



**HOCHDORF**

Swiss Nutrition Solutions



Annual Report  
**2021**



Page references



Further  
information



Important  
data/fact

## ANNUAL REPORT 2021

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**HOCHDORF**  
+ Swiss Nutrition Solutions

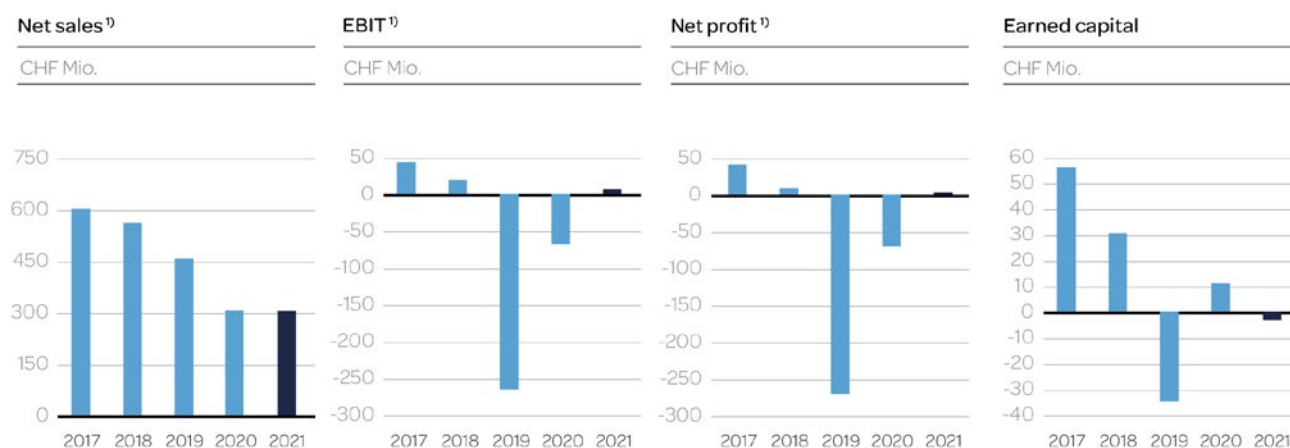
# Facts and figures

The HOCHDORF Group has implemented further steps towards financial recovery and strategic transformation. The balance sheet debt was significantly reduced with the receipt of the purchase price payment from Pharmalys and the sale of the site in Hochdorf. The purely operating result fell short of expectations, mainly due to higher milk purchase prices. HOCHDORF therefore plans to accelerate the implementation of its revised strategy and product portfolio streamlining.

## The HOCHDORF Group

Found in 1895, HOCHDORF is transforming itself into a nationally and internationally operating Swiss authoritative brand for technologically sophisticated, functional special foods, known as Smart Nutrition. The prerequisites for the strategic transformation are in place: HOCHDORF stands out as a result of its high processing competence of high-quality raw materials and has state-of-the-art production technology and employees with market-oriented nutrition expertise. HOCHDORF is therefore keen to position itself on the global market as a developer, manufacturer and marketer of specialist foods for people of all ages with specific nutritional requirements.

## FINANCIAL DATA



<sup>1)</sup> Comparisons with previous years are limited due to the restructuring in 2019 and 2020

## KEY FIGURES IN THE ANNUAL REPORT

	2021	2020	2019 <sup>1)</sup>	2018	2017
Net revenue from deliveries & services (in CHF 1,000)	303,515	306,199	456,797	561,031	600,527
Gross operating profit (in CHF 1,000)	111,210	94,332	61,802	171,820	172,101
Total assets (in CHF 1,000)	293,340	323,838	455,572	575,231	582,270
Equity ratio	62.5%	55.8%	56.6%	48.8%	53.10%
Cash flow from operating activities (in CHF 1,000)	-17,937	-11,325	-15,430	-81,279	6,019
Staffing levels at 31.12.	387	391	618	694	695

<sup>1)</sup> Year 2019 figures adjusted due to the change in the valuation principles for the hybrid bond (see also the Notes to the consolidated financial statements of the HOCHDORF Group "Principles of consolidation")

## MARKET DATA

### Net sales Baby Care

CHF Mio.



### Net sales Food Solutions (former Dairy Ingredients)

CHF Mio.



## KEY INDICATORS FOR HOCHDORF HOLDING LTD STOCK

		2021	2020	2019 <sup>1)</sup>	2018	2017
Share capital as of 31.12.	TCHF	21,518	21,518	17,584	14,348	14,348
Number of shares, outstanding	Unit	2,151,757	2,151,757	1,758,369	1,434,760	1,434,760
Nominal value per share	CHF	10.00	10.00	10.00	10.00	10.00
Earnings per share	CHF	1.20	-34.60	-164.55	2.02	18.43
Earned capital per share	CHF	-1.85	5.15	-19.80	21.21	39.06
Dividend per share	CHF	0.00 <sup>2)</sup>	0.00	0.00	0.00	4.00
Peak price	CHF	63.30	92.5	147.20	314.50	340.00
Lowest price	CHF	39.00	50.00	51.90	94.10	247.80
Price at close of trading as of 31.12.	CHF	43.50	63.20	83.20	102.00	286.25
Market capitalisation as of 31.12.	TCHF	93,601	135,991	146,296	146,346	410,700
Average trading volume per day	Unit	653	826	3,408	1,840	3,131
P/E (price/earnings ratio) as of 31.12.		36.3	n.a.	n.a.	50.4	15.5
Dividend return	%	0.00	0.00	0.00	0.00	14

<sup>1)</sup> Year 2019 figures adjusted due to the change in the valuation principles for the hybrid bond (see also the Notes to the consolidated financial statements of the HOCHDORF Group "Principles of consolidation")

<sup>2)</sup> Proposal of the Board of Directors to the Annual General Meeting

HOCHDORF Holding Ltd is listed on the SIX Swiss Exchange (ISIN CH0024666528).

# Dear Shareholders

The HOCHDORF Group has implemented further steps towards the financial recovery and strategic transformation of the company:

- > The balance sheet debt was significantly reduced with the receipt of the purchase price payment from Pharmalys of CHF 30 million and the sale of the site in Hochdorf.
- > This resulted in sales of CHF 303.5 million despite the effects of the Covid-19 pandemic. At the same time, milk price increases, in particular, had a significant impact on the company result of CHF 2.6 million. The operating activities therefore resulted in a negative result below expectations.
- > For this reason, HOCHDORF is planning to implement its strategy focusing on Smart Nutrition and accelerate the reorganisation of its product portfolio in order to reduce dependence on milk costs and increase profitability.

The 2021 financial year was difficult for the HOCHDORF Group, with many challenges to deal with. These included the strained balance sheet situation, market-related factors such as the high milk price or restrictions and cost increases on procurement markets, as well as the impact of the Covid-19 pandemic. The Board of Directors and Group Management have reacted to these developments with targeted measures, gradually strengthening the company and significantly improving HOCHDORF's financial profile in the reporting period. However, the changes undertaken so far are not yet sufficient to improve the company's performance in a sustainable way and to strengthen its positioning on the market. We will therefore accelerate implementation of the strategy agreed in 2021, which increases our focus on innovation and Smart Nutrition and intensifies market development.

## Balance sheet relief

At the beginning of the business year, the HOCHDORF Group's balance sheet continued to be burdened by high debt of around CHF 100 million (excluding the hybrid bond) from the failed forward strategy from 2017–2019. This situation has taken a significant and sustainable turn for the better thanks to several important initiatives. The company structure introduced at the start of 2021 has led to greater efficiency coupled with costs savings made by the OPTIMA project. At the beginning of August, an agreement was reached with Pharmalys Laboratories SA on the repayment of the unpaid purchase price instalment. The receipt of CHF 30 million significantly relieved pressure on the balance sheet, but it failed to create the necessary financial scope to develop the company.

In order to further stabilise the balance sheet and to support the sustainable development of the company, the Board of Directors took the decision in the autumn of 2021 – having considered all the strategic financial options – to concentrate production at the Sulgen location in the future and to sell the site in Hochdorf. This sales process was swiftly implemented and it was possible to complete the transaction at the end of December 2021. The sale of the land and buildings to the Hochdorf municipality involved a one-time cash inflow of CHF 50.2 million. This repaid the bank debt and reduced borrowings to CHF 57 million. By focusing on the Sulgen site from 2024, HOCHDORF anticipates annual operating savings in the high single-digit million range from 2024 onwards.



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Innovations and  
Smart Nutrition



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Consolidated  
balance sheet



### Focus on the Sulgen site

The Sulgen plant is an ultra-modern facility in terms of Baby Care production and holds sufficient capacity reserves for strategic development as well as for the creation of a competence centre for Smart Nutrition. By optimising the site, the Sulgen plant will become more profitable in all areas by increasing plant utilisation. Until the relocation of the plant is completed, the Hochdorf production site will also continue to be of great importance for the further development of the company.

Group Management, administration and central services such as sales, marketing, development, product management, quality and human resources management, regulatory affairs, customer service, communications, finance and IT will remain at the headquarters Hochdorf. The HOCHDORF Group has signed a 4-year lease agreement with the Hochdorf municipality, as the new owner of the properties, with the option to extend by a year.

### Strategic focus intensified

In operational terms, the reporting year confirmed the need to transform the company in a targeted way in the coming years and to develop into a Swiss competence brand for technologically ambitious, functional speciality foods in line with the new strategy. HOCHDORF wants to focus even more consistently on market developments and move into more value-intensive areas by concentrating on Smart Nutrition offers. This development will result in a reduction in cost dependency on milk as a raw material. "Food for Life" pinpoints the HOCHDORF's future purpose as a company. As an innovative company we want to make a contribution to modern nutrition that promotes good health and sustainability. With our competence in the area of Baby Care as a starting point, we want to develop our Human Care range and increasingly provide Smart Nutrition products for all stages in life. The food market is showing strong, sustainable growth around the world for functional foods, which are tailored to the specific nutritional requirements of defined target groups.

In terms of raw materials there is a clear tendency towards reduced milk quantities in Switzerland with a resulting adjustment to price to guarantee secure provision: scarce milk resources are allocated to stronger value sales channels first. HOCHDORF is responding to this trend and has brought several newly-developed finished products and semi-finished products to market in the area of Smart Nutrition in the last 12 months. These include Bimbosan goat milk, the infant formula Riso PH, which has been recognised by health insurers, lactose-free milk powder, a vegan whole milk powder alternative and whey protein concentrate for use in infant formula.



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Strategy and  
business model



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Innovations and  
Smart Nutrition 2021



### **The adverse effects of Covid-19 on operational development**

The Covid-19 pandemic and related restrictions have undermined project implementations for new and existing Baby Care customers. Projects were also postponed in the second half of the year due to the tense logistics situation on the global market, leading to supply delays and reduced sales. Consumer behaviour and the changes in demand for milk products during the pandemic led to significant price increases in milk as a raw material by CHF 0.05/kg on average (compared to previous year). From the early summer there were also cost increases for other important raw materials for infant formula production. Intense competition has meant that it has not been possible to pass these price increases onto the customer in full so far, which has had a negative impact on operating profits.

This resulted in net sales in Baby Care of CHF 85 million, 15% less than in the previous year. Despite the challenges posed by Covid-19, we managed to acquire new partners/countries in Asia for our high value-added Bimbosan and babina own brands. In Switzerland, Bimbosan consolidated and extended its position as market leader, introducing Bimbosan Premium goat milk to the specialist trade at the start of the year. In addition, a long-term purchase guarantee was agreed with Pharmalys, HOCHDORF's largest customer, until 2026. At the same time, cash management and payment flows had to be optimised, especially to the supplied regions in the Middle East and North Africa.



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Baby Care

The Swiss chocolate industry recovered from its Covid-19 low in 2020. The volumes sold in the second half of 2021 reached and partially surpassed pre-coronavirus levels. This is mainly due, in particular, to warehouse restocking due to transport bottlenecks and the development of new sales markets. As a result, Food Solutions achieved sales of CHF 219 million, which represents an increase of 6% compared to the previous year. The positive sales for lactose-free milk powder are particularly noteworthy, as is the substantial interest from the chocolate industry in the vegan whole-milk powder alternative for "milk chocolate".



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Food Solutions

### **Operating profits at EBIT level increase to CHF 6.5 million**

Net sales revenue of CHF 303.5 million was achieved at Group level, 1% lower than the previous year. Lower sales in Baby Care and generally higher input costs led to operating profits at the EBITDA level of CHF 24.7 million. The EBIT reached CHF 6.5 million, equivalent to a margin of 1.9%. This positive result was boosted by specific factors. On the one hand, the sale of the site in Hochdorf and Welschenrohr resulted in a profit (after deducting all direct costs) of CHF 38.6 million, while the production relocation to Sulgen involved one-time provisions of, among other things, around CHF 14 million for agreements that impact the social plan and value adjustments in Hochdorf. Group net profit was CHF 2.6 million (previous year: CHF -70.3 million).



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Financial Report

## Outlook

We expect the transformation of HOCHDORF from a volume-driven milk processor to a margin-oriented milk refiner and speciality expert to pick up even more speed under new management. To this end, HOCHDORF is developing its network through cooperation with complementary industrial and marketing partners in Switzerland and abroad. Innovation and sales will be strengthened in the organisation and focused on the common goal of value-added offers for customers all over the world. Communication and emotionalisation are to be significantly strengthened and awareness and relevance for modern nutrition markets increased.

The challenges on the procurement markets remain significant in the current financial year 2022, with logistics capacities and related price increases. Ongoing delays and postponements of projects make it difficult to estimate precise order receipts. HOCHDORF is using this situation to streamline its range in order to improve profitability.

By consistently implementing the strategy agreed in 2021 by Group Management and its new leadership, HOCHDORF is focusing on increasing margins and promoting innovation. The related streamlining of our range and evaluation of the traditional business areas will take place in the first half year of 2022. This is not therefore the best time to forecast net sales and earnings. We will make our forecast when the half-yearly financial statement is published.



## Thank you

We owe particular thanks to all our employees for their flexibility and their great commitment in difficult circumstances over the last year. We would also like to thank our customers and partners for their productive cooperation and our shareholders for the trust they have placed in HOCHDORF.



Jürg Oleas

**Chair of the Board of Directors**



Ralph P. Siegl

**CEO and Delegate of the Board of Directors**



# Strategy and business model

## Growing global demand for Smart Nutrition solutions

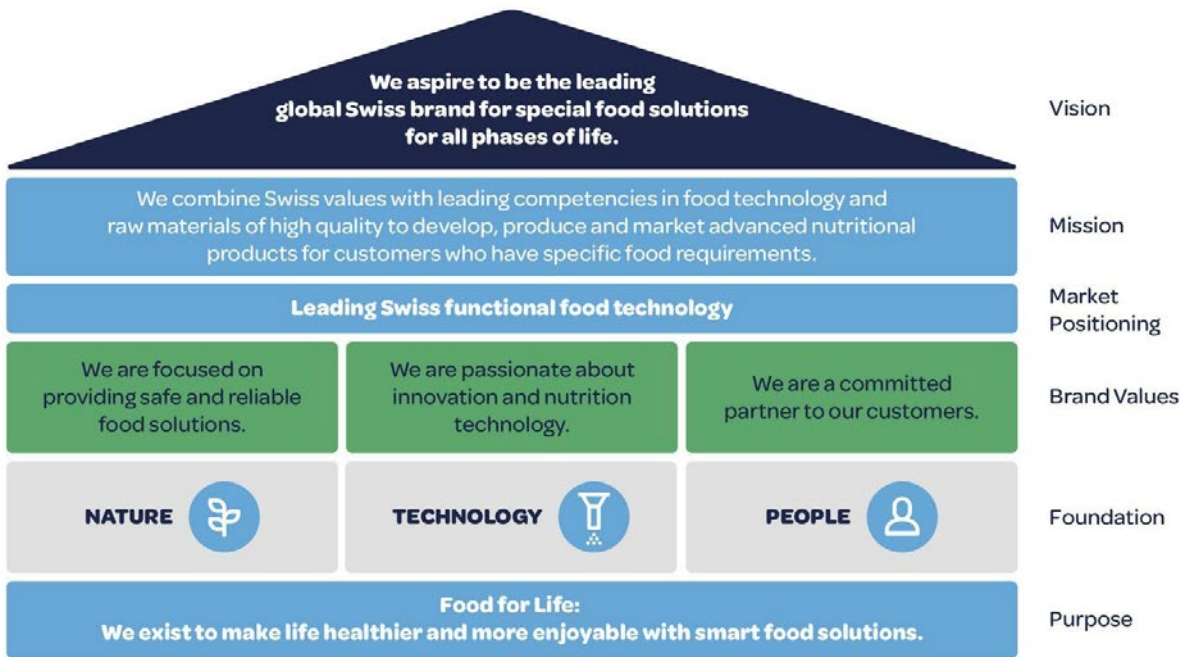
HOCHDORF is transforming itself into the Swiss authoritative brand for technologically sophisticated, functional special foods, known as Smart Nutrition. The prerequisites are set up for this strategic transformation: the changing dietary habits of consumers are placing new demands on foods and producers. The processing industry faces the challenge of checking its value chains and integrating new raw materials and semi-finished products into its processes. HOCHDORF stands out due to its high processing competence of high-quality raw materials. The company has state-of-the-art production technology and employees with market-oriented nutrition expertise. HOCHDORF is therefore keen to position itself on the global market in the future as a developer, manufacturer and marketer of specialist foods for people of all ages with specific nutritional requirements and to reduce its dependence on milk costs.

There was a significant push on this strategy and on promoting innovation in the 2021 business year. Numerous newly developed end products and semi-finished products in the area of Smart Nutrition, such as Bimbosan goat milk, the infant formula Riso PH, lactose-free milk powder, a vegan milk powder replacement, or the whey protein concentrate developed for infant formula attest to HOCHDORF's competence in refining milk and plant-based raw materials. With the new products developed in the last three years, HOCHDORF achieved net sales revenue of CHF 41.1 million in 2021 (previous year: CHF 20.6 million).

“We focus on secure, reliable and sustainable nutrition solutions.”

## Smart Nutrition for all phases of life

The HOCHDORF strategy house summarises the company's trajectory and future positioning.



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## Innovation and nutrition technology are our passion.

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"Food for Life" is HOCHDORF's raison d'être. As a company, we want to contribute towards nutrition that promotes good health and sustainability. Nature, technology and people are at the heart of our work, in keeping with our sustainable goals. We are convinced that nature has to be protected for us to produce quality products; it provides us with high-quality, healthy raw materials.

We use appropriate technology to process raw materials in a gentle way. Not least, people are the key to HOCHDORF, with their deep nutritional, physiological knowledge, their technical know-how and sound understanding of customer and consumer needs. They enable us to provide our industrial customers and consumers with the best possible solutions. Starting with our competence in Baby Care, we want to extend our offer of "Human Care" to all phases in life and provide Smart Nutrition products for crucial processing steps in the industry. We aim to be the leading Swiss technology expert for functional foods.

### Growth with Smart Nutrition

HOCHDORF is well positioned as a niche provider in the international food sector in the context of global megatrends in the nutrition market and increasing demands on raw material and product quality.

The German Zukunftsinstitut (Future Institute) lists a total of twelve mega trends that impact on all areas of society. The mega trends particularly relevant to HOCHDORF include "gender shift", "health", "globalisation", "neo-ecology" and "silver society".



[www.zukunftsinstitut.de/  
dossier/megatrends](http://www.zukunftsinstitut.de/dossier/megatrends)

- **Gender shift:** The impact of young women in the workplace has continually grown over the past 50 years. Women are also better trained than ever before. Both factors make a return to work more desirable after the birth of a child. This trend also promotes the demand for infant formula, particularly in the developing markets.
- **Health:** The right nutrition promotes good health. Nutrition is a matter of trust. The quality of food is increasingly multi-dimensional and holistic. This promotes vegan and organic trends as well as a more conscious approach to animal ingredients.
- **Globalisation:** Different development standards in the markets, the critical availability of agricultural raw materials or inadequate technology competence in different countries have always promoted the trade in food products. HOCHDORF has had an international outlook dating as far back as 1895, bringing high-quality products made from Swiss raw materials to the market.
- **Neo-ecology:** Sustainable business and food waste are aspects of a growing global awareness around the quality of the food chain. HOCHDORF uses the high-quality "by-product" whey in human nutrition (such as infant formula). Whey is mostly fed to animals in Switzerland, which is seen as food waste. HOCHDORF also refines rapidly perishable raw milk into long-life products.
- **Silver society:** With increased life expectancy, the need for healthy, age-appropriate nutrition is growing. The consultancy company PwC estimates the proportion of over 60s at over 20% by 2050. In 2000 this sector was just 10% (source: PwC, Five Megatrends And Their Implications for Global Defense & Security, 2016, p. 8). HOCHDORF is focusing on this growing area; it is extracting natural proteins from milk and whey for infant formula and increasingly for nutrition for senior citizens, for example.

## Growing global demand for Smart Nutrition solutions

The food market continues to show strong global growth for special foods aimed at the specific needs of defined target groups at 6–7% per year. This development is based in part on a more conscious approach to nature and food, the worldwide phenomenon of malnutrition, an ageing population and increased standards in the baby care segment.



[www.alliedmarket-research.com/functional-food-market](http://www.alliedmarket-research.com/functional-food-market)

## HOCHDORF as an authoritative brand for Private Labels

"HOCHDORF – Swiss Nutrition Solutions" represents our advanced technology and production know-how. As the Swiss market leader with the strong "Bimbosan" brand, HOCHDORF understands the nutritional needs of small children and young families at first hand. This direct market awareness makes HOCHDORF a competent partner for Private Label customers around the world in developing and producing market-specific baby care and "functional foods" products.

**"We are a reliable partner  
for our customers."**



[hochdorf.com/bimbosan.ch](http://hochdorf.com/bimbosan.ch)

## Baby Care

According to a market study conducted at the end of 2021, the infant formula market is set to achieve an average annual growth rate of 8% by 2028. The annual growth for organic infant formula is estimated as high as 10%. The most important growth area for the next few years will continue to be meeting the exacting demands of our Private Label/B2B customers with high-quality specialist products in the Baby Care division. HOCHDORF will also use its strong Swiss position for targeted expansion of its own brand business internationally, to exploit synergies and strengthen our B2C expertise. There are attractive growth markets for infant formula in Asia and Latin America. Additionally, HOCHDORF is using its position as a niche provider to make the most of opportunities to break into developed markets. Alongside store-based sales, online sales of baby food are also being pushed in these regions.



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Baby Care



Vpa Research, Global  
Infant Nutrition Market -  
Outlook and Opportunities  
to 2028, 8th edition,  
November 2021



TGM Markets, Organic  
Baby Food Market  
Outlook to 2028,  
December 2021



Together HOCHDORF employees make Smart Nutrition solutions possible for a healthy, enjoyable life.

In 2021 we launched various special infant formula products in Switzerland under the Bimbosan brand; these include a goat milk-based infant formula as well as the infant formula PH Riso, based on hydrolysed rice protein. These products are also offered for the international market and for Private Label customers. We also launched production of a base powder line for industrial customers. These initiatives primarily serve to increase production volume at existing plants.

### **Food Solutions**

Close collaboration with and support of premium chocolate customers in the development and provision of specific milk powder products remains a key role for this business division. So HOCHDORF is also focusing more on developing, producing and marketing high-quality semi-finished products based on milk, whey and plants, including for its own needs in Baby Care in particular. The increasingly scarce volume of milk in Switzerland and the resulting cost effects remain a major challenge for the profitability of by-products, such as cream and skimmed milk powder, in terms of market performance. The medium-term strategic focus is to gradually reduce cost dependence on milk as a raw material by prioritising added value. Geographically, the Food Solutions division is focusing on Switzerland.

Thanks to its whey expertise, HOCHDORF has been producing its own high-quality whey-based semi-finished products for infant formula since the middle of 2021. This processing competence allows HOCHDORF to produce and market additional interesting whey-based semi-finished products.

HOCHDORF also uses on-trend semi-finished products to exploit market opportunities to export to places where there is interesting potential despite increasingly insufficient raw material price compensation. This includes, for instance, the vegan powder for the chocolate industry or protein powder.

### **Sustainability strategy with implementation goals**

The sustainability strategy that was further developed in 2021 sets goals and defines measures across the value chain. It focuses on five topics: climate and animal-friendly milk, CO<sub>2</sub>/greenhouse gases and sustainable raw materials, waste, water, and employees and society. As a general rule, the defined goals should be achieved by 2030 at the latest. The goals for the focus topic Employees and Society should already be implemented by 2025.



