



**HOCHDORF**  
+ Swiss Nutrition Solutions



Half-year report

**2024**

English Summary

# Dear Shareholders



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

Positive operating business performance continued in the first half of the year

In the first half of 2024, we continued to make steady progress in the turnaround of our operating business. HOCHDORF generated net sales revenue of CHF 145.7 million and, in line with the guidance for 2024, achieved a positive EBIT of CHF 313,000 in the operating business, before taking into account an impairment on the assets held for sale. EBITDA was also positive at CHF 6.1 million, while the gross margin fell from 30.5% to 30.2% compared to the first half of 2023.

The temporary decline in sales in the Infant Nutrition division compared to the first half of 2023 is due to capital-sparing inventory management by sales partners in the MENA (Middle East & North Africa) region. The Food Solutions division, which includes milk, whey and fat powders as well as other milk-based semi-finished products and products such as cream or condensed milk, contributed around 73.2% of total net sales with a 3.2% increase in sales compared to the first half of 2023.

Successful search for investors

As previously announced, the Board of Directors of HOCHDORF Holding Ltd has conducted an intensive confidential process to find suitable investors for the company's operating business in recent months. This very challenging process was closely supported by proven experts in company restructuring and refinancing as well as legal experts. The Board of Directors and the senior management team can now reveal that the search for investors has been successful.

#### AS Equity Partners: Sale agreement

After carefully reviewing and considering several offers from investors from Switzerland and abroad, we propose to shareholders at an Extraordinary General Meeting the sale of HOCHDORF Swiss Nutrition (HSN) to the investor AS Equity Partners. A share purchase agreement was signed with AS Equity Partners for 100% of the HSN shares. In the agreement with AS Equity Partners, HSN is valued at a total enterprise value of CHF 83.0 million. The proceeds from the sale to be paid to HOCHDORF Holding as a fixed payment, less the syndicated loan of CHF 67 million taken over by the buyer, amount to CHF 15.5 million. According to an independent valuation report commissioned by the Board of Directors, the sale price is to be assessed as fair under the circumstances.

The share purchase agreement is subject to shareholder approval at an Extraordinary General Meeting of HOCHDORF Holding. Subsequently, subject to customary conditions, the completion of the sale and transfer of the company to AS Equity Partners can be expected before the end of 2024. Representatives of AS Equity Partners will introduce themselves to the shareholders in person at the Extraordinary General Meeting.

#### Solid foundations for the future

With the acquisition of HSN by AS Equity Partners the operational business of the HOCHDORF Group will be placed on new and solid foundations for the future. The operational progress achieved by the management that is in place since 2022 was the prerequisite for the sale. The strategy that was consistently pursued by the Board of Directors and senior management team, focusing on value creation for milk and whey protein in the form of Swiss infant formula, convinced all the investors presenting a final offer of HSN's future potential. AS Equity Partners have shown themselves to be the most suitable and competent future owners in the eyes of the Board of Directors.

#### Holding company in debt restructuring moratorium

The Board of Directors and senior management team support the proposal to sell HSN to AS Equity Partners without reservation. We ask you, our valued shareholders, to approve this transaction. We are well aware that the decision is not an easy one for you from a financial point of view; the proceeds from the sale will not provide the holding company with sufficient funds to repay the debt from the senior hybrid bond, let alone for shareholder claims. We deeply regret these painful consequences for shareholders and bondholders, which may even result in the total loss of their investments.

The loans from HOCHDORF Holding to HSN must be fully written-off due to the sale agreement, resulting in over-indebtedness in the standalone financial statements of HOCHDORF Holding in accordance with Art. 725b of the Swiss Code of Obligations. HOCHDORF Holding has been granted a provisional debt-restructuring moratorium. At the Extraordinary General Meeting, the renaming of HOCHDORF Holding and the delisting of the company's shares will be proposed to shareholders.

As we have detailed extensively, there is unfortunately no alternative to the sale, which is the result of previous business mistakes, in order to maintain the operating business. We call on you to vote in favour of our proposals, in order to secure the future of HSN as a specialist Swiss infant formula company and an important player in the Swiss milk market, and to help protect jobs.

