HOCHDORF
Swiss Nutrition Solutions

Interim report 2021

First half of 2021 – summary

HOCHDORF processed 218.9 million kg of milk, cream, whey etc. (PY: 187.9 million kg) in Switzerland and sold 32,356 tonnes of products (PY: 46,357 tonnes). This resulted in net sales revenue of CHF 140.3 million (PY: 158.3 million), EBITDA of CHF –2.8 million and EBIT of CHF –8.6 million.

HOCHDORF expects a stronger second half-year, benefiting from higher order intake and better capacity utilisation in the Baby Care division, as well as a seasonal reduction in inventories. Accordingly, EBIT should improve significantly in the second half of the year and result in a balanced result at EBIT level for the 2021 business year, as previously announced. The forecast for net sales also remains unchanged at CHF 260 to 300 million.

HOCHDORF was reorganised as of 01.01.2021 in accordance with the strategic foundations created in 2020 and Bimbosan AG was successfully integrated into HOCHDORF Swiss Nutrition Ltd. Despite the restrictions caused by the coronavirus pandemic, new customers and markets were acquired and new products were successfully launched in Switzerland and abroad. HOCHDORF has received the purchase price repayment from Pharmalys and has contractually agreed the future strategic cooperation with its largest customer in the Baby Care division.

Despite the successful strategic restructuring and operational focus, the HOCHDORF Group's economic situation remains challenging. The Group Management and the Board of Directors are therefore examining further measures to stabilise the company's balance sheet.

HOCHDORF
Swiss Nutrition Solutions

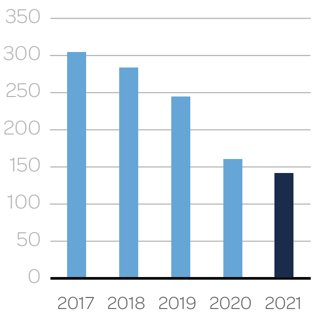
KEY FIGURES – ANNUAL REPORT (30 JUNE)

Key figures	30.06.2021	Restated 30.06.2020	30.06.2019	30.06.2018	Restated 30.06.2017
Processed milk and whey in tonnes	218,868	228,155	374,761	365,369	377,560
Products sold, in tonnes	32,356	46,357	86,881	83,374	111,948
Total assets (in TCHF)	339,037	418,552	564,289	586,685	473,792
Equity ratio	50.6%	56.8%	38.5%	45.82%	56.76%
Cash flow from operating activities (in TCHF)	–7,912	–15,094	–29,029	–114,305	–37,243
Market capitalisation (in TCHF)	123,950	131,903	154,954	403,885	438,678
Share price as at 30.06. in CHF	57.50	61.30	108.00	281.50	305.75
Earnings per share in CHF, basic	–4.24	–1.90	–30.89	–1.59	5.65
Earnings per share in CHF, diluted	–4.24	–1.90	–30.89	–1.59	3.75
Staffing levels at 30.06.	390	427	666	678	686

FINANCIAL DATA (30 JUNE)

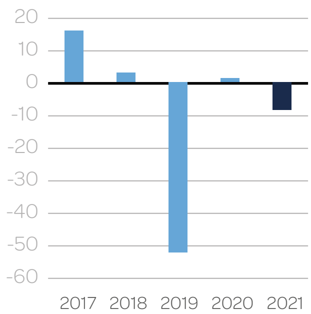
Net sales[1)]

CHF Mio.



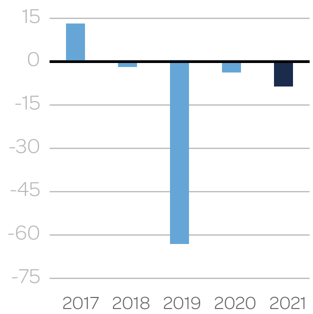
EBIT[1)]

CHF Mio.



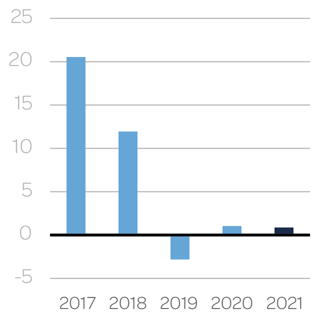
Net profit[1)]

CHF Mio.



Earned capital

CHF Mio.

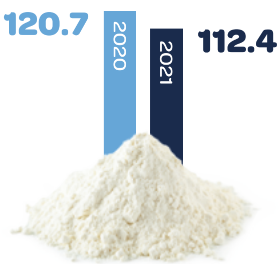


[1)] Comparisons with previous years are limited due to the restructuring in 2019 and 2020

MARKET DATA (30 JUNE)

Net sales Food Solutions (former Dairy Ingredients)

CHF Mio.



Net sales Baby Care

CHF Mio.

Creating a solid foundation for a successful future

Dear Shareholders,

A sense of optimism could be felt in the HOCHDORF Group in the first half of 2021. The company was reorganised in line with the strategic foundations created the previous year and Bimbosan AG was successfully integrated into HOCHDORF Swiss Nutrition Ltd. Despite the restrictions caused by the coronavirus pandemic, new customers and markets were acquired and new products were successfully launched in Switzerland and abroad. Nevertheless, further measures are necessary to master the HOCHDORF Group's tight financial situation and to strengthen the balance sheet. The purchase price repayment from Pharmalys, which enables an immediate partial repayment of liabilities, is positive.

In the 2021 business year, the company management will continue to focus on creating a solid foundation for the HOCHDORF Group. The corporate structure introduced at the beginning of the year has further improved performance and efficiency within the company. We are much closer to achieving the goal of an agile, innovative and service-oriented HOCHDORF. Part of the ONE HOCHDORF project was the relocation of Bimbosan AG from Welschenrohr to Hochdorf and the subsequent merger of Bimbosan AG into HOCHDORF Swiss Nutrition Ltd. Both projects were successfully completed in the first half of the year.