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Food Solutions



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Sustainability  
strategy of the  
HOCHDORF Group

## „SMART NUTRITION“ – SPECIAL FOODS FOR AN ACTIVE LIFE

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„Smart Nutrition is more than a vision of the future at HOCHDORF. It is the reason for our existence – clearly reflected in our daily work and our innovative product portfolio.“



# “Smart Nutrition is nutrition with a specific functional added value. It’s what we understand and do.”

To develop and market Smart Nutrition products, you have to know what consumers and industry customers require. Equally important is our innovative spirit and knowledge of raw materials, production processes and current nutritional habits.

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Our product portfolio is characterised by diversity and real added value. Targeted, tasty and nutritionally valuable solutions in the human care sector are just as important as smart semi-finished products in the specialist food sector and end products for the Swiss chocolate industry.

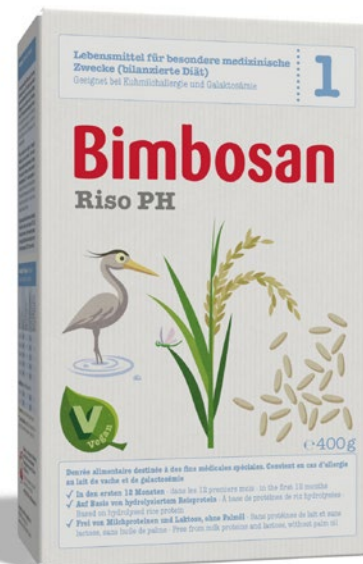
**We are convinced it will take „smart nutrition“ to feed the world’s population.**

The production of these demanding and healthy semi-finished and end products requires highly trained employees, sound knowledge of nutritional physiology and food law, high-performance technology and the greatest care in processing valuable raw materials. It goes without saying that we think and act sustainably and treat nature with respect. After all, we depend on raw materials of impeccable quality.

# “Bimbosan Riso PH – for the special nutritional needs of our youngest children.”

Cow's milk allergy is the most common food allergy in children under the age of three. Babies with a cow's milk protein allergy require a special milk-free non-allergenic diet. Bimbosan Riso PH – developed by HOCHDORF and marketed as an alternative to infant formula based on cow's milk, is particularly suitable for the dietary management of infants up to twelve months who are allergic to milk protein or suffer from galactosemia or lactose intolerance.

This new Smart Nutrition product is based on partially hydrolysed rice protein. Alongside Bimbosan Bisoja, it represents our second vegan infant formula product. It is classed as a food for special medical purposes.



# “Bimbosan Bisoja – the vegan alternative to infant formula based on cow's milk.”



This product line is based on genetically unmodified soya. Like Bimbosan Riso PH, it is a specialist food with a clear commitment to Smart Nutrition. Bimbosan Bisoja is perfect for parents who want their children to eat plant-based or vegan food or for infants who suffer from galactosaemia, a rare, genetic metabolic disorder. The body cannot process lactose, which results in a high lactose content in the blood. Our vegan infant formula does not contain lactose and is free from cow's milk.

# “Smart Nutrition – checking the sustainability of production processes”

Smart solutions are sustainable and take account of the production processes used for semi-finished products. Manufacturing powders and mixing various dry raw materials, such as in the production of sensitive baby foods, can require multiple dispersal and drying processes along the entire value chain.

HOCHDORF's expert team has managed to remove one of the drying steps by re-engineering production processes. This allows us to reduce our energy and water usage – creating sustainable production for tomorrow's world.



# “Individualised and functional – products for our industrial customers.”

The key nutritional trends in the developed world show lasting changes to consumer behaviour when it comes to food choices. Increasing flexibility in eating habits and a growing demand for personalised products, such as “functional foods” or specialities like “free-from” products, pose major challenges for the food industry – in sourcing or processing new raw materials with existing equipment, for example. HOCHDORF is a reliable and innovative partner; we look for solutions for our customers that are tailored to the food they want to produce and matched to the related manufacturing process.





## “Lactose-free milk powder – with a winning taste.”

HOCHDORF is the only company in Switzerland that produces lactose-free milk powder. HOCHDORF's roller-dried powder has been used in the chocolate industry for years and is recognised for processing reliability and excellent taste.

The close cooperation between development and production now enable our customers to benefit from a wide range of spray-dried, lactose-free skimmed milk and protein powders. The latter is particularly popular in sports nutrition, while lactose-free skimmed milk powder is used in products such as muesli or biscuits.

## “Vegan powder – an innovation for the chocolate industry.”

HOCHDORF's latest smart solution for plant-based nutrition is a vegan whole-milk powder alternative for “milk chocolate”. With a delicious taste, the powder is suitable for industrial production and available in both spray-dried and roller-dried varieties.

This vegan powder fits the huge trend for increased plant-based nutrition – another milestone in HOCHDORF's trajectory as a driver of innovation and provider of high-quality Smart Nutrition.





## “Baby Care Private Label – focussing on customer requirements.”

HOCHDORF develops market-specific semi-finished products and finished products for infants and children, working closely with customers who do not have their own production facilities.

The strict regulatory requirements in the target markets require a high level of flexibility and development speed. In 2021, we were able to successfully develop and test two junior base powders (honey and vanilla) in just one year. The feedback was extremely positive, resulting in the first customer orders for 2022.

## “Dietary foods – for special medical purposes.”

Different situations in life can lead to nutritional deficiencies. There are no age restrictions on malnutrition; it can affect anyone. The reasons are complex: serious illnesses, chronic swallowing difficulties, operations, respiratory diseases, etc.

At HOCHDORF, we develop and produce special dietary foods for people of all ages with specific nutritional requirements. Our range incorporates two product lines: PediaMed is designed for children from aged 1 to 10 and Medical Nutrition is suitable for older children and adults. Both products should only be used under medical supervision.





## “Infant formula based on goat milk – for sensitive tummies.”

Goat milk is naturally full of goodness. It is characterised by good digestibility, for example, because it has smaller “protein globules” that can be broken down by digestive enzymes more easily than cow’s milk proteins. That was one of the reasons we developed an infant formula based on goat milk.

The product launch on the Swiss market has been very successful. Bimbosan’s high-quality infant, follow-on and children’s formula offer a “smart alternative”, particularly for children with sensitive tummies. They help the digestion of our little ones and take away the stress for their parents.



## “Whey refinement – producing valuable ingredients independently.”

High-quality, functional semi-finished products based on whey are important elements in baby care and high-protein products. Building up our own understanding of whey as a raw material is of great value in this context.

The whey competence centre at the Sulgen site now enables HOCHDORF to produce some important whey-based Baby Care semi-finished products independently, significantly increasing our internal value creation. In-house whey processing also allows for rapid response to changing customer and market requirements. Eliminating the need for transport actively contributes to the reduction of food and resource waste, providing a more sustainable future environment for us all.

# HOCHDORF takes responsibility

The HOCHDORF Group has been reporting on its work on sustainability for many years. We have concentrated on the areas “employees”, “energy sources and energy consumption” and “HOCHDORF in society”. In 2021 a core team from various departments developed the new HOCHDORF sustainability strategy based on the three pillars of the HOCHDORF strategy: Nature, Technology and People.



Nature



Technology



People

“We focus on safe and sustainable nutrition solutions”. The HOCHDORF mission statement explicitly addresses sustainability. The new sustainability strategy comprises five **focus topics**: Climate and animal-friendly milk, CO<sub>2</sub>/greenhouse gases and sustainable raw materials, waste, water, and employees and society. The defined goals are to be achieved by 2030 (focus topic employees and society by 2025).

## SUSTAINABILITY

“We maintain a respectful approach to nature and treat our resources responsibly.”



## Climate and animal-friendly milk

With its sufficient rainfall and ample pasture, Switzerland is ideally suited to milk production. However, milk production is also a considerable source of various greenhouse gases. For this reason it makes sense for milk processors like HOCHDORF to make a contribution towards reducing the pressure that milk production exerts on the environment.

### Situation 2021:

- > HOCHDORF is an active and long-term participant in the ongoing development of the Swiss “**swissmilk green**” industry standard. HOCHDORF is an advocate of Switzerland’s pasture areas and therefore supports pasture-based milk production
- > HOCHDORF processes Swiss cows’ milk, which is produced in accordance with the “swissmilk green” industry standard
- > Milk from the HOCHDORF direct supplier (Thur Milch Ring AG) already fulfils over 97% of “swissmilk green” requirements
- > HOCHDORF, along with Thur Milch Ring AG, is an important and reliable partner for regional milk producers. HOCHDORF is well aware of the regional and social responsibility of this role

### Goals for 2030:

- > **100%** of HOCHDORF direct suppliers meet the “swissmilk green” Swiss industry standard
- > Additional sustainability requirements are also being developed with the HOCHDORF direct suppliers to supplement the “swissmilkgreen” industry standard
- > All milk from direct suppliers is **collected in a CO<sub>2</sub>-neutral way** and delivered to HOCHDORF
- > We seek cooperation with our milk producer organisations around various sustainability topics

### Sustainable Swiss milk – “swissmilkgreen”

The production standard for sustainable Swiss milk was introduced in 2019. The guidelines of this production standard implement the high standards of the entire Swiss dairy industry in terms of animal welfare, feeding, sustainability and social issues. In addition to ten basic requirements, milk producers have to meet two additional requirements.

The “swissmilkgreen” brand recognises milk products that meet the production standard requirements ([www.swissmilk.ch/green](http://www.swissmilk.ch/green)).



#### *The 10 basic requirements:*

1. Cows roam freely
2. Each cow has a name
3. Young calves gain strength at home for more than three weeks
4. Milking twice a day
5. Strict rules for livestock shows
6. No pregnant cows to be slaughtered
7. Medication is administered with care
8. Biodiversity is promoted
9. GMO-free feeding
10. No palm oil, no palm fat

#### *Examples of additional requirements:*

- > Both BTS (particularly animal-friendly housing) and RAUS (regular outdoor exercise of cows) are fulfilled
- > Treatment of the animals with complementary medicine methods
- > Social security for all family members working on the farm
- > Training of apprentices
- > Annual further training
- > Public relations on the farm



## CO<sub>2</sub>/greenhouse gases and sustainable raw materials

CO<sub>2</sub> and other greenhouse gases are an important issue across the entire value chain. Traditionally, distinctions are made between three areas of impact. Impact area 1 comprises all emissions caused directly at HOCHDORF such as heat generation through the combustion of natural gas. The emissions caused by indirect or purchased energy (e.g. electricity) are included in impact area 2. Impact area 3 includes all upstream and downstream greenhouse gas emissions, such as milk production or the production/disposal of packaging materials. Under impact area 3, we count all the sustainability criteria for the purchased (non-dairy) raw materials, which HOCHDORF needs, for example, for infant formula.

### Situation 2021:

- > HOCHDORF has been familiar with CO<sub>2</sub> reduction programmes for many years. So far the focus has been on impact area 1
- > The CO<sub>2</sub> or climate footprint of purchased raw materials in our supply chain is currently not recorded
- > Sustainability criteria currently play a subordinate role when selecting suppliers

### Goals for 2030:

- > Impact area 1
  - In the medium term, we will clarify the position for the increased use of biogas
  - We want to reduce own CO<sub>2</sub> emissions **per tonne of saleable product** produced by 25% (with 2020 as base year).
  - **All Bimbosan milk and cereal-based foods are CO<sub>2</sub> neutral**
  - All our own brand products are produced **without palm oil**. Bimbosan infant formula is already 100% free from palm oil today
  - The palm oil used in third-party brands at least meets the requirements of the RSPO certificate

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**RSPO** represents sustainably produced palm oil (Roundtable on Sustainable Palm Oil). The organisation was founded in 2004 with the aim of promoting the growth and use of sustainable palm oil products by applying global standards across the entire palm oil value chain. Certified palm oil has to meet numerous environmental and social criteria. Additional information: [www.rspo.org](http://www.rspo.org)

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- > Impact area 2
  - In the short term, we will clarify whether the roof and facade areas at the Sulgen site can be used for photovoltaic systems
  - 50% reduction in CO<sub>2</sub> compared to the base year 2020 for electricity purchased. In Sulgen, we currently only purchase Swiss atomic energy (15.9 gCO<sub>2</sub>/kWh). The energy mix is less specifically defined at the Hochdorf site (128 gCO<sub>2</sub>/kWh)
- > Impact area 3
  - 100% of suppliers meet the sustainability requirements to be defined
  - 100% of suppliers fulfil the SEDEX criteria
  - **HOCHDORF knows the CO<sub>2</sub> footprint of all the important raw materials** purchased and aims to take appropriate measures for continual reductions in the supply chain
  - Sustainability criteria that are relevant to decision-making are built into the supplier evaluation

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**Sedex** (Supplier **E**thical **D**ata **E**xchange) is a member organisation for companies that have committed to ongoing improvement in the ethical conduct in their supply chain. Additional information: [www.sedex.com](http://www.sedex.com).

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## Waste

At HOCHDORF we consider the entire spectrum of waste. We want to avoid unnecessary loss of raw materials as well as reducing food waste and the amount of waste we produce. In terms of packaging, we aim to achieve a functioning **circular economy**.

### Situation 2021:

The issue of waste is already the subject of various OPTIMA projects. Projects aimed at increasing efficiency at HOCHDORF come under the "OPTIMA" banner, which currently encompass initiatives in the areas of plants, buildings, production processes, logistics, administration and purchasing

### Goals for 2030:

- > Packaging
  - **Consumer packaging is made of 100% of recyclable material**
  - Packaging for internal processes is 100% recycled
  - Overall, our aim is to reduce packaging **per tonne of saleable product**
- > Food waste
  - **A recognised food waste & loss standard** has been introduced and corresponding reduction measures are implemented
- > Waste/efficiency
  - Manufacturing defects are a particular cause of waste. We are therefore aiming to create a **"first time right"** value of >98%
- > Waste reduction
  - Increase of the proportion of recycling in relation to the total amount of waste to 70%.



## Water

Water is essential to life. Not only for the fluid balance in humans and animals, but also for the hygienic production of our products. The use of water for production and cleaning processes in the HOCHDORF Group is an important factor.

### Situation 2021:

- > HOCHDORF is pursuing specific measures to continuously optimise its water/wastewater management
- > The use of water in the production of our raw materials is not or still insufficiently known

### Goals for 2030:

- > HOCHDORF has a sustainable water/waste water strategy
- > HOCHDORF works with a functioning **water cascading system**, i.e. with multiple use of the available water (incl. water vapour)
- > The aim is to reduce internal company waste usage compared to the **base year 2020 by 30% per tonne of saleable product**
- > The issue of water use is given high priority in raw material procurement, depending on the country of origin





## Employees and society

Without motivated and qualified employees we cannot develop, produce and market quality products. As a company, HOCHDORF is also integrated into the wider society. We want to provide more targeted engagement in this area too.

### Situation 2021:

- > At least one employee development review is conducted with all employees each year. In this review, goals are jointly agreed and additional training requirements are defined
- > The performance of line managers is also evaluated in the employee review meetings
- > Salaries are based on a recognised and transparent system
- > All employees are provided with the information they require via various communication channels

### Goals for 2025:

- > Physical and mental health: HOCHDORF is taking various measures to reduce the ratio of staff absence to the number of employees by at least 75%. The base year is 2021
- > Training and further education: HOCHDORF is initiating an education offensive which aims to provide all employees with **at least three training or further education** days per year
- > Employee development: 100% of employees have a development plan
- > Vacancies: 40% of vacant positions are filled by internal employees
- > An employer branding concept is implemented

# Sustainability projects in 2021

Even in the most recent business year, HOCHDORF initiated and partly completed a number of sustainability projects.



## **“Liquid lactose” process to produce infant formula in a resource-friendly way**

In 2021 we succeeded in further developing the production process for infant formula incrementally and in a way that protects resources. One such development is dissolving the vitamin and mineral mixtures in liquid lactose as part of the formulation, and not, as previously, in fresh water. This allows HOCHDORF to save around two million litres of precious drinking water in its current product volume. Since one drying step is no longer necessary, this also saves valuable energy and the CO<sub>2</sub> impact is reduced.



## **Use of our own WPC45 (whey protein concentrate)**

Since the middle of 2021, HOCHDORF has been producing the WPC45 (whey protein concentrate) that is essential to produce infant formula at its own plants. To enable this, processing procedures were reorganized. This provides a substantial saving on the transport of produce from the EU. It also means that whey is not used for animal feed production, as it would be otherwise. This is one way HOCHDORF is helping to reduce food waste.





#### Roller optimisation

Improved processes and increased checks are optimising the protein and water content to customer-specific values. This enables us to produce more products/semi-finished products from the valuable raw materials we receive.



#### Bimbosan sales force electro-mobility

A switch to electric cars for the Bimbosan sales force fleet was evaluated in 2021. Due to the current long delivery times, the expected delivery date for the new vehicles is April 2022. The Bimbosan sales force circumnavigates the earth around 6 times in one year. The switch to electric cars will save around 65 tonnes of CO<sub>2</sub>.



# Baby Care Division

Key to strategic development, this division is building on innovations for Private Label customers and the selective development of its own brands Bimbosan and babina. The targeted development of new markets based on the concept of Swissness and Bimbosan quality enables HOCHDORF to meet market needs first hand and test innovations. In 2021 HOCHDORF launched ground-breaking infant formula products based on goat milk and rice hydrolisate under the Bimbosan brand.

## Bimbosan maintains its positive development

The Bimbosan brand maintained its positive trajectory in 2021 and has extended its leading position in the Swiss market. The Bimbosan Premium goat's milk introduced at the start of the year has exceeded all expectations and became market leader for the specialised trade within a few months.



[bimbosan.ch](https://bimbosan.ch)

HOCHDORF made history in December 2021 by launching its new specialist formula Riso PH, the first product recognised by the **health insurance companies** as food for defined medical purposes (balanced diet). This infant formula is based on hydrolysed rice protein and was developed for infants who are allergic to milk protein or suffer from lactose intolerance or galactosemia. This product innovation was welcomed by paediatricians and midwives alike.



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Bimbosan Riso PH

We anticipate that Bimbosan will make inroads into new international markets and continue to develop existing markets. The demand for Bimbosan products in Vietnam is increasing significantly and the product range has been extended in Singapore.

We have also expanded the product range for our second own brand babina with high-quality formulations that meet EU standards. The first customers will be supplied with our premium infant formula in 2022.



[babina.ch](https://babina.ch)

## International expansion despite Covid-19

With our largest customer Pharmalys Laboratories SA, we have worked intensely on portfolio innovation and expansion as well as on registering new markets. The demand in the new markets is very promising. The long-term collaboration with Pharmalys has been reinforced with a supply agreement up to 2026. Beyond this, HOCHDORF is in negotiations for a sales cooperation with more large international customers.

The global supply problems and raw material shortages caused by Covid-19 slowed down the implementation of Baby Care projects. The prices of many raw materials also increased in the course of the year. Despite the Covid-19 challenges we still managed to gain a new customer in the Private Label business in each of the Europe, the MENA and Latin America regions.





### Baby Care with high innovation rate

With net sales revenue of CHF 84.9 million, the division achieved net sales below its own predictions. This can be explained by the Covid-19 effects and the change to payment modalities in the MENA region. In Switzerland, Bimbosan maintained its position as market leader in specialised trade with a market share of over 39%. Overall, HOCHDORF achieved net sales of CHF 24.9 million with its own brands, + 2.5% compared to the previous year.



### Outlook

With regard to the Covid-19 pandemic, we anticipate the restrictions of 2021 to be similar in the first half of 2022. Huge price increases across the entire supply chain have meant that HOCHDORF sales prices for 2022 have been raised or are being re-negotiated.

In Switzerland, we are aiming for full distribution of Bimbosan Riso PH in the current year and we intend to launch the vegan follow-on formula Bisoja 2 onto the market in the middle of the first quarter. We are planning to increase international marketing of the goat milk and bisoja products that were so successful on the domestic market. Some Private Label customers have already expressed interest in these products. We are also intensifying the international e-commerce sales activities for our own brands.

In the light of sustainable, new global nutritional trends, as well as challenging milk prices, HOCHDORF is strengthening its innovation activities in the area of Smart Nutrition in 2022. The aim here is to increase added value and to gradually reduce cost dependency on the raw material milk, continuing to expand in the speciality market in the medium term.



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Bimbosan Bisoja





# Food Solutions Division

In the traditionally dairy-heavy Food Solutions business division, the focus in 2021 was also on the development of new products with high functional added value. This initiative resulted in additional lactose-free milk powders, vegan powders for the production of the finest chocolate and two high-quality semi-finished products for infant formula. In addition, demand from the chocolate industry recovered significantly and is back at pre-Covid levels. Food Solutions achieved net sales of CHF 218 million.

## Leading Swiss supplier of lactose-free milk powder

Manufacturing spray-dried lactose-free milk powders is a challenging process. HOCHDORF has this expertise and is therefore the only Swiss supplier of various lactose-free milk powders. The powders have an excellent, milky-sweet taste. For industrial processing, this means that less added sugar is required, which is in line with the nutritional trend in this area. The demand for our new lactose-free skimmed milk and protein powders is exceeding expectations.



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Lactose-free  
milk powder

## Innovation for plant-based nutrition and cow's milk substitutes

Following the trend for plant-based products, HOCHDORF developed a spray-dried and roller-dried powder for the production of tasty vegan chocolate. We based this on our tasting experience with the finest Swiss milk chocolate. The positive reactions of test customers for chocolate tasting and numerous test orders are clear proof that we are on the right track.



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Vegan powder for  
the chocolate  
industry

In addition to cow's milk, HOCHDORF also dried Swiss goat's milk to produce high-quality whole goat milk powder in 2021.

## Additional FSMP product for infant nutrition

In cooperation with a new customer, we have expanded the product range for special nutritional requirements (FSMP) for infants to include a high-quality fat powder made from sustainable coconut oil. The purely vegetable semi-finished product meets the high microbiological requirements for infant formula.



## Own whey protein concentrate for HOCHDORF infant formula

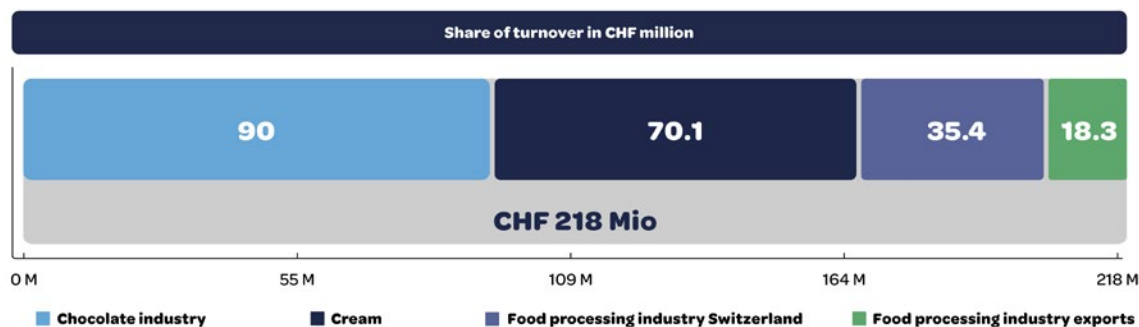
After the completion of the second project phase of our whey competence centre in Sulgen, we will process the delivered whey into valuable semi-finished products for our infant formula. This allows us to add even more value and Swissness to our products. The semi-finished product was previously delivered from the Netherlands. By producing locally, we avoid more than 25,000 lorry kilometres and reduce the environmental impact by at least 20 tonnes of CO<sub>2</sub>.

### Chocolate industry back on track for growth

Demand for milk powder for the production of chocolate is back to pre-pandemic levels. Orders in the second half of the year in particular were above average. This is due to restocking as a result of transport bottlenecks and the opening up of new sales markets by chocolate manufacturers.

### Food Solutions in figures

With net sales of CHF 218.0 million (+ 5% compared to previous year), the Food Solutions division exceeded expectations. This was due to the higher than expected share of sales for products supplied to the chocolate industry. However, the higher milk price also led to an increase in turnover.



### Outlook

Product developments in the area of Smart Nutrition will remain a focus in 2022. We attach great importance to the further expansion of our range of plant-based and goat's milk products. In the lactose-free milk powder product group, we expect sales to grow in the first quarter – albeit at a low level.

Milk will continue to dominate the Food Solutions business unit as a raw material for the time being. The extent to which the objective milk cost increases are passed on to the processors requires a better partnership solution than before. With the decision to concentrate production at the Sulgen site from 2024, HOCHDORF is endeavouring to actively regulate the security of supply for its customers, provided this is commercially sustainable.



# Financial Report

The 2021 business year was marked with difficulties and challenges for the HOCHDORF Group. The balance sheet debt was significantly reduced with the receipt of the purchase price payment from Pharmalys of CHF 30 million and the sale of the site in Hochdorf for CHF 50.2 million. The company result of CHF 2.5 million is characterised by positive special effects from the sale of land to the municipality of Hochdorf, but also by negative special effects in connection with the relocation of production to Sulgen. The adjusted operating result from operating activities remained negative.

