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INTERIM REPORT

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2020

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1 January to 30 June 2020  
(Swiss GAAP FER)

**HOCHDORF**  
BEST PARTNER

*125 years*



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## First half of 2020 – summary

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Due to a range of organisational, financial and market-oriented measures, the HOCHDORF Group's business position continues to stabilise. The half-yearly results were slightly better than expected.

The HOCHDORF Group processed 187.9 million kg of milk, whey, cream etc. in Switzerland (previous year 221.6 million kg) and sold 46,357 tonnes of products (previous year 86,661 tonnes). This resulted in net sales revenue of CHF 158.3 million (previous year 242.9 million) and a positive EBITDA of CHF 5.0 million. Overall HOCHDORF posted negative company results of CHF –4.1 million.

The HOCHDORF Group has continued to work on the restructuring measures introduced in the summer of 2019. Important market-oriented and optimisation projects were launched and developed despite the restrictions imposed by the coronavirus pandemic. The first delivery of Bimbosan infant formula to Vietnam was a significant milestone. The business relationship with Pharmalys has been stabilised.

The continued successful implementation of market-oriented and optimisation projects forms the basis for achieving our sales and revenue objectives. We continue to expect net sales revenue in the range of CHF 280 – 320 million and a positive EBITDA result for 2020.

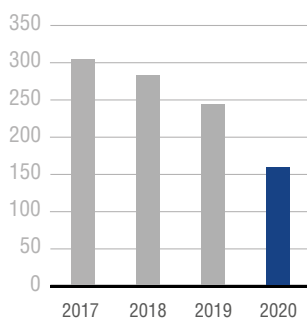
## Key figures – Annual Report (30 June)

Key figures	30.06.2020	30.06.2019	30.06.2018	Restated 30.06.2017	30.06.2016
Processed milk and whey in tonnes	228,155	374,761	365,369	377,560	415,858
Products sold, in tonnes	46,357	86,661	83,374	111,948	125,604
Total assets (in TCHF)	418,552	564,289	586,685	473,792	359,664
Equity ratio	56.8%	38.5%	45.82%	56.76%	55.03%
Cash flow from operating activities (in TCHF)	-15,094	-29,029	-114,305	-37,243	-17,047
Market capitalisation (in TCHF)	131,903	154,954	403,885	438,678	263,709
Share price as at 30.06. in CHF	61.30	108.00	281.50	305.75	183.80
Earnings per share in CHF, basic	-1.93	-30.89	-1.59	5.65	7.65
Earnings per share in CHF, diluted	-1.93	-30.89	-1.59	3.75	7.65
Staffing levels at 30.06.	427	666	678	686	614

## Financial data (30 June)

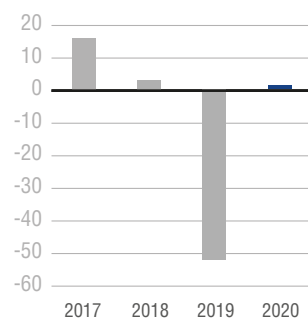
### Net sales revenue

CHF million



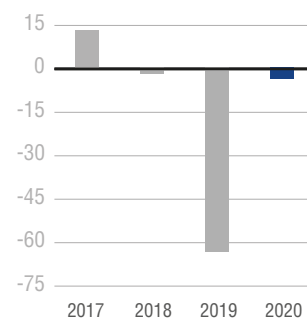
### EBIT

CHF million



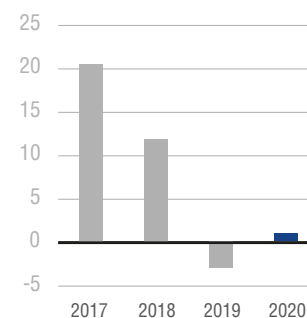
### Net profit

CHF million



### Earned capital

CHF million



## Market data (30 June)

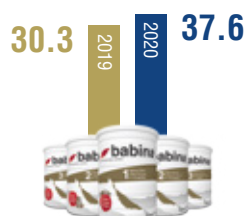
### Net sales Dairy Ingredients

CHF million



### Net sales Baby Care

CHF million



# Recent measures are taking effect

## Dear Shareholders,

In the first six months of 2020 we have continued to implement the restructuring of the HOCHDORF Group that was introduced in the summer of 2019. In Baby Care, numerous customer and product development projects were launched to stimulate future growth. The initial delivery of Bimbosan infant formula to Vietnam represents a first milestone. The business relationship with Pharmalys was stabilised and a company-wide cost efficiency programme was set up in the form of “OPTIMA”. The success of these measures is already reflected in EBITDA and EBIT results.

In the first half of 2020 the HOCHDORF Group processed 187.9 million kg (–15.2% compared to previous year) of milk, whey, cream and butter milk (liquid quantity) in Switzerland and sold 46,357 tonnes of products. An EBITDA of CHF 5.0 million means that the company has completed the first half year with positive results, fulfilling the bank covenant requirements. The positive EBIT of CHF 1.2 million (previous year CHF –52.4 million) is slightly influenced by capital gains from the sale of Uckermärker Milch GmbH. It has not yet been possible to achieve the required amortisations due to low capacity usage of the production lines for producing infant formula.

