



Media release

Half-year results 2018

Pleasing sales growth and a stable EBIT margin

Lucerne, 29 August 2018 – Emmi generated sales of CHF 1,674.8 million in the first half of 2018 – an increase of 4.7 % (in organic terms 2.4 %) compared with CHF 1,600.2 million in the first six months of the previous year. EBIT rose by 5.1 % to CHF 95.0 million, while the EBIT margin remained stable at 5.7 %. Furthermore, the Group achieved an adjusted net profit of CHF 72.1 million (previous year: CHF 66.0 million) and an adjusted net profit margin of 4.3 % (previous year: 4.1 %). Emmi believes it is on track for full-year 2018.

Emmi Group key figures

Amounts in CHF million	First half of 2018	First half of 2018 adjusted*	First half of 2017
Net sales	1,675		1,600
of which Switzerland	830		838
of which Americas	502		442
of which Europe	288		259
of which Global Trade	55		61
Change in sales in %	4.7		0.4
Acquisition effect in %	0.7		2.6
Currency effect in %	1.6		-0.9
Organic sales growth in %	2.4		-1.3
EBITDA	162.7		156.6
as % of net sales	9.7		9.8
EBIT	95.0		90.4
as % of net sales	5.7		5.7
Net profit	129.0	72.1	66.0
as % of net sales	7.7	4.3	4.1

* Adjusted for non-recurring effects. These accounted for CHF 56.9 million of net profit in the reporting period and resulted from the sale of the minority stake in The Icelandic Milk and Skyr Corporation ("siggi's"). There were no significant non-recurring effects in the same period of the previous year.

The overall positive acquisition effect of 0.7 % is due to the following positive factors:

- Acquisition of Italian Fresh Foods (Italy, 1 March 2017)
- Increased stake in Mexideli (Mexico, 8 October 2017)

and the following negative factors:

- Disposal of shares in Venchiaredo (Italy, 31 July 2017)
- Disposal of part of the trading goods business (Switzerland, 1 January 2018)

Summary

In the first half of 2018, Emmi reported Group sales of CHF 1,674.8 million, up from CHF 1,600.2 million in the previous year. This corresponds to an increase of 4.7 %. Adjusted for currency and acquisition effects, this resulted in growth of 2.4 %. In March of this year, organic growth of 1.5 % to 3 % was forecasted for full-year 2018.

Urs Riedener, CEO of Emmi, commented: “The positive sales performance was broad-based. We are delighted to have achieved organic growth in the three major business divisions.”

While earnings before interest and taxes (EBIT) increased by 5.1 % from CHF 90.4 million to CHF 95.0 million, net profit almost doubled in the first half of 2018 from CHF 66.0 million to CHF 129.0 million. The sharp increase is attributable to the sale of the minority stake in the US-based company The Icelandic Milk and Skyr Corporation (“siggi’s”). The shareholders benefited from the sale through a special dividend in spring 2018. Adjusted for this non-recurring effect, net profit was CHF 72.1 million, a rise of 9.2 %. The adjusted net profit margin of 4.3 % was up slightly on the corresponding figure for the same period of the previous year (4.1 %).

The sales and earnings targets for full-year 2018 are still valid (sales growth 1.5 % to 3.0 %, EBIT CHF 205 million to CHF 215 million, net profit margin 4.5 % to 5.0 %). The only change is that the forecast for the business division Europe has been revised upwards to between 2 % and 4 % (from 1 % to 3 %).

Details of sales and earnings performance

Sales of business division Switzerland: organic growth stimulated by higher milk prices

Net sales by product group: business division Switzerland						
<i>Amounts in CHF million</i>	Sales 1HY 2018	Sales 1HY 2017	Difference 2018/2017	Acquisition effect	Organic growth	
Dairy products	327.8	312.8	4.8 %	-	4.8 %	
Cheese	207.8	219.2	-5.2 %	-2.8 %	-2.4 %	
Fresh products	171.8	175.3	-2.0 %	-	-2.0 %	
Fresh cheese	54.4	56.7	-4.1 %	-6.6 %	2.5 %	
Powder/concentrates	31.2	33.5	-6.8 %	-	-6.8 %	
Other products/services	37.3	40.7	-8.1 %	-4.1 %	-4.0 %	
Total business division Switzerland	830.3	838.2	-0.9 %	-1.4 %	0.5 %	

Sales in the business division Switzerland amounted to CHF 830.3 million, a decline of 0.9 % compared with the previous year's level of CHF 838.2 million. In organic terms, i.e. adjusted for divestment effects, this resulted in growth of 0.5 %. The divestment effect resulted from the sale of part of the trading goods business to Coop. Emmi took over the business in 1998 as part of its acquisition of the Coop cheese centre in Kirchberg in the canton of Berne. The part of this trading goods business through which Coop maintains direct relationships with suppliers was sold back to Coop at the beginning of 2018. The corresponding effects are visible in the cheese, fresh cheese and other products/services segments.