The reorganisation required the commitment and flexibility of all employees, for which we would like to express our sincere thanks. Against the odds, a core group of more than 20 colleagues were able to take part in the Future 2030 process despite the Covid-19 pandemic and continue the project – first virtually and then again with a workshop in person towards the middle of the year. The task now is to communicate the content of the corporate purpose, vision, mission and values to all employees in a relevant way and to anchor it in their daily actions.

Numerous product innovations

The agility of the HOCHDORF Group has also been evident beyond the Future 2030 initiative, particularly in new product launches and innovative customer projects:

- In Switzerland, Bimbosan launched an infant formula based on goat's milk. This alternative to products based on cow's milk started well above expectations and has already been integrated into our export business.
- The Bimbosan product family will be expanded this year with a second vegan cow's milk alternative in the FSMP area (food for special medical purposes). This innovative product will be available in specialist shops during the fourth quarter of 2021.
- Preparations are in full swing for the launch of our own brands Bimbosan and Babina in three new export markets in Asia, with the first deliveries expected in the second half of 2021.
- We also gained three new customers in Europe, the MENA region and Latin America in the private label sector: infant formula produced by HOCHDORF will be delivered for sale in the second half of the year.

Covid-19 slows positive operational development

The Covid-19 pandemic continues to hamper our fundamentally positive business development with new customers and new products. Projects are being postponed or progressing at a significantly slower pace due to the rapidly changing Covid-19 situation. The effects of Covid-19 were also palpable in the Swiss dairy market in the first half of the year, with a continued shortage of milk due to high domestic demand reflected in increasing milk and raw material prices. Meanwhile, we are seeing an upward trend in demand from our premium chocolate manufacturers in Switzerland.

Organic growth in the first half year

The HOCHDORF Group processed 218.9 million kg of milk, whey and cream (liquid volume) in Switzerland in the first half of 2021 (PY: 187.9 million kg; +16.5%) and sold 32,356 tonnes of products (–30.2% compared to the previous year). After the divestments of parts of the company in the previous year, the year-on-year results on a comparable basis saw organic growth of 8%. Gross profit fell by around CHF 12 million due to lower volumes, a higher milk price (+11%), a deliberate build-up of inventories and a temporary shift in the sales mix with a higher share in the Food Solutions division, resulting in an EBIT of CHF –8.6 million (PY: CHF 1.2 million).

Pharmalys – purchase price repayment and strategic cooperation agreed

In relation to our largest Baby Care customer, Pharmalys Laboratories SA, we were able to agree the payment of the outstanding purchase price instalment of CHF 30 million and the signing of a long-term supply agreement until 2026 at the beginning of August. These are important steps for the further financial recovery of the company and for securing the utilisation of the production facilities in Sulgen. At the same time, numerous product launches are scheduled for the second half of the year, which will contribute to a better result than in the first six months.

Brand registration in China still pending

The dossier for the brand registration in China has been with the "approval office" since October 2020. Unfortunately, we are currently unable to provide an estimate of when approval will be granted by the Chinese authorities. We are in regular contact with the authorities in Switzerland and China, with our Chinese advisor and with our client.

OPTIMA raises cost awareness and further increases efficiency

The OPTIMA programme to increase efficiency continues to achieve positive results. The six ongoing projects in the areas of facilities, buildings, production processes, logistics, administration and purchasing are pursuing the goal of saving a mid-single-digit million amount this year. In purchasing, however, the market situation has changed significantly and we are currently facing Covid-19 related price increases for raw materials and transport services for international trade.

Measures for financial recovery under way

As detailed in the Annual Report 2020, the Board of Directors and the Group Management are working intensely on various financial strategy options to stabilise the balance sheet and to support sustainable corporate growth and implement our new strategy. The first results have already been achieved with the final payment from Pharmalys and the suspension of the review of the syndicated loan covenants. We are continuing to examine further options as the current operating performance is not sufficient to put the balance sheet on a long-term healthy footing.

Outlook
Ongoing delays and postponements of projects as a result of the Covid-19 impact make it impossible to estimate precise production volumes. Nevertheless, HOCHDORF expects a stronger second half-year, benefiting from higher order intake and better capacity utilisation in the Baby Care division, as well as a seasonal reduction in inventories. Accordingly, EBIT should improve significantly in the second half of the year and, as announced, result in a balanced result at EBIT level for the 2021 business year. The forecast for net sales revenue remains unchanged at CHF 260 to 300 million.

We thank you for your loyalty to the HOCHDORF Group and wish you good health and much success in these unfamiliar and challenging times for us all. We would also like to express special thanks to our employees, who work tirelessly for our customers every day in these difficult circumstances under the current protective and hygiene measures of the Covid-19 pandemic.

Kind regards
HOCHDORF Holding Ltd

Dr. Peter Pfeilschifter
CEO

Jürg Oleas
Chair of the Board of Directors

Reports on the business segments and "Smart Nutrition"

Baby Care

Bimbosan has successfully launched infant formula based on goat's milk in Switzerland and in international channels. This product category is enjoying increasing demand. The international brand business continues to grow and has expanded into three new markets. The private label business also gained new customers. The merger of Bimbosan AG into HOCHDORF Swiss Nutrition Ltd was completed by mid-year. We have strengthened our sales teams to target further business development and to implement our strategy.

The Baby Care business segment achieved net sales revenue of CHF 27.9 million (PY: CHF 37.6 million; –25.8%). The lower sales are largely due to the private label business. However, Bimbosan also achieved slightly reduced sales compared to the same period last year, mainly due to the sales peak related to Covid-19 in the first half of 2020, the after-effects of the product recall in June 2020 with subsequent stock-out, and a general decline in sales in the specialist retail segment compared to the same period last year, which also reflected the Covid-19 impact. Nevertheless, Bimbosan successfully defended its leadership position in the specialist market.

