

Media Release

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SIX Exchange Regulation
SIX Swiss Exchange Ltd
Pfingstweidstrasse 110
P.O. Box
CH-8021 Zurich
www.six-exchange-regulation.com

Media Relations:
T +41 58 399 2227
pressoffice@six-group.com

SIX Exchange Regulation reaches an agreement with HOCHDORF Holding AG

SIX Exchange Regulation has reached an agreement with HOCHDORF Holding AG in connection with a breach of the accounting standards (Swiss GAAP FER) in the 2017 interim financial statements. The identified deficiencies relate to the treatment of a mandatory convertible bond. As part of the agreement, the company has committed itself to correct the errors in the 2017 Swiss GAAP FER annual as well as in the 2018 interim financial statements and to make a payment of CHF 10,000 to the Swiss Foundation for accounting and reporting recommendations.

In order to finance the acquisition of Pharmalys Laboratories SA in December 2016, HOCHDORF Holding AG issued on 30 March 2017 a mandatory convertible bond which was entirely recognised as equity in the 2017 interim financial statements. However, this mandatory convertible bond should have been split into an equity and a liability component according to Swiss GAAP FER. As a consequence, the recognised interest expense was too high. These omissions lead to a understated net income and an overstated shareholders' equity in the 2017 interim financial statements.

Position	Amounts as stated in the 2017 Swiss GAAP FER interim financial statements	Amounts after error correction	Effect
Net income	KCHF 12'827	KCHF 13'985	KCHF +1'158 (9.0% higher)
Net income HOCHDORF-Shareholders	KCHF 6'789	KCHF 7'947	KCHF +1'158 (17.0% higher)
Earnings per share (undiluted)	CHF 4.83	CHF 5.65	CHF +0.82 (17.0% higher)
Earnings per share (diluted)	CHF 4.00	CHF 3.75	CHF -0.25 (6.3% lower)
Shareholders' equity	KCHF 268'911	KCHF 250'514	KCHF -18'397 (6.8% lower)

As part of the agreement, HOCHDORF Holding AG has committed itself to correct and disclose the errors in the 2017 Swiss GAAP FER annual as well as in the 2018 interim financial statements. In addition, the

company will make a payment of CHF 10,000 to the Foundation for accounting and reporting recommendations as part of the agreement.

The investigation opened by SIX Exchange Regulation against HOCHDORF Holding AG in connection with the 2017 Swiss GAAP FER interim financial statements has been terminated with the conclusion of the agreement. Furthermore, this agreement results in a more timely public information than would have been the case with a duly completed sanction proceeding.

This and previous publications of agreements in connection with financial reporting can be found at: <https://www.six-exchange-regulation.com/en/home/publications/explorer/communiqués.html>

Obligations concerning financial reporting

Periodic financial reporting is part of the information required under the Financial Market Infrastructure Act and the Listing Rules to ensure a functional market. As part of this process, issuers must comply with the applicable financial reporting standards.

Information on the field of financial reporting can be found at:

<https://www.six-exchange-regulation.com/en/home/issuer/obligations/financial-reporting.html>

Relevant accounting standards in assessing the case in question:

According to Swiss GAAP FER-Framework/17, liabilities originate from past transactions or events, if a future cash outflow is probable. According to Swiss GAAP FER-Framework/19, shareholders' equity is the sum of all assets less the sum of all liabilities. Expenses, according to Swiss GAAP FER-Framework/22, arise through the decrease of assets or the increase of liabilities in the reporting period. Should financial liabilities comprise elements of both equity and liability, the recognition method must be disclosed according to Swiss GAAP FER 31/7.

If you have any questions, please do not hesitate to contact Stephan Meier, Head Media Relations.

Telefon: +41 58 399 3290

E-Mail: pressoffice@six-group.com

SIX Exchange Regulation

SIX Exchange Regulation performs the functions assigned under Swiss federal law and enforces and monitors compliance with the rules laid down by the Regulatory Board. SIX Exchange Regulation imposes sanctions in so far as it is authorised to do so by the regulations, or submits sanction requests to SIX Swiss Exchange's Sanction Commission.

SIX Exchange Regulation's independence from SIX Swiss Exchange's operating business is guaranteed by its direct subordination to the Chairman of the Board of Directors of SIX Group. SIX Exchange Regulation consists of the divisions Listing & Enforcement, responsible for regulating issuers, and Surveillance & Enforcement monitoring trading.

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Sanction Commission

The Sanction Commission can impose sanctions in the case of violations of the Rule Books of SIX Swiss Exchange, the Listing Rules and the Additional Rules. It is composed of between five and eleven members. The Chairman of the Sanction Commission and half of its members are elected by the Regulatory Board, with the remaining members appointed by the Board of Directors of SIX.

SIX

SIX operates and develops infrastructure services in the areas of securities, payment transactions and financial information with the aim of raising efficiency, quality and innovative capacity across the entire value chain of the Swiss financial center. The company is owned by its users (127 banks). With a workforce of some 4,000 employees and a presence in 23 countries, it generated operating income in excess of CHF 1.9 billion and group net profit of CHF 207.2 million in 2017.

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