

Media release

Sales performance 2018

Emmi significantly increases Group sales

Lucerne, 30 January 2019 – Emmi increased Group sales by 2.8 % to CHF 3,457.4 million in 2018. In organic terms, i.e. excluding currency and acquisition effects, this resulted in growth of 2.3 %, the strongest increase since 2014. Pleasingly, this growth was broad-based across the business divisions Switzerland (+0.6 %), Americas (+5.6 %) and Europe (+4.4 %).

Emmi Group sales in financial year 2018

in CHF million	Business division Switzerland	Business division Americas	Business division Europe	Business division Global Trade	Group
Sales 2018	1,713.2	1,044.3	593.3	106.6	3,457.4
Sales 2017	1,730.7	949.8	564.1	119.7	3,364.3
Change	-1.0 %	10.0 %	5.2 %	-10.9 %	2.8 %
of which acquisition effect*	-1.6 %	5.2 %	-3.1 %	-0.5 %	0.1 %
of which currency effect	-	-0.8 %	3.9 %	-	0.4 %
of which organic sales growth	0.6 %	5.6 %	4.4 %	-10.4 %	2.3 %

*Acquisition effects are accounted for by the following factors:

Positive factors:

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

Negative factors:

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

Emmi generated Group sales of CHF 3,457.4 million in 2018, an increase of 2.8 % on the previous year (CHF 3,364.3 million). In organic terms, i.e. adjusted for currency and acquisition effects, sales grew by 2.3 %. This figure is within the target range of 1.5 % to 3.0 % confirmed by Emmi in August 2018. Sales in the business division Americas were at the upper end of expectations. The business division Switzerland performed slightly above expectations, while the business division Europe significantly exceeded expectations.

Success factors included Emmi Caffè Latte (Switzerland and abroad), Italian speciality desserts, international goat's milk products (particularly in the US and Netherlands) and dynamic development in Tunisia and Chile.

Emmi's CEO Urs Riedener commented: "We are pleased that we have achieved significant organic growth. With the focus on brand expansion, the good performance of niche areas such as Italian speciality desserts and goat's milk products, and the upswing in the emerging markets of Tunisia, Chile and Mexico, we are also achieving the right quality of growth. We anticipate that the acquisitions made in recent years will continue to strengthen our sales performance."

Business division Switzerland: sales growth driven primarily by higher milk prices

Sales by product group: business division Switzerland					
in CHF million	Sales 2018	Sales 2017	Difference 2018/2017	Acquisition effect	Organic growth
Dairy products	676.4	662.0	2.2 %	-	2.2 %
Cheese	450.4	475.6	-5.3 %	-3.5 %	-1.8 %
Fresh products	341.7	343.9	-0.6 %	-0.4 %	-0.2 %
Fresh cheese	107.9	107.8	0.1 %	-6.0 %	6.1 %
Powder/concentrates	61.3	67.5	-9.2 %	-	-9.2 %
Other products/services	75.5	73.9	2.0 %	-4.9 %	6.9 %
Total Switzerland	1,713.2	1,730.7	-1.0 %	-1.6 %	0.6 %

Sales in the business division **Switzerland** fell by 1.0 % from CHF 1,730.7 million to CHF 1,713.2 million. In organic terms, i.e. adjusted for divestment effects, this resulted in growth of 0.6 %. 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, Berne. The part through which Coop maintains direct relationships with suppliers was sold back to Coop at the beginning of 2018. There were corresponding effects in the cheese, fresh products, fresh cheese and other products/services segments.

Emmi had forecasted organic sales growth of between 0 % and 0.5 % for the business division Switzerland. Sales in the Swiss domestic market were therefore slightly above expectations despite persistently high price pressure on the customer side. The positive performance recorded in the first half of 2018 was thus confirmed over the rest of the year.

Dairy products (milk, cream, butter) posted significantly higher sales, primarily as a result of higher milk prices. In the cheese segment, sales of Luzerner Rahmkäse and Le Petit Chevrier increased, while sales of fondue and AOP cheese declined. This was partly attributable to a rise of 3.2 % in cheese imports (source: TSM Treuhand). In fresh products, Emmi Caffè Latte and the new protein-enriched products saw sales increase, while Yoqua and private label products of retailers were down. Fresh cheese sales benefited from the warm summer, which led to higher sales of mozzarella.

The business division Switzerland accounted for 49.6 % of Group sales (previous year 51.4 %).