The transition of employees to the HOCHDORF premises and organisational structure was successfully completed in January 2021 and the property in Welschenrohr was sold. Bimbosan's infant formula products are now packaged at the Hochdorf site. In the middle of the year, Bimbosan AG was merged into HOCHDORF Swiss Nutrition Ltd, effective retroactively from 1 January 2021.

In Switzerland and in international sales channels, Bimbosan launched a new line of infant nutrition based on goat's milk and goat's milk proteins. The steady increase in sales figures shows the high demand for alternatives to products based on cow's milk. From the middle of the year, Bimbosan will be able to make its full range of baby food products available to the specialist and retail trade. The range of baby foods – all in organic quality and made from Swiss raw materials – are now available for infants older than six months.

The international brand business is growing steadily. In the first half of the year, we worked intensively on our market entry in three new markets in Asia. The products will be delivered and available in the markets in the second half of the year.

Preparations are also underway in the private label business for deliveries in the remainder of the year to new customers in Europe, the MENA region and Latin America. We are working intensively with Pharmalys, our largest baby care customer, on portfolio renewals and expansions as well as registrations in new markets.

In the first half of the year, we successfully recruited the Bimbosan sales teams in Switzerland for the international distribution of our own brands, online retailing and the international private label business. It will take some time for the impact of the new teams to be become fully effective, especially against the background of Covid-19 hampering business development and with Baby Care projects classed as long-running projects.However, this lays the foundation for stronger customer care and market development.

Outlook

We are working intensively to further strengthen our own brands nationally and internationally, to win new markets and to expand the customer portfolio of our private label business. We are also continuing to work on new product innovations. At the beginning of October, we will present our own Bimbosan and Babina brands in the Swiss Pavilion at the Anuga international trade fair for the food and beverage industry in Cologne (Germany).

In Switzerland, a second vegan infant formula based on hydrolysed rice protein will be launched under the Bimbosan brand in the second half of the year. This is a product for infants with special nutritional needs due to a cow's milk allergy or galactosemia, for example.

Food Solutions

Demand for milk powder from the chocolate industry is increasing slightly again after the Covid-19 slump. The situation in milk procurement has eased somewhat, which is reflected in higher milk receipts but unfortunately also in higher milk prices. The projects related to vegan products and those based on alternatives to cow's milk are on track. The development of functional semi-finished products is also taking shape, especially in the area of high-protein applications.

The Business Segment Food Solutions achieved net sales revenue of CHF 112.4 million in the first half of 2021 (–6.9 % compared to previous year). Net sale revenue for the previous year amounted to CHF 120.7 million, but included CHF 27.7 million turnover from Uckermärker Milch Ltd, sold at the end of March, and Marbacher Ölmühle Ltd, sold at the end of 2020. On a comparable basis, this resulted in solid organic growth.

In the first half of the year, HOCHDORF processed a liquid volume of 218.9 million kg (+16.5 %). The improved conditions of the successor solution to the "Schoggigesetz" meant HOCHDORF was able to offer milk producers better contract conditions and thus secure the necessary milk volume. Milk prices are rising in both Switzerland and the EU – as they have been in Switzerland for around four years now. This has a particular impact on the Group's gross margin.

Demand from the Swiss chocolate industry for milk powder is slowly increasing again. However, it has not yet reached the pre-pandemic level. If the Covid-19 situation remains stable, we expect the chocolate industry's purchase volume to be around the average of 2019 and 2020.

The first phase of the implementation of the whey competence centre in Sulgen has been completed and we have seen production of the first high-quality semi-finished products. Use in formulations for infant formula is already in full swing. This enables us to completely replace the purchase of certain semi-finished products. By processing whey in particular, HOCHDORF is also making an important contribution to reducing food waste. The first trials in the area of vegan products based on alternatives to cow's milk and in drying cocoa plant components for applications in chocolate production are promising. They will be implemented on a large-scale plant for the first time in the second half of the year.

HOCHDORF now also dries high-quality goat's milk from Central Switzerland several times a year. In this context, we have decided to support the new Goat Trail themed adventure trail on Sattel-Hochstuckli as a gold sponsor (www.geissenweg.ch).

Outlook

In the remainder of the year, we will continue to work intensively on the development projects and bring them to the market. The uncertainties related to Covid-19 continue to impact the business in sub-segments in the second half of the year, while rising milk prices can only be partially compensated by further efficiency gains and optimisations.

"Smart Nutrition" – innovations that lead to market success

HOCHDORF sees its future market opportunities in the "Smart Nutrition" niche for specialist foods with a high functional added value for our industrial customers and for our consumers. Production requirements for these "Smart Nutrition" products include sound knowledge of nutritional physiology and consumer needs as well as resilient technological competence for the careful processing of high-quality raw materials.

For this reason, we have merged the two previously independent development departments for Baby Care and Food Solutions into an "Innovation and Research & Development" department. The first fruits of this close cooperation are already evident; innovation and development efficiency has been increased and a variety of synergies have been exploited. In close cooperation with production, the first projects in process management for lactose production for the Baby Care division have already been completed and are leading to significant energy and water savings.

We reached a further important milestone in the development of specialist formula for infants with special nutritional needs. A product based on hydrolysed rice protein will be launched in the Swiss market in the second half of the year (see Baby Care report).

Further product and process developments have also been launched, with some already implemented. These cover a wide range of activities, including the production of liquid lactose and the whey competence centre for the development of our own whey protein concentrates for use in Baby Care, the development of goat's milk products for Bimbosan and Food Solutions, and the development of formulations for vegan chocolates.

Products have been developed, produced and distributed – some with a high degree of complexity – in both divisions. For this reason, we attach great importance to the qualified training of our Baby Care sales staff, as well as the Bimbosan sales representatives and customer hotline staff. We also aim to further increase our advisory competence and knowledge of nutritional physiology at product level. This will support our Bimbosan customer service, the level of advice available to the specialised trade as well as the quality of sales talks for our Baby Care brand and private label business in particular.

