INTERIM REPORT

2016

1 January to 30 June 2016
(Swiss GAAP FER)

HOCHDORF
BEST PARTNER

First half of 2016 – summary

In the first half of 2016, the climate in the international milk market became somewhat rougher once again. High milk quantities coupled with still slow demand caused raw materials and product prices for milk mass-market products to fall worldwide. Naturally, this also affected special products – but to a significantly lesser degree. The HOCHDORF Group wants to focus even more strongly on these special products in future or is already doing so.

The HOCHDORF Group processed a total of 415.9 million kg of milk, whey, milk permeate and other liquids in the first six months of the year (period in previous year: 421.4 million kg; -1.3%). Liquid intake at Swiss plants was higher than in the previous year. At EU plants, less milk was accepted for strategic reasons on account of the difficult milk market. HOCHDORF sold a total of 125,604 tons of product (period in previous year: 125,767 tons; -0.1%) and generated gross sales revenue of CHF 278.4 million (period in previous year: CHF 284.3 million; -2.1%). The Group increased EBIT to CHF 13.1 million, which at 4.5% of production revenue is significantly above the targeted range of 3.8 to 4.0% for the year. Overall, HOCHDORF performed very well under difficult markets conditions, achieving results that exceeded our expectations.

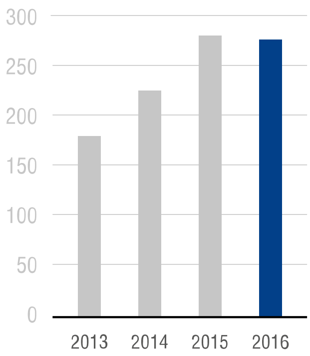
Key figures – Annual Report (30 June)

Key figures	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Processed milk and whey in tons	415,858	421,380	279,862	236,603
Product sold in tons	125,604	125,767	69,893	46,109
Balance sheet total (in CHF 1,000)	359,664	322,702	253,332	232,661
Equity ratio	55.03%	47.01%	41.30%	41.90%
Cash flow from operating activities (in CHF 1,000)	-17,047	-11,797	-12,483	-10,961
Market capitalisation (in CHF 1,000)	263,709	176,191	117,713	72,630
Share price as of 30/06 in CHF	183.80	152.00	130.50	80.70
Profits per share in CHF, basic	7.65	3.59	6.97	2.01
Profits per share in CHF, diluted	7.65	3.20	5.33	2.01
Staffing levels as at 30/06	614	588	371	373

Financial data (30 June)

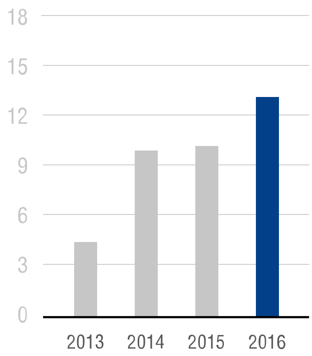
Gross sales revenue (Turnover)

CHF Mio.



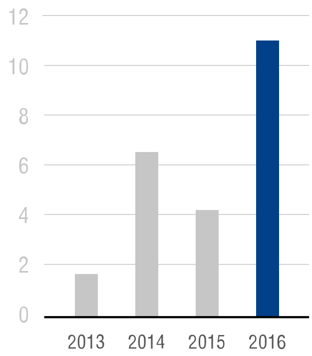
EBIT

CHF Mio.



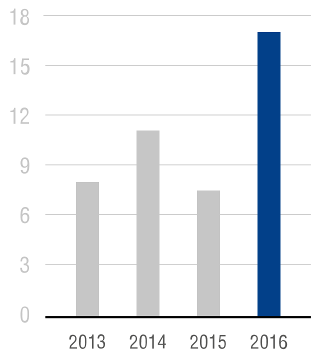
Net profit

CHF Mio.



Earned capital (cash flow)

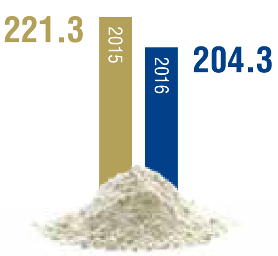
CHF Mio.



Market data (30 June)

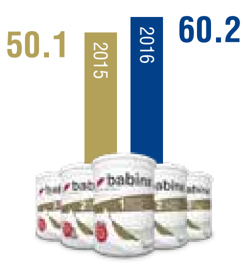
Turnover Dairy Ingredients

CHF Mio.



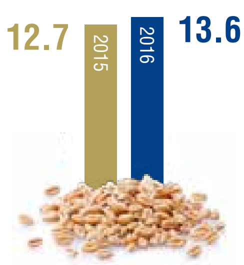
Turnover Baby Care

CHF Mio.



Turnover Cereals & Ingredients

CHF Mio.



Dear Shareholders,

At the end of April we decided to invest in a new line of spray towers in Sulgen for infant formula production. In July we were able to sign a memorandum of understanding to acquire a majority stake in one of our largest customers. The first decision illustrates our increased capacities and the second our forward integration. But many other things happened as well in the first half of 2016.

The implementation of the announced Strategy 2016-2020 is already well under way. In the first half of the year, new products suited for the strategy were developed and have already been launched on the market in some cases; otherwise, important decisions were made. The biggest highlight happened a few days after the midpoint of the year: We signed a memorandum of understanding to acquire a majority stake in one of our largest customers. We will start, however, by explaining the turnover and income figures in the first half of 2016.

