



Emmi Group

Results for the first half of 2017

Lucerne, 23 August 2017



Overview of the first half of 2017

Results for the first half of 2017

Focus on the second half of the year, outlook



Key figures for the first half of 2017



Sales below expectations, slight decline in EBIT, increase in net profit



- § Net sales CHF 1,600.2 million
 - Growth of 0.4 % (organic: decline of 1.3 %)
- § EBIT CHF 90.4 million
 - Decline of 2.2 %
 - EBIT margin 5.7 % (1 HY 2016: 5.8 %)
- § Net profit CHF 66.0 million
 - Increase of 8.6 %
 - Net profit margin 4.1 % (1 HY 2016: 3.8 %)

Sales split by business division



Switzerland according to plan, Europe clearly and Americas slightly below expectations



Switzerland

- § Sales CHF 838.2 million
- Decline of 1.8 %

Americas

- § Sales CHF 442.3 million
- Growth of 6.2 % (organic: growth of 2.4 %)

Europe

- § Sales CHF 259.3 million
- Growth of 1.9 % (organic: decline of 2.1 %)

Global Trade

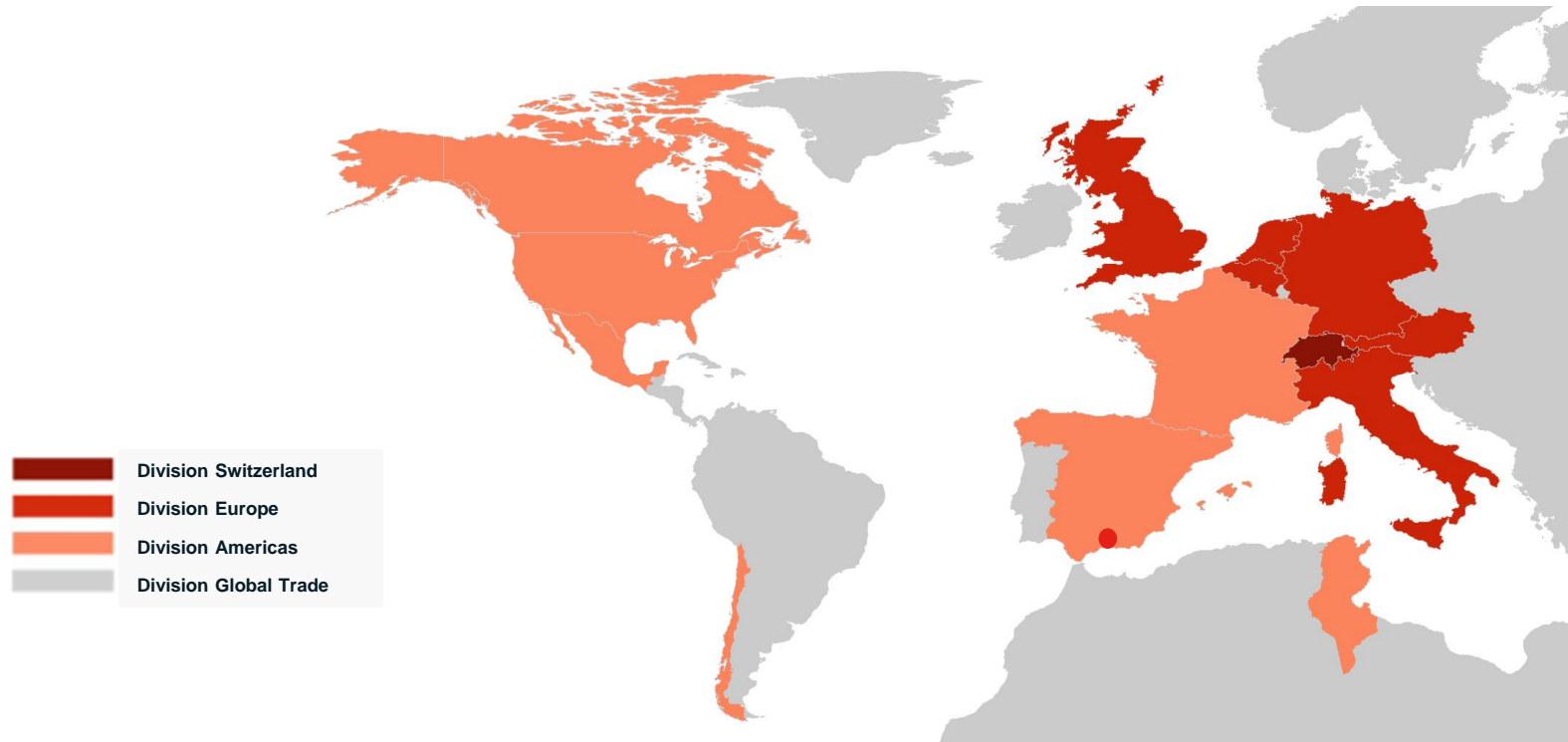
- § Sales CHF 60.4 million
- Decline of 13.8 % (negative effect of 0.6 % on Group sales)