### Restructuring programme continues apace

The management team continued to work on the restructuring programme launched in the middle of 2019. The sale of Uckermärker Milch GmbH was successfully completed at the end of February 2020. It was not possible to find a buyer for Zifru Trockenprodukte GmbH, Snapz Foods AG and Snapz Foods USA Inc. HOCHDORF announced the liquidation of these loss-making companies on 6 May 2020. The liquidations were implemented and completed without affecting results.

The new Board of Directors was appointed at the Annual General Meeting of 30 June 2020. Two new appointments were also made to the senior management team in Nanette Haubensak (CFO; as of 29 June 2020) and Géza Somogyi (COO; as of 1 July 2020).

Following significant changes to the Board of Directors and senior management team, the focus is on shaping the future of the company; the strategy for Dairy Ingredients and Baby Care will be further refined and operationalised in the second half of the year.

### A period of change for Baby Care

In the first half year the senior management team focussed on the strategic development of the Baby Care division. The sales department was strengthened in key areas and a variety of projects were launched to promote market, customer and product development. The division aims to bring at least three new products to market by the end of the first quarter of 2021. The first delivery of Bimbosan infant formula to Vietnam was successfully completed and is a significant milestone towards internationalising the brand. We were able to stabilise the business relationship with Pharmalys again after the sale in December 2019.

### OPTIMA leads to increased cost efficiency

The senior management team launched a company-wide “OPTIMA” cost efficiency programme. In the first five sub-projects, work is underway to make cost savings in plants and building, production processes, logistics, administration and purchasing. For 2021 we expect savings in the region of CHF 2 to 3 million from OPTIMA.

### **Effect of the coronavirus pandemic on the half-yearly results**

The coronavirus pandemic has dominated operational business and internal processes in the first half of the year. From a very early stage we have given highest priority to protecting our employees and to ensuring production. A crisis team consisting of business and divisional management has been set up to monitor and assess the development of the infection and to decide and monitor any necessary measures. Comprehensive internal measures and intensive contact with our suppliers enabled us to maintain consistent production. Milk receipts were lower than expected, in particular due to increased domestic demand for fresh dairy products as a result of the coronavirus-related ban on shopping tourism and an earlier start to alpine pasturing this year, which led to supply bottlenecks in the cream sector. We would like to take this opportunity to thank all our employees for their commitment in implementing the required measures and our suppliers for working so well with us. Overall the financial impact of the coronavirus pandemic on the half-yearly results can be described as moderate.

### **Outlook**

In Baby Care we are not expecting the coronavirus pandemic to have a significant impact on sales and revenue in the second half of the year. However, there were coronavirus-related delays to new longer-term customer projects in the first half of the year and these delays may continue to some extent. If travel restrictions persist, a postponement of the market development measures to 2021 cannot be ruled out for the internationalisation of the Bimbosan brand.

By comparison, the impact of coronavirus on the Dairy Ingredients division is likely to be felt more acutely. We expect the Swiss chocolate industry, in particular, to see lower product demand if travel restrictions persist; development in this sector will depend very much on the progress of the pandemic.

We still expect to meet the end-of-year projection made in March, with net sales revenue of CHF 280 – 320 million and positive annual results for the EBITDA.

We would like to thank you for the commitment you have shown us, and we look forward to continue working with you to ensure the success of the HOCHDORF Group.

Kind regards  
HOCHDORF Holding Ltd



Dr Peter Pfeilschifter  
**CEO**



Jürg Oleas  
**Chairman of the Board of Directors**

# Business areas

## Dairy Ingredients

Competition has intensified in the Swiss domestic market in particular due to the coronavirus pandemic. Higher domestic demand for milk products meant that milk receipts were lower than expected, resulting in bottle necks for cream. Demand from chocolate producers was also significantly lower.

On account of the integration of product categories from the former Cereals & Ingredients division and the sale of Uckermärker Milch GmbH, the 2020 results at division level are not comparable to the previous year. This division achieved net revenue of CHF 120.7 million. This includes CHF 25.4 million in sales from the operating business of Uckermärker Milch GmbH.

The fall in liquid quantity processed in Switzerland of –15.2% can be explained by the higher consumer demand for fresh milk products during the coronavirus lockdown, the fact that the cows were returned to Alpine pastures three weeks earlier than usual and the lower milk prices in competition with cheese making as a result of the follow-on solution to the “Schoggi Law”. We were able to improve the competitiveness of our milk prices thanks to our own price increases for certain products and lower Schoggi Law deductions towards the middle of the year. With the exception of cream, our delivery capacity was never at risk despite the smaller quantities of milk. Our plant utilisation was also good in the first half of the year.

We started several projects to optimise production processes involving close cooperation between development and production. This has already shown early signs of success, with raw material usage significantly reduced for a special milk powder, for instance. These improvements allow us to use the milk quantity we have saved for other purposes and help to increase added value.