#### Securing the future for Swiss infant formula and milk business

Dear shareholders, with the sale of HSN to a committed investor who has carefully assessed the opportunities and risks and can support the further recovery and value creation of the HSN company, a sad phase in the long history of the traditional HOCHDORF company will ultimately have a positive outcome for the employees, (milk) suppliers and customers of HSN in Switzerland and abroad. The popular Swiss infant formula brand Bimbosan can continue to play its part in keeping young families happy. There will also be opportunities for many new, high-quality products in the milk and protein powder segment, made from best Swiss milk, to develop on the market. We would like to thank you if you can agree with this perspective.

Thank you to all shareholders

On behalf of the Board of Directors, the senior management team and all employees at HOCHDORF, we would like to thank you for your loyalty and trust. We would also like to take this opportunity to thank the various external partners and experts, who have worked with us to create this perspective for the company with great commitment.



**Jürg Oleas**

Chairman of the Board of Directors



**Ralph P. Siegl**

CEO and Delegate of the Board of Directors

# Financial Report

## Net sales revenue

In the first half of 2024 the HOCHDORF Group achieved a net sales revenue of CHF 145.7 million. This net sales revenue was all gained in HSN. Compared to the previous year (CHF 154.2 million), it represents a fall of 5.5%. Food Solutions contributed CHF 106.8 million to net sales revenue, which is equivalent to 73.3% of the overall net sales revenue and an increase of 3.3% compared to the previous year (CHF 103.5 million). Infant Nutrition contributed CHF 38.9 million or 26.7% of net sales revenue. In the first half of 2024 deliveries to large customers for Infant Nutrition remained under the budgeted quantities despite increasing domestic sales in the markets. This is due to short-term warehouse policy changes by sales partners in individual target markets to protect current assets. The corresponding postponement of market supply to the second half of the year and the continuing positive market developments and birth rates make us confident that the originally planned volumes and sales for the Infant Nutrition division can be achieved on an annual basis.

## Gross profit and EBITDA

Gross profit stabilised compared to 2023. The gross margin of 30.2% continues to be above the 30% mark (calculated as a percentage of the production revenue, which comprises the revenue including the change in inventories). Despite back orders in Infant Nutrition, a positive result was achieved in this segment with a 48.7% gross margin in the first half of 2024. As in the previous year, the HOCHDORF Group reports a positive result in operational business in both segments. An EBITDA of CHF 6.1 million means that the Group has achieved a margin that varies only very slightly from the previous year. The EBITDA margin is 3.7% of the production revenue which means a fall of just 0.2% compared to the previous year.

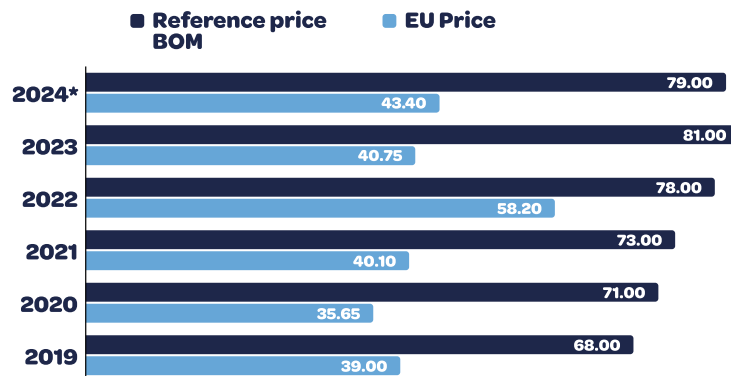
An easing of market conditions for energy and logistics contributed to a further stabilization of the costs and planning reliability. This also allowed incremental productivity gains and further improvements to the operational efficiency. Despite oversupply, prices remain relatively high on the Swiss milk market, which will be reinforced by a further increase in the target milk price from 1 July. This price development led to intense negotiations with milk producers to align milk segmentation. It is expected that the situation will become even more challenging in the second half of the year.