Business division Americas: sales break the billion-franc mark

Sales by product group: business division Americas						
in CHF million	Sales 2018	Sales 2017	Difference 2018/2017	Acquisition effect	Currency effect	Organic growth
Cheese	444.9	404.0	10.1 %	5.5 %	-0.3 %	4.9 %
Dairy products	283.2	266.1	6.4 %	0.2 %	-2.2 %	8.4 %
Fresh products	206.1	196.8	4.7 %	0.2 %	-0.4 %	4.9 %
Fresh cheese	12.3	2.6	>100 %	>100 %	-10.0 %	94.4 %
Powder/concentrates	4.8	5.3	-9.6 %	0.1 %	-0.6 %	-9.1 %
Other products/services	93.0	75.0	24.0 %	24.8 %	0.4 %	-1.2 %
Total Americas	1,044.3	949.8	10.0 %	5.2 %	-0.8 %	5.6 %

The business division **Americas** comprises the following markets: US, Canada, Mexico, Chile, Tunisia, Spain (excluding Lácteos Caprinos) and France.

Sales rose by 10.0 % from CHF 949.8 million to CHF 1,044.3 million. In organic terms, i.e. adjusted for currency and acquisition effects, this resulted in an increase of 5.6 %, which is at the upper end of the forecasted range of 4 % to 6 %.

The positive acquisition effect is attributable to the increased stake in premium food importer Mexideli. The respective sales have been consolidated in our books since then.

The positive organic sales performance was broad-based. Sales increased significantly in Tunisia, Chile and the US. This explains the strong performance of the dairy products, fresh products and cheese segments. Spain saw an increase in sales of Emmi Caffè Latte.

The price war on private label yogurts in Spain and in the packaged cheese segment in France had an inhibiting effect on sales.

The business division Americas accounted for 30.2 % of Group sales (previous year 28.2 %).

Business division Europe: broad-based sales growth exceeds our expectations

Sales by product group: business division Europe						
in CHF million	Sales 2018	Sales 2017	Difference 2018/2017	Acquisition effect	Currency effect	Organic growth
Fresh products	264.5	227.5	16.2 %	1.7 %	4.1 %	10.4 %
Cheese	127.8	125.0	2.2 %	-	3.8 %	-1.6 %
Dairy products	109.0	108.1	0.7 %	-	3.8 %	-3.1 %
Fresh cheese	51.0	69.8	-27.0 %	-30.4 %	2.8 %	0.6 %
Powder/concentrates	32.2	26.5	21.8 %	-	4.6 %	17.2 %
Other products/services	8.8	7.2	23.2 %	-	4.5 %	18.7 %
Total Europe	593.3	564.1	5.2 %	-3.1 %	3.9 %	4.4 %

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In the business division **Europe**, sales rose by 5.2 % from CHF 564.1 million to CHF 593.3 million. In organic terms, i.e. adjusted for currency and acquisition effects, this resulted in an increase of 4.4 %, exceeding Emmi's expectations significantly. In August, Emmi had forecasted organic sales growth of between 2 % and 4 %.

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

Decisive growth factors included the significantly higher sales of Emmi Caffè Latte and the Italian speciality desserts of all three dessert companies, which had a positive impact on the fresh products segment. The cheese segment recorded a slightly negative organic performance overall, primarily due to lower sales of AOP cheese. By contrast, Kaltbach and Der Scharfe Maxx were well received in Germany, pushing up sales in this market.

Sales of organic milk from Gläserne Molkerei were subdued, leading to a decline in the dairy products segment.

The business division Europe accounted for 17.1 % of Group sales (previous year 16.8 %).

Business division Global Trade: variable performance in emerging markets

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

Sales amounted to CHF 106.6 million, compared with CHF 119.7 million in the previous year, resulting in a decline of 10.9 %, or 10.4 % in organic terms.

The negative performance is mainly attributable to declining exports of butter and milk powder. By contrast, various high-value exports, particularly cheese exports to emerging countries, increased, largely offsetting the declining sales in China (milk and fresh products).

Global Trade accounted for 3.1 % of Group sales (previous year 3.6 %).

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Outlook

Emmi confirms the earnings forecast issued in August for 2018.

The company will issue its forecasts for sales and earnings in 2019 when the figures for financial year 2018 are published. The **analysts' and media conferences** will take place on Thursday, **28 February 2019** in **Lucerne**.

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About Emmi

Emmi is a major Swiss milk processor. The company dates back to 1907, when it was founded by 62 dairy farming cooperatives around Lucerne. Over the past 20 years, Emmi has grown into an international, listed group. It has for many years pursued a successful strategy based on three pillars: strengthening its Swiss domestic market, growth abroad and cost management. Throughout its corporate history, Emmi's keen awareness of its responsibility to society, animal welfare and the environment has been fundamental to its mission.

In Switzerland, Emmi manufactures a comprehensive range of dairy products for its own brands and private label products for customers, including leading exports such as Emmi Caffè Latte and Kaltbach. In other countries, its products – mainly speciality products – are manufactured locally. Alongside cow's milk, it also processes goat's and sheep's milk.

In Switzerland, the Emmi Group has 25 production sites. 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. Its business activities focus on the Swiss domestic market as well as western Europe and the American continent. Half of its CHF 3.5 billion in sales – over 10 % of which stems from organic products – is generated in Switzerland, the other half abroad. It has over 6,000 employees who are also spread equally between Switzerland and other countries.