In the context of the coronavirus pandemic there was reduced product demand from the chocolate industry from mid-April, mainly due to lower chocolate sales in the areas of Duty Free and tourism. The pandemic also impacted upon the export of milk proteins to the fitness industry. Due to the pandemic, Marbacher Ölmühle GmbH had to endure a significant downturn in sales in the second quarter. However, thanks to various optimisation measures, the company still achieved a higher gross margin compared to the previous year.

### Outlook

We will continue to work intensively on the optimisation projects in the second half of the year. The successful implementation of these projects is all the more important because the market environment remains very competitive and the challenging situation in milk procurement remains the same. We are also working on new product concepts to improve plant capacity and create more added value.

It is still too early to draw definitive conclusions about the impact of the coronavirus pandemic on milk powder sales. In particular, we expect lower demand from the chocolate industry due to ongoing travel restrictions, and its development will depend very much on the progress of the pandemic. Orders for milk proteins in the export business are currently showing signs of normalisation. We currently assume that we will achieve the net sales revenue projected in March of between CHF 190 and 210 million for the 2020 business year.



Information on **HOCHDORF's** history and current activities can be found in the articles written for the 125th anniversary: [anniversary.hochdorf.com](https://www.hochdorf.com/anniversary).

## Baby Care

Bimbosan was able to further expand its share in the Swiss specialist market and reached an important milestone with the first delivery to Vietnam. The business relationship with Pharmalys was stabilised. Numerous market, customer and product development projects were launched to promote growth in the Baby Care division.

Value adjustments carried out in 2019 and the sale of Pharmalys Laboratories SA in December 2019 mean that the half-yearly results are not comparable to the previous year. In the Baby Care division, HOCHDORF achieved net sales revenue of CHF 37.6 million (previous year CHF 30.3 million; +24.2%). The low net sales revenue compared to several previous years is mainly due to the loss of a major customer in 2019 and delays in new customer projects. The coronavirus pandemic also led to setbacks in market registration for China. We remain hopeful of a positive decision.

To ensure sustained growth, the sales department has been strengthened in key areas and a large number of projects were launched to develop new markets, customers and products. The division aims to bring at least three new products to market by the end of the first quarter of 2021. The development department is working on developing infant formula without cow's milk and on new products for premature babies, for example. Even if the coronavirus pandemic makes international cooperation more difficult, we still anticipate implementing the first projects in 2021.

We were able to stabilise the business relationship with Pharmed after its sale in December 2019. We are working with Pharmed to open up new markets and develop new products and product categories.

Bimbosan AG successfully launched its products on the Swiss market based on the new EU formulations – one reason why it was possible to increase our share in the specialist market. We are also working intensively on the development of new product categories for Bimbosan, which we want to launch on the market by the end of the first quarter 2021.

At the beginning of the coronavirus pandemic, panic buying in Switzerland resulted in an increase in sales and revenue for Bimbosan AG. The effect was however, rebalanced in the following months. In the cereals/porridge segment we had to withdraw two products from the market in June. The safety of our products and the health of our end consumers are paramount. We have learned from this case and adjusted our monitoring processes above and beyond the legal requirements. The internationalisation process has been slightly delayed by the coronavirus pandemic. The first delivery of Bimbosan infant formula to Vietnam was an important milestone here.

### Outlook

Our objective remains unchanged for 2020: to promote growth with existing customers and acquire new customers with a market-oriented sales and service structure that is focused on regions and key customers, significantly improving plant utilisation in the medium term. The internationalisation of our own "Bimbosan" brand also plays a key role in the successful implementation of our strategy.

As indicated in the Annual Report for 2019, HOCHDORF will not be able to recover from the previous year's fall in turnover in 2020. Despite the restrictions imposed by the coronavirus pandemic, existing orders allow us to assume that we will be able to reach the lower level of our projected net sales revenue for the current business year of between CHF 90 and 110 million.



Since the end of February this year, **HOCHDORF** has been producing infant formula with new formulations for the EU and Switzerland. You can find out more here: <https://inside.hochdorf.com/en/eu-compliant-formulation-optimisation>



# Financial statement

HOCHDORF Group

09–19

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## Consolidated balance sheet