In view of the situation on the milk market, HOCHDORF is pursuing a consistent strategy of contract processing for milk regulation. To mitigate against commercial risk, milk segmentation is aligned with confirmed demand only. Continuing the downward trend, raw material costs were reduced by 3.7% in the first half of 2024 to CHF 114.3 million (PY: CHF 118.6 million). Personnel expenses remained constant at the level of 2023, while other operational expenses could be reduced mainly due to lower energy costs.

## Milk price

The Swiss milk price remains high compared to the international markets (see graphic) and the target price increase decided on 1 July 2024 from 79 cents/kg (January to June) to 82 cents/kg (July to December) opens up the gap on the EU milk price once more. In contrast to the easing of price levels in the EU, the Swiss dairy industry is facing upward pressure on domestic milk prices. This is with lower sales volumes (cheese production), falling demand for (whole milk)

powder (chocolate industry) and an emerging significant structural surplus in milk production. The milk surplus is likely to increase in 2025 in the light of expected increases to milk powder volumes in inward processing. The WTO-compliant Swiss export price regime for processed milk enables internationally competitive price equalisation for agricultural raw materials, but the system only has a delayed effect on falling EU prices. The corresponding gap, which is absorbed by the Swiss milk business, had a neutral effect for HOCHDORF in the first half of 2024 (after a significant minus in 2023). The adjustment initiatives actively pursued by the industry are showing an effect and remain the object of ongoing optimisation to secure internationally competitive raw material costs. In view of the importance of powder production for the Swiss milk market, a reliable raw material price equalisation regime and milk segmentation, which is important for internationally competitive milk powder sales, are essential prerequisites for HOCHDORF to be able to fulfil its system-critical role as a solution provider for processing milk volumes.



\* 01.01.2024-30.06.24

## EBIT and net result (operational)

In operating terms the HOCHDORF Group is on course as of 30 June 2024 and was able to shape the EBIT in a positive way. Depreciation of tangible assets and intangible assets are lower than the EBITDA, which means that the EBIT result is also positive. As of 30 June 2024, the EBIT is TCHF 313, which is 0.2% of the operating income. This is in line with the objective that the HOCHDORF Group set itself.

The financial result of CHF -0.4 million improved significantly compared to the first half of 2023 (CHF -1.9 million). The net result at group level is still slightly negative at CHF -0.1 million.

## Sale of HOCHDORF Swiss Nutrition Ltd

After the balance sheet date for the half-year results, a share purchase agreement was signed whereby 100 % of the HOCHDORF Swiss Nutrition Ltd (HSN) shares are to be sold. This means that the disposal value for HSN is significantly below the book value and a value adjustment has to be made to the HSN assets.

In accordance with Swiss GAAP FER 31/4, discontinued operations, the net sales from goods and services and the operating result of HSN, the discontinued operation, must be disclosed separately in the notes following the announcement of the planned sale of shares (see notes 10 and 11 in the notes to the half-yearly financial statements). It is also necessary to explain which geographical markets, business divisions and subsidiaries are affected by this decision.

By selling HSN, the operational company of the HOCHDORF Group, HOCHDORF Holding Ltd loses its largest asset. After the sale there are no significant assets remaining in the holding that

would offer hope of ever fully clearing existing debts. This means that the continued existence of HOCHDORF Holding Ltd is not secured. The sale price, after taking the cash adjustment into account, is not sufficient to present the HOCHDORF Group's half-yearly financial statements at going concern value.

As a result of the change to disposable values, the HOCHDORF Group has made a value adjustment of CHF 141.3 million on assets held for sale. HOCHDORF Holding Ltd submitted an application for a provisional debt restructuring moratorium and the appointment of a trustee. The competent court granted this application and subsequently authorised the completion of the transaction.

According to Swiss GAAP FER Framework 9, a company can no longer be assumed to be a going concern if its liquidation is intended or – with a high degree of probability – cannot be averted. In such a case, the consolidated financial statements must be prepared on the basis of liquidation values, whereby the valuation at liquidation values must be disclosed and explained in the notes.