Despite the sale of parts of the business in 2020, the **net sales revenue from deliveries & services** of CHF 303.5 million remained at the previous year's level (CHF 306.2 million), with different developments in the two business divisions.

In the Baby Care division, the **net sales revenue from deliveries & services** fell by 15% from CHF 99.5 million to CHF 84.9 million. While the Branded Business Switzerland (Bimbosan) grew by 8%, the Private Label segment, which has the highest sales, declined in particular due to lower sales to the largest customer Pharmalys Laboratories and other customers, and sales fell by 17%.

The **net sales revenue from deliveries & services** in Food Solutions rose overall from CHF 206.7 million to CHF 218.6 million, an increase of 6%. The previous year's figure included CHF 31 million in net sales from companies that were sold or liquidated. Adjusted for this effect, net sales increased by 24% to CHF 42.7 million in the year under review. This solid growth was driven by chocolate customers and cream sales.

The share of net sales revenue realised in Switzerland rose to 67% (CHF 203 million), boosted by increased sales of cream and milk powder for chocolate production to domestic customers. Sales in Europe fell from CHF 69.2 million to CHF 34.8 million, triggered by the sale of German subsidiaries in 2020. While sales in Asia and South America remained stable, the share of net sales revenue in the Middle East/Africa decreased to 18% (CHF 53.3 million) due to a decline in business with the customer Pharmalys Laboratories. In Latin America, net sales increased significantly from a low level, from CHF 4.4 million to CHF 7.1 million.

## Higher gross operating profit thanks to book profit

Gross profit increased in absolute terms to CHF 111.2 million (previous year: CHF 94.3 million) and the gross profit margin increased to 31.8% (previous year: 30.9%). However, the gross profit margin adjusted for the book profit from the sale of the properties in Hochdorf and Welschenrohr is 23% and thus below the previous year's value (adjusted gross profit: CHF 70.6 million). The higher milk prices (on average CHF 0.05 per kg or +7% higher than in the previous year) and other price increases on the procurement market led to higher material costs. The higher input costs could only be partially passed on to customers.

It was possible to realise cost savings in the low single-digit million range as part of the OPTIMA cost efficiency programme; however, these could not compensate for the price increases.



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Consolidated  
income statement



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Net sales by product  
group and region

Personnel expenses rose slightly from CHF 39.7 million to CHF 40.3 million due to provisions made in connection with the closure of the Hochdorf production site. Hochdorf had 387 employees on the reporting date (previous year: 391). Other operating expenses were also higher at CHF 46.2 million (previous year: CHF 40.7), as this was burdened by one-off expenses in connection with the sale of the properties at the Hochdorf site and other project costs for the relocation of the site to Sulgen.



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Personnel expenses

EBITDA was CHF 24.7 million (previous year: CHF 13.9 million), significantly above the previous year. Depreciation and amortisation of CHF 18.2 million includes additional value adjustments of CHF 5.7 million on assets at the Hochdorf site to account for the shortened useful life following the planned closure of production at the Hochdorf site by 31 December 2023.

### Operating result influenced by special effects

After adjusting this result for the special effects from the sale of the property to the municipality of Hochdorf (CHF 38.6 million) and the provisions for costs already incurred and impairments in connection with the closure of the production site in Hochdorf and the move to Sulgen (CHF -13.9 million) as well as other special effects (CHF -1.4 million), the operating result was CHF -16.9 million (previous year: CHF 2.3 million).



The net result at Group level was CHF 2.5 million, with the financial result of CHF 5.3 million only slightly above the previous year's level (previous year: CHF 5.1 million). Interest expenses were slightly higher due to higher interest rates; there were also exchange rate losses.

### Free cash flow increases to CHF 61.2 million

Due to the negative operating effects described above, the earned capital was CHF -3.9 million (previous year: CHF 11.1 million). In addition, net working capital of CHF -13.6 million was built up compared to the previous year's value, mainly due to the inventory build-up and higher trade receivables from Pharmalys Laboratories SA. Therefore, the operating cash flow at the end of 2021 was CHF -17.9 million, (previous year: CHF 11.3 million).



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Consolidated cash  
flow statement

Due to the purchase price payments of CHF 52.6 million received for the sold land and buildings in Hochdorf and Welschenrohr as well as the payment of the last outstanding purchase price instalment of CHF 30 million in connection with the sale of Pharmalys Laboratories SA, the free cash flow was CHF 61.2 million. This was partly used to repay the syndicated loan (CHF -43 million). Overall, a positive cash inflow of CHF 11.8 million resulted in the 2021 financial year (previous year: CHF -7.7 million). As of 31.12.2021, the HOCHDORF Group had cash and cash equivalents of CHF 24.3 million, which was significantly higher than in the previous year (CHF 12.4 million).

Compared to 31 December 2020, net debt decreased significantly from CHF 87.6 million to CHF 32.7 million. The hybrid bond is considered equity and does not affect net debt.

### Solid equity ratio

Thanks to the positive company result and the debt reduction undertaken, with the significant relief of the balance sheet, the equity ratio rose to a good 62.5% (previous year: 55.8%).



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Consolidated  
balance sheet

### Initiatives for 2022

Looking at the balance sheet, thanks to the debt reduction and the good equity ratio in 2021, a stable basis was created for future development in the current 2022 business year.

By consistently implementing the strategy agreed a year ago, HOCHDORF is focusing on increasing margins and promoting innovation. The related streamlining of our range and evaluation of the traditional business areas is planned for the first half of 2022. In addition, Emmi and Hochdorf have agreed a cooperation in the area of speciality powders, for both milk-based and vegan products.



## KEY FIGURES OF THE HOCHDORF GROUP

CHF 1,000	2021	2020	2019 <sup>1)</sup>	2018	2017
Turnover (net sales from goods and services)	303,515	306,199	456,797	561,031	600,527
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>24,715</b>	<b>13,869</b>	<b>-74,709</b>	<b>35,886</b>	<b>55,719</b>
As % of production revenue	7.1%	4.5%	-17%	6.3%	9.2%
<b>Earnings before interest and taxes (EBIT)</b>	<b>6,503</b>	<b>-67,872</b>	<b>-265,309</b>	<b>18,649</b>	<b>42,616</b>
As % of production revenue	1.9%	-22.3%	-60.3%	3.3%	7.1%
<b>Earnings before taxes</b>	<b>663</b>	<b>-72,608</b>	<b>-273,962</b>	<b>10,405</b>	<b>45,856</b>
As % of production revenue	0.2%	-23.8%	-62.3%	1.8%	7.6%
<b>Net profit</b>	<b>2,552</b>	<b>-70,274</b>	<b>-271,378</b>	<b>8,656</b>	<b>40,846</b>
As % of production revenue	0.7%	-23.0%	-61.7%	1.5%	6.8%
<b>Personnel expenses</b>	<b>40,280</b>	<b>39,722</b>	<b>50,757</b>	<b>52,980</b>	<b>51,000</b>
As % of production revenue	11.5%	13.0%	11.5%	9.2%	8.4%
<b>Depreciation of fixed assets</b>	<b>17,591</b>	<b>82,228</b>	<b>47,891</b>	<b>13,030</b>	<b>12,336</b>
As % of average net position	12.1%	38.0%	17.1%	4.4%	5.1%
<b>Investments in fixed assets</b>	<b>4,095</b>	<b>3,718</b>	<b>8,449</b>	<b>34,924</b>	<b>84,788</b>
As % of production sales	1.2%	1.2%	1.9%	6.1%	14.0%
<b>Earned Capital</b>	<b>-3,991</b>	<b>11,097</b>	<b>-34,821</b>	<b>30,425</b>	<b>56,035</b>
in % of net sales	-1.3%	3.6%	-7.6%	5.4%	9.3%
<b>Cash flow from operating activities (cash flow)</b>	<b>-17,937</b>	<b>-11,325</b>	<b>-15,430</b>	<b>-81,279</b>	<b>6,019</b>
As % of net sales	-5.9%	-3.7%	-3.4%	-14.5%	1.0%
Free cash flow (loss)	61,215	17,339	16,306	-148,530	-84,078
Equity ratio	62.5%	55.8%	56.6%	48.8%	53.1%
Interest cover (EBIT/interest expenses net)	1.1	n.a.	n.a.	1.6	8.8
Number of shares, outstanding, in units	2,151,757	2,151,757	1,758,369	1,434,760	1,434,760
Earnings per share in CHF	1.20	-34.60	-164.55	2.02	18.43
Earned Capital per share in CHF	-1.85	5.14	-19.80	21.21	39.06
Dividend	0%	0%	0%	0%	40%
Payout ratio	0.00%	0.00%	0.00%	0.00%	21.51%
Share price as at 31.12. in CHF	43.50	63.20	83.20	102.0	286.25
Dividend return	0.00%	0.00%	0.00%	0%	1.40%
Price/earnings (P/E) ratio	36.3	n.a.	n.a.	50.4	15.5
Market capitalisation	93,601	135,991	146,296	146,346	410,700
Staffing levels as at 31.12.	387	391	618	694	695

<sup>1)</sup> Previous year's figures adjusted due to the change in the valuation principles for the hybrid bond (see also the Notes to the consolidated financial statements of the HOCHDORF Group "Principles of consolidation")



# Risk report

## Risk management

Risk management provides important support in protecting and securing the future potential of the HOCHDORF Group. The Board of Directors of the HOCHDORF Group bears ultimate responsibility, with implementation delegated to the Group Management.

The HOCHDORF Group has implemented a risk management process for all Group companies. Using workshops and individual interviews, risks are identified and assessed in terms of their potential financial impact on the HOCHDORF Group's results and their probability of occurrence. Risks are categorised according to strategic, operational, financial and other risks. Based on this, risk minimisation measures (measure, person responsible, time, required resources) are defined and risk reporting is carried out.

The Board of Directors of HOCHDORF Holding Ltd approved the risk assessment in the reporting year and monitors the implementation of the defined measures by the Group Management. The process is generally repeated once a year. The Group Management also reviews and assesses risks and their implementation every six months and informs the Board of Directors immediately in the event of deviations.

The following risks, among others, have been identified as significant risks for the HOCHDORF Group:

- **Cluster risk in the Baby Care division and outstanding/delayed payments by the customer Pharmalys** (see explanations on risk minimisation in item 31 in the Notes to the financial statements of the HOCHDORF Group on the subject of assessment as a going concern).
- **Milk procurement model:** The milk procurement strategy and access to the raw material milk continue to be essential for the positive development of the HOCHDORF Group. To ensure that this remains the case in the future, HOCHDORF is increasingly focusing on product innovation, the development and expansion of its own brands and high value-added markets, and the continuous improvement of cost efficiency in order to be able to offer sustainably attractive milk prices. On the other hand, HOCHDORF is striving for strategic partnerships with milk supplier organisations.
- **Restructuring:** The HOCHDORF Group announced in September 2021 that production at the Hochdorf site will be closed and transferred to the Sulgen site by the end of 2023. This is expected to result in significant savings in terms of costs. Relocating a production site is always a challenge, especially with the additional approval procedures required in the food industry. HOCHDORF is aware of this risk and ensuring professional project management, controlling and audit measures to counteract the risk.

## Regulatory and political risks

In principle, the HOCHDORF Group is dependent on a wide range of regulatory and political aspects. Changes could have a negative impact on the HOCHDORF Group's business activities, financial position and/or profitability (e.g. legal and regulatory changes in export markets, customs agreements, food requirements, etc.). They could result in high price and volume volatility on the procurement and sales markets. HOCHDORF monitors economic and political developments in the individual countries to keep the procurement and sales risks to a minimum.



### **Financial risks**

The HOCHDORF Group is exposed to various financial risks in the course of its international activities. These include exchange rate and interest rate risks as well as credit, liquidity and capital risks. Liquidity risks are managed through central cash management by ensuring that planned liquidity needs are covered by appropriate financing arrangements.

Ultimately the risk policy of the HOCHDORF Group includes hedging risks by means of comprehensive and efficient insurance cover. An international insurance programme that includes the areas of liability, product protection, property insurance and transport serves to achieve this.

### **Internal control system**

The HOCHDORF Group has an internal control system (ICS) in place with the aim of ensuring the effectiveness and efficiency of operations, the reliability of accounting and compliance with legal requirements. It represents an essential part of the risk management system. The ICS was subject to a fundamental review in 2021 in order to further increase its effectiveness.

### **Internal audit**

Since 1 March 2021, the internal audit department of the HOCHDORF Group has been staffed by an organisationally independent "Senior Internal Auditor" who reports directly to the Chair of the Audit Committee.

The internal audit supports the Board of Directors in the handling of its monitoring and controlling tasks. It provides an independent and objective audit and advisory service aimed at reviewing, evaluating and continuously improving the effectiveness of risk management, controls, and management and monitoring processes using a systematic and targeted approach.

In 2021, audits were carried out in the areas of purchasing, milk procurement, fixed assets, receivables management and IT security. The results were recorded in written audit reports which, in addition to the findings and recommendations of the internal audit, contain the opinion of the management with planned measures and times for implementation. The report is distributed to the members of the Board of Directors and the Group Management. The reports and the defined measures are presented and discussed within the framework of the Audit Committee meetings. Group Management checks the implementation of the defined measures and keeps the Audit Committee continually informed.

# CORPORATE GOVERNANCE

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# Corporate Governance

As a company with an international focus, the HOCHDORF Group pursues an open and transparent information policy, which forms the basis for trust. Our yardstick is the "Swiss Code of Best Practice for Corporate Governance".

The Articles of Association of HOCHDORF Holding Ltd and the Organisational Regulations of the HOCHDORF Group are also foundational. The following details correspond to the latest guidelines of the SIX Swiss Exchange on Information Relating to Corporate Governance (RLCG). Unless otherwise stated, the figures refer to 31 December 2021.

## 1. Group structure and shareholders

### 1.1. Group structure as at 31 December 2021

HOCHDORF Holding Ltd is a company under Swiss law with its registered office in Hochdorf (Canton of Lucerne) and, as a holding company, directly or indirectly holds all the companies belonging to the HOCHDORF Group.

The Group structure of the HOCHDORF Group (hereinafter referred to as HOCHDORF) is shown in the following table. Apart from HOCHDORF Holding Ltd, which is listed, the scope of consolidation consists exclusively of non-listed subsidiaries. The management organisation of the HOCHDORF Group is independent of the legal structure and the individual companies.

### 1.2. Significant shareholders

As at 31 December 2021, HOCHDORF Holding Ltd was aware that the following shareholders held more than 3% of the share capital of HOCHDORF Holding Ltd directly, indirectly or in concert with third parties:

Amir Mechria, Zug, Switzerland	20.63%
ZMP Invest AG, Lucerne, Switzerland	17.95%
Bermont Master Fund (CI) LP, Georgetown, Cayman Islands	14.55%
Innovent Holding AG, Family Weiss, Wollerau, Switzerland	5.58%
Innovent Holding AG, M. Weiss & Co AG, Françoise Andrée Weiss, Hardy Peter Weiss, Claudia Weiss and Raphael Weiss form a group of 5.58% in line with Article 120 of the Financial Market Infrastructure Act (FinMIA).	

The disclosure notifications in connection with shareholdings in HOCHDORF Holding Ltd are published on the electronic publication platform of the SIX Swiss Exchange: <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html>.

### 1.3. Cross-investments

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

## 2. Capital structure

### 2.1. Share capital

As at 31 December 2021, the share capital amounted to CHF 21,517,570.00 divided into 2,151,757 registered shares with restricted transferability (securities number 2 466 652/ ISIN CH0024666528) with a nominal value of CHF 10 each. The share capital is fully paid up. Each share is equivalent to one vote. There are no preferential rights.

### 2.2. Dividend-rights certificates or profit participation certificates

The company has not issued dividend-rights certificates or profit participation certificates.

### 2.3. Conditional and approved capital

As at 31 December 2021, HOCHDORF Holding Ltd had no approved or conditional share capital.

### 2.4. Capital changes

The overview of the capital changes in the reporting year is contained in the Notes to the consolidated financial statements of the HOCHDORF Group (Consolidated statement of changes in equity).

### 2.5. Restrictions on transferability

HOCHDORF Holding Ltd shares are essentially transferable without restriction. Anyone entered in the shareholder register is a shareholder in relation to the company. The company must be notified of any changes.

The entry in the shareholder register requires proof of the acquisition of ownership of the share in their own name and for their own account. If the purchaser is not prepared to make such a declaration then the Board of Directors can decline entry with voting rights. The entry limit is 15% of the voting rights. If this limit is exceeded, the Board of Directors may refuse registration.

### 2.6. Mandatory convertible bond

HOCHDORF Holding Ltd had not issued any convertible bonds as at 31 December 2021. The mandatory convertible bond issued in 2017 with a nominal value of CHF 218.49 million was fully converted on 30 March 2020.

### 2.7. Hybrid capital

In 2017, HOCHDORF Holding Ltd issued a hybrid bond for a nominal amount of CHF 125 million. It is a perpetual subordinated bond which pays interest with a coupon rate of 2.5%. The hybrid bond has its first call date after five-and-a-half years. If this is not exercised, the amount of interest payable increases (step-up). (See also note 15 in the Notes on the Hochdorf Group financial statements.)

HOCHDORF Holding Ltd 6281 Hochdorf CHF 21,517,570					
100 %	HOCHDORF Swiss Nutrition Ltd 6281 Hochdorf CHF 30,000,000	100 %	Schweiz. Milch-Gesellschaft AG 6281 Hochdorf CHF 100,000	100 %	HOCHDORF Swiss Nutrition UG DE-69126 Heidelberg EUR 10,000
100 %	HOCHDORF America's Ltd UY-11000 Montevideo UYU 3,232,800	56.47 %	Thur Milch Ring AG 8583 Sulgen CHF 170,000	26 %	Ostmilch Frischdienst Magdeburg GmbH DE-39179 Meitzendorf EUR 25,000
26 %	Ostmilch Handels GmbH DE-61348 Bad Homburg EUR 1,000,000	26 %	Ostmilch Handels GmbH & Co Frischdienst Oberlausitz KG DE-09661 Schlegel EUR 51,129.20	100 %	Snapz Foods AG 6281 Hochdorf CHF 100,000 in Liquidation
100 %	Zifru Trockenprodukte GmbH DE-02763 Zittau EUR 200,000 in Liquidation				

## 3. Board of Directors

### 3.1. Members of the Board of Directors

The Board of Directors of HOCHDORF Holding Ltd consists of five non-executive members. The basis for nomination is the fulfilment of a specific requirement profile. In addition to the expertise relevant to the long-term strategic development of HOCHDORF, this also takes into account the balance of the Board.

The members of the Board of Directors of HOCHDORF Holding Ltd have not served on the Group Management of HOCHDORF Holding Ltd or any other Group company in the past three business years nor have they had any significant business relationships with HOCHDORF Holding Ltd or any other Group company.



**JÜRIG OLEAS (CHAIR OF THE BOARD OF DIRECTORS)**

1957, Swiss citizen; **Profession:** Mechanical engineer; **Place of residence:** Eich, LU; **First election to the Board of Directors:** 2020; **Elected until:** Annual General Meeting 2022; **Training/degree:** Mechanical engineer ETH with additional specialisation in law; **Professional background:** 1982 – to 1998 employed in various roles at the ABB Group; 1999 to 2001 CEO at Alstom Power Switzerland; 2001 to 2019 employed in various roles at the GEA Group, from 2004 as its CEO; **Professional activity:** since 2019 self-employed entrepreneur; since 2011 Member of the Board of Directors of RUAG Holding AG, Bern; **Other activities:** since 2011 Member of the Board of Directors of RUAG Holding AG, Bern; since 2016 Member of the Board of Directors of Lafarge Holcim Ltd, Rapperswil-Jona.



**MARKUS BÜHLMANN**

1962, Swiss citizen; **Profession:** Master farmer; **Place of residence:** Rothenburg, LU; **First election to the Board of Directors:** 2019; **Elected until:** Annual General Meeting 2022; **Training/degree:** Master farmer with advanced specialist qualification; **Professional background:** Federal VET diploma in agriculture; advanced specialist master farmer qualification; **Professional activity:** Farmer and owner of an agricultural business with milk production and pig breeding in Rothenburg; **Other activities:** since 2014 member of the pilot project REDES BLW; since 2015 member of the Central Switzerland Milk Producers Regional Committee (Zentral-schweizer Milchproduzenten ZMP); since 2015 member of the Executive Board of Central Switzerland Milk Producers (ZMP); since 2018 member of the Board of Directors of ZMP Invest AG and Vice Chair of ZMP.



**ANDREAS HERZOG**

1957, Swiss citizen; **Profession:** Business economist; **Place of residence:** Laax, GR; **First election to the Board of Directors:** 2020; **Elected until:** Annual General Meeting 2022; **Training/degree:** Various postgraduate courses in marketing and financial management at business schools in France, Canada and the USA after graduating in business economics (HWV); **Professional background:** 1984 to 1990 employed in various roles at Ciba-Geigy, Basel, Mexico City,



Abidjan, Bogota; 1990 to 1995 employed in various roles at SWATCH, Biel, Bad Soden/Fkft a.M.; 1996 to 2001 Vice President Finance at Daniel Swarovski Corporation, Feldmeilen; 2001 to 2002 CFO at Eichhof Holding AG, Lucerne; 2002 to 2019 CFO of the Buhler AG, Uzwil; **Professional activity:** Self-employed since October 2019; **Other activities:** since 2017 Chair of the Swiss-Chinese Chamber of Commerce; since 2018 Member of the Board of Directors of SeedCapital Invest AG, Sempach; since 2019 Chairman of the Board of Directors of Systemcredit AG, Schlieren; since 2019 Member of the Board of Directors of Meyer Burger Technology AG Thun; since 2019 Member of the Board of Directors of SBB AG, Bern; since 2021 Board of Directors of Kleiderberg.ch AG, Rüschlikon.



**RALPH SIEGL**

1966, Swiss citizen; **Profession:** Political scientist and economist; **Place of residence:** Wolfhausen; ZH; **First election to the Board of Directors:** 2020; **Elected until:** Annual General Meeting 2022; **Training/degree:** Licentiate in Political Science/International Relations at the University of St. Gallen (HSG) and Master Degree in Economics at the London School of Economics and Political Science; **Professional background:** 1993 to 1995 Research assistant for goods transport at the FDFA/FDEA Integration Office, Bern and Brussels; 1995 to 2006 various positions at Nestlé Suisse SA, Vevey and Nestlé Australia Ltd, Sydney, ultimately as Vice President Exports; 2006 to 2016 CEO of Confiseur Läderach AG, Ennenda; 2016 to 2018 Managing Director, Group Management & Operations, Läderach Group, Ennenda; **Professional activity:** since 2018, independent management consultant and President and Partner of Experts for Leaders AG, Zurich; **Other activities:** since 2010 member of the Board of Directors of Gübelin Holding AG, Lucerne; since 2013 member of the Board of Directors (Chair 2016 to 2020) of Bank Linth LLB AG, Uznach; since 2019 Member of the Board of Directors of Ylex AG, Aarau; since 2020 Chair of Zibatra Beteiligungen AG (Holding company), Rickenbach SO; since 2021 member of the Board of Directors of W. Kündig & Cie. AG, Zurich.



**JEAN-PHILIPPE ROCHAT**

1957, Swiss citizen; **Profession:** lawyer; **Place of residence:** Lausanne VD; **First election to the Board of Directors:** 2020; **Elected until:** Annual General Meeting 2022; **Training/degree:** lic. iur., admitted to the bar of the Canton of Vaud; **Professional background:** Studies in law at the University of Lausanne; **Professional activity:** since 1988 Partner at Kellerhals Carrard; **Other activities:** Various foundation board and board of director mandates (e.g. Board of Directors of Investissement Foncier SA-La-Foncière, Lausanne; Board of Directors of Vaudoise Assurances Holding AS, Lausanne; Board of Directors of Vetropack Holding SA, Saint-Prex).

### 3.2. Permissible number of other mandates

Members of the Board of Directors may hold a maximum of three other mandates as members of the Board of Directors in listed companies that are considered public companies pursuant to Art. 727 (1)(1) CO, as well as an additional five mandates in non-listed companies pursuant to Art. 727 (1)(2) CO and ten mandates in a legal entity that does not meet the above criteria.

### 3.3. Election and period of office

The members are elected by the Annual General Meeting on individual ballots for a term of one year, expiring at the time of the next ordinary Annual General Meeting. Re-election is possible provided that a member of the Board of Directors has not reached or will not reach the age of 70 in the calendar year in question (age limit).

The Annual General Meeting elects the Chair of the Board of Directors from among the members of the Board of Directors as well as the members of the Personnel and Remuneration Committee. Otherwise, the Board of Directors constitutes itself.