	30.06.2020	In %	31.12.2019	In %
	CHF		CHF	
<b>Assets</b>				
Cash and cash equivalents	9,976,893	2.4%	20,432,282	4.5%
Accounts receivables	27,794,174	6.6%	31,929,712	7.0%
Accounts receivables from related parties	10,898,194	2.6%	10,139,011	2.2%
Accounts receivables from associated companies	82,582	0.0%	7,118,571	1.6%
Other receivables from related parties	43,967,009	10.5%	64,190,851	14.1%
Other short-term receivables	4,164,287	1.0%	3,238,232	0.7%
Inventories	50,601,142	12.1%	41,619,620	9.1%
Accrued income	12,582,403	3.0%	4,027,053	0.9%
<b>Current assets</b>	<b>160,066,684</b>	<b>38.2%</b>	<b>182,695,331</b>	<b>40.1%</b>
Property and plant	84,021,943	20.1%	89,984,524	19.8%
Other fixed assets	164,207,238	39.2%	168,974,350	37.1%
<b>Total fixed assets</b>	<b>248,229,181</b>	<b>59.3%</b>	<b>258,958,875</b>	<b>56.8%</b>
Shareholdings	2,648,212	0.6%	2,496,352	0.5%
Financial assets	6,447,364	1.5%	9,979,191	2.2%
Intangible assets	1,160,943	0.3%	1,442,071	0.3%
<b>Non-current assets</b>	<b>258,485,700</b>	<b>61.8%</b>	<b>272,876,488</b>	<b>59.9%</b>
<b>Total assets</b>	<b>418,552,385</b>	<b>100.0%</b>	<b>455,571,819</b>	<b>100.0%</b>
<b>Liabilities</b>				
Accounts payables	23,600,031	5.6%	37,109,928	8.1%
Accounts payables from related parties	0	0.0%	3,599,176	0.8%
Accounts payables from associated companies	251,858	0.1%	671,801	0.1%
Short-term financial liabilities	195,341	0.0%	12,329,798	2.7%
Other short-term liabilities to related parties	0	0.0%	162,589	0.0%
Other short-term liabilities	6,232,055	1.5%	5,150,870	1.1%
Short-term provisions	337,041	0.1%	4,903,055	1.1%
Accrued liabilities and deferred income	14,383,329	3.4%	4,526,775	1.0%
<b>Current liabilities</b>	<b>44,999,654</b>	<b>10.8%</b>	<b>68,453,992</b>	<b>15.0%</b>
Non-current financial liabilities	119,289,839	28.5%	121,438,574	26.7%
Non-current financial liabilities to associated companies	0	0.0%	869,600	0.2%
Provisions	16,573,879	4.0%	15,856,435	3.5%
<b>Non-current liabilities</b>	<b>135,863,718</b>	<b>32.5%</b>	<b>138,164,609</b>	<b>30.3%</b>
Share capital	21,517,570	5.1%	17,583,690	3.9%
Treasury shares	-7,105,474	-1.7%	-7,105,418	-1.6%
Capital reserves	164,489,685	39.3%	179,723,881	39.5%
Mandatory convertible bond	0	0.0%	110,772,696	24.3%
Hybrid capital	107,588,513	25.7%	107,588,513	23.6%
Profit reserves	-44,982,361	-10.7%	84,739,884	18.6%
Minority interests	92,875	0.0%	-5,135,459	-1.1%
Earnings current year	-3,911,795	-0.9%	-239,214,569	-52.5%
<b>Shareholders' equity</b>	<b>237,689,012</b>	<b>56.8%</b>	<b>248,953,218</b>	<b>54.6%</b>
<b>Total liabilities and equity</b>	<b>418,552,385</b>	<b>100.0%</b>	<b>455,571,819</b>	<b>100.0%</b>

## Consolidated income statement

	2020		2019	
	CHF	In %	CHF	In %
	01.01.20 – 30.06.20		01.01.19 – 30.06.19	
<b>Net sales revenue</b>	<b>158,289,006</b>	<b>90.3%</b>	<b>242,864,054</b>	<b>95.4%</b>
Other operating income	460,131	0.3%	626,360	0.2%
Change in inventories of semi-finished and finished products	16,461,047	9.4%	11,141,230	4.4%
<b>Production revenue</b>	<b>175,210,183</b>	<b>100.0%</b>	<b>254,631,644</b>	<b>100.0%</b>
Cost of materials and goods	-127,114,223	-72.5%	-218,615,986	-85.9%
<b>Gross operating profit</b>	<b>48,095,961</b>	<b>27.5%</b>	<b>36,015,658</b>	<b>14.1%</b>
Personnel expenses	-21,534,692	-12.3%	-27,012,110	-10.6%
Other operating expenses	-21,576,593	-12.3%	-48,404,138	-19.0%
<b>Total operating expenses</b>	<b>-43,111,285</b>	<b>-24.6%</b>	<b>-75,416,248</b>	<b>-29.6%</b>
<b>EBITDA</b>	<b>4,984,676</b>	<b>2.8%</b>	<b>-39,400,591</b>	<b>-15.5%</b>
Depreciation of fixed assets	-7,207,941	-4.1%	-10,369,764	-4.1%
Amortisation of intangible assets	-341,262	-0.2%	-3,066,850	-1.2%
Impairment of shareholdings	3,722,033	2.1%	446,829	0.2%
<b>EBIT</b>	<b>1,157,506</b>	<b>0.7%</b>	<b>-52,390,376</b>	<b>-20.6%</b>
Income from associates and joint ventures	151,860	0.1%	209,473	0.1%
Financial result	-4,308,519	-2.5%	-12,412,654	-4.9%
<b>Earnings from operating activities</b>	<b>-2,999,153</b>	<b>-1.7%</b>	<b>-64,593,556</b>	<b>-25.4%</b>
Non-operating result	9,406	0.0%	-7,316	0.0%
Extraordinary result	-7,012	0.0%	1,181	0.0%
<b>Earnings before taxes</b>	<b>-2,996,758</b>	<b>-1.7%</b>	<b>-64,599,691</b>	<b>-25.4%</b>
Income taxes	-1,053,365	-0.6%	968,219	0.4%
<b>Net profit</b>	<b>-4,050,124</b>	<b>-2.3%</b>	<b>-63,631,472</b>	<b>-25.0%</b>
<b>Attributable to:</b>				
Parent company shareholders	-3,911,795	-2.2%	-43,390,735	-17.0%
Minority interests	-138,329	-0.1%	-20,240,737	-7.9%
<b>Net profit</b>	<b>-4,050,124</b>	<b>-2.3%</b>	<b>-63,631,472</b>	<b>-25.0%</b>