organic = adjusted for currency and acquisition effects

Geographic distribution of the business divisions



Country overview



Emmi also has various minority holdings such as its 40 % stake in Laticínios Porto Alegre, Brazil.



Challenging economic situation in European markets



- § Decline in Swiss retail business (approx. -1 % for dairy products; source: Nielsen)
- § Increase in cheese imports in Switzerland (+4.4 %; source: TSM Treuhand)
- § Decline in milk production in Switzerland (YTD approx. -3.0 % leading to lower regulatory exports, EBIT-neutral)
- § Negative impact of the weak pound sterling, primarily on Onken yogurts and A-27 desserts
- § Encouraging growth in non-European markets

Key factors influencing sales in Switzerland



Persistently intense competition, slight increase in sales of fresh products



Supporting factors

- § Fresh products: growth for Caffè Latte, Birchermüesli and Jogurtpur
- § Migros listing of Jogurtpur
- § Cheese: growth for Luzerner Rahmkäse

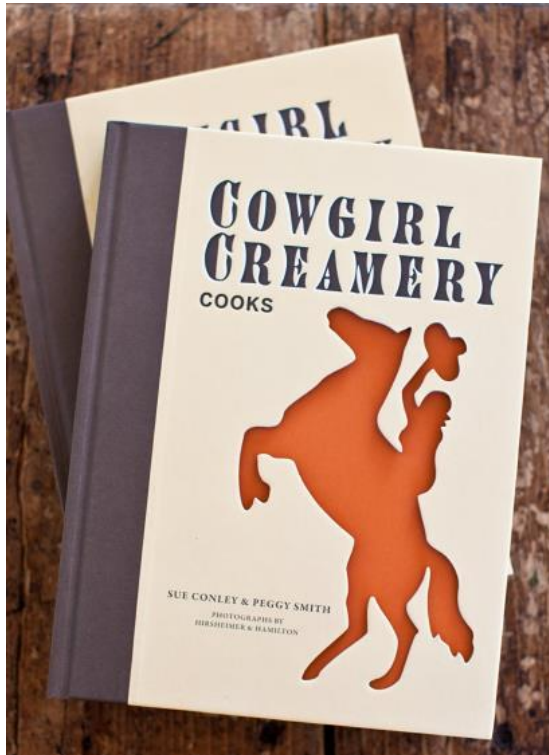
Inhibiting factors

- § Cheese: increasing imports and associated decline in sales
- § Cheese: weak first quarter
- § Fresh products: declines in private labels
- § Lower milk prices
- § Reduction in retail trade

Key factors influencing international sales



Brand concepts performing respectably, AOP cheese under pressure



Factors supporting sales

- § Kaiku sin lactosa (Spain)
- § Kaltbach (Germany, UK, Austria)
- § Tunisian and US markets
- § Acquisitions in the goat's milk sector