The organic growth is primarily attributable to the higher milk price, as demonstrated by the considerable increase in sales (4.8 %) of dairy products, the largest segment in the business division. Caffè Latte, always a guarantee of success, posted further significant growth in Switzerland, as did Energy Milk and Jogurtpur. There were also declines in the fresh products segment in the first half of the year, however, primarily with private-label products and Yoqua.

The business division Switzerland accounted for 50 % of sales (previous year: 52 %).

Sales of business division Americas: significant increase in non-European markets

Net sales by product group: business division Americas						
<i>Amounts in CHF million</i>	Sales 1HY 2018	Sales 1HY 2017	Difference 2018/2017	Acquisition effect	Currency effect	Organic growth
Cheese	199.7	180.4	10.7 %	8.2 %	-1.2 %	3.7 %
Dairy products	142.1	130.2	9.1 %	0.2 %	1.0 %	7.9 %
Fresh products	103.9	97.2	6.9 %	0.3 %	2.6 %	4.0 %
Fresh cheese	5.9	0.2	>100 %	>100 %	-40.8 %	>100 %
Powder/concentrates	2.4	2.5	-2.5 %	0.1 %	-2.8 %	0.2 %
Other products/services	48.2	31.8	51.4 %	38.3 %	3.2 %	9.9 %
Total business division Americas	502.2	442.3	13.5 %	7.3 %	0.6 %	5.6 %

The business division Americas includes the US, Canada, Chile, Mexico, Spain (excluding Lácteos Caprinos), France and Tunisia.

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Sales in this business division increased by 13.5 % over the first six months of 2018 from CHF 442.3 million to CHF 502.2 million, corresponding to organic growth of 5.6 %. The positive sales performance is attributable to the largest non-European markets: the US, Chile and Tunisia. The US saw strong growth in sales of locally produced cow's milk cheese and exports of Le Gruyère AOP from Switzerland, while dairy and fresh products performed very well in both Tunisia and Chile.

The acquisition effect in this business division is attributable to the increased stake in premium food importer Mexideli, which had an impact on the scope of consolidation.

The business division Americas accounted for 30 % of sales (previous year: 28 %).

Sales of business division Europe: organic growth thanks to speciality and niche products

Net sales by product group: business division Europe						
<i>Amounts in CHF million</i>	Sales 1HY 2018	Sales 1HY 2017	Difference 2018/2017	Acquisition effect	Currency effect	Organic growth
Fresh products	124.8	105.7	18.1 %	3.6 %	8.8 %	5.7 %
Dairy products	57.8	49.6	16.6 %	-	9.3 %	7.3 %
Cheese	57.5	53.4	7.7 %	-	8.5 %	-0.8 %
Fresh cheese	26.2	37.4	-30.0 %	-34.5 %	5.6 %	-1.1 %
Powder/concentrates	15.5	9.6	62.0 %	-	12.9 %	49.1 %
Other products/services	5.8	3.6	59.6 %	-	12.7 %	46.9 %
Total business division Europe	287.6	259.3	10.9 %	-3.5 %	8.6 %	5.8 %

The business division Europe includes Germany, the UK, Italy, Belgium, the Netherlands, Austria and Lácteos Caprinos in Spain.

Sales in this business division amounted to CHF 287.6 million in the first half of 2018. This represents a rise of 10.9 %, albeit compared with a weak figure of CHF 259.3 million for the corresponding period of the previous year. The organic growth of 5.8 % is still pleasing, however.

The positive performance is attributable to significant sales increases in fresh products (Italian speciality desserts and Caffè Latte), dairy products (Gläserne Molkerei) and powder/concentrates (AVH dairy).

The positive acquisition effects are attributable to Italian Fresh Foods (fresh products), while the negative effects are due to Venchiaredo (fresh cheese).

The business division Europe accounted for 17 % of Group sales (previous year 16 %).