## Consolidated cash flow statement

	2020 CHF	2019 CHF
	01.01.20 – 30.06.20	01.01.19 – 30.06.19
Net profit	-4,050,124	-63,631,473
Depreciation of fixed assets and amortisation of intangible assets	7,549,203	13,436,614
Impairment of shareholdings	-3,732,808	-446,829
Currency effect on sale of shareholdings	428,140	-21,162
Net interest expense	2,934,750	1,539,023
Other non-cash adjustments	1,731,226	-2,778,857
Change in short-term provisions	-4,566,015	0
Change in long-term provisions	718,511	49,154,384
Accounting losses (profits) from sales of fixed assets	7,012	-1,360
Income from associates and joint ventures	-151,860	-209,473
<b>Cash flow from operating activities before changes in working capital</b>	<b>868,035</b>	<b>-2,959,134</b>
As % of net sales revenue	0.55%	-1.22%
Change in accounts receivables	-2,060,850	3,723,130
Change in accounts receivables from related parties	-759,183	1,888,507
Change in accounts receivables from associated parties	5,286,278	-6,939,250
Change in other short-term receivables	-3,937,735	-10,161,580
Change in other short-term receivables from related parties	223,841	66,957
Change in inventories	-16,867,534	-10,760,717
Change in accrued income	-8,582,577	8,005,339
Change in trade payables	-1,811,566	-7,898,822
Change in trade payables to related parties	-2,043,515	-1,431,017
Change in trade payables to associated companies	-419,943	62,131
Change in other short-term liabilities	3,661,178	624,608
Change in other short-term liabilities to related parties	-162,589	-5,466,807
Change in accrued liabilities and deferred income	11,511,799	2,218,018
<b>Change in net current assets</b>	<b>-15,962,396</b>	<b>-26,069,503</b>
<b>Cash flow from operating activities</b>	<b>-15,094,361</b>	<b>-29,028,636</b>
In % of net sales revenue	-9.54%	-11.95%
Investments in fixed assets	-1,580,088	-4,401,389
Divestments of fixed assets	11,142	6,625
Investments in intangible assets	-87,849	-245,187
Investments in/divestment of long-term financial assets	-58,241	-66,766
Net cash flow from the purchase (-) / sale (+) of investments	19,713,925	302,611
Interest and dividends received	38	931
<b>Cash flow from investing activities</b>	<b>17,998,927</b>	<b>-4,403,175</b>
<b>Free cash flow</b>	<b>2,904,566</b>	<b>-33,431,812</b>
In % of net sales revenue	1.83%	-13.77%

Continuation of consolidated cash flow statement

	2020 CHF	2019 CHF
	01.01.20 – 30.06.20	01.01.19 – 30.06.19
Change in short-term financial liabilities	-7,219,054	2,395,256
Change in long-term financial liabilities	2,832,746	19,493,163
Additions/disposals of minority interests in capital and profit	-38,067	-14,096
Mandatory convertible bond	-9,122,304	0
Capital increase including conversion of convertible bond	7,926,987	0
Sale (purchase) of treasury shares net cash flow	-100	235,447
Interest paid	-7,783,691	-8,383,251
Dividend payments	0	0
<b>Cash flow from financing activities</b>	<b>-13,403,482</b>	<b>13,726,519</b>
Currency translation	43,527	13,330
<b>Net change in cash and cash equivalents</b>	<b>-10,455,389</b>	<b>-19,691,963</b>
Cash and cash equivalents at 1 January	20,432,282	30,784,059
<b>Cash and cash equivalents at 30 June</b>	<b>9,976,893</b>	<b>11,092,097</b>