Higher income with slightly less turnover
In total the HOCHDORF Group processed slightly less milk, whey, milk permeate and cream, at 415.9 million kg, than in the same period last year (previous year: 421.4 million kg; -1.3%). Milk production in Switzerland was 3.5% above the level in the previous year, whilst we have processed just short of 30% more whey at the Sulgen plant. The plants in Switzerland were running at full capacity. In Germany and Lithuania, the liquid intake declined somewhat due to the difficult situation on the milk market.

Gross sales revenue is CHF 278.4 million and thus somewhat lower than the amount of CHF 284.3 million in the previous year. The main reason for this is the ongoing drop in milk prices, which also partially led to lower product prices in the Dairy Ingredients business area. The HOCHDORF Group as a whole sold 125,604 tons of products (-0.1% compared to the previous year).

The gross profit margin on the income side was a solid 24.1% (previous year: 22.3%). In absolute terms, this means a gross profit of CHF 70.7 million (+10.8% compared to the previous year). We were able to significantly increase EBITDA to CHF 18.4 million and also EBIT to CHF 13.1 million. The net profit totalled a pleasing CHF 11.0 million (previous year: CHF 4.1 million) Since performance in the first half of the year is normally better in regard to turnover and profit than the second half, these good income figures for the current situation may not be projected over the entire business year.

Forward integration going well
At the annual results press conference in 2016, we presented our Strategy 2016-2020. It includes, among others, the forward integration in the Baby Care business area. In July we were able to sign a memorandum of understanding for the acquisition of a majority stake in Pharmalys Laboratories SA.

According to the memorandum of understanding, the current owner shall retain an equity stake in the company as a minority shareholder in future and continue to work as CEO. The next step is to negotiate a purchase/sale agreement. After that, open questions will be clarified and the necessary measures will be taken in order to allow the HOCHDORF Group to take a successful first step closer to the end consumer.

In order to successfully launch the forward integration, we are also dependent on the support of our shareholders. For this reason we will convene an extraordinary Annual General Meeting in Q4 2016 if the planned schedule can be kept and a purchase/sale agreement is signed. To finance the transaction, a conditional capital increase is planned; the purchase price shall be paid mostly in the form of shares. In addition, we plan to apply for an increase to the restriction to voting rights from currently 5% to 15% in future. We will notify shareholders promptly about the future course of action.

Difficult situation on the milk market
The milk market worldwide did not recover from its price low in the first half of the year, as expected. Unfortunately, prices actually even went in the opposite direction initially. Numerous countries intervened more or less heavily in the milk market. At our plants in the eurozone, we produce, for example, skimmed milk powder for government intervention. The high quantities of milk in Switzerland also led to relatively high storage quantities that will be sold in the coming months.

Since the middle of June, the quantity of milk has decreased significantly, particularly at our Swiss plants. In the coming months we also expect significantly lower quantities of milk than in the spring months, before the quantity increases again in the last quarter. Milk prices recovered somewhat from their absolute nadir shortly before the end of June. Due to high inventories around the world and ongoing slow demand, we do not expect a significant recovery in prices this year.

Strategic project work
The IonEx plant was switched over to operating business as planned. It will produce lactose for our infant formula in future. The warehouse logistics project is running according to plan, with the second phase of construction work having begun. The Board of Directors also gave the green light to another major project in Sulgen: This involves the construction of spraying tower line 9 (Project T9) and an additional tin filling line to expand the production and filling capacities for infant formula "made in Switzerland". The system should enter the test phase in Q4 2017. The planning work is already on course.

At the beginning of June, the first kids food products developed by us were launched on the Swiss market by one of our partners. This has let us take an important step forward in the area of kids food. Additional healthy diet products for children and youths will follow in the coming months.

The project to expand capacity at the Hochdorf site is also going according to plan. As of next spring we will be capable of processing a larger quantity of milk in Hochdorf. Other important projects include the development of base powder and instant milk powder. In Prenzlau, the first higher-quality milk powder products were produced and presented to potential customers. We anticipate that we will be able to deliver the first quantities regularly toward the end of the year.

Outlook
In the second half of the year, we will continue to work hard on the outlined strategically important projects. The forward integration project will certainly take precedence over the others.

The gross sales revenue for the year is now forecast to fall slightly, to between CHF 540 and 580 million, due to the ongoing low milk prices and their impact on product prices in the Dairy Ingredients area. However, we are raising our EBIT forecast, which is expected to be in the range of 4.0 to 4.2% of production revenue.

Kind regards from your BEST PARTNER
HOCHDORF Holding Ltd

Josef Leu	Dr. Thomas Eisenring
Chairman of the Board of Directors	**CEO**

Business areas

Dairy ingredients

The prices for the raw material milk and for the products manufactured from it are moving in one direction around the world for the most part: down! The supply of milk was and is significantly higher than demand. Our business was affected by this to differing degrees depending on the site. In Switzerland, the gap between Swiss prices and international prices grew wider. In Lithuania we were greatly affected by the difficult situation because the prices for milk proteins collapsed. In Germany we were able to handle the tense market situation fairly well.

Switzerland: HOCHDORF Swiss Nutrition Ltd

The purchased and processed quantity of liquids (milk, whey and milk permeate) increased by 6.8% to 226,663 tons relative to the same period last year. In the Hochdorf and Sulgen plants, 189,535 tons of raw milk were accepted (including commissioned drying orders). This represents a 3.5% increase in quantity compared to the previous year. In addition we processed 33,714 tons of whey in Sulgen, 30% more than during this period last year. The plants in Switzerland were running at more or less full capacity from the beginning of the year to the beginning of June. The quantities were unexpectedly high in particular at the beginning of the year.