All elections and votes are conducted openly, unless a majority requests a secret ballot.

### 3.4. Functioning of the Board of Directors

The Board of Directors meets at least four times each year and as often as business requires. In the 2021 business year, the Board of Directors met for nine full-day regular meetings and four extraordinary meetings. All members attended all regular meetings.

As a rule, meetings are called in writing seven days in advance with the agenda items included. In urgent cases, the Chair may deviate from these formal requirements.

The agenda items for the meetings are set by the Chair. Likewise, any member of the Board of Directors may request in writing the inclusion of items on the agenda.

The Board of Directors has a quorum when the majority of its members are present. A valid resolution requires the majority of the votes cast. In the event of a tie, the Chair of the Board of Directors has the deciding vote.

The CEO and the CFO participate in meetings of the Board of Directors in an advisory capacity. When required, the Board of Directors also invites external specialists and other members of the Group Management or other employees for advice on specific topics. In addition, the Chair of the Board of Directors meets with the CEO for work sessions.

### 3.5. Committees of the Board of Directors

To support it, the Board of Directors has created an Audit Committee, a Personnel and Remuneration Committee and a Market and Strategy Committee, each consisting of at least two non-executive members. In order to organise its duties efficiently and effectively, the Board of Directors relies on recommendations of these committees.

The chairpersons of the committees report to the Board of Directors at each Board meeting on their activities and results. They also keep minutes of their deliberations and resolutions, which are made available to all Board members. In the case of important matters, the Board of Directors is informed immediately after the meeting. The committees are subject to regular performance assessments (self-evaluation).

The following table shows the division of responsibilities of all members of the Board of Directors since the AGM 2021:

	Audit Committee	Market and Strategy Committee	Personnel and Remuneration Committee
Jürg Oleas Chair of the Board of Directors	x	x	x
Andreas Herzog Vice Chair of the Board of Directors	x (Chair)		
Markus Bühlmann Member		x	
Ralph Siegl Member		x (Chair)	x
Jean-Philippe Rochat Member	x		x (Chair)

#### Audit Committee

The members of the Audit Committee are elected by the Board of Directors for the term of office until the next Annual General Meeting; the Committee constitutes itself. The Board of Directors appoints the Chair.

In 2021, the Audit Committee had three members and met five times. The meetings were attended by representatives of the auditors, the CEO and CFO and, on a case-by-case basis, other members of the Group Management as well as external advisors. With one excused exception, all Committee members attended all meetings and regularly received the written internal audit reports.

The Audit Committee supports the Board of Directors in its supervision of the Group Management, particularly with regard to financial matters. The main tasks of the Audit Committee are:

- Monitoring internal and external accounting and financial reporting to shareholders and the public. Assessment of the consolidated and individual financial statements of the Group companies with recommendation to the Board of Directors for submission to the Annual General Meeting
- Assessing the effectiveness and independence of the external auditors and the interaction with the internal auditors. Evaluation and recommendation to the Board of Directors regarding the selection of the external auditors as well as internal audit measures
- Assessment of the functionality of the internal control system of the group of companies, including risk management
- Observation of the development of and compliance with legal and regulatory provisions, in particular accounting standards, auditing principles, requirements of the SIX Swiss Exchange, as well as adherence to internal regulations and principles (compliance)

#### **Personnel and Remuneration Committee**

The members of the Personnel and Remuneration Committee are elected by the Annual General Meeting for the term of office until the next Annual General Meeting; the Committee constitutes itself. The Board of Directors appoints the Chair.

In 2021, the Personnel and Remuneration Committee had three members and met six times. The meetings were attended by the CEO and the VP Human Resources on a case-by-case basis. All committee members attended all meetings.

The main tasks of this committee are:

- Support and advice to ensure a far-sighted human resources policy at HOCHDORF
- Drawing up competence profiles of the Board of Directors and the CEO, ensuring succession planning in the Board of Directors including identification and evaluation of new candidates
- Performance appraisal of the CEO and, if applicable, members of the Group Management
- Drawing up employment agreements for the members of the Group Management
- Recommendations for the compensation of the members of the Board of Directors and the Group Management, including the assessment of corresponding remuneration systems

#### **Market and Strategy Committee**

The members of the Market and Strategy Committee are elected by the Board of Directors for the term of office until the next Annual General Meeting; the Committee constitutes itself. The Board of Directors appoints the Chair.

In 2021, the Market and Strategy Committee had three members and met three times. The CEO and additional members of the Group Management took part in the meetings. All committee members attended all meetings.

The main tasks of this committee are:

- Reviewing and evaluating the long-term vision, mission and values of the HOCHDORF Group
- Evaluating decisions that are of strategic relevance, particularly those focused on value creation, in order to advise and support the Board of Directors
- Monitoring potential changes in the basic conditions concerning the strategy approved by the Board of Directors
- Reviewing the organisational structure based on the strategy and the staff composition of the Group Management.

#### **3.6. Division of responsibilities between the Board of Directors and the Group Management**

The Board of Directors may pass resolutions on all matters that are not assigned to the Annual General Meeting. It conducts the business of the company itself insofar as it is legally obliged to do so (Art. 716a CO) or has not delegated this to the Group Management or individual members of the Board of Directors in accordance with the organisational regulations.

Based on this, the Board of Directors of HOCHDORF Holding Ltd discusses and decides on the following matters in particular:

- Definition of the corporate mission statement, the corporate policy and the corporate strategy and preparation of the necessary regulations
- Annual and investment budget, multi-year financial and liquidity planning
- Annual and half yearly financial statements
- Group organisational chart up to and including the Group Management
- Wage policy
- Design of an internal control system (ICS) and risk management adapted to the needs of the company.
- Strategy-relevant cooperations and contracts, in particular the purchase and sale of participations, companies, parts of companies, lines of business and rights to products or intangible property rights
- Foundation and dissolution of companies
- Nomination of Board member candidates for the attention of the AGM
- Election of Board of Directors for subsidiaries
- Appointment and dismissal of the persons entrusted with the management of the company

The Board of Directors delegates all other duties in full to the CEO, who has the right to issue instructions to the other members of the Group Management. The Board of Directors may – on a case-by-case basis or in connection with its general reservation of competencies – intervene at any time in the duties and competencies of hierarchically subordinate bodies and assume control of the business conducted by these bodies.

The CEO chairs Group Management. The CEO leads, monitors and coordinates the members of the Group Management and supplies them with the authorisations required to fulfil their roles. Under the law, Articles of Association and organisational regulations governing HOCHDORF, the CEO holds the necessary management authorisations. In particular, the CEO is responsible for the following tasks:

- Implementation of the strategic objectives, definition of key operational areas and priorities as well as ensuring the availability of the material and staffing resources required to fulfil these
- The management, monitoring and coordination of the remaining members of Group Management
- Convening, preparing and presiding over Group Management meetings

In addition, the division of responsibilities and the type of cooperation between the Board of Directors, CEO and Group Management are set out in detail in the HOCHDORF Group's organisational regulations.

### **3.7. Information and control instruments with regard to Group Management**

At each meeting, the Board of Directors is informed by the Chairs of the Committees, by the CEO, CFO and, depending on the agenda item, by other employees about the course of business, risks, the financial situation and important business events (e.g. changes in management personnel). The Board of Directors also receives all minutes of the Group Management meetings, which are usually monthly. Extraordinary events are promptly communicated to the members of the Board of Directors via circular.

Outside the meetings, each member of the Board of Directors may request information from the members of the Group Management on the course of business and on transactions.

Otherwise, the following additional control systems are in place:

- Reporting: The Board of Directors receives a monthly report from the Group Management that provides information on the income statement and cash flow statement at Group level and for the legal entities and the important investment projects. These figures are compared with the budget and the previous year. A year-end forecast is prepared on a quarterly basis
- Risk management process: As part of a formalised process, risks are identified by the Group Management at least once a year and assessed according to probability of occurrence and extent of damage. The Group Management presents these to the Board of Directors, including the measures to be implemented (see also the Risk Report on page 33 of the Annual Report)
- Internal and external auditors: The internal and external auditors liaise directly with the Audit Committee, primarily through attendance at meetings. The internal auditor reports directly to the Chair of the Audit Committee and is an essential part of the internal control system. The Audit Committee approves the annual audit plan of the internal auditor, receives all audit reports and is informed about the findings as well as the related measures

### **3.8. Compensation, shareholdings, loans**

The relevant information can be found in the Remuneration Report.

## 4. Group Management

### 4.1. Members of Group Management

The members of the Group Management are appointed and dismissed by the Board of Directors. There were no changes in the reporting year. As at 31 December 2021, the Group Management was comprised as follows:



**DR PETER PFEILSCHIFTER**

1965; German citizen. **Place of residence:** Müswangen LU, Eberbach (Germany). **Position:** CEO since 2019. **Training/degree:** Studies in economics and business organisation (1992 MBA) and doctorate in economic sciences (1996) at the Bundeswehr University Munich, Germany. **Professional background:** 1995 to 1997 Senior Consultant, Coopers & Lybrand, Essen and Munich; 1997 to 2003 various leadership roles at ABB Schweiz AG, Baden and Zurich (Switzerland); 2003 to 2010 various leadership roles at Gelita AG, Eberbach (Germany) including Area President Europe, Chief Marketing Officer and Chief Operating Officer; 2010 to 2011 Head of Company Development at Sachsenmilch Leppersdorf GmbH, Leppersdorf/Dresden (Germany); 2011 Interim Managing Director at Gyma Deutschland GmbH, Kamp-Lintfort (Germany); 2011 to 2017 General Manager and Senior Site Director at Glanbia Nutritionals Deutschland GmbH, Orsingen-Nenzingen (Germany); 2017 to 2020 Managing Director at Uckermärker Milch GmbH, Prenzlau (Germany); at HOCHDORF Swiss Nutrition AG Managing Director Food Solutions 2018 until 2020 and Managing Director Baby Care 2020. **Other activities:** Chair of the Boards of Directors of all HOCHDORF subsidiaries; Chair of the foundation board of the HOCHDORF Swiss Nutrition Ltd. pension fund; Member of the German Senate of Economy since 2016.

#### Events after the balance sheet date

On 20 January 2022, Dr Peter Pfeilschifter announced his resignation as CEO of the HOCHDORF Group with immediate effect. In an extraordinary meeting, the Board of Directors appointed Ralph Siegl as Delegate of the Board of

Directors. In this capacity, Ralph Siegl has assumed the role of CEO of the HOCHDORF Group. Information on Ralph Siegl can be found on page 39.



**NANETTE HAUBENSAK**

1969, German citizen. **Place of residence:** Zurich **Position:** CFO of the HOCHDORF Group since 29 June 2020. **Training/degree:** Degree in Economics at the Freie Universität Berlin (Germany); Master of Arts (European Tourism Management) at the University Savoie Mont Blanc (France) and Bournemouth University (UK); CAS Digital Transformation at the PHW Business School Bern. **Professional background:** 1997 to 2001 Senior Consultant at Management Arthur D. Little, Berlin; 2001 to 2006 M&A Manager and Head of Cooperations & Contract Management at Infineon Technologies AG, Munich (Germany); 2006 to 2019 Head of Corporate Development and Head of Finance & Controlling for the Components Division and subsequently the Machines & Systems Division at the Rieter Group, Winterthur. **Other activities:** Ambassador for the SANNI Foundation.



**GÉZA SOMOGYI**

1978, Hungarian citizen. **Place of residence:** Güttingen **Position:** COO of the HOCHDORF Group since 1 July 2020. **Training/degree:** Food science. **Professional experience:** 2002 to 2013 Development Engineer and Head of



Operations at Mars Inc. Bokros (Hungary); 2015 to 2020 Head of Production at several plants with additional responsibility for the registration of German plants and formulations as a condition of market entry in China at Danone/Milupa, Fulda (Germany).

#### **4.2. Permissible number of other mandates**

Members of the Group Management may hold a maximum of 1 mandate in listed companies (Art. 727 (1)(2) and three mandates in non-listed companies within the meaning of Art. 727 (1)(2) CO as well as 5 mandates in a legal entity that does not meet the above criteria.

#### **4.3. Management contracts**

There are no management contracts between HOCHDORF Holding Ltd and third parties or third-party companies.

### **5. Compensation, shareholdings, loans**

The relevant information can be found in the Remuneration Report.

### **6. Shareholders' rights of co-determination**

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

The Articles of Association can be downloaded from the HOCHDORF website under "Investor Relations": <https://www.hochdorf.com/en/investors/corporate-governance/>.

#### **6.1. Restrictions to voting rights and proxy voting**

All shareholders listed in the shareholder register are entitled to attend the Annual General Meeting and are authorised to vote. The restriction on voting rights amounts to 15% of the share capital. All shareholders can give written authority to a fellow shareholder or appoint an independent proxy to vote at the AGM on their behalf. There is no statutory quorum.

Art. 12 of the Articles of Association addresses the assignment of the voting right to an independent proxy, as well as the ability to electronically cast a vote to the independent proxy.

#### **6.2. Statutory quorum**

The Annual General Meeting adopts its resolutions and conducts its elections by relative majority of the votes cast, with abstentions being left out of consideration in determining the majority and excluding blank and invalid votes, unless the law provides otherwise.

#### **6.3. Convening of the Annual General Meeting**

The Annual General Meeting takes place annually, at the latest six months after the end of the business year. It is convened by the Board of Directors. The statutory provisions apply to the convening of an extraordinary General Meeting. Personal invitations to the Annual General Meeting are sent out in writing and at least 20 days before the meeting.

#### **6.4. Agenda**

Invitations to submit items for the agenda and questions about the Annual Report are included with the invitation to the Annual General Meeting. Shareholders who represent shares with a nominal value of at least CHF 1 million may request that an item be added to the agenda. One or more shareholders who collectively represent at least 10% of the share capital may request that the Board of Directors calls a General Meeting and/or that an item be added to the agenda.

#### **6.5. Entries in the share register**

The share register is usually closed ten days prior to the Annual General Meeting. Upon request, the Board of Directors can approve exceptions for late submissions.

### **7. Change of control and defensive measures**

#### **7.1. Duty to make an offer**

The Articles of Association of HOCHDORF Holding Ltd do not contain any opting-out or opting-up clauses within the meaning of Article 125 or 135 of the Financial Market Infrastructure Act (FinMIA) with respect to the statutory duty to submit a takeover offer.

#### **7.2. Change-of-control clauses**

There are no change of control clauses with members of the Board of Directors or Group Management.

## 8. Auditor

### 8.1. Duration of the mandate and term of the chief auditor

The Annual General Meeting elects the auditors for terms of one year each. KPMG Ltd, Lucerne, was re-elected as the auditor of HOCHDORF Holding Ltd until the Annual General Meeting in 2022. It has acted as statutory auditor since 2020. The Chief Auditor is Thomas Affolter.

### 8.2. Audit fee

Calculated on an accrual basis, the expenses of the auditor KPMG Ltd for the audit of the individual financial statements and the consolidated financial statements for 2021 amounted to approximately TCHF 230.

### 8.3. Additional fees

In the reporting year, no additional fees were incurred by KPMG Ltd for consulting services.

### 8.4. Instruments for supervising and controlling the audit

The Audit Committee of the Board of Directors assesses the performance, invoicing and independence of the external auditors and makes recommendations to the Board of Directors. Every year, the Audit Committee checks the scope of the external audits, the audit plans and the relevant processes and discusses the audit results with the external auditors. In 2021, the chief auditor attended three meetings of the Audit Committee.

## 9. Information policy

HOCHDORF maintains open and continuous communication with shareholders, potential investors and other interest groups. Shareholders are informed about HOCHDORF's annual and half-yearly financial statements in letters to shareholders. The aim is to provide transparent information about the company, its strategy and business development, and to offer a truthful picture of the past and current performance of HOCHDORF and its outlook for the future.

HOCHDORF publishes a comprehensive Annual Report that includes business activities, Corporate Governance, the Remuneration Report and financial reporting that is generated and audited in accordance with Swiss GAAP FER. A half-year report is also produced in accordance with the Swiss GAAP FER guidelines. Press releases about events relevant to the Stock Exchange, such as acquisitions, minority or majority shareholdings, joint ventures and alliances are published in accordance with the guidelines for ad-hoc publicity.

Press releases and investor information are available at the following link:

> Investor Relations:

<https://www.hochdorf.com/en/investors/reports-presentations/>

Shareholders and others who are interested in HOCHDORF can also subscribe to a newsletter that provides ad-hoc notifications and press releases:

> Newsletter:

<http://www.hochdorf.com/en/investors/newsletter>

### Contact for investor relations:

HOCHDORF Holding Ltd, Investor Relations, Siedereistrasse 9, 6280 Hochdorf, Switzerland. Tel. +41 41 914 65 62, Email: [ir@hochdorf.com](mailto:ir@hochdorf.com).

The Annual General Meeting will take place on 13 April 2022. Shareholders recorded in the share register will receive an invitation to the Annual General Meeting by post.

The next business results (Interim Report 2022) will be published on 8 August 2022.

## 10. Trading blackout periods

In accordance with HOCHDORF's insider dealing regulations, persons who have knowledge of confidential information ("company insiders") may not trade in HOCHDORF Holding Ltd shares during the following periods (blackout periods):

- > Between 20 calendar days prior to the Board of Directors meeting which takes place before the publication of the agenda of an ordinary or extraordinary General Meeting and the time of the publication itself or;
- > 20 calendar days prior to Board meetings which take place before the publication of information to be disclosed pursuant to Art. 49 (Annual reporting) and 50 (Interim reporting) LR and the publication itself.

Corporate insiders as defined in the HOCHDORF Insider Regulations (with reference to the relevant legal provisions, namely Art. 142 ff. Financial Market Infrastructure Act (FinMIA)) are, in addition to the members of the Board of Directors and the Group Management, all persons who have knowledge of confidential information by virtue of their function, in the performance of their duties or by chance, or persons to whom the HOCHDORF Board of Directors has specifically communicated such confidential information or authorised them to have knowledge thereof.

# REMUNERATION REPORT

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# Remuneration Report

The report complies with the provisions of the Ordinance of 1 January 2014 against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) and associated provisions of the Swiss Code of Obligations. The basic principles of ERCO are anchored in the Articles of Association of HOCHDORF Holding Ltd (Art. 19 and Art. 23).

## Guidelines

HOCHDORF places great importance on recruiting, engaging, motivating, and developing well-qualified employees at all levels. This is particularly important when it comes to staffing those positions that have a significant bearing on the management of the company. On the one hand, remuneration should create incentives that promote long-term corporate development and increase the value of the company. Furthermore, the system of remuneration should be appropriate and in line with the market in order to be able to recruit qualified employees. All remuneration is paid out in cash.

There are no share or option plans or similar shareholding programmes at HOCHDORF.

## System of remuneration

### Board of Directors

The members of the Board of Directors receive a non-performance-related basic remuneration as well as allowances for roles and for memberships in committees. The Board of Directors may also determine special remuneration for special tasks. HOCHDORF Holding Ltd pays the legally required pension and social contributions; the members of the Board of Directors also receive an annual lump-sum expense allowance. The Board of Directors are not covered by the pension fund. Details are shown in the table "Remuneration of the Board of Directors". The remuneration of the members of the Board of Directors is paid in two to four instalments at the end of each quarter. In the event that a member of the Board of Directors is not in place for the full term, the remuneration is calculated on a pro rata basis.

### Group Management

The remuneration of the members of the Group Management consists of a fixed monthly base salary and a performance-based variable remuneration. Both are paid out in cash. The variable remuneration results from the achievement of certain performance targets, which consist of financial targets (EBITDA, free cash flow at Group level) as well as qualitative targets. There is an upper limit to the variable remuneration for all members of Group Management that amounts to a maximum of 25% of the fixed compensation. The Board of Directors determines the respective targets as well as the degree of target achievement on the recommendation of the Personnel and Remuneration Committee.

Employment agreements are concluded for an indefinite period of time with a notice period of six months for members of Group Management.



## Jurisdiction and procedure for defining remuneration

### Competencies

The Board of Directors decides on all compensation-related issues within the compensation framework approved by the Annual General Meeting, in each case at the request of the Personnel and Remuneration Committee.

The Personnel and Remuneration Committee shall be composed of at least two members of the Board of Directors. The members are elected by the Annual General Meeting for a term of one year, until the conclusion of the next ordinary Annual General Meeting. The Board of Directors shall appoint the Chair.

The Personnel and Remuneration Committee assists the Board of Directors in setting and reviewing the remuneration policy and guidelines, the performance targets and in preparing the proposals for the attention of the General Meeting regarding the total amounts of remuneration of the members of the Board of Directors and the Group Management. In addition, the Personnel and Remuneration Committee prepares the medium and long-term HR planning for the members of the Board of Directors and the Group Management. The Chair may invite the CEO and the Head of Human Resources to the meetings as necessary. In the 2021 business year, the Personnel and Remuneration Committee met six times; the minutes are available to the Board of Directors.

The competencies and responsibilities of the PRC are detailed in the HOCHDORF Organisational Rules. The competencies with regard to remuneration are shown in the following table:

Topic	Recommendation by	Approval by
Maximum total amount of remuneration to be paid to the Board of Directors	Board of Directors	Annual General Meeting
Maximum total amount of remuneration to be paid to Group Management	Board of Directors	Annual General Meeting
Individual remuneration of the members of the Board of Directors	Personnel and Remuneration Committee	Board of Directors
Fixed remuneration paid to Group Management (subsequent year)	Personnel and Remuneration Committee	Board of Directors
Variable remuneration paid to Group Management (subsequent year)	Personnel and Remuneration Committee	Board of Directors
Remuneration Report	Personnel and Remuneration Committee	Board of Directors

The approval by the Board of Directors is subject to the approval of the Annual General Meeting, which votes separately on maximum remuneration and consultatively on the remuneration report each year.

### Approval model for the 2022 Annual General Meeting

Shareholders will vote on the following remuneration components at the 2022 Annual General Meeting:

- Board of Directors: Prospectively over the maximum total amount of the fixed remuneration for the period from the 2022 AGM to the 2023 AGM
- Group management: Prospectively over the maximum total amount of the fixed and variable remuneration for the current business year 2022

## Remuneration of the Board of Directors

### Business year 2021

The remuneration is shown according to the amounts actually paid out to the members of the Board of Directors who held office in the corresponding periods. The remuneration reported in 2020 also includes payments that were not made until 2021 for the period from 1 January 2020 to the 2020 AGM.

Member	Role/committees	Remuneration	Expenses	Social contributions <sup>1)</sup>	2021	2020 <sup>2)</sup>
Jürg Oleas Start date: 30.06.2020	Chair, Board of Directors Member PRC Member AC Member MSC	142,201	5,100	9,101	156,402	79,037
Andreas Herzog Start date: 30.06.2020	Vice Chair, Board of Directors Chair AC	103,739	5,100	6,639	115,479	58,321
Jean-Philippe Rochat Start date: 30.06.2020	Chair PRC Member AC	95,192	5,100	6,092	106,384	53,717
Ralph Siegl Start date: 30.06.2020	Chair MSC Member PRC	95,000	5,000	6,199	106,199	53,669
Markus Bühlmann Start date: 12.04.2019	Member MSC	74,785	5,100	4,785	84,670	63,930
Bernhard Merki End date: 30.06.2020	Chair MSC Member PRC					60,344
Jörg Riboni End date: 30.06.2020	Vice Chair, Board of Directors Member PRC Chair AC					52,148
Markus Kalberer End date: 30.06.2020	Member AC					28,274
Dr Walter Locher End date: 30.06.2020	Chair PRC Member AC					47,195
<b>Total</b>		<b>510,918</b>	<b>25,400</b>	<b>32,816</b>	<b>569,134</b>	<b>496,635</b>

AC = Audit Committee; PRC = Personnel and Remuneration Committee; MSC = Market and Strategy Committee

<sup>1)</sup> Social contributions include employer contributions

<sup>2)</sup> In the Annual Report 2020, within the scope of the Remuneration Report (page 44), it was pointed out that as of 31 December 2020, not all remuneration for the period 1 January 2020 to the AGM 2020 had yet been paid to the members of the Board of Directors Bernhard Merki, Jörg Riboni, Markus Kalberer, Dr. Walter Locher and Markus Bühlmann who were in office at that time during this period (reported amount available: CHF 210,490). This was completed in 2021 within the approved amount and amount still available

### Comparison of the remuneration paid out with the amount approved by the AGM

For the completed term of office from AGM 2020 to AGM 2021, a total amount of CHF 600,000 was proposed by the AGM of 30 June 2020. This was observed.