Financial report

Net sales revenue
In the first half of 2021, the HOCHDORF group achieved a net sales revenue of CHF 140.3 million (PY: CHF 158.3 million). The decrease of CHF 18.0 million (–11%) is a result of the divestments made and liquidations initiated in 2020 in the Food Solutions division. The corresponding companies generated net sales revenue of CHF 28.4 million in the first half of 2020. On a comparable basis, the result achieved therefore corresponds to solid organic growth of 8%.

Net sales revenue in the Baby Care segment decreased to CHF 27.9 million (PY: CHF 37.6 million; –26%). This was caused by the temporary decline in sales with the largest customer, Pharmalys Laboratories, (see also Notes 4 and 8 to the consolidated half-year financial statements as at 30.06.2021), as well as generally restrained demand from Baby Care customers in the first half of 2021.

Despite the effects of the divestments, net sales revenue in the Food Solutions segment was CHF 112.4 million (PY: CHF 120.7 million; –7%). The growth of CHF 20.4 million in the core business compensated for 70% of the decline in sales and contributed to the pleasing result. While sales to chocolate customers were at a similarly low level to the first half of 2020 due to the Covid-19 pandemic, the net sales to milk/cream customers increased above average. This increase in sales to cream customers reflects HOCHDORF's improved access to the Swiss milk market. HOCHDORF was able to purchase and process a total of 20% more milk. The resulting cream by-product was sold on in a correspondingly larger volume than in the previous year.

Gross operating profit, EBITDA, EBIT, net profit
Based on net sales revenue of CHF 140.3 million, the HOCHDORF Group was able to achieve a gross operating profit of CHF 36.4 million (PY: CHF 48.1 million, including CHF 3.3 million from divested units), which corresponds to a below-average margin of 21.4% of production revenue (PY: 27.5%). Gross profit decreased due to lower volumes, a higher milk price (+11%), a deliberate inventory build-up and a temporary sales mix shift with a higher share in the Food Solutions segment (share 80% in the first half of 2021 vs. 76% in the same period last year). The increased share of dairy and cream products within the Food Solutions division also had an impact here.

With 390 employees, personnel costs were CHF 19.5 million as at 30.06.2021 and thus below the comparative figure for 2020 of CHF 21.5 million (427 employees as at 30.06.2020). The reduction of 37 employees is due to the sale of Marbacher Oelmühle GmbH on 31.12.2020 and the closure of the Welschenrohr site. Other operating expenses of CHF 19.7 million (PY: CHF 21.6 million) were also significantly below the previous year, mainly due to the divestments.

The lower gross profit led to a negative EBITDA of CHF –2.8 million compared to CHF 5.0 million a year ago; the improved cost structures in personnel and other operating costs could only partially compensate for the depleted margin.

Depreciation of property, plant and equipment and amortisation of intangible assets of CHF 5.8 million are lower than in the first half of 2020 (CHF 7.5 million). This positive deviation resulted primarily from the value adjustment of the spray tower line 9 and the associated canning line 2 at the Sulgen site as of 31.12.20. The positive EBIT of CHF 1.2 million in the first half of 2020 includes a one-off gain from the disposal of subsidiaries of CHF 3.7 million (disposal of Uckermärker Milch GmbH) and is therefore only comparable to a limited extent with the EBIT of CHF –8.6 million generated in the first half of 2021.

The financial result of CHF –0.9 million improved compared to the first half of 2020 due to the partial repayment of the syndicated loan, conversion of the debt bond and currency gains. The net result at Group level is therefore CHF –9.0 million (PY: CHF –4.0 million).

Assets, financing, cash flow
Current assets have increased by CHF 21.2 million to CHF 166.1 million since 31.12.2020. On the one hand, receivables from deliveries and services to related parties decreased by CHF 15.8 million (payment received of CHF 26.6 million and new deliveries of CHF 10.4 million to the customer Pharmalys Laboratories SA). On the other hand, inventories almost doubled from CHF 29.2 million (31.12.2020) to CHF 58.0 million (30.06.2021). This increase is due to the seasonal nature of the available milk supply. In the second half of the year, we expect a significant reduction of the inventory through sales. Fixed assets decreased slightly from CHF 178.9 million (31.12.2020) to CHF 172.9 million, mainly due to depreciation.

Liabilities increased from CHF 143.2 million (31.12.2020) to CHF 167.5 million due to higher trade payables at the balance sheet date and the increased utilisation of available credit limits of CHF 10 million. Net dept was CHF 101.3 millon at 30.06.2021. Due to the seasonal nature of the dairy business, the Board of Directors and the Group Management have agreed with the syndicate banks to suspend the audit of the required financial key figure "debt factor" as of 30.06.2021. The next audit date is 31.12.2021; as of 30.06.2021, there is therefore no violation of the covenants. Due to the negative corporate result, equity decreased slightly to CHF 171.4 million, but still corresponds to a stable equity ratio of 51%.

The cash flow from working capital was slightly positive at CHF 0.7 million. Due to the negative change in current assets of CHF –8.6 million, the cash flow from operating activities remained negative at CHF –7.9 million. However, this showed a significant improvement compared to the same period of the previous year (CHF –15 million). After low payments from investment activities of CHF –1.9 million, the free cash flow was negative at CHF –9.9 million. The cash flow from financing activities was CHF 6.4 million. Overall, this resulted in the first half of the year in a cash outflow of CHF –3.7 million, whereby the negative operating cash flow, mainly driven by the build-up of inventories (outflow of CHF –28.8 million), was financed by the higher utilisation of the credit limit from the syndicated loan (inflow of CHF +10.0 million).