In total, the Dairy Ingredients business area in Switzerland achieved gross sales revenue of CHF 110.4 million. The amount is 6.8% below the turnover of CHF 118.4 million during this period last year. The lower turnover is largely due to the lower raw material prices, which were passed on to the customers, and the high build-up of inventory.

In comparison to the previous year, the sold quantity of roller-dried whole milk powder for the chocolate industry increased by roughly ten per cent. The reason is firstly the rising demand for milk powder in the chocolate industry; secondly, we once again expanded our market share in Switzerland slightly. In terms of exports, we saw an unusually positive impact from business with Russia. We will be able to enjoy a privileged position here as long as the import ban on EU milk products continues.

Politically, major topics in the first half of the year were the impact of low milk prices on milk production and a possible successor model for the export funding ("Schoggi law" funding). In the first half of 2016, milk prices were very low and resulted in difficult income situations for some milk producers. Milk production, however, continues to be the most competitive production area in Swiss agriculture internationally, and that is why it is important that milk-containing Swiss food can continue to be exported. This is also why we are pleased that the Federal Council [Bundesrat] clearly acknowledges the need to continue supporting Swiss milk production. It instructed the industry to develop a successor system to the "Schoggi law" funding, which will offer secure, competitive and plannable future prospects for the entire value chain – milk producers, milk processors and the food industry.

In the first half of the year, our specialists in development worked on the optimisation of our products and on various special powders – heavily caramelised milk powder, lactose-free milk powder, butter milk protein powder, heat-stabilised whey protein powder, etc. The modified milk proteins developed last year are ready for the market in the meantime. However, we have decided not to market them yet due to the current market situation.

At the beginning of June we started the project to increase capacity at the Hochdorf site. By using a reverse osmosis system and a modern high concentrator, we will be able to process a higher quantity of milk in 2017 and simultaneously reduce the consumption of energy per quantity unit.

The plant's capacity utilisation in the second half of the year will be lower than in the first half, as usual. Despite the slight rise in international listed prices for milk raw materials at the end of June, we do not anticipate a significant recovery in the price of milk this year. The development may have a positive impact on the price of B and C milk. For A milk (domestic sales), there will hardly be any increase in price, since the difference between it and international prices is still too large.

Lithuania: HOCHDORF Baltic Milk UAB
In the 2015 half-year report, we were able to announce a record amount of processed liquid quantities at 40.8 million. In the meantime, the situation has changed dramatically and we reduced the liquid intake in the first half of 2016 to 29.5 million kg (-27.8%). There are two main reasons for the decline: On the one hand, we processed a lower quantity of milk due to the difficult milk market situation; on the other, political intervention made it difficult to make the necessary adjustments to the milk prices. That is why our international competitiveness fell. In accordance with the processed liquid quantities and the price situation on the market, the gross sales revenue of HOCHDORF Baltic Milk UAB fell by 36.1% to CHF 9.7 million (previous year: CHF 15.2 million).

Thanks to the ultra filtration system installed last year, we are capable of producing casein micelle today. But also in the case of this fundamentally high added-value product, the prices are fairly low at the present time, and customers are well stocked. Our development staff continues to work on the optimisation of these products so that we will be ready for the next recovery of the market.

We also expect a difficult second half of the year, but an improvement in the situation overall. Signs of a recovery are increasing and as soon as the constellation (milk prices vs. powder/cream prices) becomes positive again, we will ramp up production accordingly.

Germany: Uckermärker Milch GmbH
In the first half of the year, Uckermärker Milch GmbH processed 159.7 million kg of milk, permeate, cream and buttermilk to make curd, butter, buttermilk and milk powder (previous year: 168.3 million kg; -5.1%). Product sales enabled the company to achieve gross sales revenues of CHF 84.2 million (previous year: 87.7 million; -4.0%). The somewhat lower turnover is due to the lower milk prices and the lower product prices.

The capacity utilisation at the plants was good despite the slightly lower liquid quantities processed. In the butter area, the ratio of the cream to butter price was consistent, and we were able to run the creamery at full capacity. The capacity utilisation in the curd area was also good. The main event in powder production was the manufacturing of powder products for the intervention. The production of skimmed milk powder (SMP) for intervention may not be a sustainable business model, but was the most sensible usage of the milk drying plant in the current market situation.

The buttermilk production begun last year is running at a solid level. The smaller filling plant used since the beginning will soon be replaced, as planned, by a larger plant. We produce buttermilk on a commissioned basis for a large international dairy.

In the first half of the year we implemented some cost reduction measures in production. For example, we invested in the further automation of the creamery. In the milk drying plant, the first high-quality milk powders were produced. This involves base powder, which can be used to produce infant formula. The "test productions" ran successfully and were sold or given to potential customers for testing purposes. We expect regular production to commence at the end of 2016 or in Q1 2017 at the latest.

In Germany, the second half of the year should be more challenging. Skimmed milk concentrate will no longer be available at very low prices and thus the intervention production of SMP will not be sensible. Development in the milk fat area is very important for us. The question is which direction the cream to butter price ratio will move in.

At the Prenzlau plant, we continue to invest in measures to increase efficiency. Furthermore, the development work for higher-margin products such as base powder and instant milk powder is running at full speed.

Baby Care

Thanks to plant "tunings" and portfolio optimisation we have been able to reduce delivery times and increased gross sales revenue by over 20%. Our developers are working together with the nutrition marketing department to create recipes that satisfy the revised EU standards. However, that is not all – we are also applying the latest scientific discoveries. In the customer area, we continue to prepare for the coming expansion of capacities. We want to fill the additional capacities with orders from new and existing customers.