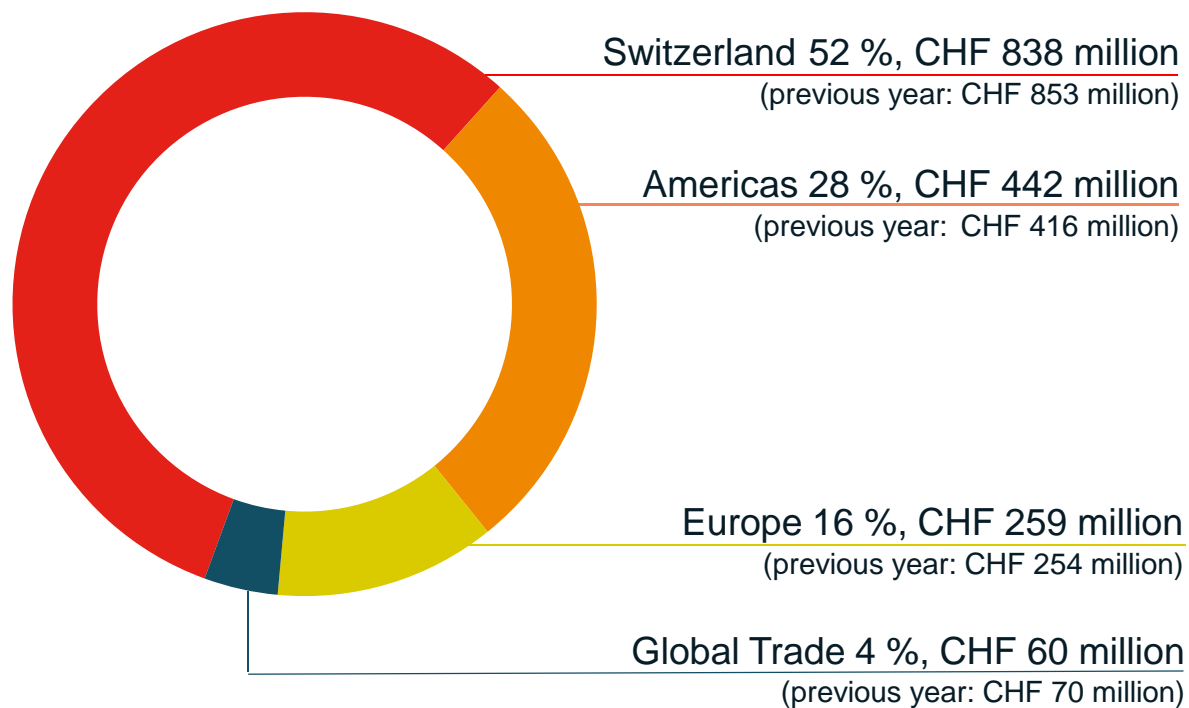
Factors inhibiting sales

- § Europe: AOP cheese, especially Emmentaler
- § Spain, France: difficult economic environment
- § UK: exchange rate turmoil (Brexit) is significantly increasing pressure on yogurt and dessert business

Sales by region



48 % of Emmi's sales from international markets



Top five, sales:

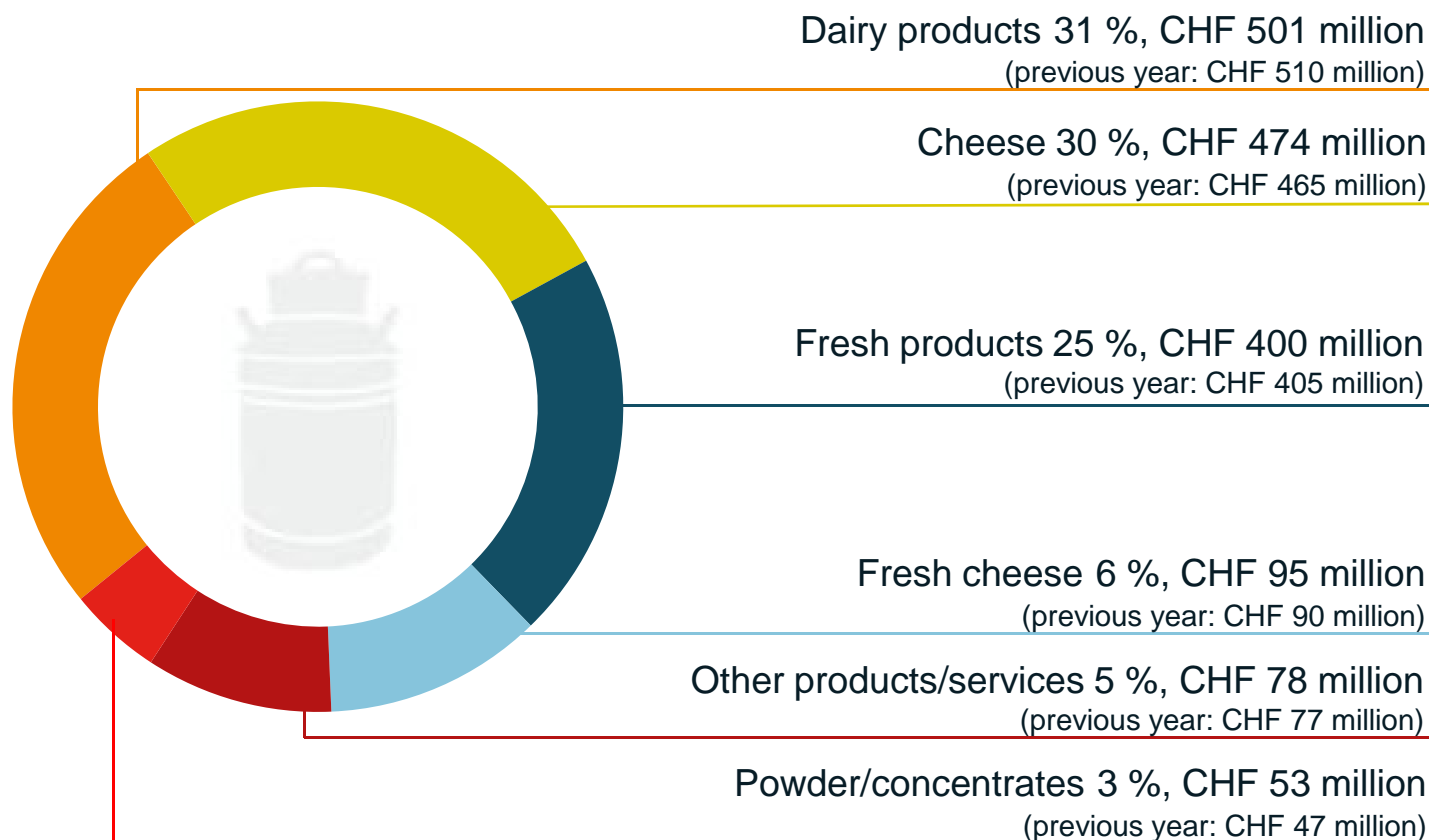
- § Switzerland
- § USA
- § Spain
- § Germany
- § Tunisia

Group net sales in first half of 2017:
CHF 1,600.2 million

Sales by product group



Three largest segments dominate the product portfolio (86 %)



Acquisition effects



Acquisitions in 2017 with an influence on half-year results



Jackson-Mitchell, (Meyenberg), USA
4 January 2017
§ Goat's milk specialities



Lácteos Caprinos, Spain
12 January 2017, 80 % stake
§ Goat's milk specialities



Italian Fresh Foods, Italy
1 March 2017
§ Dessert specialities

Overview of key figures for the first half of 2017



Higher net profit margin

in CHF million	1HY17	1HY16	1HY15	1HY14*	1HY13*
Net sales	1,600	1,594	1,563	1,625	1,567
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	156.6	153.3	142.0	132.7	119.3
as % of net sales	9.8	9.6	9.1	8.2	7.6
Earnings before interest and taxes (EBIT)	90.4	92.5	84.4	74.3	65.0
as % of net sales	5.7	5.8	5.4	4.6	4.2
Net profit	66.0	60.8	46.2	45.2	39.0
as % of net sales	4.1	3.8	3.0	2.8	2.5
Full-time equivalents	5,940	5,750	5,307	5,266	5,112