## Grouping, presentation and valuation

Following the identification of all assets held for sale and associated liabilities in accordance with the share purchase agreement, the assets and liabilities held by HSN and the loans (financial assets) held by HOCHDORF Holding Ltd against Pharmalys Laboratories Ltd are summarised and consolidated in the items 'Assets held for sale' and 'Liabilities in connection with assets held for sale'. This mainly comprises the assets and liabilities held by HOCHDORF Swiss Nutrition Ltd and the loans (financial assets) held by HOCHDORF Holding Ltd against the Pharmalys Group. Both the assets and the liabilities are identified as short-term items.

Assets held for sale and related liabilities are valued on the basis of liquidation values. The liquidation value is determined by the following calculation.

Calculation of the net contribution:

The net contribution is calculated by assets held for sale less related liabilities. This net contribution is calculated based on the Share Purchase Agreement (SPA) with the purchaser of HOCHDORF Swiss Nutrition Ltd (HSN).

In this share price agreement, HSN is valued at a total company value of CHF 83.0 million. Bank loans totalling CHF –67.0 million and direct sales costs of CHF –0.5 million are deducted from this. The resulting net sales revenue is around CHF 15.5 million.

Result:

These calculations resulted in an impairment loss of the assets held for sale of CHF 141.3 million. The impairment loss has not yet been assigned to individual assets.

## EBIT and net result at disposal values

The originally positive operational EBIT of TCHF 313 was impacted by the impairment loss of the assets held for sale so that the EBIT of the HOCHDORF Group as of 30 June 2024 is now negative at CHF –141.0 million. In addition to the operating result, the net result also includes the financial result as well as the non-operating and extraordinary result. Overall the company shows a negative result amounting to CHF –141.5 million.

# Key Figures of the HOCHDORF Group

	30.06.2024 <sup>1)</sup>	30.06.2023	30.06.2022	30.06.2021	30.06.2020
Net sales revenue from goods and services (in CHF 1'000)	145,742	154,170	145,715	140,293	158,289
thereof net sales Food Solution (in CHF 1'000)	106,814	103,450	118,301	112,434	120,681
thereof net sales Baby Care (in CHF 1'000)	38,928	50,720	27,414	27,859	37,608
EBIT(in CHF 1'000)	-140,994	1,622	-15,926	-8,604	1,158
Net result for the period (in CHF 1'000)	-141,452	-901	-18,256	-9,046	-3,996
Total assets (in CHF 1'000)	136,244	287,986	295,358	339,037	418,552
Equity ratio	11.9%	58.0%	55.9%	50.6%	56.8%
Cash flow from operating activities (in CHF 1'000)	-5,976	-6,024	-12,355	-7,912	-15,094
Market capitalisation as at 30.06.	15,923	42,605	80,261	123,950	131,903
Share price at close of trading as at 30.06. (in CHF)	7.40	19.80	37.30	57.50	61.30
Earnings per share (shareholder) basic (in CHF)	-65.81	-0.42	-8.63	-4.24	-1.90
Earnings per share (shareholder) diluted (in CHF)	-65.81	-0.42	-8.63	-4.24	-1.90
Staffing level as at 30.06.	361	363	369	390	427

<sup>1)</sup> Taking into account the value adjustment of the assets held for sale and the associated liabilities of HOCHDORF Swiss Nutrition Ltd due to the valuation at realisable value