Switzerland: HOCHDORF Swiss Nutrition Ltd

In recent months we have put a lot of work into plant maximisation. We came very close to the goal of achieving the highest possible capacity utilisation in the first half of 2016. This can be seen in the gross sales revenue of CHF 60.2 million. The amount rose by 20.3% compared to the previous year. This turnover growth shows the impressive success of our maximisation efforts. By placing high volumes of orders, our customers have made a significant contribution to this increase.

In the first half of the year, the Board of Directors approved roughly CHF 80 million of investments in the production and filling capacities for infant formula and warehousing logistics. Construction is already underway on a building with high-bay racking. The planning for the new spray tower line and the new tin line for filling the infant formula is on schedule. According to the plan, we will have the new capacities starting in Q1 2018.

On the sales side we can also acquire new customers once again and open up additional markets for ourselves thanks to this increase in capacities. A period of more than one year from the first discussions to the registration of the infant formula for the market is more the standard than the exception. But we are also planning capacities for our own brands in the strategic objective of forward integration.

The staff in development has changed the recipes so that they are in compliance with the new requirements for the eurozone and are state of the art from a scientific perspective. The three-year transition period started at the beginning of this year. For example, it was necessary to adjust the nutritional value profile and the protein content to the new EU ordinance. We continue to work on projects in the area of fat optimisation and for the production of high-quality lactose. Our developers are also focusing on increasing capacities, process optimisation for the plants and preparatory work for the process development in the new plant.

We continue to assume 5% full-year growth. We are also still looking for potential partners on the market so that we can quickly utilise the gained production and filling capacities as soon as possible. The new rules in China must also be analysed in more detail. We will continue to receive information from our Chinese partners over the next few months. We still see solid opportunities for a good market position in the new situation.

Cereals & Ingredients

The first success was seen by harnessing synergies between HOCHDORF Swiss Nutrition Ltd and Marbacher Ölmühle GmbH. We have noted this success in the increase in turnover in the business area and the acquisition of new customers. We have been pleased by the joint marketing activities such as the thematic newsletters with good open rates and various specialist articles that have attracted international attention. HOCHDORF South Africa Ltd was launched in 2016 – somewhat late, but with good customer feedback.

Switzerland: HOCHDORF Swiss Nutrition Ltd

The Cereals & Ingredients business area achieved gross sales revenue of CHF 10.0 million, which was significantly above the amount of CHF 8.8 million during this period in the previous year (+13.9%). We were able to utilise capacities at our plants very well thanks to some large orders. In Switzerland, for example, a well-known retail chain began to offer our VIOGERM® Wheatgerm in Linz cakes as an alternative to hazelnuts, while in Sweden our VIOGERM® Gold Grain has been included in granola bars.

There is growth potential in protein-rich snacks, which we already saw in 2015. The sale of our VIOGERM® High Protein Crisps for the production of high-protein food – breakfast cereals or protein bars, for example – is going very well, and we have been able to acquire more customers.

The snack market and demand for healthy snack products is still seeing strong growth. HOCHDORF Swiss Nutrition has taken note of this trend. The Cereals & Ingredients team developed new super foods such as teff crisps or paleo crisps from chestnut flour this spring. The paleo crisps are focused on diets rich in protein and fibre, which our hunter and gatherer ancestors once enjoyed.

The Cereals & Ingredients team set an important milestone in the area of kids food. Our own products can be purchased at retail stores in Switzerland since June 2016. Additional special products for children are in the development and launch phase.

In the area of FEMTORP® Dessert Powder, our developers have been working tirelessly to launch another dessert mousse, a special edition, on the market this autumn in Sweden.

The outlook in the second half of the year will be defined by our turnover target of CHF 20 million. Despite the difficult market situation, we are maintaining this target and are well on the way to achieving it too.

Germany: Marbacher Ölmühle GmbH
Despite the difficult market environment, Marbacher Ölmühle GmbH had a good start to the first half of 2016, and we were able to meet the gross sales revenue target of CHF 3.7 million. This turnover result is proof that the changes in the internal sales organisation have been implemented successfully.

The quality of our products speaks for itself. Three Marbacher oils received the Superior Taste Award once again. Our cold-pressed, unroasted sesame oil and the organic safflower oil were distinguished with two stars. One star was received for the VIOGERM® Wheatgerm Oil.

To stay on a successful path in the area of vegetable oils, we are also investing in the training of employees. They took part in a sensor technology course in the area of edible oils at the Marbach location and received special product training. They increased their knowledge about oils in this way. Parallel to this, we also invested in new sales aids.

The sale of by-products that result from oil production is becoming increasingly important for Marbacher Ölmühle GmbH. We produce healthy flour from the press cakes resulting from the oil production. Some of these are free of gluten and lactose, and thus ideal for the production of vegan snacks. For example, sunflower seed flour has a conspicuously high protein share of 50% and is well suited for light baking mixtures and low-carb products. An interesting ingredient for the production of low-carb snacks is also linseed oil. It contains a high share of fibre and practically no carbohydrates that can be used for the body. The sale of flower has started well, and Marbacher Ölmühle GmbH can profit from customer contacts in the area of the baking industry and the expertise of HOCHDORF Swiss Nutrition Ltd.

Unfortunately, we had to wait somewhat longer than planned for the construction license to expand the production halls. In the meantime, however, we have been able to start with the expansion, which is now moving along quite well. The new plants will commence operations in Q4 2016, according to the plans. In the second half of the year, however, we do not only want to expand our capacities – for example, in the area of wheat germ oil – but also clearly exceed the turnover in the previous year.