Events after the balance sheet date
Negotiations with the Pharmalys companies on the adjustment of existing agreements were successfully concluded after the balance sheet date. Pharmalys Invest Holding AG paid the outstanding purchase price instalment of CHF 30 million to HOCHDORF in full; the money will be used, among other things, to repay the credit limit (see also note 4 and 8 of the Notes to the consolidated half-year financial statements as at 30.06.2021). In addition, an agreement was reached on a long-term supply contract with fixed minimum sales volumes until 2026, as well as an adjusted payment plan for the now significantly reduced outstanding receivables of CHF 29.5 million (31.12.2020: CHF 72.7 million) with a focus on payment by 30.06.2022.

FINANCIAL STATEMENT

CONSOLIDATED BALANCE SHEET

	explanations in the notes	30.06.2021 TCHF	In %	31.12.2020 TCHF	In %
Assets					
Cash and cash equivalents		8,681	2.6%	12,411	3.8%
Securities		245	0.1%	231	0.1%
Trade accounts receivables		26,908	7.9%	23,995	7.4%
Trade accounts receivables from related parties		16,326	4.8%	32,129	9.9%
Trade accounts receivables from associated companies		190	0.1%	115	0.0%
Other receivables		41,081	12.1%	40,602	12.5%
Other receivables from related parties		3,255	1.0%	2,768	0.9%
Inventories		58,041	17.1%	29,235	9.0%
Accrued income	3)	11,404	3.4%	3,383	1.0%
Current assets		**166,129**	**49.0%**	**144,869**	**44.7%**
Property and plant		61,748	18.2%	62,900	19.4%
Other fixed assets		104,740	30.9%	107,515	33.2%
Total fixed assets		**166,488**	**49.1%**	**170,415**	**52.6%**
Investments in associated companies		2,954	0.9%	2,846	0.9%
Financial assets	3)	2,115	0.6%	4,174	1.3%
Intangible assets		1,350	0.4%	1,533	0.5%
Non-current assets		**172,908**	**51.0%**	**178,969**	**55.3%**
Total assets		**339,037**	**100.0%**	**323,838**	**100.0%**
Liabilities					
Trade payables		29,323	8.6%	22,057	6.8%
Trade payables to associated companies		130	0.0%	304	0.1%
Short-term financial liabilities	4)	12,058	3.6%	0	0.0%
Other liabilities		3,959	1.2%	4,141	1.3%
Accrued liabilities and deferred income	3)	11,572	3.4%	4,135	1.3%
Short-term provisions		687	0.2%	768	0.2%
Current liabilities		**57,729**	**17.0%**	**31,406**	**9.7%**
Non-current financial liabilities	4)	98,357	29.0%	100,000	30.9%
Non-current provisions		11,528	3.4%	11,885	3.7%
Non-current liabilities		**109,885**	**32.4%**	**111,885**	**34.5%**
Share capital		21,518	6.3%	21,518	6.6%
Treasury shares		–7,105	–2.1%	–7,105	–2.2%
Capital reserves		164,490	48.5%	164,490	50.8%
Hybrid capital		116,437	34.3%	116,437	36.0%
Profit reserves		–114,957	–33.9%	–44,745	–13.8%
Net result (shareholder)		–8,996	–2.7%	–70,133	–21.7%
Equity excl. minority interests		171,386	50.6%	180,461	55.7%
Minority interests		38	0.0%	87	0.0%
Shareholders' equity		**171,423**	**50.6%**	**180,548**	**55.8%**
Total liabilities and equity		**339,037**	**100.0%**	**323,838**	**100.0%**

CONSOLIDATED INCOME STATEMENT

	Explanations in the notes	2021 TCHF	In %	2020[1] TCHF Adjusted	In %
		01.01.21 – 30.06.21		01.01.20 – 30.06.20	
Net sales	5)	**140,293**	**82.6%**	**158,289**	**90.3%**
Other operating income		895	0.5%	460	0.3%
Change in inventories of semi-finished and finished products		28,722	16.9%	16,461	9.4%
Production revenue		**169,910**	**100.0%**	**175,210**	**100.0%**
Cost of materials and goods		–133,501	–78.6%	–127,114	–72.5%
Gross operating profit		**36,408**	**21.4%**	**48,096**	**27.5%**
Personnel expenses		–19,532	–11.5%	–21,535	–12.3%
Other operating expenses		–19,705	–11.6%	–21,576	–12.3%
Total operating expenses		**–39,237**	**–23.1%**	**–43,111**	**–24.6%**
EBITDA		**–2,829**	**–1.7%**	**4,985**	**2.8%**
Depreciation of fixed assets		–5,567	–3.3%	–7,208	–4.1%
Amortisation of intangible assets		–209	–0.1%	–341	–0.2%
Profit from sale of subsidiaries		0	0.0%	3,722	2.1%
EBIT		**–8,604**	**–5.1%**	**1,158**	**0.7%**
Income from associates and joint ventures		108	0.1%	152	0.1%
Financial result		–941	–0.6%	–4,247	–2.4%
Ordinary result		**–9,438**	**–5.6%**	**–2,937**	**–1.7%**
Non-operating result		35	0.0%	9	0.0%
Extraordinary result		0	0.0%	–7	0.0%
Earnings before taxes		**–9,403**	**–5.5%**	**–2,934**	**–1.7%**
Income taxes		356	–0.2%	–1,061	–0.6%
Net result		**–9,046**	**–5.3%**	**–3,996**	**–2.3%**
Attributable to:					
Net result current year (shareholder)		–8,996	–5.3%	–3,858	–2.2%
Net result current year (minority interests)		–50	0.0%	–138	–0.1%
Net result		**–9,046**	**–5.3%**	**–3,996**	**–2.3%**
Earnings per share (basic)	6)	**–4.24**		**–1.90**	
Earnings per share (diluted)	6)	**–4.24**		**–1.90**	