# Consolidated balance sheet as at 30 June 2024

	2024 TCHF	in %	2023 TCHF	in %
	01.01.24-30.06.24		01.01.23-31.12.23	
<b>Assets</b>				
Cash and cash equivalents	479	0.4%	14,556	5.4%
Trade accounts receivables	5	0.0%	21,400	7.9%
Trade accounts receivables from related parties	0	0.0%	28,153	10.4%
Trade accounts receivables from associated companies	0	0.0%	39	0.0%
Other receivables from related parties	105	0.1%	1,933	0.7%
Inventories	0	0.0%	25,415	9.4%
Accrued income	60	0.0%	4,638	1.7%
Assets held for sale	135,001	99.1%	0	0.0%
<b>Current assets</b>	<b>135,651</b>	<b>99.6%</b>	<b>96,135</b>	<b>35.4%</b>
Property and plant	0	0.0%	46,706	17.2%
Other fixed assets	0	0.0%	85,412	31.4%
<b>Total fixed assets</b>	<b>0</b>	<b>0.0%</b>	<b>132,117</b>	<b>48.6%</b>
Investments in associated companies	557	0.4%	762	0.3%
Financial assets	37	0.0%	42,031	15.5%
Intangible assets	0	0.0%	669	0.2%
<b>Non-current assets</b>	<b>594</b>	<b>0.4%</b>	<b>175,579</b>	<b>64.6%</b>
<b>Total assets</b>	<b>136,244</b>	<b>100.0%</b>	<b>271,714</b>	<b>100.0%</b>
<b>Liabilities</b>				
Trade payables	401	0.3%	21,225	7.8%
Short-term financial liabilities	0	0.0%	118	0.0%
Other liabilities	30	0.0%	1,810	0.7%
Other financial liabilities to related parties	0	0.0%	706	0.3%
Accrued liabilities and deferred income	10	0.0%	15,058	5.5%
Short-term provisions	9	0.0%	252	0.1%
Liabilities in connection with assets held for sale	119,501	87.7%	0	0.0%
<b>Current liabilities</b>	<b>119,953</b>	<b>88.0%</b>	<b>39,169</b>	<b>14.4%</b>
Non-current financial liabilities	0	0.0%	67,003	24.7%
Non-current provisions	16	0.0%	7,646	2.8%
<b>Non-current liabilities</b>	<b>16</b>	<b>0.0%</b>	<b>74,649</b>	<b>27.5%</b>
Share capital	21,518	15.8%	21,518	7.9%
Treasury shares	-319	-0.2%	-319	-0.1%
Capital reserves	158,413	116.3%	158,413	58.3%
Hybrid capital	116,437	85.5%	116,437	42.9%
Accumulated losses	-138,323	-101.5%	-127,946	-47.1%
Net result (shareholder)	-141,452	-103.8%	-10,210	-3.8%
<b>Equity excl. minority interests</b>	<b>16,273</b>	<b>11.9%</b>	<b>157,892</b>	<b>58.1%</b>
Minority interests	3	0.0%	3	0.0%
<b>Shareholders' equity</b>	<b>16,276</b>	<b>11.9%</b>	<b>157,895</b>	<b>58.1%</b>
<b>Total liabilities and equity</b>	<b>136,244</b>	<b>100.0%</b>	<b>271,714</b>	<b>100.0%</b>