This autumn, in October, Marbacher Ölmühle GmbH and HOCHDORF Swiss Nutrition Ltd will take part in the SIAL in Paris. The SIAL is one of the world's leading food trade fairs. The preparatory work will begin in a few weeks and demand much of the team's time.

HOCHDORF South Africa Ltd
With a slight delay, we generated the first turnover in May 2016. The sale of chocolate started satisfactorily, and we were able to open our factory shop at the beginning of June. The turnover generated is still very low, however.

We have set high standards for the quality of our chocolate. That is why we tested our chocolate extensively and gave it to potential customers for tasting before selling it. We received very good feedback. Besides providing chocolate for testing purposes, we also started our marketing measures. We have been active on Facebook, Twitter and naturally also on the internet. On 7 July, International Chocolate Day, we pointed out that Afrikoa is the first South African company to purchase its cocoa beans directly from the producer in Africa: We know our cocoa supplier personally!

And we are not only to be found in digital media, but rather also take part in trade fairs. For example, we will be at the Winelands Chocolate Festival on 20 and 21 August in Stellenbosch, South Africa. We are looking forward to this occasion.

We have not set a high turnover target for this first business year, since we want to make our chocolate popular and well-known in South Africa. Talks with potential customers have been going very well to date.

Consolidated balance sheet

	30/6/2016 CHF	In %	31/12/2015 CHF	In %
Assets				
Cash and cash equivalents	28,287,879	7.9%	43,023,224	12.6%
Trade receivables	49,900,130	13.9%	49,018,525	14.4%
Trade receivables from related parties	5,555,516	1.5%	2,600,386	0.8%
Other short-term receivables	7,182,033	2.0%	4,121,259	1.2%
Inventories	68,477,709	19.0%	48,980,461	14.4%
Prepayments and accrued income	12,334,637	3.4%	10,310,031	3.0%
Current assets	**171,737,903**	**47.7%**	**158,053,886**	**46.4%**
Property, plant, equipment	71,567,355	19.9%	72,410,794	21.3%
Other fixed assets	103,794,537	28.9%	97,303,519	28.6%
Total fixed assets	**175,361,892**	**48.8%**	**169,714,313**	**49.9%**
Participating interests	2,558,083	0.7%	2,377,144	0.7%
Financial assets	8,206,360	2.3%	8,299,899	2.4%
Intangible assets	1,799,786	0.5%	1,950,404	0.6%
Fixed assets	**187,926,122**	**52.3%**	**182,341,760**	**53.6%**
Total assets	**359,664,025**	**100.0%**	**340,395,646**	**100.0%**
Liabilities				
Trade payables	45,709,000	12.7%	52,872,193	15.5%
Short-term financial liabilities	6,446,725	1.8%	1,925,206	0.6%
Other short-term liabilities with related parties	346,071	0.1%	1,500	0.0%
Other current liabilities	13,449,899	3.7%	14,071,722	4.1%
Accrued liabilities and deferred income	6,775,389	1.9%	5,094,650	1.5%
Total current liabilities	**72,727,084**	**20.2%**	**73,965,271**	**21.7%**
Non-current financial liabilities	77,373,380	21.5%	62,441,675	18.3 %
Provisions	11,639,288	3.2%	11,200,278	3.3 %
Total non-current liabilities	**89,012,669**	**24.7%**	**73,641,952**	**21.6 %**
Share capital	14,347,600	4.0%	14,347,600	4.2 %
Own shares	-4,513,458	-1.3%	-3,814,455	-1.1 %
Capital reserves	96,314,910	26.8%	101,490,092	29.8 %
Retained earnings	72,568,845	20.2%	59,040,493	17.3 %
Minority interests	8,441,203	2.3%	8,203,186	2.4%
Profit for the period	10,765,173	3.0%	13,521,507	4.0 %
Shareholders' equity	**197,924,272**	**55.0%**	**192,788,423**	**56.6%**
Total liabilities	**359,664,025**	**100.0%**	**340,395,646**	**100.0%**

Consolidated income statement

	2016 CHF	In %	2015 CHF	In %
	1/1/16-30/6/16		1/1/15-30/6/15	
Sales of products	278,121,386	94.9%	284,019,340	99.3 %
Other revenue	279,823	0.1%	277,851	0.1%
Gross sales revenue	**278,401,209**	**95.0%**	**284,297,191**	**99.3%**
Reductions in revenue	-5,620,827	-1.9%	-2,929,034	-1.0%
Net sales revenue	**272,780,382**	**93.0%**	**281,368,157**	**98.3%**
Change in inventories of semi-finished and finished products	20,424,977	7.0%	4,792,479	1.7%
Production revenue	**293,205,359**	**100.0%**	**286,160,636**	**100.0%**
Cost of materials and goods	-222,463,175	-75.9%	-222,332,664	-77.7 %
Gross operating profit	**70,742,183**	**24.1%**	**63,827,973**	**22.3%**
Personnel expenses	-24,109,548	-8.2%	-22,744,698	-7.9%
Other operating expenses	-28,185,634	-9.6%	-25,579,916	-8.9%
Total operating expenses	**-52,295,183**	**-17.8%**	**-48,324,614**	**-16.9%**
EBITDA	**18,447,001**	**6.3%**	**15,503,359**	**5.4%**
Depreciation on property, plant and equipment	-5,089,810	-1.7%	-4,678,360	-1.6%
Amortisation on intangible assets	-248,529	-0.1%	-142,722	-0.0%
EBIT	**13,108,662**	**4.5%**	**10,682,276**	**3.7%**
Income from associates and joint ventures	180,939	0.1%	288,942	0.1%
Financial results	-406,602	-0.1%	-5,771,946	-2.0%
Earnings before taxes (EBT)	**12,882,999**	**4.4%**	**5,199,272**	**1.8%**
Non-operating income	-12,906	-0.0%	-17,870	0.0%
Extraordinary income	-4,036	-0.0%	-179,439	-0.1%
Profit before tax	**12,866,057**	**4.4%**	**5,001,964**	**1.7%**
Income taxes	-1,827,153	-0.6%	-885,267	-0.3%
Consolidated net profit	**11,038,904**	**3.8%**	**4,116,696**	**1.4%**
Attributable to:				
Parent company shareholders	10,765,173	3.7%	4,038,451	1.4%
Minority interests	273,731	0.1%	78,245	0.0%
Consolidated net profit	**11,038,904**	**3.8%**	**4,116,696**	**1.4%**
Net profit per share (basic)	**7.65**		**3.59**	
Net profit per share (diluted)	**7.65**		**3.20**	

