Media release

Annual results 2015

Higher income in international markets strengthens Emmi's results

Lucerne, 24 March 2016 – **The measures taken to improve the company's earning power of its international business are bearing fruit: although Emmi suffered a decline in sales of 5.6 % (3.0 % in organic terms) to CHF 3,214 million in 2015, it was nevertheless able to improve its earnings level. At CHF 188.9 million, earnings before interest and taxes (EBIT) exceeded the adjusted prior-year figure by 10.7 %. Net profit amounted to CHF 120.2 million, 9.9 % higher than in the previous year. Based on this positive result – which slightly exceeded expectations – distribution of a dividend from capital contribution reserves of CHF 4.90 (2015: CHF 3.80) per registered share will be proposed to the General Meeting on 21 April 2016. Emmi expects conditions to remain challenging in 2016, especially in Switzerland, but nevertheless anticipates sales to remain stable overall and income to be slightly higher than in 2015.**

Emmi generated net sales of CHF 3,214 million in 2015 (previous year: CHF 3,404 million), which corresponds to a decline of 5.6 %. In organic terms, i.e. adjusted for currency and acquisition effects, the decline was 3.0 % and thus near the lower end of the -3 % to -2 % range forecast in August 2015.

Earnings, meanwhile, exceeded expectations. At CHF 188.9 million, EBIT was 10.7 % higher than in 2014 (CHF 170.7 million), and the EBIT margin was 5.9 % (2014: 5.0 %). Net profit increased to CHF 120.2 million, compared with CHF 109.4 million in the previous year, resulting in a net profit margin of 3.7 % (2014: 3.2 %).

The figures cited above for the 2014 earnings and margins are adjusted for non-recurring effects, in particular the impairment charges on Trentinalatte, the Italian subsidiary sold in late October 2014, which in total amounted to CHF -34.5 million (EBIT) and CHF -30.5 million (net profit).

Urs Riedener, CEO Emmi Group, explains: "The pleasing results are attributable to a marked increase in our earnings abroad. We sold two companies in 2014 that were weak in terms of earnings, we intensified the Operational Excellence programmes in our subsidiaries and we diligently implemented the necessary price increases in eurozone countries. In addition, our established, high-margin brand concepts prevailed, even in challenging conditions. I am very pleased that we were able to achieve this increase in profits without outsourcing production abroad."

Sales trend Switzerland*: Competitive pressure intensified in the second half-year

As communicated in February, sales in the business division **Switzerland** decreased by 5.0 % to CHF 1,793.3 million (2014: CHF 1,888.1 million), with volume effects of -3.3 % and price effects of -1.7 %. The business division Switzerland accounted for 56 % of Group sales (previous year: 55 %).

Sales trend Americas*: Solid growth in the US and Tunisia

The business division **Americas** generated sales of CHF 798.1 million (2014: CHF 840.0 million), which corresponds to a decline of 5.0 %. In organic terms, i.e. adjusted for currency and acquisition effects, this resulted in an increase of 2.8 %. The business division Americas accounted for 25 % of Group sales (previous year: 25 %).

Sales trend Europe*: Remarkably robust sales despite price increases

In the business division **Europe**, sales decreased by 4.2 % to CHF 487.3 million (2014: CHF 508.8 million). In organic terms, i.e. adjusted for currency and acquisition effects, sales fell only 0.8 %. This is a remarkable result given the weakness of the euro, the low milk prices and the rigorously implemented price increases for Swiss export products. The business division Europe accounted for 15 % of Group sales (previous year: 15 %).

Sales trend Global Trade*: Low butter and milkpowder exports, stagnant emerging markets

Sales in the business division **Global Trade** decreased by 19.1 % to CHF 135.2 million (2014: CHF 167.1 million). This negative performance is in large part due to a reduction in butter and milkpowder exports. Global Trade accounted for 4 % of total Group sales (previous year: 5 %).