Period	Amount paid out (in CHF)	Amount approved (in CHF)
AGM 2020 (30.06.2020) – 31.12.2020	287,527	
01.01.2021 – AGM 2021 (09.06.2021)	284,195	
<b>Total</b>	<b>571,722</b>	<b>600,000</b>

For the current term of office from AGM 2021 to AGM 2022, a total amount CHF 600,000 was approved by the AGM of 09.06.2021. As of 31.12.2021, 53% of this was still available.

Period	Amount paid out (in CHF)	Amount approved (in CHF)
AGM 2021 (09.06.2021) – 31.12.2021	284,939	
01.01.2022 – AGM 2022		Available: 315,061
<b>Total</b>	<b>284,939</b>	<b>600,000</b>

### Request to the AGM 2022

Approval of the total sum of the fixed remunerations for the Board of Directors to a maximum of CHF 600,000 for the period from the AGM 2022 to the AGM 2023.

## Remuneration paid to the CEO and Group Management

The variable compensation (bonus) of the Group Management is accrued at the end of the year, as the performance-related salary components are only paid out in the following year. In the event that a member of the Group Management leaves or starts during the year, the remuneration is included pro rata up to the time of the completion or assumption of the corresponding role.

In CHF	Basic salary <sup>1)</sup>	Bonus <sup>2)</sup>	Social contributions, including employee pension <sup>3)</sup>	Other contributions <sup>4)</sup>	Total
Remuneration to Group Management 2021					
Group Management Total	1,008,290	200,353	282,967	171,689	1,663,300
Thereof highest remuneration <sup>4)</sup>	470,400	129,840	143,003	111,689	845,932
Remuneration to Group Management 2020					
Group Management Total	1,213,586	149,819	249,766	78,133	1,691,304
Thereof highest remuneration <sup>4)</sup>	434,000	102,944	140,589	24,000	701,533

<sup>1)</sup> Monthly salary, 13th monthly salary payment, flat-rate amount for entertainment expenses, including employee contributions

<sup>2)</sup> Pension and social contributions include employer contributions to social insurance schemes and pension funds

<sup>3)</sup> Private shares for company vehicles, vehicle payments, company loyalty gifts

<sup>4)</sup> Dr Peter Pfeilschifter, CEO

The composition of the Group Management was unchanged in 2021.

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

The Annual General Meeting on 9 June 2021 approved a total amount of CHF 2,000,000 for the 2021 reporting year. This total amount will be exceeded.

### Request to the AGM 2022

Approval of the total sum of the fixed and variable remunerations for the Board of Directors to a maximum of CHF 2,600,000 for the 2022 business year. Group Management will be expanded in 2022 to include the departments of innovation, research & development as well as sales and marketing.

## Change-of-control clauses

The employment agreements for the members of Group Management do not include any change-of-control clauses.

## Severance payments, remuneration in advance, takeover commissions

No severance payments, remuneration in advance or commissions for the acquisition or transfer of companies or parts thereof by the company or by companies directly or indirectly controlled by the company were paid to members of the Board of Directors or the Group Management.

## Payments to former members of Group Management and the Board of Directors

Remuneration still due to former members of the Board of Directors and the Group Management is accrued accordingly in the reporting year.

## Benefits

No additional benefits were paid to members of the Board of Directors or the Group Management or related persons or to former members of governing bodies.

## Loans and credits

No loans or credits were granted or paid out to related persons or members of governing bodies by HOCHDORF Holding or other group companies. Furthermore, no loans or credits are outstanding.

## Shareholdings

As at 31 December, the individual members of the Board of Directors and Group Management (including related persons) held the following number of shares in the company:

Board of Directors		31.12.2021	31.12.2020
Jürg Oleas	Chair; as of 30.06.2020	0	0
Andreas Herzog	Vice Chair; as of 30.06.2020	0	0
Ralph Siegl	as of 30.06.2020	100	100
Markus Bühlmann	as of 12.04.2019	0	0
Jean-Philippe Rochat	as of 30.06.2020	0	0
<b>Total</b>		<b>100</b>	<b>100</b>
Group Management		31.12.2021	31.12.2020
Dr Peter Pfeilschifter	CEO; Managing Director Dairy Ingredients; as of 01.01.2020	257	257
Nanette Haubensak	CFO; as of 29.06.2020	0	0
Géza Somogyi	COO; as of 01.07.2020	0	n. a.
<b>Total Group Management</b>		<b>257</b>	<b>257</b>
<b>Total Board of Directors and Group Management</b>		<b>357</b>	<b>357</b>
as % of total number of shares		0.02%	0.02%





# Report of the Statutory Auditor

## To the General Meeting of HOCHDORF Holding Ltd., Hochdorf

We have audited the remuneration report of HOCHDORF Holding Ltd. for the year ended 31 December 2021. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables “Remuneration of the Board of Directors” and “Remuneration of the CEO and Group Management” on pages 47 to 52 of the remuneration report.

### Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of HOCHDORF Holding Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.



KPMG AG

Thomas Affolter  
Licensed Audit Expert  
Auditor in Charge

Joel Wachter  
Licensed Audit Expert

Lucerne, 11 March 2022

KPMG AG, Pilatusstrasse 41, CH-6003 Lucerne

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# ANNUAL FINANCIAL STATEMENT

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## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

	Explanations in the notes	2021 TCHF	in %	2020 TCHF	in %
<b>Assets</b>					
Cash and cash equivalents	1)	24,285	8.3%	12,411	3.8%
Securities	2)	253	0.1%	231	0.1%
Trade accounts receivables	3)	23,841	8.1%	23,995	7.4%
Trade accounts receivables from related parties	3)	45,133	15.4%	32,129	9.9%
Trade accounts receivables from associated companies	3)	170	0.1%	115	0.0%
Other receivables	3)	3,333	1.1%	2,768	0.9%
Other receivables from related parties	3)	1,225	0.4%	40,602	12.5%
Inventories	4)	31,851	10.9%	29,235	9.0%
Accrued income	5)	4,810	1.6%	3,383	1.0%
<b>Current assets</b>		<b>134,901</b>	<b>46.0%</b>	<b>144,869</b>	<b>44.7%</b>
Property and plant		50,013	17.0%	62,900	19.4%
Other fixed assets		95,032	32.4%	107,515	33.2%
<b>Total fixed assets</b>	6)	<b>145,045</b>	<b>49.4%</b>	<b>170,415</b>	<b>52.6%</b>
Investments in associated companies		2,289	0.8%	2,846	0.9%
Financial assets	7)	9,869	3.4%	4,174	1.3%
Intangible assets	8)	1,236	0.4%	1,533	0.5%
<b>Non-current assets</b>		<b>158,439</b>	<b>54.0%</b>	<b>178,969</b>	<b>55.3%</b>
<b>Total assets</b>		<b>293,340</b>	<b>100.0%</b>	<b>323,838</b>	<b>100.0%</b>
<b>Liabilities</b>					
Trade payables	9)	25,963	8.9%	22,057	6.8%
Trade payables to associated companies	9)	17	0.0%	304	0.1%
Short-term financial liabilities	10)	118	0.0%	0	0.0%
Other liabilities	11)	3,191	1.1%	4,141	1.3%
Accrued liabilities and deferred income	12)	4,691	1.6%	4,135	1.3%
Short-term provisions	14)	1,355	0.5%	768	0.2%
<b>Current liabilities</b>		<b>35,334</b>	<b>12.0%</b>	<b>31,406</b>	<b>9.7%</b>
Non-current financial liabilities	13)	57,239	19.5%	100,000	30.9%
Non-current provisions	14)	17,500	6.0%	11,885	3.7%
<b>Non-current liabilities</b>		<b>74,739</b>	<b>25.5%</b>	<b>111,885</b>	<b>34.5%</b>
Share capital		21,518	7.3%	21,518	6.6%
Treasury shares		-7,105	-2.4%	-7,105	-2.2%
Capital reserves		164,490	56.1%	164,490	50.8%
Hybrid capital	15)	116,437	39.7%	116,437	36.0%
Profit reserves		-114,675	-39.1%	-44,745	-13.8%
Net result (shareholder)		2,550	0.9%	-70,133	-21.7%
<b>Equity excl. minority interests</b>		<b>183,213</b>	<b>62.5%</b>	<b>180,461</b>	<b>55.7%</b>
Minority interests		55	0.0%	87	0.0%
<b>Shareholders' equity</b>		<b>183,267</b>	<b>62.5%</b>	<b>180,548</b>	<b>55.8%</b>
<b>Total liabilities and equity</b>		<b>293,340</b>	<b>100.0%</b>	<b>323,838</b>	<b>100.0%</b>

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

## CONSOLIDATED INCOME STATEMENT

	Explanations in the notes	2021		2020	
		TCHF	in %	TCHF	in %
		1.1.21 – 31.12.21		1.1.20 – 31.12.20	
<b>Net revenue from deliveries &amp; services</b>	16)	<b>303,515</b>	<b>86.9%</b>	<b>306,199</b>	<b>100.4%</b>
Other operating income	17)	43,878	12.6%	994	0.3%
Change in inventories of semi-finished and finished products		2,028	0.6%	-2,192	-0.7%
<b>Production revenue</b>		<b>349,421</b>	<b>100.0%</b>	<b>305,001</b>	<b>100.0%</b>
Cost of materials and goods		-238,210	-68.2%	-210,668	-69.1%
<b>Gross operating profit</b>		<b>111,210</b>	<b>31.8%</b>	<b>94,332</b>	<b>30.9%</b>
Personnel expenses	18)	-40,280	-11.5%	-39,722	-13.0%
Other operating expenses	19)	-46,215	-13.2%	-40,741	-13.4%
<b>Total operating expenses</b>		<b>-86,495</b>	<b>-24.8%</b>	<b>-80,463</b>	<b>-26.4%</b>
<b>EBITDA</b>		<b>24,715</b>	<b>7.1%</b>	<b>13,869</b>	<b>4.5%</b>
Depreciation of fixed assets	6)	-17,591	-5.0%	-82,228	-27.0%
Amortisation of intangible assets	8)	-621	-0.2%	-684	-0.2%
Profit from sale of subsidiaries		0	0.0%	1,170	0.4%
<b>EBIT</b>		<b>6,503</b>	<b>1.9%</b>	<b>-67,872</b>	<b>-22.3%</b>
Income from associates and joint ventures	20)	-557	-0.2%	350	0.1%
Financial result	20)	-5,341	-1.5%	-5,092	-1.7%
<b>Ordinary result</b>		<b>604</b>	<b>0.2%</b>	<b>-72,615</b>	<b>-23.8%</b>
Non-operating result	21)	59	0.0%	5	0.0%
Extraordinary result		0	0.0%	1	0.0%
<b>Earnings before taxes</b>		<b>663</b>	<b>0.2%</b>	<b>-72,608</b>	<b>-23.8%</b>
Income taxes	22)	1,889	0.5%	2,335	0.8%
<b>Net result</b>		<b>2,552</b>	<b>0.7%</b>	<b>-70,274</b>	<b>-23.0%</b>
<b>Attributable to:</b>					
Net result current year (shareholder)		2550	0.7%	-70,133	-23.0%
Net result current year (minority interests)		2	0.0%	-141	0.0%
<b>Net result</b>		<b>2,552</b>	<b>0.7%</b>	<b>-70,274</b>	<b>-23.0%</b>
<b>Earnings per share (basic)</b>	23)	<b>1.20</b>		<b>-34.60</b>	
<b>Earnings per share (diluted)</b>	23)	<b>1.20</b>		<b>-34.60</b>	

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



## CONSOLIDATED CASH FLOW STATEMENT

	Explanations in the notes	2021 TCHF	2020 TCHF
		1.1.21 – 31.12.21	1.1.20 – 31.12.20
Net profit		2,552	-70,274
Depreciation of fixed assets and amortisation of intangible assets	6) 8)	18,213	82,911
Profit from sale of subsidiaries		0	-1,170
Currency effect on sale of subsidiaries		0	252
Net interest expense		5,863	5,494
Other non-cash adjustments <sup>1)</sup>		3,922	2,335
Change in provisions	14)	6,202	-8,107
Accounting profits (losses) from sales of fixed assets	17)	-41,299	5
Income from associates and joint ventures		557	-350
<b>Cash flow from operating activities before changes in working capital</b>		<b>-3,991</b>	<b>11,097</b>
As % of net sales revenue		-1.31%	3.62%
Change in accounts receivables	3)	-12,906	-15,205
Change in other receivables and accrued income	3) 5)	-2,335	-8,337
Change in inventories	4)	-2,617	3,899
Change in trade payables	9)	3,775	-5,503
Change in other liabilities and deferred income	11) 12)	136	2,723
<b>Change in net current assets</b>		<b>-13,946</b>	<b>-22,422</b>
<b>Cash flow from operating activities</b>		<b>-17,937</b>	<b>-11,325</b>
As % of net sales revenue		-5.91%	-3.70%
Investments in fixed assets		-4,095	-2,785
Divestments of fixed assets		53,306	25
Investments in intangible assets		-78	-793
Investments in/divestment of long-term financial assets		81	0
Net cash flow from the purchase (-) / sale (+) of subsidiaries	3)	29,939	32,218
<b>Cash flow from investing activities</b>		<b>79,152</b>	<b>28,665</b>
Free cash flow		61,215	17,339
As % of net sales revenue		20.17%	5.66%
Change in short-term financial liabilities	9)	0	-7,015
Change in long-term financial liabilities	13)	-43,000	-7,169
Change in minority interests in capital and profit		61	-38
Change in mandatory convertible bond		0	-1,195
Interest paid		-6,393	-9,501
<b>Cash flow from financing activities</b>		<b>-49,332</b>	<b>-24,919</b>
Currency translation		-9	-210
<b>Net change in cash and cash equivalents</b>		<b>11,874</b>	<b>-7,790</b>
Cash and cash equivalents at 1 January		12,411	20,201
<b>Cash and cash equivalents at 31 December</b>		<b>24,285</b>	<b>12,411</b>

<sup>1)</sup> Other non-cash adjustments mainly include the utilisation of the employer contribution reserves for the pension fund (see section 7 in the Notes to the annual financial statements for 2021)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Capital reserves	Hybrid capital	Profit reserves	Accumulated currency translation differences	Total excl. minority shares	Minority shares	Total incl. minority shares
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
<b>Equity as at 31.12.2019</b>	<b>17,584 <sup>1)</sup></b>	<b>-7,105</b>	<b>290,497</b>	<b>116,437</b>	<b>-154,151</b>	<b>-310</b>	<b>262,951</b>	<b>-5,135</b>	<b>257,816</b>
Change in scope of consolidation <sup>3)</sup>					-7,115		-7,115	5,303	-1,813
Goodwill/bad will from sales of subsidiaries					-4,255		-4,255		-4,255
Allocation of capital contributions to free reserves <sup>4)</sup>			-130,000		130,000		0		0
Conversion mandatory convertible bond	3,934		114,766				118,700		118,700
Mandatory convertible bond <sup>5)</sup>			-110,773		-9,122		-119,895		-119,895
Hybrid bond <sup>6)</sup>					79		79		79
Currency translation differences						129	129	61	190
Net profit					-70,133		-70,133	-141	-70,274
<b>Equity as at 31.12.2020</b>	<b>21,518 <sup>1)</sup></b>	<b>-7,105</b>	<b>164,490</b>	<b>116,437</b>	<b>-114,697</b>	<b>-181</b>	<b>180,461</b>	<b>87</b>	<b>180,548</b>
Change in scope of consolidation <sup>7)</sup>					-26		-26	-35	-61
Currency translation differences						229	229		229
Net profit					2,550		2,550	2	2,552
<b>Equity as at 31.12.2021</b>	<b>21,518 <sup>1)</sup></b>	<b>-7,105</b>	<b>164,490</b>	<b>116,437</b>	<b>-112,174 <sup>1)</sup></b>	<b>48</b>	<b>183,213</b>	<b>55</b>	<b>183,267</b>

<sup>1)</sup> 2021: 2,151,757 registered shares at nominal CHF 10.00 (2020: 2,151,757; 2019: 1,758,369); each share corresponds to one vote; the maximum entry limit in the share register is 15% of the votes

<sup>2)</sup> Of which non-distributable reserves TCHF 13,871 (2020: TCHF 10,619; 2019: TCHF 10,172). This includes deferred interest under the hybrid bond of TCHF 4,878 as at 31.12.2021 (PY: TCHF 1,626) due for payment at the time of a dividend declared by the General Meeting of Shareholders

<sup>3)</sup> Sale of Uckermärker Milch GmbH and Marbacher Ölmühle GmbH; increase of share Snapz Food AG

<sup>4)</sup> As per resolution at the AGM 2020

<sup>5)</sup> The convertible bond has been fully converted as of 31.03.2020 (see also note 15 in the Notes to the consolidated financial statements)

<sup>6)</sup> Figures 2019 adjusted due to the change in the valuation principles for the hybrid bond (see also the Notes to the consolidated financial statements of the HOCHDORF Group "Principles of consolidation")

<sup>7)</sup> Increase in shares of HOCHDORF America's Ltd to 100%

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

Shareholders >3 % (in the total share capital)	31.12.2021	31.12.2020	31.12.2019
Amir Mechria, Zug	20.63%	20.63%	18.34%
ZMP Invest AG, Lucerne	17.95%	17.95%	12.23%
Bermont Master Fund, Grand Cayman (2019: Stichting General Holdings)	14.55%	14.55%	17.81%
Weiss Family and Innovent Holding AG, Wollerau	5.58%	5.58%	4.65%

### Contingent capital

The Group has no contingent capital.

### Changes

See explanations in the Notes to the consolidated financial statements 2021 of the HOCHDORF Group.

# Notes to the 2021 consolidated financial statements of the HOCHDORF Group

## Principles of consolidation

### General information

The Board of Directors of HOCHDORF Holding Ltd approved these consolidated financial statements on 11 March 2021. They are subject to approval by the Annual General Meeting.

## Consolidation principles

### Basic accounting principles

The consolidated financial statements are based on the annual financial statements of the Group companies as at 31 December 2021, prepared in accordance with uniform principles. The Group's financial statements are prepared in accordance with all the guidelines of the Swiss GAAP FER (Accounting and Reporting Recommendations) and the provisions of Swiss law. The valuation basis is formed by acquisition or production costs or current values. The income statement is presented in accordance with the overall cost procedure. The consolidated annual financial statements are based on business values and reflect the actual status of the asset, financial and revenue position. The financial statements are prepared on the assumption of the continuation of operational activities. The consolidated financial statements are prepared on the assumption of the continuation of operational activities.

The consolidated financial statements are prepared in Swiss francs (CHF).

### Consolidation basis and methods

The consolidated annual financial statements of the HOCHDORF Group comprise the annual financial statements of HOCHDORF Holding Ltd holding company as well as all subsidiaries in which HOCHDORF Holding Ltd has a capital-relevant and vote-relevant majority or where control over the financial and business policy is exercised through contractual agreement. Assets and liabilities as well as expenses and revenue are recorded at 100% for the fully consolidated companies. Minority interests in the consolidated shareholders' equity and in the business results are shown separately. All intercompany transactions and relationships between consolidated companies are eliminated. Intercompany profits on such transactions are eliminated. The consolidated individual financial statements for the companies are adapted to the standard Group structure and evaluation regulations and entered in accordance with the full consolidation method.

Shareholdings in joint enterprises or shareholdings with 20% to 50% of the voting rights are accounted for using the equity method.

### Capital consolidation

The capital consolidation is carried out according to the purchase method. Companies acquired during the year are consolidated from the date on which control is transferred. The net assets acquired in an acquisition are revalued at current values as at the acquisition date. The difference between the purchase price and the pro rata revalued net assets is offset against equity as goodwill/bad will. The acquisition of minority interests is also accounted for using the purchase method. Here, a purchase price allocation is waived. Accordingly, the difference between the purchase price and the pro rata equity capital is offset against equity capital as goodwill or bad will in accordance with Swiss GAAP FER.

Companies sold during the year are excluded from the consolidated financial statements from the date on which control is transferred. If shares in fully consolidated companies or companies accounted for using the equity method are sold, the difference between the disposal proceeds and the proportionate carrying amount, including goodwill/bad will, is recognised as a gain or loss on the income statement. Minority interests in subsidiaries with negative equity are also recognised proportionately with this negative equity.

### Foreign currency translation

The foreign currency transactions and items included in the individual financial statements of the consolidated companies are converted as follows: foreign currency transactions are translated into the book currency at the exchange rate of the transaction date (current rate). At the end of the year, monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss at the exchange rate prevailing on the balance sheet date. Foreign currency gains and losses from the valuation of intercompany loans of an equity nature are recognised in equity.

The consolidated financial statements are presented in Swiss francs. Assets and liabilities of Group companies with different currencies are translated at year-end rates (closing rates), equity at historical rates, and the income statement and cash flow statement at average rates for the year. The conversion differences incurred are recognised in equity without affecting net income.

The accumulated translation differences for the translation of the annual financial statements and intercompany loans recorded in equity for a foreign company are derecognised when the company is sold and recognised in the income statement as part of the gain or loss on disposal.

	Average exchange rates		End-of-year exchange rates	
	2021	2020	31.12.2021	31.12.2020
1 EUR	1.079	1.072	1.036	1.081
1 USD	0.913	0.935	0.911	0.883
1 GBP	1.254	1.211	1.234	1.208
1 UYU	0.020	0.022	0.020	0.0208

### Cash flow statement

Cash and cash equivalents form the basis for the presentation of the cash flow statement. Cash flow from operating activities is calculated using the indirect method.



## Valuation methods

### Cash and cash equivalents

Cash and cash equivalents include cash and deposits on postal and bank accounts, as well as short-term time deposits with a remaining time of less than three months. They are balanced at nominal values.

### Securities

Securities are measured at the market value on the balance sheet date. Unlisted securities are stated at cost less any value impairments. The securities are not of a participating nature and are short-term.

### Accounts receivables from third parties

Accounts receivables from ordinary business activities include short-term receivables with a remaining term of up to one year. Accounts receivables are valued at nominal value. The operational default risks are taken into account by means of individual and general value adjustments. General value adjustments are made for items which have not already been subject to specific value adjustments. The general value adjustment is based on the assumption that the default risk rises as the receivable becomes increasingly overdue.

Receivables	General value adjustment
Overdue for 1–30 days	2% of the receivable amount
Overdue for 31–90 days	5% of the receivable amount
Overdue for 91–180 days	10% of the receivable amount
Overdue for more than 180 days	20% of the receivable amount
Ongoing collections	100% of the receivable amount

### Accounts receivables from related and associated parties

The operational default risk from receivables from deliveries and services to related and associated parties are taken into account through individual value adjustments.

### Inventories

Internally produced goods are valued at manufacturing cost. Any lower net market value is taken into account. Raw materials and supplies as well as merchandise are valued at the lower of cost or net market value.

Depending on the inventory turnover, value adjustments are taken into account. The value adjustments calculated in this way are adjusted accordingly for normal saleability or longer shelf life.

### Property/plant and other fixed assets

Fixed assets are measured at the acquisition cost less economically necessary depreciation and permanent value impairments. Own work is only capitalised if it is clearly identifiable and the costs can be reliably determined, and if it provides the company with a measurable benefit over several years. Depreciation is calculated on a straight-line basis over the useful life of the asset as shown in the table below.

Asset group	Service life
Property, plant	15 – 65 years
Devices, equipment	5 – 25 years
Machines, appliances	5 – 25 years
IT systems, communication	5 – 10 years
Vehicles	5 – 10 years

**Financial assets**

Financial assets include long-term held securities, deferred tax assets as well as assets from pension funds, employer contribution reserves and long-term loans from third parties. Securities and loans are measured at purchase value less the economically necessary value adjustments. Employer contribution reserves are recognised at nominal value.

**Intangible assets**

Intangible assets include software, patents, licences and brand values. These are accounted for at acquisition costs. They are depreciated on a straight-line basis over their useful economic life of 5-10 years and impaired if there are indications of impairment.

**Impairment**

The recoverability of non-current assets is assessed at each balance sheet date. If there are indications of impairment, the recoverable amount is calculated (impairment test). The achievable value is the higher value of net market value utility value. If the book value exceeds the recoverable amount, an adjustment is made to the income statement through unscheduled depreciation.

For cash-generating units, an impairment test is performed annually based on value-in-use calculations, in case impairment indication is existing. These are based on the cash flows for the next five years as a rule and the extrapolated values from the sixth year onwards. The figures used are part of the multi-year plan approved by the Board of Directors.

**Liabilities**

Liabilities are measured at the nominal amount.

**Provisions**

Provisions are recognised when there is a reasonable probable obligation as a result of a past event, the amount and/or timing of which is uncertain but can be estimated. The measurement of the provision is based on the estimate of the cash outflow to settle the obligation.