Consolidated cash flow statement

	2016 CHF	2015 CHF
	1/1/16-30/6/16	1/1/15-30/6/15
Consolidated net profit	11,038,903	4,116,696
Depreciation on property, plant and equipment and amortisation of intangible assets	5,338,339	4,821,083
Net interest expense	470,131	1,106,571
Other non-cash adjustments	67,139	-80,527
Change in short-term provisions	0	-70,904
Change in long-term provisions	455,490	-1,193,363
Accounting losses (profits) from sales of fixed assets	4,278	42,539
Income from associates and joint ventures	-180,939	-288,942
Earned capital	**17,193,341**	**8,453,153**
As % of net sales revenue	6.30%	3.00%
Change in trade receivables	-939,301	18,066,384
Change in trade receivables from related parties	-2,996,201	-1,996,762
Change in other short-term receivables	-3,062,466	-10,700,397
Change in inventories	-19,524,372	-3,661,669
Change in prepayments and accrued income	-2,026,712	-11,329,249
Change in trade liabilities	-7,095,333	-28,145,567
Change in other current liabilities	-625,256	19,766,233
Change in other current liabilities to related parties	344,299	0
Change in accrued liabilities and deferred income	1,684,935	-2,248,800
Change in net current assets	**-34,240,408**	**-20,249,826**
Cash flow from operating activities	**-17,047,067**	**-11,796,673**
As % of net sales revenue	-6.25%	-4.19 %
Investments in fixed assets	-11,432,255	-10,430,643
Divestments of fixed assets	532,704	26,592
Investments in intangible assets	-98,504	-603,219
Divestments of intangible assets	0	119,039
Divestments of long-term financial assets	873	24,444
Interest and dividends received from financial assets	8	6,770
Cash flow from investing activities	**-10,997,174**	**-10,857,017**
Free cash flow	**-28,044,241**	**-22,653,690**
As % of net sales revenue	-10.28%	-8.05 %

Continuation of consolidated cash flow statement

	2016 CHF	2015 CHF
	1/1/16-30/6/16	1/1/15-30/6/15
Change in short-term financial liabilities	4,579,631	-7,118,423
Change in non-current financial liabilities	14,956,036	0
Additions/disposals of minority interests in capital and profit	0	2,072,165
Capital increase incl. premium from conversion of convertible bonds Agio aus Wandlung Wandelanleihe	0	1,220,907
Capital increase	-49,884	10,890,596
Capital increase at subsidiaries, currency translation difference	0	-11,500
Sale (purchase) own shares net cash flow	-515,690	659,018
Interest paid	-470,139	-1,113,341
Dividend payments	-5,216,023	-4,118,185
Cash flow from financing activities	**13,283,932**	**2,481,237**
Currency translation	24,964	1,367,393
Net change in cash flow and cash equivalents	**-14,735,345**	**-18,805,059**
Cash and cash equivalents at 1 January	43,023,224	46,379,658
Cash and cash equivalents at 30 June	**28,287,879**	**27,574,599**

Consolidated statement of changes in equity

	Share capital	Own shares	Capital reserves	Retained earnings	Accumulated currency translation differences	Total excl. minority interests	Minority interests	Total incl. minority interests
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Equity as at 31/12/2014	**10,709**	**-703**	**64,813**	**63,439**	**-2,140**	**136,117**	**7,051**	**143,168**
Change in the scope of consolidation						0	4	4
Allocation of capital investments to free reserves			-4,130	4,130		0		0
Conversion of convertible bonds	882		10,008			10,891		10,891
Capital increase			-11			-11	1,217	1,206
Acquisition of own shares		-2,116				-2,116		-2,116
Sale of own shares		2,757	18			2,775		2,775
Currency translation differences					-3,258	-3,258	-969	-4,227
Parent company dividends				-4,118		-4,118		-4,118
Net profit				4,038		4,038	78	4,117
Equity as at 30/6/2015	**11,592**	**-62**	**70,697**	**67,489**	**-5,398**	**144,318**	**7,381**	**151,699**
Equity as at 31/12/2015	**14,348**	**-3,814**	**101,490**	**76,972**	**-4,410**	**184,585**	**8,203**	**192,788**
Allocation of capital investments to free reserves			-5,309	5,309		0		0
Capital increase			-49			-49	0	-49
Acquisition of own shares		-1,613				-1,613		-1,613
Sale of own shares		914	183			1,097		1,097
Currency translation differences					-86	-86	-36	-122
Parent company dividends				-5,216		-5,216		-5,216
Net profit				10,765		10,765	274	11,039
Equity as at 30/6/2016	**14,348** 1)	**-4,513**	**96,315**	**87,830** 2)	**-4,496**	**189,483**	**8,441**	**197,924**

1) 1,434,760 registered shares at nominal CHF 10.00; each share corresponds to one vote; the maximum entry limit in the share register is 5% of the votes.