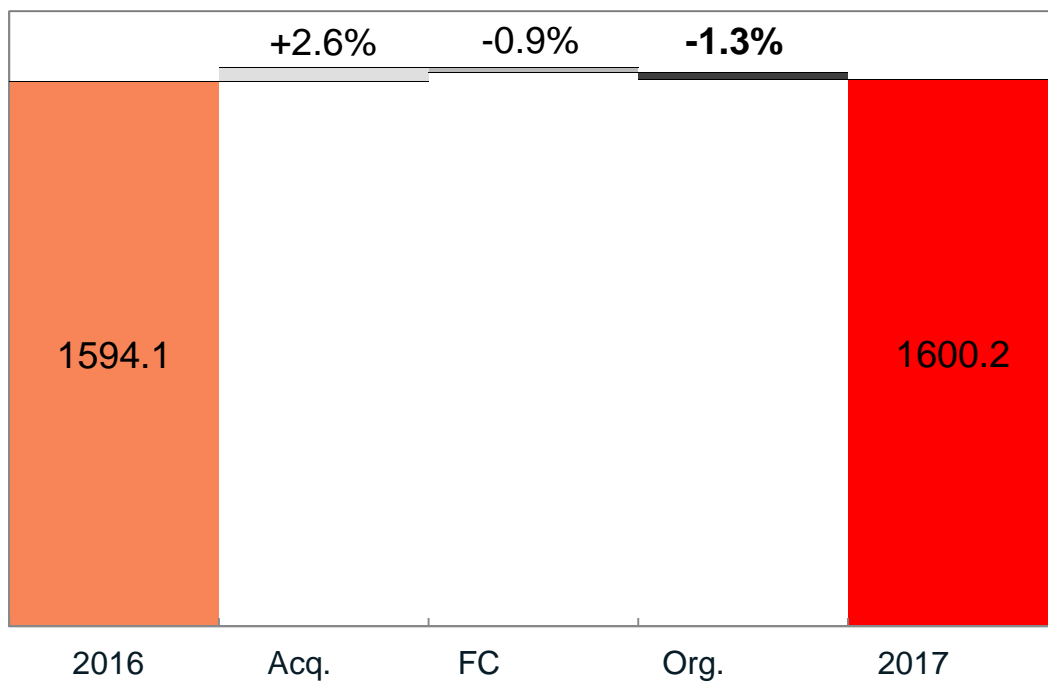
* Adjusted for non-recurring effects

Development of net sales in the first half of 2017: Group



Organic decline at Group level of -1.3 %

Group sales
in CHF million



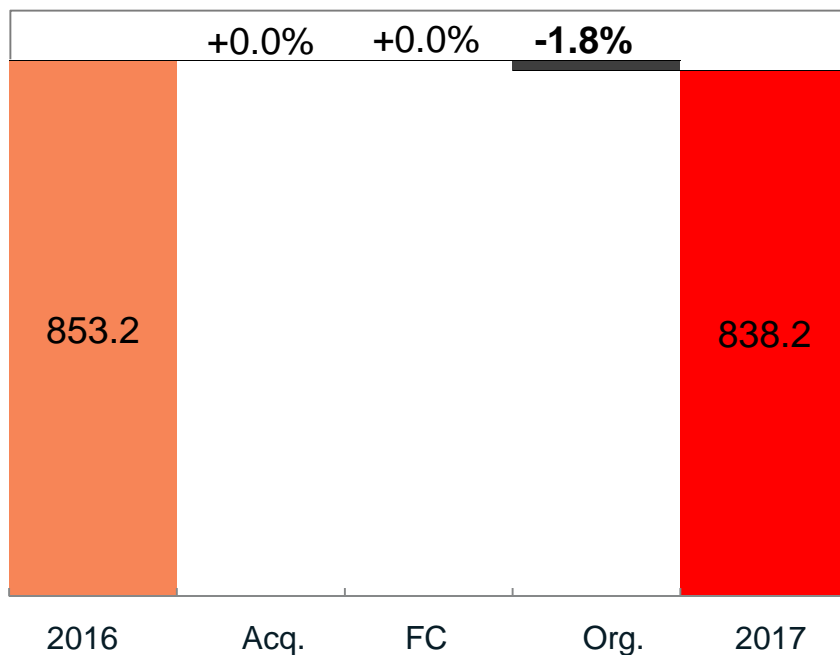
Acq: acquisition effect; FC: currency effect; Org: organic growth