1) Comparative period previous year adjusted due to change in valuation principles for the hybrid bond (see Notes to the consolidated half-year financial statements of the HOCHFORF Group as per 30.06.2021)

CONSOLIDATED CASH FLOW STATEMENT

	2021 TCHF	2020[1)] TCHF Adjusted
	01.01.21 – 30.06.21	01.01.20 – 30.06.20
Net profit	–9,046	–3,996
Depreciation of fixed assets and amortisation of intangible assets	5,776	7,549
Profit from sale of subsidiaries	0	–3,733
Currency effect on sale of subsidiaries	0	428
Net interest expense	2,627	2,935
Other non-cash adjustments	1,879	1,677
Change in provisions	–437	–3,848
Accounting losses (profits) from sales of fixed assets	0	7
Income from associates and joint ventures	–108	–152
Cash flow from operating activities before changes in working capital	**690**	**868**
As % of net sales revenue	0.49%	0.55%
Change in accounts receivables	12,815	2,466
Change in other receivables and accured income	–8,985	–12,296
Change in inventories	–28,803	–16,868
Change in trade payables	9,118	–4,275
Change in other liabilities and deferred income	7,253	15,010
Change in net current assets	**–8,602**	**–15,962**
Cash flow from operating activities	**–7,912**	**–15,094**
In % of net sales revenue	–5.64%	–9.54%
Investments in fixed assets and intangible assets	–2,063	–1,667
Divestments of fixed assets	0	11
Investments in/divestment of long-term financial assets	81	–58
Net cash flow from the purchase (–) / sale (+) of investments	0	19,714
Cash flow from investing activities	**–1,982**	**17,999**
Free cash flow	**–9,895**	**2,905**
In % of net sales revenue	–7.05%	1.83%
Change in short-term financial liabilities	12,000	–7,219
Change in long-term financial liabilities	–2,000	2,833
Change in minority interests in capital and profit	0	–38
Change in mandatory convertible bond	0	–1,195
Interest paid	–3,621	–7,784
Cash flow from financing activities	**6,379**	**–13,403**
Currency translation	–215	44
Net change in cash and cash equivalents	**–3,730**	**–10,455**
Cash and cash equivalents at 1 January[2)]	12,411	20,201
Cash and cash equivalents at 30 June[2)]	**8,681**	**9,746**

1) Comparative period previous year adjusted due to change in valuation principles for the hybrid bond (see Notes to the consolidated half-year financial statements of the HOCHFORF Group as per 30.06.2021)

2) Cash and cash equivalents in 2020 adjusted due to separate disclosure of cash and cash equivalents and securities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Own shares	Capital reserves	Hybrid capital[3]	Profit reserves	Accumulated currency translation differences	Total excl. minority interests	Minority interests	Total incl. minority interests
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
Equity as at 31.12.2019 (as reported) [3) 4)]	**17,584** [1)]	**–7,105**	**290,497**	**116,437**	**–154,151** [2)]	**–310**	**262,951**	**–5,135**	**257,816**
Change in the scope of consolidation					–9,610		–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
Mandatory convertible bond			–110,773		–9,122		–119,895		–119,895
Hybrid bond							0		0
Currency translation differences						172	172	67	239
Net profit					–3,858		–3,858	–138	–3,996
Equity as at 30.06.2020 (adjusted) [3)]	**21,518** [1)]	**–7,105**	**164,490**	**116,437**	**–48,689** [2)]	**–138**	**246,512**	**93**	**246,605**
Equity as at 31.12.2020 [3)]	**21,518** [1)]	**–7,105**	**164,490**	**116,437**	**–114,697** [2)]	**–181**	**180,461**	**87**	**180,548**
Currency translation differences						–79	–79	1	–78
Net profit					–8,996		–8,996	–50	–9,046
Equity as at 30.06.2021	**21,518** [1)]	**–7,105**	**164,490**	**116,437**	**–123,693** [2)]	**–260**	**171,386**	**38**	**171,423**

1) 2,151,757 registered shares at nominal CHF 10.00 (31.12.2019: 1,758,369); each share corresponds to one vote; the maximum entry limit in the share register is 15% of the votes

2) Of which non-distributable legal reserves TCHF 10,619 (31.12.2019: TCHF 10,172; 30.06.2020 / 31.12.2020: TCHF 10,172). This includes deferred interest under the hybrid bond of TCHF 3,125 as at 30.06.2021 (31.12.2020: TCHF 1,626), which is due for payment at the time of a dividend resolved by the Annual General Meeting

3) The amount for the interest obligation for the hybrid bond of TCHF 8,843 was reclassified to equity as of 01.01.2019 due to a change in the valuation principles for the hybrid bond. The previous year's figures were therefore also adjusted accordingly (see also the Notes to the annual financial statements "Principles of consolidation" and note 15; see also the Notes to the consolidated half-year financial statements of the HOCHDORF Group as per 30.06.2021)

4) As published in the HOCHDORF Group 2020 annual financial statements

Notes to the consolidated half-year financial statements as at 30 June 2021

1. Consolidation principles

Accounting principles

The following consolidated financial statements include the non-audited half-yearly statements for HOCHDORF Holding Ltd and its subsidiaries for the reporting period ending on 30.06.2021. The consolidated half-year financial statements have been prepared in accordance with Swiss GAAP FER 31, the provisions of Swiss law, and with the consolidation and valuation principles described in the consolidated annual financial statements for 2020.

The consolidated half-year financial statements should be read in conjunction with the annual financial statements of the HOCHDORF Group prepared for the financial year ended 31.12.2020, as they represent an update of the last complete set of financial statements and therefore do not include all the information and disclosures required in the annual consolidated financial statements. The consolidated financial statements are prepared in Swiss francs (CHF).

The Board of Directors of HOCHDORF Holding Ltd approved the consolidated half-year financial statements 2021 for publication on 13.08.2021.