Sales of business division Global Trade: lower butter exports from Switzerland

Net sales by product group: business division Global Trade					
<i>Amounts in CHF million</i>	Sales 1HY 2018	Sales 1HY 2017	Difference 2018/2017	Acquisition effect	Organic growth
Cheese	23.6	21.0	11.9 %	-1.5 %	13.4 %
Fresh products	20.5	21.9	-6.4 %	-	-6.4 %
Powder/concentrates	8.1	7.1	14.0 %	-	14.0 %
Dairy products	2.1	8.0	-73.9 %	-	-73.9 %
Fresh cheese	0.3	0.4	-23.2 %	-	-23.2 %
Other products/services	0.1	2.0	-94.6 %	-	-94.6 %
Total business division Global Trade	54.7	60.4	-9.5 %	-0.5 %	-9.0 %

The business division Global Trade comprises direct sales from Switzerland to customers in countries in which Emmi has no subsidiaries. These include the Asian and eastern European markets, most South American countries and the Arabian Peninsula.

Sales in this business division amounted to CHF 54.7 million in the first half of 2018, a decrease of 9.5 % (9.0 % in organic terms) compared with CHF 60.4 million in the previous year.

Emmi exported considerably more cheese from Switzerland to Russia in the first six months of the year, but recorded a drop in sales of fresh products (drinking milk and yogurts) to China.

Sales in this business division are traditionally highly volatile, as they are heavily dependent on the need to regulate the Swiss milk market (butter and powder exports). Butter exports were down significantly year-on-year, slightly offset by a moderate increase in exports of skimmed milk powder. Lower milk volumes caused by the summer drought have continued into the second half of the year, meaning that sales in the business division are unlikely to recover.

Global Trade accounted for 3 % of Group sales (previous year: 4 %).

Detailed explanations of the sales performance can be found in the [Emmi half-year report 2018](#).

Stable earnings

Gross profit increased in line with sales in the first half of 2018, rising by 4.8 % to CHF 604.5 million (previous year: CHF 577.1 million). The **gross profit margin** thus remained constant at 36.1 %. Cost-cutting and productivity measures offset the negative effects of continuing high pressure on prices.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 3.9 % to CHF 162.7 million (previous year: CHF 156.6 million) despite a slightly disproportionate increase in operating expenses. The **EBITDA margin** was 9.7 % (previous year: 9.8 %). **Earnings before interest and taxes (EBIT)** increased by 5.1 % to CHF 95.0 million (previous year: CHF 90.4 million), resulting in a stable **EBIT margin** of 5.7 %.

Profit including minority interests totalled CHF 132.9 million and was significantly influenced by the proceeds from the sale of the minority stake in “siggi’s”, which amounted to CHF 56.9 million after taxes. The **adjusted profit** was therefore CHF 76.0 million, up CHF 7.0 million on the profit for the first half of the previous year. After deduction of minority interests, **net profit** for the first half of 2018 was CHF 129.0 million and **adjusted net profit** was CHF 72.1 million (previous year: CHF 66.0 million), an increase of 9.3 %. The **adjusted net profit margin** rose from 4.1 % to 4.3 %.

Outlook for full-year 2018

Emmi is expecting a continuing highly competitive environment in the second half of 2018. Price pressure remains high, while certain key costs are also set to increase as a result of inflation. The growth curve in sales is likely to flatten as it will be difficult to outperform the strong fourth quarter of 2017. In addition, it is currently not yet possible to fully assess the impact of the unusually hot summer on the agricultural markets.

In view of the current situation, however, Emmi expects to be able to achieve the sales targets communicated in March 2018 for the Group and the business divisions Switzerland and Americas. The forecasts for the business division Europe have been revised upwards to between 2 % and 4 % (from 1 % to 3 %). The earnings targets are still considered to be realistic.

Downloads and further information

Online version of half-year report 2018:

<https://report.emmi.com/2017/en/>

Presentation of half-year results and other publications:

<https://report.emmi.com/>

General images relating to Emmi:

www.emmi.com/mediabox

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About Emmi

Emmi is the leading 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 mainly 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 customers 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 14 countries, seven of which have production facilities. Emmi exports products from Switzerland to around 60 countries.

In 2017, Emmi posted net sales of CHF 3,364 million and a net profit of CHF 162 million. In the first half of 2018, it generated sales of CHF 1,675 million and an adjusted net profit of CHF 72.1 million. The company employs nearly 6,150 staff (full-time equivalents), of which around 2,950 in Switzerland.