**Deferred taxes**

The accrual of deferred income tax is based on a balance sheet approach and generally takes into account all future income tax effects. The calculation of deferred income taxes to be accrued annually is based on the future tax rate applicable to the respective taxable entity as at the balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset if they relate to the same taxable entity and are levied by the same taxation authority. Deferred tax assets on temporary differences and tax losses carried forward are only capitalised if it is probable that they can be offset against future taxable profits.

**Equity/own shares**

Own shares are recognised as a deduction from equity at cost. Profits and losses from transactions with own shares are recognised in capital reserves without affecting net income.

**Equity/hybrid bond**

The hybrid bond is a perpetual subordinated bond. The hybrid bond has its first call date after five-and-a-half years (21.06.2023). This is the first possible call date in the case of the bond for HOCHDORF. If this is not exercised, the amount of interest payable increases (step-up of 2.5 % + 5-year mid swap rate with floor at zero).

The interest payments under the hybrid bond are in principle only due after the occurrence of a mandatory payment event, in particular after a resolution of the Annual General Meeting to pay a dividend. If no such event exists and no voluntary interest payments are made, the interest obligation is deferred until the occurrence of a mandatory event. The future obligations are only recognised as liabilities at the time of the occurrence of a corresponding condition (e.g. dividend resolution by the Annual General Meeting).

HOCHDORF undertook a reassessment of the accounting for the hybrid bond in 2020 and came to the conclusion that only the payments to be made contractually, which HOCHDORF cannot prevent, should be included in the debt component. 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 1.1.2019 in the financial statements 31.12.2020. As at 31.12.2021, there was no longer a liability from the hybrid bond.

#### **Equity/mandatory convertible bond**

The mandatory convertible bond is a bond that does not give the bondholder any voting rights. The issuing costs are recognised in equity via the capital reserves. The mandatory convertible bond was converted on 30 March 2020.

#### **Equity/goodwill**

The option described in Swiss GAAP FER 30 of offsetting goodwill/bad will against equity is exercised. The disclosure on the theoretical capitalisation of goodwill is shown in the notes to the consolidated income statement.

#### **Employee pension plan**

Employees and former employees of all companies receive different employee pension payments or old-age pensions corresponding to the legal requirements applicable in the countries where they are paid out.

The pension liabilities of HOCHDORF Holding Ltd and its subsidiary HOCHDORF Swiss Nutrition Ltd are governed by the legally independent pension fund of the HOCHDORF Group. The pension fund is a defined contribution plan. The costs resulting from the employee pension are charged to the income statement for the appropriate period. The actual economic effects of pension plans on the company are calculated on the balance sheet date. An economic benefit is carried as an asset if it is used for the company's future pension expenses. A financial obligation is shown as a liability if the requirements for the creation of a provision are met. Existing employer contribution reserves are recognised as an asset under assets (financial assets).

#### **Net sales revenue from deliveries and services**

Net sales include revenues from the sale of goods and services. Revenue from the sale of goods is recognised in the income statement when the risks and rewards of ownership of the products are transferred to the buyer. Revenue from services is recognised in the period in which the services are rendered. Sales deductions such as discounts, credit notes, rebates and sales taxes are deducted in the reported net sales.

#### **Research and development**

In-house research and development costs are charged in full to the income statement. These costs are included in the items "Personnel expenses" and "Remaining operating costs".

#### **Contingent liabilities**

The probability and amount of contingent liabilities are assessed and evaluated on the balance sheet date and disclosed in the notes.

#### **Transactions with related parties**

Business relationships with related parties are conducted at arm's length. Related parties (natural or judicial) are defined as any party directly or indirectly able to exercise significant influence over financial or operating decisions of organisations. Organisations that are controlled directly or indirectly by the same related parties are also considered to be related.

## Notes to the consolidated balance statement

### Significant transactions in the 2021 business year

At the end of August 2021, the HOCHDORF Group announced the far-reaching restructuring of the group and its intention to concentrate production at the Sulgen site, with the corresponding sale of land and buildings in Hochdorf. As of December 2021, the HOCHDORF Group sold the land and buildings to the Hochdorf municipality.

A purchase price of CHF 50.2 million was agreed for the HOCHDORF Group's land and buildings in Hochdorf. The net revenue from the sale amounted to CHF 38.0 million after deduction of all costs incurred (see notes 17 and 19 in the Notes to the consolidated financial statements). At the same time the HOCHDORF Group signed a four-year operative rental agreement with the option of extending by a year. The annual rental price was set at CHF 3 million.

In connection with the concentration of production in Sulgen, the HOCHDORF Group recognised restructuring provisions of CHF 7.9 million (see note 14). In addition, assets at the Hochdorf site were impaired in the amount of CHF 5.7 million (see note 6).

As announced at the end of August 2021, the proceeds from the HOCHDORF Group sale will largely be used to reduce the Group's debt (see note 13).

### Changes to the consolidation basis

In 2021, the following changes were made to the scope of consolidation of the HOCHDORF Group.

Consolidated companies	Location	Function	Currency	Capital in thousands 31.12.2021	Capital share 31.12.2021	Capital share 31.12.2020
HOCHDORF Swiss Nutrition UG <sup>1)</sup>	Heidelberg, Germany	Sale	EUR	10	100%	0%
HOCHDORF America's Ltd <sup>2)</sup>	Montevideo, Uruguay	Trade	UYU	3,232	100%	60%
Bimbosan AG <sup>3)</sup>	Hochdorf, Switzerland	Trade	CHF	0	0%	100%

<sup>1)</sup> New company: registered on 28.06.2021

<sup>2)</sup> Share increased to 100% as of 21.10.2021; no further business activities

<sup>3)</sup> Merger BIMBOSAN AG with HOCHDORF Swiss Nutrition Ltd (absorbing entity) as of 01.01.2021; entry in the Commercial Register on 24.06.2021

For further information on the companies included in the scope of consolidation, see note 30.

### 1. Cash and cash equivalents

TCHF	2021	2020
Cash	11	10
Post account	55	193
Bank account	24,219	12,208
<b>Total</b>	<b>24,285</b>	<b>12,411</b>

Cash and cash equivalents are recognised at nominal value.

### 2. Securities

TCHF	2021	2020
Securities	253	231
<b>Total</b>	<b>253</b>	<b>231</b>

### 3. Accounts receivables

TCHF	2020	2020
Accounts receivables from third parties	34,878	35,750
Minus provision for doubtful accounts	-11,037	-11,755
Short-term receivables from related parties	45,133	32,129
Accounts receivables from associated companies	170	115
Other receivables	3,333	2,768
Other receivables from related parties	1,225	40,602
<b>Total</b>	<b>73,702</b>	<b>99,609</b>

The accounts receivables from third parties do not contain any concentration of credit risk due to customer diversification. The bad debt item includes the value adjustment made in 2019 for a receivable in the amount of CHF 10.8 million from a customer that will still be carried under accounts receivables from third parties in 2020 and 2021.

Accounts receivables from related parties include outstanding invoices from deliveries of goods to Pharmalys Laboratories SA. The other accounts receivables mainly include receivables from government agencies (value added tax, Directorate General of Customs) and from social welfare organisations.

Other receivables to related parties include the short-term outstanding payments of Pharmalys Laboratories SA (previously Pharmalys Invest Holding AG). In 2021, the outstanding purchase price payment of CHF 30 million from the sale of Pharmalys Laboratories SA, Pharmalys Tunisie S.a.r.l and Pharmalys Africa S.a.r.l. was made. The other outstanding receivables such as the repayment of the loan and interest were classified as non-current (see note 7).

With regard to the recoverability of the accounts receivables and the other receivables from related parties, see the implementation of the going concern principle in note 31.

### 4. Inventories

TCHF	2021	2020
Raw/auxiliary/operating materials	5,628	5,517
Finished and semi-finished products	29,603	26,322
Value adjustments for inventories	-3,380	-2,605
<b>Total</b>	<b>31,851</b>	<b>29,235</b>

Value adjustment in 2021 mainly due to sales price devaluations for skimmed milk powder.

### 5. Accrued income

TCHF	2021	2020
Customs receivables	4,510	2,203
CO <sub>2</sub> refund	280	361
Others	20	819
<b>Total</b>	<b>4,810</b>	<b>3,383</b>

The accrued income is comprised of refunds not yet received as well as costs paid in advance. Significant items are receivables from the Directorate General of Customs due to milk export transactions and receivables for CO<sub>2</sub> refunds.



## 6. Fixed assets

Disposals of CHF 12.3 million were recorded in connection with the sale of properties at the Hochdorf, Welschenrohr and Zittau sites. The impairments include a value adjustment of CHF 5.7 million on fixed assets at the Hochdorf site. We made this adjustment to account for the shortened useful economic life, as these assets will no longer be required after the planned relocation of production to the Sulgen site by 31.12.2023.

TCHF	Property and plant	Equipment, warehouse equipment, fixed equipment	Machines, production appliances, furnishings	Office equipment, IT systems, communication, equipment	Vehicles	Current investment projects (assets under construction)	Total
<b>Net accounting value 01.01.2020</b>	<b>89,985</b>	<b>55,439</b>	<b>101,410</b>	<b>7,351</b>	<b>654</b>	<b>4,120</b>	<b>258,959</b>
<b>Purchase value</b>							
<b>As at 01.01.2020</b>	<b>200,344</b>	<b>97,993</b>	<b>210,857</b>	<b>26,090</b>	<b>2,036</b>	<b>4,120</b>	<b>541,440</b>
Change in scope of consolidation <sup>2)</sup>	-44,527	-9,638	-29,356	-1,190	-231	-99	-85,042
Additions	0	0	0	0	0	3,718	3,718
Disposals	-94	-876	-2,021	-404	-164	0	-3,559
Reclassification <sup>1)</sup>	319	2,897	1,123	947	84	-5,369	0
Currency differences	-927	-193	-639	-25	-4	-1	-1,789
<b>As at 31.12.2020</b>	<b>155,115</b>	<b>90,183</b>	<b>179,964</b>	<b>25,418</b>	<b>1,721</b>	<b>2,369</b>	<b>454,769</b>
<b>Accumulated depreciation</b>							
<b>As at 01.01.2020</b>	<b>110,359</b>	<b>42,554</b>	<b>109,447</b>	<b>18,739</b>	<b>1,382</b>	<b>0</b>	<b>282,481</b>
Change in scope of consolidation <sup>2)</sup>	-36,863	-8,839	-28,150	-1,165	-216	0	-75,233
Disposals	-34	-929	-1,969	-393	-148	0	-3,472
Depreciation	2,738	4,479	6,500	1,701	167	0	15,585
Value impairments <sup>3)</sup>	16,822	13,329	35,146	1,246	99	0	66,643
Currency differences	-808	-188	-626	-25	-4	0	-1,651
<b>As at 31.12.2020</b>	<b>92,214</b>	<b>50,407</b>	<b>120,348</b>	<b>20,104</b>	<b>1,281</b>	<b>0</b>	<b>284,354</b>
<b>Net accounting value 31.12.2020</b>	<b>62,901</b>	<b>39,776</b>	<b>59,616</b>	<b>5,314</b>	<b>440</b>	<b>2,369</b>	<b>170,415</b>
<b>Purchase value</b>							
<b>As at 01.01.2021</b>	<b>155,115</b>	<b>90,183</b>	<b>179,964</b>	<b>25,418</b>	<b>1,721</b>	<b>2,369</b>	<b>454,769</b>
Additions	0	0	0	0	0	4,226	4,226
Disposals <sup>4)</sup>	-51,661	-7,653	-11,045	-2,749	-250	0	-73,357
Reclassification <sup>1)</sup>	257	340	1,541	862	0	-3,000	0
Currency differences	-8	0	-8	0	0	0	-17
<b>As at 31.12.2021</b>	<b>103,703</b>	<b>82,869</b>	<b>170,452</b>	<b>23,531</b>	<b>1,471</b>	<b>3,595</b>	<b>385,621</b>
<b>Accumulated depreciation</b>							
<b>As at 01.01.2021</b>	<b>92,214</b>	<b>50,407</b>	<b>120,348</b>	<b>20,104</b>	<b>1,281</b>	<b>0</b>	<b>284,354</b>
Disposals <sup>4)</sup>	-41,282	-6,018	-11,055	-2,749	-250	0	-61,353
Depreciation	2,765	3,548	4,398	1,110	111	0	11,930
Value impairments <sup>5)</sup>	0	3,348	1,220	1,062	32	0	5,661
Currency differences	-8	0	-8	0	0	0	-17
<b>As at 31.12.2021</b>	<b>53,689</b>	<b>51,283</b>	<b>114,903</b>	<b>19,527</b>	<b>1,173</b>	<b>0</b>	<b>240,576</b>
<b>Net accounting value 31.12.2021</b>	<b>50,014</b>	<b>31,586</b>	<b>55,549</b>	<b>4,004</b>	<b>298</b>	<b>3,595</b>	<b>145,045</b>

- 1) New acquisitions are posted with project numbers under "current investment projects" as inward movements. After the start of operations, there is a transfer posting from the "current investment projects" account to the appropriate fixed asset account
- 2) The changes to the consolidation basis 2020 reflect the sale of Marbacher Ölmühle GmbH and Uckermärker Milch GmbH
- 3) Impairment of fixed assets in 2020 in connection with spray tower 9 and canning line 2 at the Sulgen site due to low capacity utilisation and the closure of the Welschenrohr site. Further impairment of real estate/land of Zifru Trockenprodukte GmbH (in liquidation)
- 4) Disposals due to the sale of real estate/buildings at the Welschenrohr and Hochdorf sites in Switzerland
- 5) Impairment on assets at the Hochdorf site, which will no longer be required after 1.1.2024 following the closure of the Hochdorf production site and relocation to Sulgen

## Of which assets subject to financial leasing

TCHF	Total	Open instalments
<b>Net accounting value 01.01.2021</b>	<b>0</b>	<b>0</b>
<b>Purchase value</b>		
<b>As at 01.01.2021</b>	<b>0</b>	<b>0</b>
Additions	474	474
Disposals incl. instalments	0	-117
<b>As at 31.12.2021</b>	<b>474</b>	<b>357</b>
<b>Accumulated depreciation</b>		
<b>As at 01.01.2021</b>	<b>0</b>	<b>0</b>
Depreciation	71	0
<b>As at 31.12.2021</b>	<b>71</b>	<b>0</b>
<b>Net accounting value as at 31.12.2021</b>	<b>403</b>	<b>357</b>

The assets included in fixed assets under financial leasing relate to the leasing of laptops, computers and other equipment at Hochdorf Swiss Nutrition Ltd.

## 7. Financial assets

TCHF	2021	2020
Securities	37	37
Loans	0	150
Value adjustments for loans	0	-69
Non-current receivables to related parties <sup>1)</sup>	9,719	0
Assets from employer contribution reserves	113	4,056
<b>Total</b>	<b>9,869</b>	<b>4,174</b>

<sup>1)</sup> The long-term receivables from related parties among others from the sale of Pharmalys Laboratories SA, Pharmalys Tunisie S.a.r.l. and Pharmalys Africa S.a.r.l. in 2019 (repayment of loans, interest) have a long-term character since the adjusted agreement with Pharmalys Laboratories SA (formerly Pharmalys Invest Holding AG) of August 2021.

In the case of HOCHDORF Holding Ltd and HOCHDORF Swiss Nutrition Ltd, no deferred tax assets were formed on the loss carried forward, as it is not certain that they can be offset against future taxable profits within the next seven years

### Taxable losses carried forward after expiration

Taxable losses carried forward after expiration TCHF	2021	2020
2025 and later Cantonal tax	322,782	340,371
<b>Total</b>	<b>322,782</b>	<b>340,371</b>

Taxable losses carried forward after expiration TCHF	2021	2020
2025 and later Federal tax	313,002	330,591
<b>Total</b>	<b>313,002</b>	<b>330,591</b>

If the deferred tax assets were fully capitalised, including the losses carried forward at HOCHDORF Holding Ltd and Hochdorf Swiss Nutrition Ltd, there would be a deferred tax asset of TCHF 23,975 for federal tax (PY: TCHF 25,217) and a deferred tax asset of TCHF 16,246 for cantonal tax (PY: TCHF 17,975).

HOCHDORF Holding Ltd has retroactively waived the holding company privilege as early as 01.01.2019 and was taxed ordinarily.

### Assets from employer contribution reserves

TCHF	Nominal value	Renounced use	Balance sheet	Creation per	Balance sheet	Result of the committee of works and staff councils in personal expenses		Result of the committee of works and staff councils in financial revenues	
Employer contribution reserve	31.12.2021	31.12.2021	31.12.2021	2021	31.12.2020	2021	2020	2021	2020
HGR pension fund	113	0	113	0	4,056	-3,944	-3,109	0	97

The posting of interest from employer contribution reserves through pension plans appears as a credit in the financial revenues. Interest of 0% (PY: 1.7%) was calculated on the employer contribution reserves in 2021. Since 01.05.2019, employer contributions are no longer paid to the pension fund, but offset against the employer reserves. In 2021, the possibility of offsetting additional employee contributions against the employer's reserves has still been used on the basis of the Covid-19 regulation.

TCHF Economic benefit/economic liability and pension expenditure	Credit/ debit balance 31.12.2021	Economic share of the organisation 31.12.2021	31.12.2020	Change from the previous year	Contributions accrued for the period	Pension expenditure in personnel expenses 2021	2020
HGR pension fund	26'377	0	0	0	3,944	3,944	3,109

## 8. Intangible assets

TCHF	Software	Brands	Others intangible assets	Current projects	Total
<b>Net accounting value as at 01.01.2020</b>	<b>1,133</b>	<b>0</b>	<b>264</b>	<b>45</b>	<b>1,442</b>
<b>Purchase value</b>					
<b>As at 01.01.2020</b>	<b>4,196</b>	<b>3,520</b>	<b>700</b>	<b>45</b>	<b>8,461</b>
Change in scope of consolidation	-809	0	0	-16	-825
Additions	179	0	0	623	803
Disposals	-23	0	0	0	-23
Reclassifications	216	0	0	-216	0
Currency differences	-15	0	0	0	-16
<b>As at 31.12.2020</b>	<b>3,743</b>	<b>3,520</b>	<b>700</b>	<b>437</b>	<b>8,400</b>
<b>Accumulated depreciation</b>					
<b>As at 01.01.2020</b>	<b>3,063</b>	<b>3,520</b>	<b>436</b>	<b>0</b>	<b>7,019</b>
Change in scope of consolidation	-798	0	0	0	-798
Disposals	-23	0	0	0	-23
Depreciations	518	0	140	0	658
Value impairments	26	0	0	0	26
Currency differences	-15	0	0	0	-15
<b>As at 31.12.2020</b>	<b>2,771</b>	<b>3,520</b>	<b>576</b>	<b>0</b>	<b>6,867</b>
<b>Net accounting value as at 31.12.2020</b>	<b>973</b>	<b>0</b>	<b>124</b>	<b>437</b>	<b>1,533</b>
<b>Purchase value</b>					
<b>As at 01.01.2021</b>	<b>3,743</b>	<b>3,520</b>	<b>700</b>	<b>437</b>	<b>8,400</b>
Additions	0	0	0	324	324
Disposals	-603	-3,520	0	0	-4,123
Reclassifications	218	0	0	-218	0
Currency differences	0	0	0	0	0
<b>As at 31.12.2021</b>	<b>3,358</b>	<b>0</b>	<b>700</b>	<b>542</b>	<b>4,600</b>
<b>Accumulated depreciation</b>					
<b>As at 01.01.2021</b>	<b>2,771</b>	<b>3,520</b>	<b>576</b>	<b>0</b>	<b>6,867</b>
Disposals	-603	-3,520	0	0	-4,123
Depreciations	497	0	124	0	621
Value impairments	0	0	0	0	0
Currency differences	0	0	0	0	0
<b>As at 31.12.2021</b>	<b>2,664</b>	<b>0</b>	<b>700</b>	<b>0</b>	<b>3,364</b>
<b>Net accounting value as at 31.12.2021</b>	<b>694</b>	<b>0</b>	<b>0</b>	<b>542</b>	<b>1,236</b>

Intangible assets only cover acquired assets. The brand disposal relates to the liquidation of Snapz Food AG and thus the abandonment of the "Snapz" brand. Own brand names are not evaluated and not balanced on the balance sheet date.

## 9. Trade payables

TCHF	2021	2020
To third parties	25,963	22,057
To associated companies	17	304
<b>Total</b>	<b>25,980</b>	<b>22,361</b>

## 10. Short-term financial liabilities

TCHF	2021	2020
Leasing liabilities	118	0
<b>Total</b>	<b>118</b>	<b>0</b>

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

## 11. Other financial liabilities

TCHF	2021	2020
Other short-term liabilities <sup>1)</sup>	1,559	1,754
Employee overtime	192	138
Employee holiday credits	534	498
Salary accounts (salary payments, profit-sharing, AHV, SUVA, health insurance, etc.)	758	303
Government bodies (taxes, source taxes, value added taxes)	149	1,448
<b>Total</b>	<b>3,191</b>	<b>4,141</b>

<sup>1)</sup> The largest items under "Other short-term liabilities" are payments from customers and the payments to the BOM (Swiss Milk Sector Organisation) for the fund contributions from milk suppliers collected in December

## 12. Accrued liabilities and deferred income

TCHF	2021	2020
Reimbursements	2,214	2,420
Others	2,477	1,715
<b>Total</b>	<b>4,691</b>	<b>4,135</b>

The accrued liabilities and deferred income mainly comprises accruals in the context of reimbursements and commissions as well as invoices not yet received for goods receipts and other supplier services (power, water, transport).

### 13. Long-term financial liabilities

TCHF	2021	2020
Leasing liabilities	239	0
Bank loans	57,000	100,000
<b>Total</b>	<b>57,239</b>	<b>100,000</b>

#### Terms and interest rates (long-term and short-term financial liabilities)

Position	Book value TCHF	Due date	Interest rate
Syndicated loan	57,000	30.09.2023	from 2.75% to 6.50%
<b>Total</b>	<b>57,000</b>		

The financial liabilities are recorded and valued at the nominal value. The interest rate depends on the debt factor.

#### Syndicated loan

On 23 October 2019, the banking consortium extended and adjusted the syndicated loan for HOCHDORF Holding Ltd. The loan has a term until September 2023. The limit has been reduced to CHF 75 million (PY: CHF 120 million) due to the two partial cancellations carried out in 2021. As before, key financial indicators are the equity ratio and the debt factor. Due to the seasonal nature of the dairy business, the required financial key figure "debt factor" was suspended as of 30 June 2021 after approval by the syndicate banks. The debt factor is considered to be breached if it is greater than 4.0 x as at 30 June and 31 December. For the equity ratio, a ratio of 40% applies as of 31 December 2021. There was compliance with both financial indicators as of 31.12.2021.

In the event of a breach of the covenants, the credit agreement can be terminated extraordinarily (with immediate maturity of all liabilities) by the syndicate banks. The credit agreement only allows dividend payments if certain debt factors are met.



## 14. Provisions

TCHF	Deferred tax provisions	Restructuring provisions	Various provisions	Total
<b>As at 31.12.2019</b>	<b>13,906</b>	<b>0</b>	<b>6,853</b>	<b>20,759</b>
Change in scope of consolidation <sup>1)</sup>	-58	0	0	-58
Provisions made <sup>2)</sup>	8	0	350	358
Provision used <sup>3)</sup>	0	0	-4,985	-4,985
Provision released	-3,422	0	0	-3,422
<b>As at 31.12.2020</b>	<b>10,434</b>	<b>0</b>	<b>2,218</b>	<b>12,652</b>
<b>Of which short-term provisions</b>	<b>0</b>	<b>0</b>	<b>768</b>	<b>768</b>
Change in scope of consolidation <sup>4)</sup>	0	7,870	900	8,770
Provisions used <sup>5)</sup>	0	0	-479	-479
Provision released <sup>6)</sup>	-1,900	0	-189	-2,089
<b>As at 31.12.2020</b>	<b>8,534</b>	<b>7,870</b>	<b>2,450</b>	<b>18,854</b>
<b>Of which short-term provisions</b>	<b>0</b>	<b>355</b>	<b>1,000</b>	<b>1,355</b>

<sup>1)</sup> 2020: Sale of Marbacher Ölmühle und Uckermärker Milch GmbH

<sup>2)</sup> Various outstanding and impending legal disputes

<sup>3)</sup> Various in connection with settlement of a claim

<sup>4)</sup> Restructuring: In connection with the relocation of production from the Hochdorf site to Sulgen (incl. onerous contracts, social plan etc.); Various in connection with impending legal dispute

<sup>5)</sup> Mostly related to the liquidation of Snapz Food AG

<sup>6)</sup> Various: In connection with announcement of joint venture with Stellium AG (HOCHDORF Americas)

## 15. Share capital – mandatory convertible bond – hybrid bond – contingent capital

The share capital of HOCHDORF Holding Ltd of CHF 21,517,570 nominal (divided into 2,151,757 registered shares of CHF 10 each) as at 31 December 2021 is unchanged from the previous year. The mandatory convertible bond was finally converted on 30 March 2020.