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

# Consolidated income statement

	2024 TCHF 1.1.24-30.06.24	in %	2023 TCHF 1.1.23-30.06.23	in %
<b>Net sales revenue from goods and services</b>	<b>145,742</b>	<b>89.0%</b>	<b>154,170</b>	<b>90.3%</b>
Other operating income	2,903	1.8%	1,705	1.0%
Change in inventories of semi-finished and finished products	15,046	9.2%	14,831	8.7%
<b>Production revenue</b>	<b>163,691</b>	<b>100.0%</b>	<b>170,706</b>	<b>100.0%</b>
Cost of materials and goods	-114,280	-69.8%	-118,621	-69.5%
<b>Gross operating profit</b>	<b>49,411</b>	<b>30.2%</b>	<b>52,085</b>	<b>30.5%</b>
Personnel expenses	-19,747	-12.1%	-19,244	-11.3%
Other operating expenses	-23,567	-14.4%	-26,178	-15.3%
<b>Total operating expenses</b>	<b>-43,314</b>	<b>-26.5%</b>	<b>-45,423</b>	<b>-26.6%</b>
<b>EBITDA</b>	<b>6,097</b>	<b>3.7%</b>	<b>6,662</b>	<b>3.9%</b>
Depreciation of fixed assets	-5,727	-3.5%	-4,971	-2.9%
Amortisation of intangible assets	-57	-0.0%	-70	-0.0%
EBIT operativ	313	0.2%	1,622	1.0%
Impairment of assets held for sale	-141,307	-86.3%	0	0.0%
<b>EBIT</b>	<b>-140,994</b>	<b>-86.1%</b>	<b>1,622</b>	<b>1.0%</b>
Income from associates and joint ventures	-30	-0.0%	-547	-0.3%
Financial result	-386	-0.2%	-1,926	-1.1%
<b>Ordinary result</b>	<b>-141,410</b>	<b>-86.4%</b>	<b>-850</b>	<b>-0.5%</b>
Non-operating result	13	0.0%	-59	-0.0%
Extraordinary result	-54	-0.0%	7	0.0%
<b>Earnings before taxes</b>	<b>-141,452</b>	<b>-86.4%</b>	<b>-902</b>	<b>-0.5%</b>
Income taxes	-0	-0.0%	1	0.0%
<b>Net result</b>	<b>-141,452</b>	<b>-86.4%</b>	<b>-901</b>	<b>-0.5%</b>
<b>Attributable to:</b>				
Net result current year (shareholder)	-141,452	-86.4%	-884	-0.5%
Net result current year (minority interests)	0	0.0%	-17	-0.0%
<b>Net result</b>	<b>-141,452</b>	<b>-86.4%</b>	<b>-901</b>	<b>-0.5%</b>
<b>Earnings per share (basic)</b>	<b>-65.81</b>		<b>-0.42</b>	
<b>Earnings per share (diluted)</b>	<b>-65.81</b>		<b>-0.42</b>	

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

# Consolidated cash flow statement

	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
	TCHF	TCHF
Net result	-141,452	-901
Depreciation of fixed assets and amortisation of intangible assets	147,091	5,040
Net interest expense	-2,655	2,106
Other non-cash adjustments <sup>1</sup>	30	-265
Change in provisions	-781	-484
Income from associates and joint ventures	30	547
<b>Cash flow from operating activities before changes in net working capital</b>	<b>2,263</b>	<b>6,043</b>
As % of net sales revenue from goods and services	1.6%	3.9%
Change in accounts receivables	-1,235	8,366
Change in other receivables and accrued income	-3,269	-2,129
Change in inventories	-14,738	-17,262
Change in trade payables	-819	-17,787
Change in other liabilities and deferred income	11,822	16,745
<b>Change in net working capital</b>	<b>-8,238</b>	<b>-12,067</b>
<b>Cash flow from operating activities</b>	<b>-5,976</b>	<b>-6,024</b>
As % of net sales revenue from goods and services	-4.1%	-3.9%
Investments in fixed assets	-1,260	-1,591
Investments in intangible assets	-121	-11
Divestments of intangible assets	30	547
Investments in/divestment of long-term financial assets	580	-108
<b>Cash flow from investing activities</b>	<b>-772</b>	<b>-1,162</b>
Free cash flow	-6,747	-7,187
As % of net sales revenue from goods and services	-4.6%	-4.7%
Change in short-term financial liabilities	-60	7,257
Change in long-term financial liabilities	0	0
Change in minority interests in capital and profit	0	-17
Interest paid	-1,612	-2,461
<b>Cash flow from financing activities</b>	<b>-1,671</b>	<b>4,823</b>
Currency translation	-143	-40
<b>Net change in cash and cash equivalents</b>	<b>-8,561</b>	<b>-2,403</b>
Cash and cash equivalents at 1 January	14,556	10,205
<b>Cash and cash equivalents at 30 June <sup>2</sup></b>	<b>5,995</b>	<b>7,802</b>

<sup>1)</sup> Other non-cash adjustments mainly include non-realized currency gains accounts receivable/payable

<sup>2)</sup> Balance sheet value TCHF 479: Of the TCHF 5'595, TCHF 5'516 was reclassified to 'Assets held for sale'

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

# Imprint

## Concept and editing

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