancing and possible solutions to replace the hybrid bond.

Despite the significant operational progress made by the subsidiary HOCHDORF Swiss Nutrition Ltd., with positive EBITDA and a positive cash flow, the Board of Directors and Group Management of HOCHDORF Holding Ltd. have come to the conclusion that in the foreseeable future, even competitive earning power will not be sufficient in any plausible scenario to bear the increasing legacy burdens from the complex financing and capital structure. Measures to this end - partly due to the hybrid bond from 2017 and the resulting rising interest burden - have proven to be virtually impossible to realise. Various options are being examined; the focus is on a sale or partial sale, with the aim of keeping the operating business together. Approaching potential investors is being expanded accordingly. No decisions have yet been made.

b) Recoverability of receivables from Pharmalys Laboratories SA

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

There is a close dialogue between the HOCHDORF Group Management and the management of Pharmalys Laboratories SA. Regular meetings are held to discuss and coordinate the development of the markets in which Pharmalys Laboratories SA operates, the ordering and delivery processes and the development of liquidity. The aim of these meetings is to inform each other transparently about market developments, optimise processes and meet payment targets. The first results were the introduction of reliable sales planning and Pharmalys Laboratories SA was able to reduce the payment targets in the markets relevant to the HOCHDORF Group (North Africa and the Middle East) to a level customary in the industry. From February 2024, another important meeting will be institutionalised, the Commercial Meeting, where pricing, cash forecast and new markets are discussed. The meeting will be held monthly with the participation of the Pharmalys Executive Board and the Key Account Manager, CEO and

CFO of HOCHDORF. It cannot be ruled out that Pharmalys employees will relocate to Hochdorf in order to intensify the collaboration.

The sales forecasts in the markets of Pharmalys Laboratories SA to end customers assume average double-digit growth rates for the years 2024 to 2026.

As at 31 December 2023, HOCHDORF Holding Ltd.'s receivables from Pharmalys Laboratories SA amounted to CHF 11.1 million and are recognised under financial assets. Pharmalys Laboratories SA has not reduced these financial assets since 1 January 2024 up to the date of publication of this annual report. A payment agreement in connection with a supply agreement is being drawn up for the repayment of these financial assets.

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

HOCHDORF Holding Ltd. is an indirect borrower of the syndicated loan agreement concluded with Luzerner Kantonalbank AG (LUKB) as agent and collateral custodian and with LUKB and other financial institutions as lenders. The syndicated loan agreement renewed in the business year was concluded with the subsidiary HOCHDORF Swiss Nutrition Ltd. for CHF 67.0 million, which, however, passed on CHF 37.0 million to HOCHDORF Holding Ltd. The covenants of the syndicated loan agreement are calculated on the basis of the consolidated figures of the HOCHDORF Group and the key figures of HOCHDORF Swiss Nutrition Ltd. These conventions were complied with at HOCHDORF Group level as at 31 December 2023. The Group Management and Board of Directors of HOCHDORF Holding Ltd. currently assume that there is no threat of breaches of the agreed covenants for the review dates in 2024 either. The current syndicated loan agreement ends on 30 September 2025.

The financial covenants to be complied with in 2023 as part of the syndicated loan agreement were an equity ratio of at least 40.0% as at 31 December 2023 at consolidated level and a loss at EBITDA level of no more than CHF 5.0 million. As at 31 December 2023, the equity ratio was 58% and EBITDA was CHF 7.8 million (see consolidated financial statements).

The financial covenants to be complied with in 2024 under the syndicated loan agreement are the equity ratio as at 30 June and 31 December 2024 of at least 40.0% at consolidated level and EBITDA > CHF 0 as at 30 June 2024 and EBITDA of more than CHF 7.5 million as at 31 December 2024. An additional criterion for compliance with the conventions in the new agreement is the amount of equity of HOCHDORF Swiss Nutrition Ltd., which may not fall below CHF 40.0 million (Taking into account subordinated loans). The HOCHDORF Group's 2024 budget shows EBITDA of CHF 15.3 million and a positive operating result at EBIT level. Based on the cautious planning and the measures adopted as part of the 2024 budget, the Board of Directors and Group Management assume that the covenants will be complied with in 2024 and that there will be no breach.