In 2017 (payment 21.12) HOCHDORF Holding Ltd issued a public hybrid bond with a nominal value of CHF 125 million, net CHF 124.17 million. It is a perpetual subordinated bond which pays interest with a coupon rate of 2.5%. The hybrid bond has its first call date after five-and-a-half years (21.06.2023). If this is not exercised, the amount of interest payable increases (step-up of 2.5%). Securities number 39,164,798; ISIN CH0391647986.

The interest payments under the hybrid bond are essentially optional and HOCHDORF Holding Ltd can choose whether to make the interest payments annually or defer them. The interest payments become payable upon the occurrence of certain events, e.g. when HOCHDORF Holding Ltd declares and pays dividends on its shares. In 2021, HOCHDORF Holding Ltd exercised its voting rights and suspended the interest payments.

The hybrid bond is treated as a compound financial instrument and consists of a debt and an equity component. The debt component includes all contractually owed and unavoidable payments. This included the interest payments until 21.06.2020, the interest date after conversion of the mandatory convertible bond. The effective interest payments were taken from the corresponding financial liabilities and were not charged to the income statement. Only the accrued interest of the relevant business year was recognised in interest costs. As at 31 December 2021 there was no longer a liability (PY: CHF 0).

## Notes to the consolidated income statement

The following explanatory remarks are given to supplement the income statement, structured in accordance with the total cost of expenditure method (production income statement). For the sake of comparability, it should be noted that in 2020 Uckermärker Milch GmbH was sold as of 28.02.2020 and Marbacher Oelmuehle GmbH was sold as of 31.12.2020 and they were thus included in the consolidated results in the 2020 income statement.

### 16. Net sales from goods and services

No material provisions for bad debts were made in 2021 and 2020.

#### By product group

TCHF	2021		2020	
Milk products/cream	84,548	27.9%	78,305	25.6%
Milk powder	128,805	42.4%	113,425	37.0%
Infant formula	84,255	27.8%	97,026	31.7%
Specialities	2,148	0.7%	11,231	3.7%
Bakery/confectionary goods	810	0.3%	1,014	0.3%
Other products/services	2,950	0.9%	5,198	1.7%
<b>Total</b>	<b>303,515</b>	<b>100.0%</b>	<b>306,199</b>	<b>100.0%</b>

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

#### By region

TCHF	2021		2020	
Switzerland/Liechtenstein	202,577	66.7%	162,433	53.0%
Europe	34,836	11.5%	69,212	22.6%
Asia	6,864	2.3%	6,815	2.2%
Middle East/Africa <sup>1)</sup>	53,277	17.6%	60,572	19.8%
USA/Canada	0	0%	7	0%
Americas (others) <sup>2)</sup>	5,961	1.9%	7,160	2.3%
<b>Total</b>	<b>303,515</b>	<b>100.0%</b>	<b>306,199</b>	<b>100.0%</b>

<sup>1)</sup> Net revenues with Pharmedics Laboratories SA are also reported under Middle East/Africa

<sup>2)</sup> The remaining turnover comprises deliveries to customers who export the goods and where the destination country is not separately recorded

## By division

As a result of possible competitive disadvantages compared to non-listed and large listed competitors, customers and suppliers, presentation of the segment results was waived, pursuant to Swiss GAAP FER 31/8. The Swiss milk market is small and tightly knit with few key companies and providers. The supplier side (milk producers) is organised within several milk producer organisations. On the processing side, the market is dominated by the cheese dairies and four large dairies. On the customer side, the chocolate industry segment is predominant, likewise with just a few large producers. In the area of infant formula (based on milk), only one other firm produces infant formula for the Swiss and international market, apart from the HOCHDORF Group.

TCHF	2021		2020	
Food Solutions	218,596	72.0%	206,708	67.5%
Baby Care	84,918	28.0%	99,490	32.5%
<b>Total</b>	<b>303,515</b>	<b>100.0%</b>	<b>306,199</b>	<b>100.0%</b>

## 17. Other operating income

TCHF	2021	2020
Accounting Gains from the Sale of Fixed Assets	41,299	0
Various other operating income	2,579	994
<b>Total</b>	<b>43,878</b>	<b>994</b>

The book profits include profits from the sale of real estate at the Hochdorf and Welschenrohr locations of Hochdorf Swiss Nutrition Ltd and Zifru GmbH. Various other operating income includes the rental of storage space and insurance benefits as major items.

## 18. Personnel expenses

TCHF	2021	2020
Wages	-31,293	-32,373
Social contributions	-4,992	-5,144
Incidental wage costs	-3,995	-2,205
<b>Total</b>	<b>-40,280</b>	<b>-39,722</b>

The incidental personnel costs 2021 include expenses in connection with the closure of production and relocation from Hochdorf to Sulgen (including social plan). As at 31.12.2021, the HOCHDORF Group reported a headcount of 387 (31.12.2020: 391).

## 19. Other operating expenses

TCHF	2021	2020
Facilities expenditure (incl. warehouse rents)	-8,453	-3,685
Maintenance, repairs	-6,657	-6,406
Vehicle and transport costs	-4,773	-5,118
Insurance, fees, duties	-1,812	-1,635
Energy and disposal expenditure	-10,361	-10,869
Administration and IT expenditure	-8,170	-5,202
Advertising costs incl. commissions to customers	-2,330	-3,928
Various other operating costs	-3,659	-3,896
<b>Total</b>	<b>-46,215</b>	<b>-40,741</b>

Facilities expenditure 2021 includes provisions for the rental obligation at the Hochdorf site ("onerous contract"). The administration and IT expenditure 2021 include the expenses in connection with the sale of the property and buildings at the Hochdorf site.

## 20. Financial result and income from associates and joint ventures

TCHF	2021	2020
------	------	------

<b>Income from associates and joint ventures</b>	<b>-557</b>	<b>350</b>
Revenues from holdings	273	158
Revenues from financial assets	764	418
Interest revenue <sup>1)</sup>	636	1,300
Exchange rate gains	986	2,589
Value adjustment from financial assets	337	0
<b>Total financial income</b>	<b>2,995</b>	<b>4,464</b>
Interest costs	-5,863	-5,494
Value adjustment from financial assets	0	-1,037
Deposit fees, fees	-5	-455
Exchange rate losses	-2,469	-2,570
<b>Total financial costs</b>	<b>-8,337</b>	<b>-9,556</b>
<b>Total</b>	<b>-5,341</b>	<b>-5,092</b>

<sup>1)</sup> The interest income contains mainly interest from Pharmalys Laboratories SA.

## 21. Non-operating result

TCHF	2021	2020
Revenue from external properties	59	5
<b>Total</b>	<b>59</b>	<b>5</b>

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

## 22. Taxes

TCHF	2021	2020
<b>Current income taxes</b>		
Taxes on operating result	-11	-180
<b>Deferred income taxes</b>		
Net change in deferred tax assets and liabilities	1,900	2,515
<b>Total</b>	<b>1,889</b>	<b>2,335</b>

Valuation of deferred taxes occurs in line with the tax rates that are actually expected in meeting future tax liability or in the realisation of future receivables (liability method). For HOCHDORF Swiss Nutrition Ltd this is 12.60%.

In the case of HOCHDORF Holding Ltd and HOCHDORF Swiss Nutrition Ltd, no deferred tax assets were formed on the loss carried forward, as it is not certain that they can be offset against future taxable profits within the next seven years. If the possible deferred tax assets for HOCHDORF Holding Ltd and for HOCHDORF Swiss Nutrition Ltd were offset, and taking into account the maximum possible capitalisation for the other companies, the weighted average tax rate would be 12.60%. In the previous year, this was stated at 13.20%.

Capital taxes are reported separately in other operating costs.

## 23. Earnings per share

### Earnings per share (shareholder), diluted

	2021	2020
Weighted average shares outstanding, basic	2'122'019	2'026'872
Weighted average shares outstanding, diluted	2'122'019	2'026'872
Earnings current year (shareholder); TCHF	2'550	-70'133
<b>Earnings per share (shareholder) basic (in CHF)</b>	<b>1.20</b>	<b>-34.60</b>
<b>Earnings per share (shareholder) diluted (in CHF)</b>	<b>1.20</b>	<b>-34.60</b>

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: 31.12.2021: 29,738; 31.12.2020: 29,738).

## 24. Treasury shares

### Transactions with own shares

	2021	2020
<b>Balance as at 1 January in units</b>	<b>29,738</b>	<b>29,738</b>
At the average price per share of CHF	238.93	238.93
Purchases in units	0	0
Sales/allocation in units	0	0
<b>Balance as at 31 December in units</b>	<b>29,738</b>	<b>29,738</b>
At an average price per share of CHF	238.93	238.93

As at 31.12.2021, HOCHDORF Holding held 29,738 treasury shares. No transactions with treasury shares took place in 2021. There is no share-based compensation for either the Board of Directors or the Group Management.

### HOCHDORF Group pension fund

	2021	2020
Registered shares of HOCHDORF Holding Ltd	18,000	18,000
<b>Total</b>	<b>18,000</b>	<b>18,000</b>

## 25. Further notes

### LEASING DEBTS

TCHF	2021	2020
Unrecognised leasing debts	0	218
<b>Total</b>	<b>0</b>	<b>218</b>

The unrecognised leasing debts are for the leasing contracts for plant, cars and operating equipment in the previous year.

### LIABILITIES FROM PENSION FUND

TCHF	2021	2020
HOCHDORF Group pension fund	0	121
<b>Total</b>	<b>0</b>	<b>121</b>

There is no liability to the pension fund; all obligations in 2021 have been settled and paid.

## 26. Companies in liquidation

Following the discontinuation of the Cereals and Ingredients division in 2019, the companies Zifru Trockenprodukte GmbH (D) and Snapz Foods AG (CH) remained in liquidation proceedings in 2021. At Zifru Trockenprodukte GmbH, land and buildings were sold in the first half of 2021. The liquidation proceedings at Snapz Food AG have been formally concluded; removal from the commercial register is still pending.

## 27. Goodwill offset against equity

### PURCHASE COSTS

TCHF	2021	2020
As at 1 January	35,047	30,792
Disposal of Marbacher Ölmühle GmbH, Germany	0	-799
Disposal of Uckermärker Milch GmbH, Germany	0	5,054
<b>As at 31 December</b>	<b>35,047</b>	<b>35,047</b>

<sup>1)</sup> For the jointly acquired companies in 2014, Uckermärker GmbH and Ostmilch GmbH, there was a total net bad will of TCHF 1,084, which was not shown in the calculation of goodwill until 2020. After the divestment of Uckermärker Milch GmbH and the derecognition of the bad will in 2020, the allocated goodwill of TCHF 3,969 for Ostmilch Handels GmbH was reactivated

### ACCUMULATED AMORTISATION TCHF

TCHF	2021	2020
As at 1 January	-21,608	-11,598
Additions	-5,758	-5,755
Disposals	0	-4,255
<b>As at 31 December</b>	<b>-27,366</b>	<b>-21,608</b>
<b>Theoretical goodwill as at 31 December</b>	<b>7,681</b>	<b>13,439</b>

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



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

TCHF	2021	2020
Net profit	2,552	-70,274
Depreciation of goodwill	-5,758	-5,755
<b>Theoretical net profit</b>	<b>-3,206</b>	<b>-76,029</b>

TCHF	2021	2020
Equity	183,267	180,548
Theoretical goodwill	7,681	13,439
<b>Theoretical equity</b>	<b>190,948</b>	<b>193,987</b>

## 28. Transactions with related parties and companies

The business transactions with related persons and companies are based on standard commercial contracts and conditions. All transactions are reported in the financial statements 2020 and 2021. These cover deliveries of goods and raw materials as well as services to and from related companies. This is shown separately in the corresponding balance sheet items.

### TRANSACTIONS WITH ASSOCIATED COMPANIES

TCHF	2021	2020
Net revenue	1,448	20,759
Cost of goods	-1,365	-7,802
Service costs	0	-1
Financial revenue	8	143
Financial expenditure	-11	-195

Associated: Ostmilch Handels GmbH, Uckermärker Milch GmbH (sale of directly held 60% share in Ostmilch Handels GmbH); see also note 30 of the notes to the financial statements.

### TRANSACTIONS WITH RELATED COMPANIES

TCHF	2021	2020
Net revenue	47,775	40,631
Service revenue	390	315
Operating expenses	0	0
Financial revenue	2,100	9,348
Financial expenditure	-1,794	-1,445

Related parties: Pharmalys Laboratories AG and formerly Pharmalys Invest Holding AG (see also note 31 of the HOCHDORF Group annual financial statements on the recoverability of outstanding receivables from Pharmalys companies).

## 29. Contingent liabilities

HOCHDORF becomes involved in legal disputes as part of its normal business. Although the outcome cannot be conclusively assessed at the present time, HOCHDORF assumes that it will not have any significant negative impact on its business activities or financial position. Anticipated payments to be made are set aside. There were no material contingent liabilities as at the balance sheet date.

## 30. Overview of the Group companies and associated companies

Consolidated companies	Location	Function	Currency	Capital in thousands 31.12.2021	Capital share 31.12.2021	Capital share 31.12.2020
HOCHDORF Holding AG	Hochdorf CH	Holding	CHF	21,517	100%	100%
HOCHDORF Swiss Nutrition AG	Hochdorf CH	Production	CHF	30,000	100%	100%
HOCHDORF Swiss Nutrition UG <sup>1)</sup>	Hochdorf DE	Trade	EUR	10	100%	0%
HOCHDORF America's Ltd <sup>2)</sup>	Montevideo UY	Trade	UYU	3,232	100%	60%
Thur Milch Ring AG	Sulgen CH	Trade	CHF	170	56.5%	56.5%
Bimbosan AG <sup>3)</sup>	Hochdorf CH	Trade	CHF	0	0%	100%
Schweiz. Milch-Gesellschaft AG	Hochdorf CH	Shell company	CHF	100	100%	100%
Snapz Foods AG <sup>4)</sup>	Hochdorf CH	Trade	CHF	100	100%	100%
Zifru Trockenprodukte GmbH <sup>4)</sup>	Zittau DE	Production	EUR	200	100%	100%

<sup>1)</sup> New company; registered on 28.06.2021

<sup>2)</sup> Share increased to 100% as of 12.10.2021; no further business activities

<sup>3)</sup> Merger BIMBOSAN AG with HOCHDORF Swiss Nutrition Ltd (absorbing entity) as of 01.01.2021; entry in the Commercial Register on 24.06.2021

<sup>4)</sup> In liquidation

Associated companies	Location	Function	Currency	Capital in thousands 31.12.2021	Capital share 31.12.2021	Capital share 31.12.2020
Ostmilch Handels GmbH	Bad Homburg, Germany	Trade	EUR	1,000	26%	26%
Ostmilch Handels GmbH & Co. Frischdienst Oberlausitz KG	Schlegel, Germany	Logistics	EUR	51	26%	26%
Ostmilch Frischdienst Magdeburg GmbH	Meitzendorf, Germany	Trade	EUR	25	26%	26%
Uckermärker Milch GmbH <sup>1)</sup>	Prenzlau, Germany	Production	EUR	10,000	26%	26%

<sup>1)</sup> Indirectly associated; Uckermärker Milch GmbH has been 100% owned by Ostmilch Handels GmbH since 28.02.2020

### 31. Assessment as a going concern

HOCHDORF's Board of Directors and Group Management take the view that, depending on how the situation develops, the material uncertainties highlighted below may raise significant doubts about the Group's ability to continue as a going concern, but that despite these material uncertainties, HOCHDORF's ability to continue as a going concern is not in question at this time.

- Recoverability of receivables from Pharmalys Group companies (as at 31 December 2021: CHF 45.1 million from the supply business and CHF 10.9 million from the sale of shares in the Pharmalys company, repayment of loan outstanding and interest).
- Ensuring solvency and compliance with the covenant from the credit agreement.

#### Assessment by the Board of Directors

##### Recoverability of receivables from Pharmalys Group companies

At present, the Board of Directors and the Group Management assume that the receivables from Pharmalys companies, which have been reduced from CHF 72.7 million (31.12.2020) to CHF 56.1 million (31.12.2021) as a result of incoming payments, continue to be recoverable. Based on the payments received from Pharmalys companies of CHF 65 million in 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.

In the course of the 2021 business year, the Board of Directors and the Group Management intensified the cooperation with Pharmalys Laboratories SA resulting in greater transparency regarding the contractual basis and agreed payment terms between Pharmalys Laboratories SA and its customers and thus regarding expected incoming payments. The common goal is to reduce payment terms to an industry-standard level for the North Africa and Middle East regions supplied by Pharmalys Laboratories SA.

##### Ensuring solvency and compliance with the covenants from the credit agreement

The key financial indicators to be complied with under the loan agreement continue to be the equity ratio and the debt factor (net debt in relation to EBITDA). In 2021 HOCHDORF succeeded in substantially reducing its net debt from CHF 87.6 million to CHF 32.9 million. On account of the rise in raw material prices in 2021 and the related pressure on the product margin, the Board of Directors is concentrating on faster implementation of the agreed strategy focussing on innovation and smart nutrition in order to make inroads into areas with higher added value. In this context, cooperation opportunities with partners are also being explored. Based on current information, the Board of Directors and Group Management considers achievement of the covenants to be a realistic prospect if these plans are implemented.

HOCHDORF also has a free credit line at its disposal of CHF 11 million (as at: 08.03.2022), which can be used in the advent of a further delay in payment. The 12-month liquidity plan shows that this credit line would be sufficient in case of realisation of the operating business and in case of assumed massive payment delays by the Pharmalys companies. However, this credit line would not be able to compensate for a complete default of the Pharmalys Group's outstanding payments.

After the balance sheet date, the following events occurred with respect to the risks described:

- Since 31 December 2021 there has been a cumulative payment receipt from Pharmalys Laboratories SA of EUR 2.0 million (as at: 08.03.2022).
- Emmi Schweiz AG and HOCHDORF have agreed a cooperation in the area of speciality powders, for both milk-based and vegan products. HOCHDORF will produce semi-finished and finished products with special requirements in powder form for Emmi. This operational cooperation is contractually structured as contract manufacturing.

### 32. Events after the balance sheet date

The following events occurred after the balance sheet date and until the approval of the consolidated financial statements by the Board of Directors:

- As of 21.01.2022, the CEO, Dr Peter Pfeilschifter, decided to leave the HOCHDORF Group with immediate effect. Mr Ralph Siegl has taken over the Group Management as a Delegate of the Board of Directors with immediate effect.
- As a result of the invasion of Ukraine by the Russian army, sanctions have been imposed on Russian banks by the EU and USA, which severely affect payment transactions between Russia and other countries. As of 31 December 2021, HOCHDORF had TCHF 563 in outstanding trade receivables from Russian customers, all of which are 100% covered by credit insurance. As a result, we only envisage a low risk of complete payment default.

Otherwise, no significant events have occurred since the balance sheet date of 31.12.2021 that could affect the informational value of the 2021 annual financial statements or that would have to be disclosed here.

### 33. Non-GAAP indicators used in this report

The financial information in the annual financial statements includes certain non-GAAP indicators that are not defined by Swiss GAAP FER. These measures are used by management to set targets and assess HOCHDORF's performance. The non-GAAP indicators used may differ from similar measures used by other companies and should not be considered a substitute for the Swiss GAAP FER indicators.

#### Operating income

The operating income includes net revenues (gross revenues less sales deductions) plus other operating income.

#### Gross operating profit

The gross operating profit includes net revenues (gross revenues less sales deductions) plus other operating income and changes in inventories less cost of materials.

#### EBITDA

The EBITDA result comprises the gross operating profit less personnel expenses and other operating expenses.

#### EBIT

Earnings before interest and taxes (EBIT) comprise EBITDA less amortisations on tangible assets and intangible assets as well as impairment of investments..

#### Free cash flow

Free cash flow includes cash flow from working capital less changes in net working capital and cash flow from investing activities.



# Statutory Auditor's Report

To the General Meeting of HOCHDORF Holding Ltd., Hochdorf

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of HOCHDORF Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 56 to 83) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 31 in the consolidated financial statements, which indicates that material uncertainties exist in relation to the recoverability of receivables from Pharmalys Group companies, as well as ensuring solvency and compliance with the financial covenants from the syndicated loan agreement. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



### Recoverability of receivables from Pharmalys Group



### Valuation of fixed assets



### Sale of area and discontinuation of operations in Hochdorf

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the “Material Uncertainty Related to Going Concern” section we have determined the matters described below to be the key audit matters to be communicated in our report.



### Recoverability of receivables from Pharmalys Group

#### Key Audit Matter

HOCHDORF Group has significant business relationships with Pharmalys Group.

As at 31 December 2021 receivables in the amount of CHF 56.1 million due from Pharmalys Group exist, thereof CHF 45.1 million relating to trade accounts receivable and CHF 10.9 million relating to other receivables. These receivables represent a significant portion of the groups' current and non-current assets.

A potential valuation adjustment on these receivables can have a significant impact on the financial covenants, which according to the syndicated loan agreement have to be complied with.

In assessing the recoverability management has to make respective evaluations.

#### Our response

In the course of our audit we have assessed management's evaluation of the recoverability of the receivables due from the Pharmalys Group.

We performed among others the following audit procedures:

- Assessment of the principle, method and process to determine the recoverability of the receivables;
- Challenging the most important assumptions used in the recoverability assessment, including future cash flows, by comparison to payments received and underlying documents;
- Reconciliation of the plan figures with Pharmalys management's latest forecasts.

For further information on the receivables from Pharmalys Group refer to the following:

- Note 3 Accounts receivables
- Note 7 Financial assets
- Note 31 Assessment as a going concern





## Valuation of fixed assets

### Key Audit Matter

Fixed assets represent with 49.4 % of total assets a significant element of the consolidated balance sheet of HOCHDORF Group.

Fixed assets are valued at acquisition cost less depreciation. If impairment indicators exist, a discounted cash flow valuation of the respective cash-generating unit is performed.

These calculations are based on estimates and assumptions concerning future cash flows, underlying growth rates and applied discount rates. The results are therefore subject to uncertainty and can have a significant impact on the financial covenants of the HOCHDORF Group, which according to the syndicated loan agreement have to be complied with.

### Our response

In the course of our audit we have assessed management's evaluation of the valuation of fixed assets. In doing so, we have assessed whether a methodologically correct valuation method was applied and whether the calculations are reasonable.

In relation to fixed assets for which, based on qualitative and quantitative factors, a discounted cash flow calculation for the respective cash generating unit was prepared, we performed the following procedures:

- Assessment of the method and process to determine the cash generating units;
- Assessment whether the carrying amounts of fixed assets were correctly considered in the calculation;
- Assessment of the forecasting accuracy by performing a retrospective review of budgeted and actual figures;
- Reconciliation of budgeted figures to management's and the Board of Directors' latest forecasts;
- Challenging the assumptions used in the calculation of the recoverable amount, including future cash flows, long-term growth rates and discount rates by comparing to publicly available data and by involving our own valuation specialist;
- Performing sensitivity analyses.

For further information on fixed assets refer to the following:

- Note 6 Fixed assets



## Sale of area and discontinuation of operations in Hochdorf

### Key Audit Matter

In 2021 HOCHDORF Group decided to concentrate the production at the Sulgen site and to sale the land and buildings in Hochdorf. As of December 30, 2021 land and buildings were sold to the community of Hochdorf. Restructuring provisions and impairment losses at the site in Hochdorf were recorded in relation to the concentration of the production at the Sulgen site

The recognition of provisions and impairment losses requires management estimation.

### Our response

In the course of our audit we have evaluated the sale of the land and buildings, as well as management's estimation in relation to restructuring provisions and impairment losses.

We have performed among others the following audits procedures:

- Assessment of the sales process, including analysis of the sales contract as well as of the processes for determining restructuring provisions and impairment losses;
- Evaluation whether the contractual agreements are appropriately considered and whether the gain on sale of fixed assets is mathematically correct;
- Challenging the methods and underlying assumptions used in the calculation of the restructuring provisions and impairment losses;
- Recalculation of provisions and impairment losses including sample testing of underlying documents;
- Assessment of appropriate recognition of gain on sale of fixed assets, restructuring provisions and impairment losses;
- Assessment whether the matter is appropriately disclosed in the consolidated financial statements.