Development of net sales in the first half of 2017: Switzerland



Declines due to higher cheese imports and declining retail business

Sales Switzerland
in CHF million



Acq: acquisition effect; FC: currency effect; Org: organic growth

Dairy products

Sales CHF 313 million, -4.9 %

- Lower milk prices
- Slightly lower volumes

Cheese

Sales CHF 219 million, -1.9 %

- Decline in AOP cheese and speciality cheese
- Increase in imports of 4.4 %
- Growth in Luzerner Rahmkäse (cream cheese)

Fresh products

Sales CHF 175 million, +0.5 %

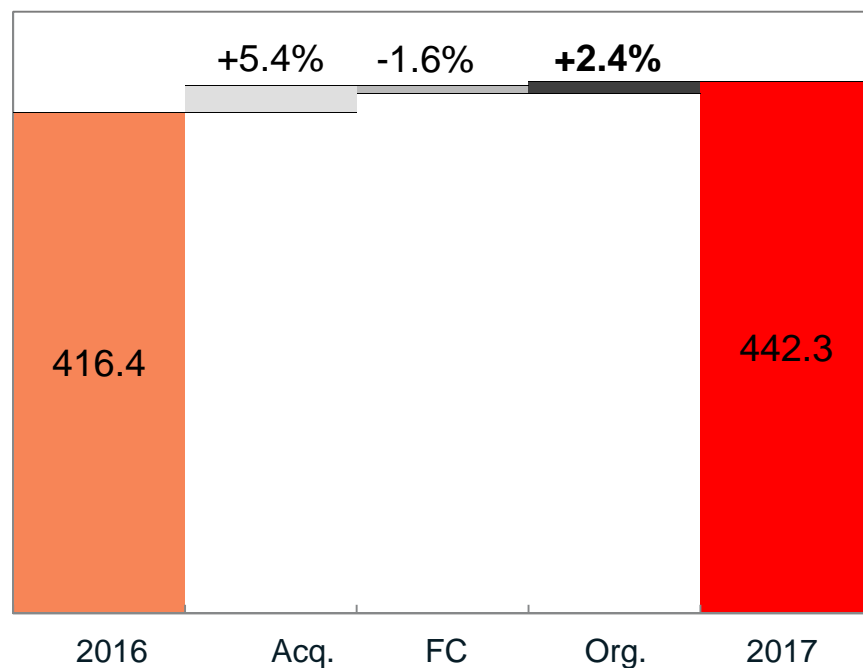
- Growth in Caffè Latte and Jogurtpur
- Declines in private labels

Development of net sales in the first half of 2017: Americas



Organic growth below expectations

Sales Americas
in CHF million



Acq: acquisition effect; FC: currency effect; org: organic growth

First half of 2017, results presentation, 23 August 2017

Cheese

Sales CHF 180 million, +10.0 % (org. +5.6 %)

- Strong growth in goat's milk cheese
- Growth in locally produced cow's milk cheese
- Acquisition effect: Cowgirl, SDA Chile

Dairy products

Sales CHF 130 million, +6.4 % (org. +1.2 %)

- Growth in Tunisia
- Decline in Spain for basic products
- Acquisition effect: Jackson-Mitchell, SDA Chile

Fresh products

Sales CHF 97 million, -3.5 % (org. -0.7 %)