## Consolidated statement of changes in equity

	Share capital	Own shares	Capital reserves	Hybrid capital	Profit reserves	Accumulated currency translation differences	Total excl. minority interests	Minority interests	Total including minority interests
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
<b>Equity as at 31.12.2018</b>	<b>14,348 <sup>1)</sup></b>	<b>-7,351</b>	<b>284,369</b>	<b>107,589</b>	<b>-144,877 <sup>2)</sup></b>	<b>-747</b>	<b>253,331</b>	<b>27,516</b>	<b>280,847</b>
Change in the scope of consolidation					-13		-13	131	118
Goodwill/badwill from acquisition of shares of subsidiaries					-13		-13	0	-13
Sale of treasury shares		245	-105				141		141
Currency translation differences						-99	-99	-55	-154
Dividends							0		0
Net profit from current period					-43,391		-43,391	-20,241	-63,631
<b>Equity as at 30.06.2019</b>	<b>14,348 <sup>1)</sup></b>	<b>-7,105</b>	<b>284,264</b>	<b>107,589</b>	<b>-188,294 <sup>2)</sup></b>	<b>-845</b>	<b>209,956</b>	<b>7,351</b>	<b>217,307</b>
<b>Equity as at 31.12.2019</b>	<b>17,584 <sup>1)</sup></b>	<b>-7,105</b>	<b>290,497</b>	<b>107,589</b>	<b>-154,165 <sup>2)</sup></b>	<b>-310</b>	<b>254,089</b>	<b>-5,135</b>	<b>248,953</b>
Change in the scope of consolidation					-9,610	0	-9,610	3,387	-6,223
Goodwill/badwill from acquisition of shares of subsidiaries					-1,948		-1,948	1,913	-35
Allocation of capital contributions to free reserves			-130,000		130,000		0		0
Conversion mandatory convertible bond	3,934		114,766				118,700		118,700
Capital increase			0				0		0
Mandatory convertible bond			-110,773		-9,122		-119,895		-119,895
Currency translation differences						172	172	67	239
Dividends							0		0
Net profit from current period					-3,912		-3,912	-138	-4,050
<b>Equity as at 30.06.2020</b>	<b>21,518 <sup>1)</sup></b>	<b>-7,105</b>	<b>164,490</b>	<b>107,589</b>	<b>-48,756 <sup>2)</sup></b>	<b>-138</b>	<b>237,596</b>	<b>93</b>	<b>237,689</b>

<sup>1)</sup> 2,151,757 registered shares of a nominal value of CHF 10.00 each; each share corresponds to one vote; the maximum entry limit in the share register is 15% of the votes.

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

### Contingent capital

The group has no contingent capital.

### Changes

Explanations in the Notes.

# Notes to the consolidated half-year financial statements as at 30 June 2020

## 1. Accounting principles

These consolidated financial statements comprise the non-audited half-yearly statements for HOCHDORF Holding Ltd and its subsidiaries for the reporting period ending on 30 June 2020. The consolidated interim financial statements were prepared in conformity with existing guidelines based on the accounting recommendations of Swiss GAAP FER 31 (complementary recommendation for listed companies), and with the consolidation and measurement principles described in the consolidated annual financial statements for 2019. These interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. They should be read in conjunction with the consolidated financial statements of 31 December 2019.

The following currency translation rates were used for the consolidated interim financial statements and for the separate financial statements.

	Income statement average exchange rates		Rates on the balance-sheet date	
	January to June 2020	January to June 2019	30.06.2020	31.12.2019
EUR 1	1.0670	1.1273	1.0643	1.1124
USD 1	0.9616	0.9955	0.9473	0.9783
UYU 1	0.0236	0.0294	0.0225	0.0277

## 2. Changes in the scope of consolidation

In the reporting period, the scope of consolidation underwent the following changes:

Consolidated companies	Currency	Capital in thousand	Capital shares and votes	
			30.06.2020	31.12.2019
Uckermärker Milch GmbH, Prenzlau, Germany		10,000	0%	60%
Snapz Foods USA Inc., Wilmington USA		50	0%	65%

### Divestment of Uckermärker Milch GmbH

On 28.02.2020, HOCHDORF Holding Ltd sold its majority holding of 60% in Uckermärker Milch GmbH to Ostmilch Handels GmbH. The company generated net sales revenue of TCHF 25,615 up to 28.02.2020 with an EBIT of TCHF –208 and a net result of TCHF –320. The composition of the net assets sold was as follows (in TCHF):

Current assets	18,737
Non-current assets	6,702
– Liabilities	–22,523
<b>Identified net assets</b>	<b>2,915</b>

The sale resulted in a positive adjustment of CHF 3.305 million, with CHF 3.733 million posted through EBIT and CHF –0.428 million posted through exchange rate losses. As a result of the sale, goodwill in the amount of CHF 5,054 million, which was offset against equity at the time of acquisition, had to be revived. The purchase price amounted to 1 EURO.

### Liquidation and deconsolidation of Snapz Foods USA Inc.

The liquidation of Snapz Foods USA Inc. was initiated after the discontinuation of the Cereals & Ingredients division at the end of 2019. This was completed by 30.06.2020 allowing deconsolidation of the legal entity. As of 30.06.2020 Snapz Foods USA Inc. had net assets of CHF 0.

### 3. Explanatory remarks about the interim financial statements

In the first six months of the 2020 financial year, the HOCHDORF Group generated net sales revenue of CHF 158 million compared with CHF 243 million in the same period of 2019. The net revenue decline is mainly due to the sale of Uckermärker Milch GmbH from the Dairy Ingredients division on 28 February 2020. This sale was implemented as a logical consequence of the decision to focus strategically on the Baby Care and Dairy Ingredients divisions and the Swiss production sites.