** Please find more detailed information on Emmi's sales performance in 2015 in the media release 4 February 2016.*

Efficiency gains and lower costs result in increased profitability

Despite significantly lower sales in 2015, Emmi's **gross profit** dropped by only CHF 11.4 million to CHF 1,117.7 million (2014: CHF 1,129.1 million). This resulted in a **gross profit margin** of 34.8 %, versus 33.2 % in 2014. The margin improvement was achieved mainly thanks to price increases on Swiss export products abroad, lower procurement costs in Switzerland and abroad, the implementation of rationalisation and productivity-raising measures, the discontinuation of business with insufficient margins, and the good performance of key brand concepts.

Operating expenses fell markedly in 2015 by CHF 38.1 million or 4.5 % to CHF 809.4 million (2014: CHF 847.5 million). This reduction reflects the successful implementation of a range of measures in response to the strengthening of the Swiss franc, some of which resulted in a substantial reduction in costs. Logistic expenses, for instance, decreased by 7.6 **%,** while expenses for occupancy, maintenance, repair and leasing fell by as much as 12.1 %.

Personnel expenses, on the other hand, fell only marginally, and even increased from 11.9 % to 12.5 % as a proportion of sales. This reflected Emmi's decision to avoid introducing changes in working hours and shifting jobs abroad, despite the strong Swiss franc.

As a consequence of this reduction in expenses, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** increased by CHF 22.9 million to CHF 314.9 million (2014 adjusted: CHF 292.0 million).

Depreciation and amortisation fell by CHF 30.7 million in the period under review to a total of CHF 126.7 million (2014: CHF 157.4 million). Excluding the non-recurring effects in 2014 outlined above, however, this would have increased by CHF 4.9 million.

As a result, the **operating result before interest and taxes (EBIT)** increased by 10.7 % to CHF 188.9 million (2014 adjusted: CHF 170.7 million). The EBIT margin therefore increased from 5.0 % (adjusted) to 5.9 %.

Net financial expenses rose significantly by CHF 11.1 million versus the previous year to CHF 22.1 million (2014: CHF 11.0 million). This can be attributed to the currency fluctuations seen in 2015. In the period under review, **income taxes** increased by CHF 2.8 million to CHF 31.8 million (2014: CHF 29.0 million).

Overall, Emmi generated a **net profit** of CHF 120.2 million in financial year 2015 (2014 adjusted: CHF 109.4 million) and a **net profit margin** of 3.7 % (2014 adjusted: 3.2 %). This corresponds to an increase of 9.9 %.

CEO Urs Riedener commented: “After the discontinuation of the minimum euro exchange rate, we reacted with a comprehensive range of measures. This diligent approach is now paying off. The strategic direction we set in recent years is proving successful.”

Outlook

Emmi expects the competitive environment to persist as a dominant force in 2016, while the euro should remain relatively stable at its current price.

Import pressure and retail tourism will continue to affect business in Switzerland. Emmi therefore expects an extremely challenging year for the business division Switzerland, particularly as the consequences of the weak euro only manifested themselves fully in the second half of 2015. For its largest foreign market, the US, Emmi anticipates steady consumption, as well as a sustained positive performance in Tunisia. In Chile, the economic environment is showing some signs of recovery. In the business division Europe, Emmi expects to see a positive performance by its Italian desserts. As far as exports from Switzerland are concerned, strong brand concepts with considerable differentiation – such as Caffè Latte and Kaltbach – are expected to hold up well, while more easily substitutable products will remain exposed to strong pressure.

Overall, the international business, and in particular the business division Americas, should have a stabilising effect.

Sales and profit development

Based on these factors, organic Group sales in 2016 should remain roughly on a par with 2015, despite the difficult situation in Emmi’s home market of Switzerland.