Adjustment of the valuation principles equity/hybrid bond

There was a change in the accounting principle for the valuation of the hybrid bond in equity as at 31.12.2020, which we explained in detail in the Notes to the 2020 Consolidated Financial Statements of the HOCHDORF Group on page 55 under Principles of consolidation. The amount for the interest obligation for the period from the conversion of the mandatory convertible bond to the first call date in 2023 of TCHF 8,848 was retroactively reclassified to equity as of 01.01.2019 in the financial statements 31.12.2020. As at 30.06.2020, there was no longer a liability from the hybrid bond.

The comparative period for the balance sheet 30.06.2021 is based on the balance sheet as at 31.12.2020 already adjusted in the 2020 annual financial statements and does not require any further adjustment. For the income statement, the effects on the previous year's values are as follows (in TCHF):

Income statement	30.06.2020 as reported	Adjustment	30.06.2020 restated
Financial result	–4,309	62	–4,247
Taxes	–1,053	–8	–1,061
Net profit	**–4,050**	**54**	**–3,996**
Attributable to:			
Parent company shareholders	–3,912	54	–3,858
Minority interests	–138	0	–138

Currency conversion rates in CHF

The following exchange rates were used for both the consolidated half-year financial statements and the individual financial statements.

	Income statement average exchange rates		Rates on the balance-sheet date	
	January to June 2021	January to June 2020	30.06.2021	31.12.2020
EUR 1	1.094	1.072	1.096	1.081
USD 1	0.909	0.935	0.924	0.883
UYU 1	0.020	0.022	0.021	0.021

2. Changes in the scope of consolidation

The following changes to the scope of consolidation of the HOCHDORF Group have occurred since 30.06.2020, leading to the corresponding changes in the balance sheet items:

Consolidated companies	Location	Function	Currency	Capital in thousands	Capital share	Capital in thousands	Capital share	Capital in thousands	Capital share
				30.06.2021	30.06.2021	31.12.2020	31.12.2020	30.06.2020	30.06.2020
HOCHDORF Swiss Nutrition UG[1]	Heidelberg DE	Sale	EUR	10	100%	0	0%	0	0%
HOCHDORF Swiss Nutrition Ltd[2]	Hochdorf CH	Production	CHF	30,350	100%	30,000	100%	30,000	100%
Bimbosan AG[2]	Hochdorf CH	Trade	CHF	0	100%	350	100%	350	100%
Marbacher Ölmühle GmbH[3]	Marbach DE	Prod. and Trade	EUR	0	0%	0	0%	2,000	100%

1) Registered as of 28.06.2021; no business activity

2) Merger of BIMBOSAN AG and HOCHDORF Swiss Nutrition AG (absorbing entity) as at 01.01.2021; registered as of 24.06.2021

3) Sold at 31.12.2020

3. Notes to the consolidated income statement, cash flow statement and balance sheet

For the sake of comparability, it should be noted that the income statement and cash flow statement for the comparative period still include the results and cash flows of the following companies up to the date of sale or liquidation:

- Marbacher Ölmühle GmbH, Germany (sold 31.12.2020)
- Uckermärker GmbH, Germany (sold 28.02.2020)
- Zifru Trockenfrüchte GmbH (in liquidation since 01.05.2020)
- Snapz-Food companies (in liquidation since 01.05.2020)

These companies were all part of the Food Solutions segment.

Accruals and deferrals

Accrued income TCHF	30.06.2021	31.12.2020
Settlement according to "Schoggi law"	6,496	0
Customs refund	2,705	2,203
CO_2 refund	1,035	361
Others	1,167	819
Total	**11,404**	**3,383**

Accrued liabilities and deferred income TCHF	30.06.2021	31.12.2020
Settlement according to "Schoggi law" [1]	9'992	0
Others	1'580	4'135
Total	**11'572**	**4'135**

1) Including reimbursement to customers

Financial assets

The decrease in financial assets in the 1st half of 2021 results from the fact that both the employer and employee contributions were not paid to the pension fund due to the Covid-19 Ordinance in the 1st half of 2021, but were offset against the employer contributions (status: assets from employer contribution reserves 30.06.2021: TCHF 2,164, 31.12.2020: TCHF 4,056). There were also additional effects such as the correction of securities at TCHF –87.

4. Significant events and business transactions

The following significant events or business transactions have occurred since 31.12.2020:

> Due to the seasonal nature of the dairy business, the Board of Directors, together with the Group Management, started negotiations with the syndicate banks on a suspension of the audit of the required financial indicator "gearing ratio" as of 30.6.2021. The syndicate banks have agreed to this suspension of the audit. The next audit date is 31.12.2021. The financial key figure "debt factor" (ratio of EBITDA to net debt) is considered breached if the debt factor is greater than 4.0x as of 31.12.2021 (see also section 8 of the notes). The covenants regarding an equity ratio of more than 40% are not violated as of 30.6.2021. The approved waiver also provides for the reduction of the credit limit by CHF 12 million by 31.10.2021; this financial liability is therefore reported under short-term financial liabilities. Otherwise, the syndicated loan continues to have a long-term character.

> As at 31.12.2020, HOCHDORF had outstanding receivables from Pharmalys companies of CHF 72.7 million (see also Note 33 to the HOCHDORF Group annual financial statements). As at 30.06.2021, these receivables have been reduced to CHF 57.2 million due to payments received for outstanding delivery invoices. As at 30.06.2021, the outstanding receivables continue to be secured by liens on shares in Pharmalys Laboratories SA and Pharmalys Invest Holding Ltd and on the HOCHDORF Holding Ltd shares privately held by Mr Mechria.

Otherwise, there have been no other significant events or transactions during the reporting period related to the critical estimates, judgements and assumptions made in the consolidated financial statements as at 31.12.2020. The impact of the exceptional circumstances caused by Covid-19 continued to have a significant impact on operations in the first half of 2021; we have continued to take measures to protect our people and products. For further events after the balance sheet date, see note 8.