2) Thereof non-distributable legal reserves TCHF 10,172 (previous year: TCHF 10,172).

Contingent capital

The Group does not have contingent capital.

Authorised capital

The Group does not have authorised capital.

Notes to the consolidated half-year financial statements as at 30 June 2016

1. Changes in accounting principles
As of 1 January 2016, the Group applied the following changes to existing standards that were published by the end of 2015 and are binding for consolidated financial statements after 1 January 2016:

New rules for reporting revenue: Amendments to Swiss GAAP FER framework concept, FER 3 and FER 6
The new rules in the area of reporting revenue specify how income is reported, measured and recognised. The framework concept, FER 3 and FER 6 were amended in this regard. The changes mean that income is to be reported when a service was provided or a tangible or intangible asset was delivered and the benefits and risks as well as the power of disposal were transferred to the buyer. Furthermore, it defines that net revenue from goods and services involves revenues from ordinary operating activity, which includes the value of the provided service or product after the deduction of reductions in revenue. Only the value of the service provided by the company itself is reported in the case of brokerage transactions. In the case of business incidents with multiple, separate components, they must be reported and measured separately. Furthermore, the most important sources of revenue and their recognition must be explained in the Notes to the financial statements.

The long-standing accounting principles in the HOCHDORF Group are already in compliance with the new rules for reporting revenue in accordance with Swiss GAAP FER accounting standards. The amendments will not have any impact on the reporting of turnover in the Group, and the amounts from previous years do not have to be adjusted.

Turnover and revenue recognition
Net sales include the receipt of economic benefits from the sale of goods and services within the scope of ordinary business activity during the reporting period. Reductions in revenue such as discounts, rebates and other price reductions as well as duties paid to third parties such as commissions, fees and any value-added taxes must be deducted from reported net sales. All inter-group turnover is eliminated in the consolidation process.

Turnover is booked when a Group company has transferred the definitive benefits and risks that are associated with ownership of the sold products and the power of disposal to the customer, and the ability to collect the receivables resulting from such is adequately secured. Turnover from the provision of services is reported in the accounting period in which the service was provided. The consideration of reductions in revenue for customers takes place in the same period as the turnover that caused these reductions in revenue in accordance with the terms and conditions of the order. The HOCHDORF Group does not have any brokerage transactions or business events with multiple, separate components.

2. Basic accounting principles
These consolidated financial statements consist of the unaudited half-year financial statements for HOCHDORF Holding Ltd. and its subsidiaries for the reporting period ending on 30 June 2016. The consolidated interim financial statements were created in conformity with existing guidelines based on the accounting recommendations of Swiss GAAP FER 31 (supplemental recommendations for listed companies) and with the consolidation and measurement principles described in the 2015 consolidated annual financial statements. Revenue taxes are calculated based on an estimate of the revenue tax rate expected for the whole of 2016. The consolidated half-year financial statements are to be read in conjunction with the consolidated financial statements prepared for the business year ending on 31 December 2015, as this represents an updated version of the last complete financial statements. The consolidated half-year financial statements were approved by the Board of Directors on 11 August 2016.

3. Changes in the scope of consolidation
There were no changes to the scope of consolidation during the reporting period.

4. Foreign currency translation rates in CHF

	Income statement average exchange rates		Rates prevailing on the balance sheet date	
	January to June 2016	January to June 2015	30/06/2016	31/12/2015
1 EUR	1.0948	1.0642	1.0833	1.0874
1 USD	0.9872	0.9494	0.9760	1.0010
1 UYU	0.0318	0.0371	0.0320	0.0346
1 ZAR	0.0649	0.0799	0.0663	0.0646

5. Contingent liabilities

The HOCHDORF Group is involved in legal proceedings on account of its subsidiaries Uckermärker Milch GmbH and Marbacher Ölmühle GmbH. Both legal disputes concern deliveries of goods. Corresponding provisions were created for both proceedings.

HOCHDORF Swiss Nutrition Ltd had to post a performance bond in the amount of EUR 1,311,667 for its deliveries to Egypt. The customer can lodge a claim under the performance bond only in the event of non-delivery by HOCHDORF.

6. Events after the balance sheet date

HOCHDORF Holding Ltd signed a memorandum of understanding in July 2016 with Pharmalys Invest Ltd for the acquisition of 51% of Pharmalys Schweiz Ltd, Pharmalys Tunisie Sàrl and Pharmalys Afrique Sàrl. The HOCHDORF Group is implementing its strategy of forward integration with its intent to purchase these companies so that it can do business itself in the end consumer market.

7. Explanatory remarks about the interim financial statements

Performance in the first half of the year is normally better in regard to turnover and income than the second half. The main reason for this is the seasonal nature of milk quantities, with the most productive period occurring between April and June. However, variations between the two halves of the year can differ highly when compared over several years.