The Dairy Ingredients division achieved net sales revenue of CHF 120.7 million in the first half of the year (previous year: CHF 202.0 million). In addition to the sale of Uckermärker Milch GmbH, reduced demand from cream producers (shortage of fresh milk during the coronavirus lockdown) and chocolate producers (slump in duty-free sales due to coronavirus travel restrictions) were responsible for the decline in sales. The Cereals & Ingredients division discontinued at the end of 2019 was integrated into the Dairy Ingredients division.

The Baby Care division achieved net sales revenue of CHF 37.6 million in the first half of the year compared to CHF 30.3 million in the first half of 2019. The net sales revenues were impacted by two major customers, where net revenues declined sharply. However, this decline was stabilised and even slightly increased with other customers. The first delivery to a new customer for our BIMBOSAN products in Vietnam should be highlighted. The net sales revenue in the first half of 2019 was strongly influenced by negative non-recurring effects (debtor value adjustment), which means a comparison is only possible to a limited extent. The BIMBOSAN brand shows a slight decline in net sales, which was mainly caused by a recall in the baby food product category.

Despite significantly lower net sales revenues, there were significant increases in the operating result before interest, taxes, depreciation and amortization to CHF 4.985 million (2.8% of production revenues; 2019 first half year: CHF -39.4 million) and the operating result before taxes and interest to CHF 1.16 million (0.7% production revenues; 2019 first half year: CHF -52.39 million). The HOCHDORF Group is now showing positive operating results again, following the restructuring and streamlining initiated in 2019. The results in the first half of 2019 were strongly influenced by non-recurring effects in the context of this restructuring (including a value adjustment on accounts receivable of CHF 35.2 million, depreciation of assets of CHF 2.9 million and value adjustments for planned liquidations of CHF 2.3 million). Added to this is the sale of units that generated an operating loss in 2019, such as the Pharmalys Group and Uckermärker Milch GmbH.

At CHF -4.01 million, the Group's net profit was slightly negative due to high interest payments (2019 first half year: CHF -63.63 million). The result after minority interests was CHF -3.91 million compared to CHF -43.39 million in the same period last year. Due to the sale of the 60% share of Uckermärker Milch, minority interests have decreased significantly.

The balance sheet total of CHF 419 million as at 30.06.2020 fell sharply from the balance sheet total of CHF 564 million at 30.06.2019, mainly due to the sale of the Pharmalys companies and Uckermärker Milch GmbH. By rescheduling and restructuring the syndicated loan in October 2019, it was possible to reduce external capital. This amounted to CHF 180 million as of 30.06.2020, with CHF 110 million of the syndicated loan drawn down. In the second quarter of 2020, liabilities from the syndicated loan were repaid by the payment of a purchase price tranche from the sale of Pharmalys. The equity ratio was 57% on 30.06.2020. With the result as of 30.06.2020, the HOCHDORF Group has complied with all covenants from the syndicated loan.

In the first half of 2020, the HOCHDORF Group generated a positive free cash flow of CHF 2.9 million, including the purchase price payment detailed above. After deducting the cash flow from financing activities (repayment of syndicated loan tranche and interest payments), cash flow was CHF -10.5 million and cash and cash equivalents were CHF 10.0 million.



#### 4. Events after the balance sheet date

The consolidated half-year financial statements were approved by the Board of Directors on 14 August 2020. Up to the publication of this press information, the company was not aware of any material new event that would affect the interim financial statements as of 30 June 2020.

#### 5. Contingent liabilities

HOCHDORF Holding Ltd was liable as joint and several debtors by way of assuming the debt for the credit line a bank institute awarded to Uckermärker Milch GmbH for EUR 10 million. This credit is removed by the sale. There are therefore no current contingent liabilities.

#### 6. Earnings per share

##### Earnings per share, basic

	30.06.2020	30.06.2019
Weighted average shares outstanding	2,026,872	1,404,766
Net profit after minority interests	-3,911,795	-43,390,735
<b>Earnings per share in CHF, basic</b>	<b>-1.93</b>	<b>-30.89</b>

To determine the net profit per share, the net profit due to the HOCHDORF Group shareholders is divided by the average number of outstanding shares. Own shares held are not included in the calculation of the average outstanding shares. The weighted average number of shares is a result of the total of all transactions in the reporting year and additions due to the creation of new registered shares from the conversion of the convertible bond.

##### Earnings per share, diluted

	30.06.2020	30.06.2019
Weighted average shares outstanding, basic	2,026,872	1,404,766
Dilution effect of convertible bond <sup>1)</sup>	-	717,137
Weighted average shares outstanding, diluted	2,026,872	2,121,902
Net profit after minority interests	-3,911,795	-43,390,735
Interest on convertible bond <sup>2)</sup>	-	167'456
12% tax effect (interest on convertible bond*0.12/1.12)	-	-17'942
Net profit after minority interests, diluted	-3,911,795	-43,241,221
<b>Earnings per share in CHF, diluted <sup>3)</sup></b>	<b>-1.93</b>	<b>-30.89</b>

<sup>1)</sup> Calculation 2019: The dilution is calculated from the mandatory convertible bond of CHF 218.49 million and the conversion price CHF 304.67, from which a maximum of 717,136 new shares are generated. The conversion period ran from 3 January 2018 up to and including 13 March 2020. As of 30.06.2019, the entire mandatory convertible bond was therefore outstanding.