5. Contingent liabilities

There are currently no contingent liabilities.

6. Segment reporting

As a result of possible competitive disadvantages compared to non-listed and large listed competitors, customers and suppliers, presentation of the segment results was waived, pursuant to Swiss GAAP FER 31/12. The Swiss milk market is small and tightly knit with few key companies and providers. The supplier side (milk producers) is organised within several milk producer organisations. On the processing side, the market is dominated by the cheese dairies and four large dairies. In terms of customers, the chocolate industry is dominated by a few large manufacturers. 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.

By Segment

TCHF	First half of 2021		First half of 2020	
Food Solutions [1]	112,434	80.1 %	120,681	76.2 %
Baby Care	27,859	19.9 %	37,608	23.8 %
Total	**140,293**	**100.0 %**	**158,289**	**100.0 %**

1) The Food Solutions business segment was still reported under the title Dairy Ingredients in the 2020 interim report

By product group

TCHF	First half of 2021		First half of 2020	
Milk products/cream	50,820	36.2%	49,528	31.3%
Milk powder	58,583	41.8%	63,300	40.0%
Infant formula	27,664	19.7%	35,428	22.4%
Specialties	1,238	0.8%	6,644	4.2%
Bakery/confectionary goods	361	0.3%	494	0.3%
Other products/services	1,629	1.2%	2,895	1.8%
Total	**140,293**	**100.0%**	**158,289**	**100.0%**

The Baby Care segment includes the product group infant formula and products from other product groups

By region

TCHF	First half of 2021		First half of 2020	
Switzerland/Liechtenstein	104,186	74.6%	85,531	54.0%
Europe	18,347	13.1%	47,519	30.0%
Asia	2,963	2.1%	3,168	2.0%
Middle East/Africa	11,830	8.4%	17,585	11.1%
USA/Canada	0	0.0%	8	0.0%
America, others 1)	2,966	2.1%	4,478	2.9%
Total	**140,293**	**100.0%**	**158,289**	**100.0%**

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

7. Earnings per share

Earnings (shareholders) per share (in CHF)	30.06.2021	30.06.2020 Adjusted
Weighted average number of shares basic	2,122,019	2,026,872
Weighted average number of shares diluted	2,122,019	2,026,872
Result current year (shareholders); TCHF 1)	–8,996	–3,858
Earnings per share (shareholders) in CHF, basic	**–4.24**	**–1.90**
Earnings per share (shareholders) in CHF, diluted	**–4.24**	**–1.90**

1) Previous year's figures adjusted due to the change in the valuation principles for the hybrid bond (see also the notes to the consolidated half-year financial statements of the HOCHDORF Group as per 30.06.2021)

To determine the net profit per share, the earnings attributable to the shareholders of the HOCHDORF Group for the current year are divided by the average number of outstanding shares. The treasury shares held are not included in the calculation (status: 30.06.2021: 29,738; 30.06.2020: 29,738).

8. Assessment as a going concern and events after the balance sheet date

In Note 33 of the HOCHDORF consolidated financial statements 31.12.2020, the Board of Directors explained that, depending on how the situation develops, the uncertainties highlighted may raise significant doubts about the Group's ability to continue as a going concern, but that despite these uncertainties, HOCHDORF's ability to continue as a going concern was not in question at that time.

As of 30.06.2021, the Board of Directors and the Group Management assumed that the receivables from Pharmalys companies, which have been reduced from CHF 72.7 million (31.12.2020) to CHF 57.2 million (30.06.2021) as a result of incoming payments, continue to be recoverable. There is also no indication that the proceeds of a possible realisation of the liens will not cover these existing receivables. Based on the payments received from Pharmalys Laboratories SA in the first half of 2021, the Board of Directors of HOCHDORF continues to assume that there will be no default in payment or any associated value adjustment of the receivables.

After the balance sheet date and up to the approval for publication of the consolidated half-year financial statements by the Board of Directors of HOCHDORF Holding on 13.08.2021, the following events also occurred:

- Payment of the outstanding CHF 30 million purchase price payment by Pharmalys Invest Holding and return of the liens on the Pharmalys companies and trademark rights of Pharmalys Laboratories SA (status of outstanding receivables 06.08.2021: CHF 29.5 million.)
- Adjustment of the agreement with the Pharmalys companies:
  - Agreement on a supply contract with fixed sales volumes until 2026
  - Fixed payment plan for the outstanding receivables

The agreement reached with the Pharmalys companies supports the achievement of the targets for 2021 and the medium-term planning until 2025. Furthermore, HOCHDORF was able to implement additional measures for the realisation of these plans in the first half of 2021: these included acquisition of 6 new customers in the Baby Care division, strengthening of the Baby Care sales team, expansion of the OPTIMA cost reduction programme.

In combination with a further reduction in net debt at the date of approval of the interim financial statements, an expected stronger business development in the second half of 2021 and further expected incoming payments from other projects, the Board of Directors and the Group Management conclude that compliance with the financial covenants as of 31.12.2021 can be considered realistic.

After payment of the purchase price for Pharmalys Laboratories AG of CHF 30 million, the reduction of the credit limit by CHF 12 million, as set out in section 4 and required under the waiver application, was paid on 13.08.2021; the obligation was thus fulfilled.

In summary, the material uncertainties mentioned in the 2020 Annual Report continue to exist, but these have been reduced compared to 31.12.2020 due to the receipt of payments from the Pharmalys companies and the new regulation of the repayment in connection with a long-term sales commitment.

No other significant events have occurred since the balance sheet date of 30.06.2021 that could affect the informational value of the consolidated half-year financial statements for 2021 or that would have to be disclosed here. The consolidated half-year financial statements as at 30.06.2021 were approved for publication by the Board of Directors at its meeting on 13.08.2021.

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