d) Ensuring solvency

The solvency of HOCHDORF Holding Ltd. is essentially dependent on that of HOCHDORF Swiss Nutrition Ltd. and therefore on the HOCHDORF Group as a whole. As at 31.12.2023, the HOCHDORF Group's net debt amounted to CHF 52.4 million (previous year: CHF 56.8 million as at 31.12.2022). The freely available credit line amounted to CHF 10.0 million. The HOCHDORF Group's 12-month liquidity plan shows that the free credit line is sufficient for the planned realisation of the operating business, even in the event of possible payment delays by 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 2025. HOCHDORF Swiss Nutrition Ltd. is the borrower.
- 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 2025.

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 31 December 2023

The HOCHDORF Group, and therefore HOCHDORF Holding Ltd. as the parent company of the entire Group, continued the refinancing of the company at full speed in the summer of 2023, as the syndicated loan expired on 30 September 2023. The syndicated loan was extended for a further two years on 23 September 2023. The operational turnaround and the extension of the loan agreement for a further two years are important building blocks for the further examination of refinancing options. External consultants are supporting the company in this process.

In the view of the Board of Directors and the HOCHDORF Group management, this ensures the HOCHDORF Group's solvency for the medium term.

Despite the significant operational progress with positive EBITDA and cash flow, the Board of Directors and Group Management of the HOCHDORF Group have come to the conclusion that in the foreseeable future, even competitive earning power will not be sufficient in any plausible scenario to bear the increasing legacy burdens from the complex financing and capital structure. Measures to this end - partly due to the hybrid bond from 2017 and the resulting rising interest burden - have proven to be virtually impossible to realise. Various options are being examined; the focus is on a sale or partial sale, with the aim of keeping the operating business together. The approach to potential investors is being expanded accordingly. No decisions have yet been made.

Nevertheless, going concern is given with reference to note 9.2.

No other significant events have occurred since the balance sheet date of 31 December 2023 that could affect the informational value of the 2023 annual financial statements of HOCHDORF Holding Ltd. or that would have to be disclosed here.

Appropriation of accumulated losses

	31.12.2023	31.12.2022
	TCHF	TCHF
Loss carried forward	–114,536	–41,053
Loss of the year	–11,831	–93,831
Offsetting of voluntary retained earnings		20,348
Total available to Annual General Meeting	**–126,368**	**–114,536**

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

	TCHF	TCHF
Balance carried forward	–126,368	–114,536
Total appropriation of accumulated losses	**–126,368**	**–114,536**

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 2023, 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 111 to 121) 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

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

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 loans to subsidiaries account for a material portion of total assets. Therefore, the recoverability of these loans 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.

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

— Note 3.2 Loans due from subsidiaries

Recoverability of receivables from Pharmalys Laboratories SA

Key Audit Matter

HOCHDORF Group has significant business relationships with Pharmalys Laboratories SA.

As at 31 December 2023 receivables in the amount of CHF 11.1 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, 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 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;

— Challenging the most important assumptions used in the recoverability assessment, including future

In assessing the recoverability management has to make respective evaluations.

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 the course of our audit performed in accordance with article 728a para. 1 item 3 CO and PS-CH 890, we noted that HOCHDORF Holding Ltd. has an internal control system for the preparation of the financial statements, designed according to the instructions of the Board of Directors, however it is not documented and implemented in all material respects as of 31 December 2023 due to the fact that the Company was in a phase of strategic transformation and personnel reorganization.

In our opinion, except for the matter described in the preceding paragraph, an internal control system for the preparation of financial statements, designed in accordance with the instructions of the Board of Directors, exists.

We further confirm that the proposed carry forward of the accumulated losses complies 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, 19 March 2024

Imprint

Concept and editing

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

Design and coding

Neidhart + Schön
Dorfstrasse 29
8037 Zürich

Financial calendar

- 15 May 2024, 9 to 11 a.m.: Annual General Meeting. Kulturzentrum Braui, Hochdorf
- 29 August 2024: Interim Report

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