Calculation 2020: On 30.03.2020 the entire mandatory convertible bond was converted and the corresponding position in equity was zero. A total of 393,388 shares were generated in the period from 01.01.2020 – 30.06.2020.

<sup>2)</sup> Calculation 2019: In this case only the accrued interest on the liabilities component for the current business year is taken into account in interest costs. The actual interest payments are offset against the liabilities component of the discounted interest payments. Calculation 2020: Item not applicable

<sup>3)</sup> Due to the negative net income after minority interests, the diluted net income per share is the same as the undiluted net income per share.

## 7. Segment reporting

The HOCHDORF Group refrains from reporting segment results because this would put it at a significant competitive disadvantage with regard to customers and non-listed and large listed competitors in Switzerland and abroad. The Dairy Ingredients division comprises the development, production and sale of high-quality milk derivatives used in the food processing industry. In organisational terms, this segment includes HOCHDORF Swiss Nutrition Ltd, Thur Milch Ring AG and Marbacher Ölmühle GmbH. The Baby Care division comprises the development, production, sale and marketing of specialty infant formula products, follow-on formula for toddlers and pre-school children and milk drinks for expectant and nursing mothers. This segment also includes HOCHDORF Swiss Nutrition Ltd and Bimbosan AG.

### By division

TCHF	First half of 2020		First half of 2019	
Dairy Ingredients	120,681	76.2%	201,934	83.2%
Baby Care	37,608	23.8%	30,289	12.5%
Cereals & Ingredients <sup>1)</sup>	0	0%	10,641	4.3%
<b>Total</b>	<b>158,289</b>	<b>100.0%</b>	<b>242,864</b>	<b>100.0%</b>

<sup>1)</sup> Division was discontinued as of 31.12.2019.

### By product group

TCHF	First half of 2020		First half of 2019	
Milk products/cream	49,528	31.3%	119,179	49.1%
Milk powder	63,300	40.0%	80,465	33.1%
Infant formula	35,428	22.4%	37,590	15.5%
Specialities	6,644	4.2%	6,851	2.8%
Bakery/confectionary goods	494	0.3%	2,318	1.0%
Other products/services	2,895	1.8%	-3,539	-1.5%
<b>Total</b>	<b>158,289</b>	<b>100.0%</b>	<b>242,864</b>	<b>100.0%</b>

### By region

TCHF	First half of 2020		First half of 2019	
Schweiz/Liechtenstein	85,531	54.0%	101,927	42.0%
Europe	47,519	30.0%	121,608	50.1%
Asia	3,168	2.0%	4,500	1.9%
Middle East/Africa	17,585	11.1%	12,580	5.2%
USA/Canada	8	0.0%	322	0.1%
Americas (others)	4,478	2.9%	1,924	0.7%
Other	0	0.0%	3	0.0%
<b>Total</b>	<b>158,289</b>	<b>100.0%</b>	<b>242,864</b>	<b>100.0%</b>

The remaining turnover comprises deliveries to customers who export the goods and where the destination country is not separately recorded.

## **8. Discontinued division**

In the press release dated 08.07.2019, the Board of Directors announced its intention to discontinue the Cereals & Ingredients (CI) division. The companies Snapz Foods AG, Snapz Foods USA Inc. and Zifru Trockenprodukte GmbH belonging to this division have been in liquidation since April 2020 and are being wound up operationally. The liquidation of Snapz Foods USA Inc. has already been completed and the company was therefore deconsolidated as of June 30, 2020. Marbacher Ölmühle GmbH has been fully integrated into the Dairy Ingredients division.

## **9. Significant events and business transactions**

During the reporting period there were no significant events or transactions in connection with the critical estimates, judgements and assumptions made in the consolidated financial statements as at 31 December 2019. The effects of the exceptional global situation triggered by COVID-19 were not yet severe in the first half of 2020: we have taken measures to protect our employees and production; the effects on net sales revenues are explained in Note 3.

## Disclaimer IR 2020

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HOCHDORF provides neither an explicit nor an implicit guarantee or assurance with regard to the Interim Report 2020 (the “financial information”), including with regard to the use, accuracy or completeness of the financial information. HOCHDORF assumes no liability for the financial information irrespective of the legal reason. None of the statements included in the financial information should be construed as a profit forecast or profit estimate, and past performance cannot be taken as an indication of future results.

The information within our Annual Report is originally published in German. Discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes. If any questions arise related to the accuracy of the information contained in the translation, please refer to the German version of our Interim Report, which is the official and only binding version.

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## Additional information

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### Important dates

15 March 2021: Publication Annual Report 2020  
16 April 2021: Annual General Meeting  
16 August 2021: Publication Interim Report 2021

### Auditing / Approval

The consolidated half-year financial statements were approved by the Board of Directors on 14 August 2020.

### Investor newsletter

Information about the HOCHDORF Group can be found at [www.hochdorf.com](http://www.hochdorf.com). Investors can subscribe to the newsletter under Investor Relations. Subscribers will receive an e-mail each time a press release is published online.

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