Emmi is targeting more efficiency improvements in 2016, especially in its foreign subsidiaries. Combined with a strict cost management, this should strengthen the earnings performance. Given the improvement in earnings outside Switzerland, the Group’s profitability is likely to improve in 2016 and slightly exceed the 2015 figure.

Outlook sales growth 2016:

- Group: 0 % to 1 %
- Business division Switzerland: -4 % to -2 %
- Business division Americas: 5 % to 7 %
- Business division Europe: 1 % to 3 %

Medium-term prognoses for annual organic sales growth (average):

- Group: 2 % to 3 %
- Business division Switzerland: 0 % to 1 %
- Business division Americas: 6 % to 8 %
- Business division Europe: 1 % to 3 %

Due to its low weighting, Emmi does not provide forecasts for the business division Global Trade.

Emmi Group key figures

	2015	2014	2014 adjusted*
Net sales in CHF million	3,214	3,404	
Change vs. 2014 in %	-5.6		
Acquisition effect in %	0.6		
Currency effect in %	-3.2		
Net sales increase in organic terms (in loc. currency) in %	-3.0		
Earnings before interest, taxes, depreciation and amortisation (EBITDA) in CHF million	314.9	293.1	292.0
as % of net sales	9.8	8.6	8.6
Earnings before interest and taxes (EBIT) in CHF million	188.9	136.2	170.7
as % of net sales	5.9	4.0	5.0
Net profit in CHF million	120.2	78.9	109.4
as % of net sales	3.7	2.3	3.2
Investment in fixed assets (excl. acquisitions) in CHF million	81.2	118.4	
as % of net sales	2.5	3.5	
Headcount (full-time equivalents) as at 31.12.	5,405	5,305	
of which in Switzerland	2,978	2,990	
Net sales per employee CHF 000s (average)	605	644	
Milk volume processed in kg million	1,599	1,667	
	31.12.2015	31.12.2014	
Total assets	2,551	2,532	
of which shareholder's equity incl. minority interests	1,394	1,313	
as % of total assets	54.6	51.9	

**Adjusted for non-recurring effects. No significant non-recurring effects occurred during the reporting period. In the previous year's period, there were non-recurring effects of CHF -34.5 million (EBIT) and CHF -30.5 million (net profit). These non-recurring effects in 2014 resulted from the impairment charge in Italy (Trentinalatte) as well as from the extraordinary gains on the sale of entities, businesses and property, plant and equipment.*

Contacts

Analysts and investors: Esther Gerster, Head of Group Communications & IR
T +41 (0)58 227 50 69, E-mail: esther.gerster@emmi.com

Media: Sibylle Umiker, Head of Media Relations
T +41 (0)58 227 50 66, E-mail: media@emmi.com

Downloads

- **Presentations on today's media and analysts' conferences** are available for download at https://group.emmi.com/en/media-ir/publications/
- The full **2015 Annual Report** is also available at https://group.emmi.com/en/media-ir/publications/
- Images: www.emmi.com/mediabox

About Emmi

Emmi is the largest Swiss milk processor and one of the most innovative premium dairies in Europe. In Switzerland, the company focuses on the development, production and marketing of a full range of dairy and fresh products as well as the production, ageing and trade of primarily Swiss cheeses. Outside Switzerland, Emmi concentrates on brand concepts and specialities in established European and North American markets, and increasingly in emerging markets outside of Europe. The primary focus in fresh products is on lifestyle, convenience and health products. In the cheese business, Emmi positions itself as the leading company worldwide for Swiss cheese. Emmi's clients are the retail trade, the hospitality and food service sector and the food industry.

In Switzerland, the Emmi Group includes around 25 production sites of every size. Abroad, Emmi and its subsidiaries have a presence in 13 countries, seven of which have production facilities. Emmi exports products from Switzerland to around 60 countries.

In 2015, Emmi posted net sales of CHF 3,214 million and a net profit of CHF 120 million. The company employs around 5,400 people (full-time equivalents), of which 3,000 in Switzerland.