Income for the first half of 2016 was characterised by somewhat higher liquid intake (227 million kg vs. 212 million kg in the previous year) at Swiss plants, the improvement in capacity utilisation at the main plants, and continued high prices for A milk in Switzerland, which were largely accepted on the market. Lower turnover across the Group is the result of companies in Germany and Lithuania, which had strategically less liquid intake due to the difficult milk market situation in the EU (189 million kg vs. 209 million kg in the previous year). Uckermärker Milch GmbH (UMP) was able to achieve positive earnings despite the very difficult milk market situation in the EU and particularly in Germany thanks to the production of intervention milk powder. In the area of butter and curd, the company was also able to hold its own and achieve reasonable contribution margins. The market overall and thus the situation for UMP will remain difficult in the second half of the year. Future developments are difficult to predict in particular with respect to the intervention. HOCHDORF Baltic Milk UAB (HBM) was not able to repeat its positive earnings in previous years. HBM is not only affected by the overall EU market. Political intervention by authorities has made it necessary to adjust milk prices, which has led in turn to falling margins and negative earnings. We expect an improvement in the situation during the second half of the year, however. HOCHDORF Swiss Nutrition Ltd was able to boost its operating income despite difficult market conditions. The quantity produced by the Group rose by 2.5% in comparison to the same reporting period in the previous year, and the quantity sold fell slightly by 0.1%. The cash flow from operating activities, with seasonal variations due to the build-up of receivables and inventory, was CHF -17.0 million (previous year: CHF -11.8 million). The high level of inventory due to seasonal variations will fall again in the second half of the year. At CHF 11.0 million, cash outflow from investing activities in the first half of the year was a little higher than in the previous year (CHF 10.9 million). The Group was able to defend its position quite well in a difficult market environment. We remain optimistic about the outlook for the second half of the year. Future trends in world market prices are still unclear, with a current upward tendency, which means that the shortfall in "Schoggi law" funding will be somewhat reduced.

As a result of possible competitive disadvantages compared with unlisted and large listed competitors, customers and suppliers, the presentation of segment results pursuant to Swiss GAAP FER 31/8 was dispensed with.

The Swiss milk market is small and tightly knit, with few key companies and providers. Milk production is in the hands of just a few organisations. On the processing side, the market is shaped by four large dairies, along with cheesemakers. 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 firm produces infant formula for the Swiss and international market apart from the HOCHDORF Group.

The balance sheet total increased from CHF 340 million as at 31/12/2015 to CHF 360 million as at 30/06/2016. During the same period, net debt rose from CHF 21.3 million to CHF 55.9 million due to the decline in liquidity for investments in net current assets and for investments in property, plant and equipment. The equity ratio fell slightly from 56.6% as of 31/12/2015 to 55.0% as of 30/06/2016. The syndicated loan covenants have been complied with in full.

8. Breakdown of gross turnover from goods and services by product group and region

By product group

CHF 1,000	1st half-year 2016		1st half-year 2015	
Milk products/cream	120,386	43.3%	117,367	41.3%
Milk powder	83,024	29.9%	102,597	36.1%
Infant formula	58,888	21.2%	49,765	17.5%
Specialities/wheatgerm	8,052	2.9%	5,842	2.1%
Bakery/confectionery goods	2,372	0.8%	3,152	1.1%
Remaining products/services	5,399	1.9%	5,296	1.9%
Total	**278,121**	**100.0%**	**284,019**	**100.0%**

By region

CHF 1,000	1st half-year 2016		1st half-year 2015	
Switzerland/Liechtenstein	107,332	38.6%	105,284	37.0%
Europe	117,195	42.1%	132,744	46.7%
Asia	12,330	4.4%	12,650	4.5%
Middle East/Africa	38,329	13.8%	26,993	9.5%
USA/Canada	38	0.0%	0	0.0%
Americas (others)	2,465	0.9%	766	0.3%
Rest	432	0.2%	5,582	2.0%
Total	**278,121**	**100.0%**	**284,019**	**100.0%**

9. Key figures

CHF 1,000 January to June	2016	2015	Change
Processed milk and whey in million kg	415.9	421.4	-1.31%
Gross sales revenue	278,401	284,297	-2.07%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	18,447	15,503	18.99%
in % of production revenue	6.3%	5.4%	
Earnings before interest and taxes (EBIT)	13,109	10,682	22.72%
in % of production revenue	4.5%	3.7%	
Net profit	11,039	4,117	168.13%
in % of production revenue	3.8%	1.4%	
Staffing levels as of 30/6. (nominal)	614	588	4.42%

Additional information

Important dates

13 March 2017:	Annual results press conference
5 May 2017:	Annual General Meeting
August 2017:	19th letter to Shareholders on the 2017 half-year financial statements

Auditing/Approval

The balance sheet and income statement in this letter to Shareholders have not been audited. The consolidated half-year financial statements were approved by the Board of Directors at its meeting on 11 August 2016.

Investor newsletter

Information about the HOCHDORF Group can be found at www.hochdorf.com. In the Investor Relations web page, investors can also register for the newsletter. They will then receive an email each time a press release is posted online.

Contacts

Public Relations/Media
Dr Christoph Hug
Head of Corporate Communications
Tel. +41 41 914 65 62
christoph.hug@hochdorf.com

Investor Relations
Marcel Gavillet, CFO
Tel. +41 41 914 65 16
marcel.gavillet@hochdorf.com

Imprint

Photography and image processing
Wolfgang Flamisch, Dusseldorf

Layout
W4 Marketing AG, Zurich

Print
SWS Medien AG Print, Hochdorf

HOCHDORF Holding Ltd
Siedereistrasse 9
6281 Hochdorf / Switzerland
T +41 41 914 65 65
F +41 41 914 66 66
www.hochdorf.com