For further information on the change in accounting policy for the hybrid bond refer to the following:

- Notes to the consolidated balance sheet – Significant transactions in the 2021 business year, page 66
- Note 6 Fixed assets
- Note 14 Provisions
- Note 17 Other operating income

## **Responsibility of the Board of Directors for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Thomas Affolter  
Licensed Audit Expert  
Auditor in Charge

Joel Wachter  
Licensed Audit Expert

Lucerne, 11 March 2022

KPMG AG, Pilatusstrasse 41, CH-6003 Luzern

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# HOCHDORF Holding Ltd

## BALANCE SHEET AS AT 31 DECEMBER

TCHF	Explanations in the notes	2021	in %	2020	in %
<b>Assets</b>					
Cash and cash equivalents and short-term assets with market price		11,279	3.7%	3,271	0.9%
Trade accounts receivables		0	0.0%	169	0.0%
Trade accounts receivables from investments		0	0.0%	1	0.0%
Other receivables		49	0.0%	19	0.0%
Other receivables from related parties	3.1)	1,218	0.4%	40,602	11.7%
Other receivables from investments		0	0.0%	69	0.0%
<b>Current assets</b>		<b>12,547</b>	<b>4.2%</b>	<b>44,131</b>	<b>12.7%</b>
Loans from investments	3.2)	98,667	32.7%	124,526	35.8%
Loans from investments under subordination	3.2)	91,714	30.4%	90,814	26.1%
Investments	3.3)	88,637	29.4%	88,565	25.4%
Non-current receivables from related parties	3.4)	9,719	3.2%	0	0.0%
<b>Fixed assets</b>		<b>288,738</b>	<b>95.8%</b>	<b>303,905</b>	<b>87.3%</b>
<b>Total assets</b>		<b>301,285</b>	<b>100.0%</b>	<b>348,036</b>	<b>100.0%</b>
<b>Liabilities</b>					
Trade payables	3.5)	111	0.0%	238	0.1%
Short-term interest-bearing payables	3.5)	6	0.0%	0	0.0%
Other short-term liabilities	3.5)	0	0.0%	1,085	0.3%
Accrued liabilities and deferred income	3.5)	4,917	1.6%	1,672	0.5%
<b>Short-term liabilities capital</b>		<b>5,033</b>	<b>1.7%</b>	<b>2,995</b>	<b>0.9%</b>
Long-term interest-bearing payables	3.6)	152,000	50.5%	195,000	56.0%
Long-term interest-bearing payables to shareholdings	3.6)	88	0.0%	97	0.0%
<b>Long-term liabilities capital</b>	3.6)	<b>152,088</b>	<b>50.5%</b>	<b>195,097</b>	<b>56.1%</b>
<b>Liabilities</b>		<b>157,121</b>	<b>52.2%</b>	<b>198,092</b>	<b>56.9%</b>
Share capital	6)	21,518	7.1%	21,518	6.2%
Statutory capital reserves (capital investments)	7)	139,404	46.3%	139,404	40.1%
Legal retained earnings	7)	10,172	3.4%	10,172	2.9%
Voluntary retained earnings		20,348	6.8%	20,348	5.8%
Accumulated net loss		-41,053	-13.6%	-35,273	-10.1%
– (loss)/profit carried forward	7)	-35,273	-11.7%	-35,416	-10.2%
– result for the year		-5,780	-1.9%	143	0.0%
Treasury shares	5)	-6,224	-2.1%	-6,224	-1.8%
<b>Shareholders, equity</b>		<b>144,164</b>	<b>47.8%</b>	<b>149,944</b>	<b>43.1%</b>
<b>Total liabilities and equity</b>		<b>301,285</b>	<b>100.0%</b>	<b>348,036</b>	<b>100.0%</b>

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

## HOCHDORF Holding Ltd

### INCOME STATEMENT

	Explanations in the notes	2021 TCHF	2020 TCHF
		1.1.21– 31.12.21	1.1.20– 31.12.20
Income from equity investments	3.7)	273	147
Financial income	3.7)	4,110	5,406
Operating income	3.7)	20	5,402
<b>Total income</b>		<b>4,403</b>	<b>10,954</b>
Financial expenses	3.9)	–8,064	–10,083
Operating expenses	3.8)	–2,109	–735
Direct taxes		–10	6
<b>Total expenses</b>		<b>–10,183</b>	<b>–10,812</b>
<b>Result for the year</b>		<b>–5,780</b>	<b>143</b>



# Notes to the annual financial statements for 2021

Notes in accordance with article 959c et seqq. CO

## 1. Company, name, registered office

HOCHDORF Holding Ltd, Siedereistrasse 9, 6280 Hochdorf LU

The holding company does not have any staff (previous year: 0 employees).

## 2. Principles

### General information

These financial statements have been prepared in accordance with the provisions on commercial accounting from the Swiss Code of Obligations (Articles 957-964 b CO). The additional requirements for large companies under Article 961 d (1) of the Swiss Code of Obligations (CO) (additional information in the notes, cash flow statement and management report) are waived because the company prepares its consolidated financial statements in accordance with Swiss GAAP FER.

### Cash and cash equivalents and short-term assets with market price

Cash and cash equivalents include cash and deposits on postal and bank accounts. They are recognised at their nominal value. Short-term securities are measured at the market price on the balance sheet date.

### Accounts receivables

Accounts receivables are measured at nominal value less value adjustments. Recognisable individual risks are taken into account by means of corresponding value adjustments.

### Financial assets, loans to shareholdings, shareholdings

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

### Treasury shares

Treasury shares are entered in the balance sheet as a deduction from equity at cost at the time of acquisition. At subsequent resale, the gain or loss is recorded in the income statement as financial income or expense

## 3. Information on balance sheet and income statement items

### 3.1. Remaining receivables to related parties

Other receivables to related parties mainly include the still outstanding repayment of the loan to Pharmalys Invest Holding and the interest incurred (payment date: 30.06.2022) as well as the short-term portion of the monthly repayment of the performance bonus and a receivable of TCHF 18 to the pension fund HOCHDORF.

### 3.2 Loans to shareholdings (CHF 1,000)

TCHF	31.12.2021	31.12.2020
Loans to shareholdings	104,089	130,852
Loans to shareholdings under subordination	91,714	90,814
Value adjustments on loans to subsidiaries	-5,422	-6,327
<b>Total</b>	<b>190,381</b>	<b>215,339</b>

### 3.3. Shareholdings

	Purpose	Currency	Capital in 1,000		Capital and voting share	
			31.12.2021	31.12.2020	31.12.2021	31.12.2020
HOCHDORF Swiss Nutrition AG, CH-Hochdorf, Switzerland	Production	CHF	30,000	30,000	100%	100%
HOCHDORF Swiss Nutrition UG	Sales	EUR	10	0	100%	0% 1)
HOCHDORF America,s Ltd, UY-Montevideo, Uruguay	Trade	UYU	3,232	3,283	100%	60% 2)
Thur Milch Ring AG, CH-Sulgen, Switzerland	Trade	CHF	170	170	56%	56%
Bimbosan AG, CH-Welschenrohr, Switzerland	Production	CHF	0	350	0%	100% 3)
Schweiz. Milch-Gesellschaft AG, CH-Hochdorf, Switzerland	Shell company	CHF	100	100	100%	100%
Snapz Foods AG, CH-Hochdorf, Switzerland	Trade	CHF	100	100	100%	100% 4)
Zifru Trockenprodukte GmbH, DE-Zittau, Germany	Production	EUR	200	200	100%	100% 5)
Uckermärker Milch GmbH, DE-Prenzlau, Germany	Production	EUR	10,000	10,000	26%	26% 6)
Ostmilch Handels GmbH, DE-Bad Homburg, Germany	Trade	EUR	1,000	1,000	26%	26%
Ostmilch Handels GmbH Frischdienst Oberlausitz KG, DE-Schlegel, Germany	Logistics	EUR	51	51	26%	26%
Ostmilch Frischdienst Magdeburg GmbH, DE-Meitzendorf, Germany	Trade	EUR	25	25	26%	26%

1) New company; registered on 28.06.2021

2) Share increased to 100% as of 12.10.2021; no further business activities

3) Merger BIMBOSAN AG with HOCHDORF Swiss Nutrition Ltd (absorbing entity) as of 01.01.2021; entry in the Commercial Register on 24.06.2021

4) In liquidation

5) In liquidation

6) Sale of shareholding as at to Ostmilch Handels GmbH, Bad Homburg, which thus owns 100% of the shares. Thereby still held as an indirect interest.

The following changes took place in the reporting period:

TCHF	2021	2020
<b>Shareholding value 1.1. (CHF 1,000)</b>	<b>88,566</b>	<b>90,555</b>
Addition of shareholding in HOCHDORF Swiss Nutrition UG due to formation of new company, registered on 28.06.2021	11	0
Addition of shareholding in HOCHDORF America's Ltd as a result of purchase on 12.10.2021	60	0
Disposal of shareholding in Marbacher Oelmühle due to sale on 31.12.2020	0	-1,989
<b>Shareholding value 31.12.</b>	<b>88,637</b>	<b>88,566</b>

### 3.4 Non-current receivables to related parties

This includes the long-term portion of the monthly performance bonus repayment (until 2026) as well as outstanding payments in relation to the Pharmalys Laboratories SA (formerly Pharmalys Invest Holding AG) contract (containing loan and interest).

### 3.5. Short-term liabilities (CHF 1,000)

TCHF	31.12.2021	31.12.2020
Services provided by third parties	111	238
Short-term interest-bearing payables	6	0
Other (government bodies)	0	1,085
Accrued liabilities and deferred income	4,917	1,672
<b>Total</b>	<b>5,033</b>	<b>2,995</b>

The accrued liabilities and deferred income include CHF 4.8 million interest (2.5%) for the hybrid bond since 2017. Other short-term liabilities decreased by CHF 1.1 million due to the payment of withholding tax.

### 3.6. Long-term interest-bearing payables (CHF 1,000)

TCHF	31.12.2021	31.12.2020
Syndicated loan	27,000	70,000
Long-term financial liabilities ( hybrid bonds)	125,000	125,000
Loans of shareholdings	88	97
<b>Total</b>	<b>152,088</b>	<b>195,097</b>

### Maturity structure (CHF 1,000)

TCHF	31.12.2021	31.12.2020
Up to five years	27,088	70,097
More than five years	125,000	125,000
<b>Total</b>	<b>152,088</b>	<b>195,097</b>

### 3.7. Income from equity investments/financial income/operating income

TCHF	31.12.2021	31.12.2020
Income from equity investments	273	147
Financial income	4,110	5,406
Operating income	20	5,402
<b>Total</b>	<b>4,403</b>	<b>10,954</b>

Income from equity investments includes dividends from Ostmilch Handels GmbH, Ostmilch Handels GmbH Frischdienst Oberlausitz and Ostmilch Frischdienst Magdeburg. Financial income mainly includes interest from loans to subsidiaries (CHF 3.4 million), as well as interest from the outstanding Pharmalys purchase price payment (CHF 0.6 million) and exchange rate gains of CHF 0.1 million.

In the previous year the other operating income included a bonus in connection with the deferral of the outstanding purchase price payment from the Pharmalys sale and the current supply business.

### 3.8. Operating expenses

TCHF	31.12.2021	31.12.2020
Property insurances, fees	-236	-28
Administration and IT expenditure	-1,579	-661
Marketing and sales expenditure	-215	-35
Other operating expenses	-74	-5
Bank charges, agency fees	-5	-6
<b>Total</b>	<b>-2,109</b>	<b>-735</b>

### 3.9. Financial expenses

TCHF	31.12.2021	31.12.2020
Interest costs	-7,933	-8,979
Other financial expenses	-131	3,044
Value adjustments on shareholdings/loans from the sale of Marbacher Olmühle	0	-4,148
<b>Total</b>	<b>-8,064</b>	<b>-10,083</b>

The other financial expenses mainly include exchange rate losses of CHF 0.1 million (2020: CHF 0.4 million)

In the previous year, the sale of the Marbacher Olmühle resulted in a total loss of CHF 4.1 million, of which CHF 4.1 million was due to the value adjustments on shareholdings/loans; the remaining investment book value/loan amount was covered in the previous year by the sales proceeds of EUR 2.4 million.

In the previous year, other financial expenses included proceeds of CHF 4.3 million from the sale of Uckermärker Milch GmbH. The proceeds originated exclusively from the partial release of a provision for the utilisation of a loan to Commerzbank.

### 4. Shareholders

Shareholders >3% of total share capital	31.12.2021	31.12.2020
Amir Mechria, Zug	20.63%	20.63%
ZMP Invest AG, Lucerne	17.95%	17.95%
Bermont Master Fund LP, Cayman Island (previously: Stichting General Holdings, Amersfoort)	14.55%	14.55%
Weiss Family and Innovent Holding AG, Wollerau	5.58%	5.58%
Shareholders >3% of the total voting rights	31.12.2021	31.12.2020
The maximum entry limit is 15% in the share register of votes.		
Amir Mechria, Zug	15.00%	15.00%
ZMP Invest AG, Lucerne	15.00%	15.00%
Bermont Master Fund LP, Cayman Island (previously: Stichting General Holdings, Amersfoort)	14.55%	14.55%
Weiss Family and Innovent Holding AG, Wollerau	5.58%	5.58%

### 5. Transactions with treasury shares

Business year 2021 (in CHF)			Business year 2020 (in CHF)		
01.01.2021 balance	29,738 shares	exchange rate 209.30	01.01.2020 balance	29,738 shares	exchange rate 209.30
2021 purchases	0 shares	daily exchange rate 0	2020 purchases	0 shares	daily exchange rate 0
2021 sales	0 shares	daily exchange rate 0	2020 sales	0 shares	daily exchange rate 0
31.12.2021 balance	29,738 shares	exchange rate 209.30	31.12.2020 balance	29,738 shares	exchange rate 209.30

## 6. Contingent capital/capital increase

There was no change in capital in 2021 (including no contingent capital). In 2020, the contingent capital from previous years, of nom. CHF 3,937,710, corresponding to 393,771 registered shares at nom. CHF 10 was used to increase the share capital.

## 7. Capital reserves

The capital reserves remained unchanged in 2021.

In 2020, the net loss for 2019 and the associated half capital loss were counteracted by withdrawing CHF 130 million from the capital reserves and transferring it to profit reserves. The remaining loss of CHF 35.4 million was carried forward (Resolution AGM 2020). As of 26.03.2020, the mandatory convertible bond was converted into equity. The gross amount of CHF 119.9 million was reduced by the emission levy of CHF 1.2 million and the share increase of CHF 3.9 million.

## 8. Shareholdings of the Board of Directors and the Group Management

As at 31 December, the members of the Board of Directors and the Group Management (including related persons) held the following number of shares in the company:

### Board of Directors

	Anzahl Aktien 31.12.2021	Anzahl Aktien 31.12.2020
Jürg Oleas, Chair from 30.06.20	0	0
Andreas Herzog, Vice Chair from 30.06.20	0	0
Ralph Siegl, from 30.06.20	100	100
Markus Bühlmann, from 12.04.2019	0	0
Jean Philippe Rochat, from 30.06.20	0	0
<b>Total – Board of Directors</b>	<b>100</b>	<b>100</b>

### Group Management

Dr Peter Pfeilschifter, CEO to 21.01.22	257	257
Nanette Haubensak, CFO from 29.06.20	0	0
Géza Somogyi, COO from 01.07.20	0	0
<b>Total – Group Management</b>	<b>257</b>	<b>257</b>

<b>Total – Board of Directors and Group Management</b>	<b>357</b>	<b>357</b>
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According to the 2020 remuneration regulations, the remuneration for the Board of Directors and the Group Management is paid in cash. There is therefore no allocation of shares.

## 9. Contingent liabilities

On 30.04.20, HOCHDORF Holding AG issued a letter of comfort to Zifru Trockenprodukte GmbH, Herwigdorfer Str. 10c, 02763 Zittau, Germany. The company is in liquidation; the letter of comfort secures liquidity up to an amount of EUR 0.5 million. This contingent liability still exists in 2021.

## 10. Assessment as a going concern (See also note 31 of the Annual financial statements of HOCHDORF Group)

### 10.1. Uncertainties at 31.12.2021 and for the 2022 and 2023 business year

HOCHDORF's Board of Directors and Group Management take the view that, depending on how the situation develops, the significant uncertainties highlighted below 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 is not in question at this time.

- 1) Recoverability of receivables from Pharmalys Group companies (as at 31 December 2021: CHF 45.1 million from the supply business to Hochdorf Swiss Nutrition Ltd and CHF 10.9 million related to the sale of the shares in the Pharmalys company, repayment of outstanding loan and interest due to HOCHDORF Holding Ltd)
- 2) Ensuring solvency and compliance with the covenants from the credit agreement

Risk 1 affects HOCHDORF Holding Ltd as a direct creditor of Pharmalys Laboratories SA (formerly Pharmalys Invest Holding AG) as well as indirectly, in that the recoverability of the investment value or the outstanding loans of HOCHDORF Swiss Nutrition Ltd would have to be called into question. Risk 2 affects HOCHDORF Holding Ltd. as a debtor of the syndicated loan.

### 10.2. Assessment by the Board of Directors

#### Recoverability of receivables from Pharmalys Group companies

At present, the Board of Directors and the Group Management assume that the receivables from Pharmalys companies, which have been reduced from CHF 72.7 million (31.12.2020) to CHF 56.1 million (31.12.2021) as a result of incoming payments, continue to be recoverable. Based on the payments received from Pharmalys companies of CHF 65 million in 2021 (CHF 30 million to HOCHDORF Holding Ltd) 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.

In the course of the 2021 business year, the Board of Directors and the Group Management intensified the cooperation with Pharmalys Laboratories SA resulting in greater transparency regarding the contractual basis and agreed payment terms between Pharmalys Laboratories SA and its customers and thus regarding expected incoming payments. The common goal is to reduce payment terms to an industry-standard level for the North Africa and Middle East regions supplied by Pharmalys Laboratories SA.

#### Ensuring solvency and compliance with the covenants from the credit agreement

The key financial indicators to be complied with under the loan agreement continue to be the equity ratio and the debt factor (net debt in relation to EBITDA). In 2021 HOCHDORF succeeded in substantially reducing its net debt from CHF 87.6 million to CHF 32.9 million. On account of the rise in raw material prices in 2021 and the related pressure on the product margin, the Board of Directors is concentrating on faster implementation of the agreed strategy focussing on innovation and smart nutrition in order to make inroads into areas with higher added value. In this context, cooperation opportunities with partners are also being explored. Based on current information, the Board of Directors and Group Management considers achievement of the covenants to be a realistic prospect if these plans are implemented.

HOCHDORF also has a free credit line at its disposal of CHF 11 million (as at: 08.03.2022), which can be used in the advent of a further delay in payment. The 12-month liquidity plan shows that this credit line would be sufficient in case of realisation of the operating business and in case of assumed massive payment delays by the Pharmalys companies. However, this credit line would not be able to compensate for a complete default of the Pharmalys Group's outstanding payments.

For these reasons, the Board of Directors sees no increased risk of impairment of the investment values or the loans to HOCHDORF Swiss Nutrition Ltd.

After the balance sheet date, the following events occurred with respect to the risks described:

- Since 31 December 2021 there has been a cumulative payment receipt from Pharmalys Laboratories SA of EUR 2.0 million to the HOCHDORF Swiss Nutrition Ltd (as at: 08.03.2022)
- Emmi Schweiz AG and HOCHDORF have agreed a cooperation in the area of speciality powders, for both milk-based and vegan products. HOCHDORF will produce semi-finished and finished products with special requirements in powder form for Emmi. This operational cooperation is contractually structured as contract manufacturing.

### **10.3. Events after the balance sheet date**

The following events occurred after the balance sheet date and until the approval of the consolidated financial statements by the Board of Directors: As of 21.01.2022, the CEO, Dr Peter Pfeilschifter, decided to leave the HOCHDORF Group with immediate effect. Mr Ralph Siegl has taken over the Group Management as a Delegate of the Board of Directors of HOCHDORF Holding with immediate effect.



## HOCHDORF Holding Ltd

### PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

	31.12.2021 TCHF	31.12.2020 TCHF
(Loss)/profit carried forward	-35,273	-35,416
Result of the year	-5,780	143
<b>Total available to Annual General Meeting</b>	<b>-41,053</b>	<b>-35,273</b>

### Motion concerning the proposed appropriation of net loss 2021

Balance carried forward	-41,053	-35,273
<b>Total appropriation of profits</b>	<b>-41,053</b>	<b>-35,273</b>

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



# Statutory Auditor's Report

To the General Meeting of HOCHDORF Holding Ltd., Hochdorf

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of HOCHDORF Holding AG, which comprise the balance sheet as at 31 December 2021 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 90 to 98) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 10 in the financial statements, which indicates that material uncertainties exist in relation to the recoverability of receivables from Pharmalys Group companies, as well as ensuring solvency and compliance with the financial covenants from the syndicated loan agreement. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



### Valuation of investments and recoverability of loans to subsidiaries



### Recoverability of receivables from Pharmalys Group

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Material Uncertainty Related to Going Concern" section we have determined the matters described below to be the key audit matters to be communicated in our report.



## Valuation of investments and recoverability of loans to subsidiaries

### Key Audit Matter

HOCHDORF Holding Ltd. holds all significant investments of the HOCHDORF Group and grants loans to several subsidiaries.

The investments and loans to subsidiaries account for a material portion of total assets. Therefore, valuation of these assets has a significant impact on the result and equity of HOCHDORF Holding Ltd.

If impairment indicators exist, management analyses the valuation of investments on the basis of discounted cash flow calculations and assesses the recoverability of the loans to subsidiaries on the grounds of the future prospects.

### Our response

In the course of our audit, we have assessed management's valuations. In doing so, we have assessed whether a methodologically correct valuation method was applied and whether the calculations are reasonable.

In relation to subsidiaries for which, based on qualitative and quantitative factors, a detailed discounted cashflow calculation was prepared, we performed among others the following procedures:

- Assessment whether the carrying amounts of investments and loans were correctly considered in the calculation;
- Assessment of the forecasting accuracy by performing a retrospective review of budgeted and actual figures;
- Reconciliation of budgeted figures to management's latest forecasts and to business plans approved by the Board of Directors;
- Challenging the most important assumptions used in the calculation of the recoverable amount, including future cash flows, long-term growth rates and discount rates by comparing to publicly available data and by involving our own valuation specialist;
- Performing sensitivity analyses.

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

- Note 3.2 Loans to subsidiaries
- Note 3.3 Investments



## Recoverability of receivables from Pharmalys Group

### Key Audit Matter

HOCHDORF Group has significant business relationships with Pharmalys Group.

As at 31 December 2021 receivables in the amount of CHF 10.9 million due from Pharmalys Group exist, thereof CHF 9.7 relate to long-term receivables. These receivables represent a significant portion of HOCHDORF Holding Ltd.'s current and non-current assets.

A potential valuation adjustment on these receivables can have a significant impact on financial covenants, which according to the syndicated loan agreement have to be complied with.

In assessing the recoverability management has to make respective evaluations.

### Our response

In the course of our audit, we have assessed management's evaluation of the recoverability of the receivables due from the Pharmalys Group.

We performed among others the following audit procedures:

- Assessment of the principle, method and process to determine the recoverability of the receivables;
- Challenging the most important assumptions used in the recoverability assessment, including future cash flows, by comparison to payments received and underlying documents;
- Reconciliation of the plan figures with Pharmalys management's latest forecasts.

For further information on the receivables from Pharmalys Invest Holding AG refer to the following:

- Note 3.1 Other receivables to related parties
- Note 3.4 Non-current receivables to related parties
- Note 10 Assessment as a going concern



## **Responsibility of the Board of Directors for the Financial Statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's article of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Thomas Affolter  
Licensed Audit Expert  
Auditor in Charge

Joel Wachter  
Licensed Audit Expert

Lucerne, 11 March 2022

KPMG AG, Pilatusstrasse 41, CH-6003 Luzern

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**HOCHDORF Holding Ltd**

Siedereistrasse 9  
Postfach 691  
6281 Hochdorf  
Switzerland  
Tel. +41 41 914 65 65  
holding@hochdorf.com  
www.hochdorf.com

**Concept and editing**

HOCHDORF Brand & Communication  
6281 Hochdorf

**Photography and image processing**

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Brigit Willmann, Hochdorf (p. 7, 15, 18, 25, 38, 39, 43)  
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Daniel Hurter, Kommunikationsdesign,  
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michaeljung – stock.adobe.com (back)

**Concept/Layout**

Farner Consulting AG, Zürich  
W4 Marketing AG, Zürich

**Financial calendar**

Annual General Meeting:	13 April 2022
Interim Report:	08 August 2022

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# HOCHDORF

 Swiss Nutrition Solutions



**HOCHDORF HOLDING LTD**

SIEDEREISTRASSE 9  
6281 HOCHDORF / SWITZERLAND  
T +41 41 914 65 65  
F +41 41 914 66 66  
[WWW.HOCHDORF.COM](http://WWW.HOCHDORF.COM)