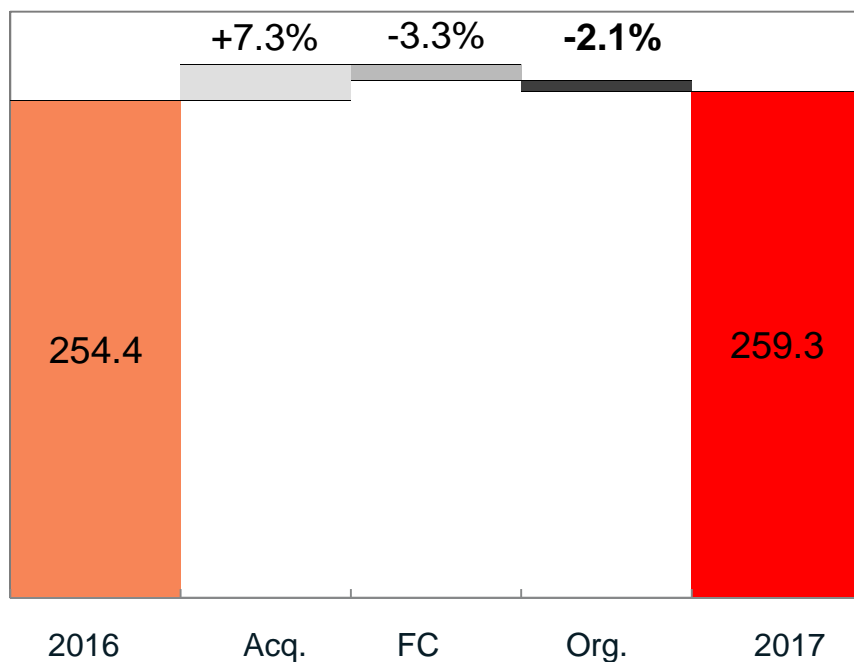
- Growth in Tunisia
- Positive performance by Kaiku sin lactosa
- Pleasing recovery of Caffè Latte in Spain
- Declines in the dessert business in France
- Acquisition effect: SDA Chile

Development of net sales in the first half of 2017: Europe



Sales negatively impacted by Brexit

Sales Europe
in CHF million



Acq: acquisition effect; FC: currency effect; Org: organic growth

Fresh products

Sales CHF 106 million, -0.9 % (org. -4.5 %)

- Growth for Rachelli (desserts)
- Losses for A-27 (desserts) and Onken yogurts
- Acquisition effect: Italian Fresh Foods

Cheese

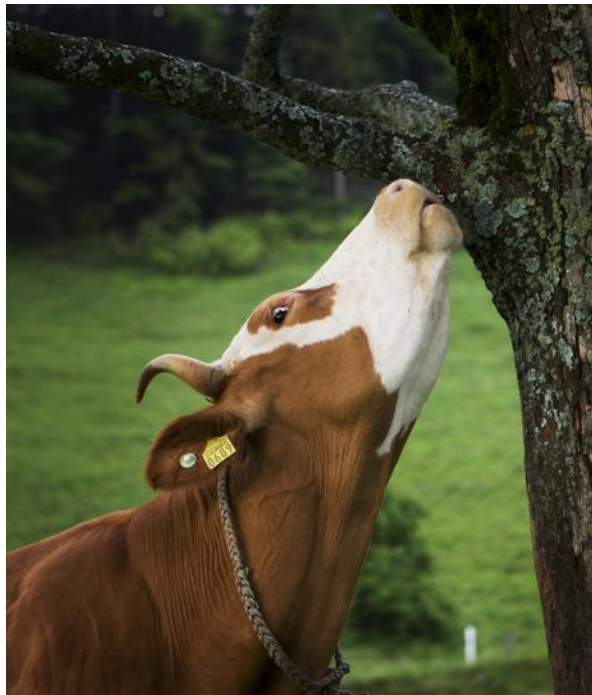
Sales CHF 53 million, -4.8 % (org. -5.6 %)

- Growth in Kaltbach (Germany, Austria, UK)
- Lower sales of AOP cheese, particularly Emmentaler
- Acquisition effect: Bettinehoeve

Dairy products

Sales CHF 50 million, +0.7 % (org. +2.4 %)

- Growth through Gläserne Molkerei



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Net sales to gross profit



Gross profit virtually stable

in CHF million	1HY17	1HY16	D in %
Net sales	1,600.2	1,594.1	0.4
Gross profit	577.1	577.2	-
as % of net sales	36.1	36.2	

- § Stable gross profit margin thanks to:
- increased productivity
 - international synergies in procurement
 - reinforcement of key brand concepts

Gross profit to EBIT (extract)



Stable EBIT margin

in CHF million	1HY17	1HY16	D in %
Net sales	1,600.2	1,594.1	0.4
Gross profit	577.1	577.2	-
as % of net sales	36.1	36.2	
Operating expenses	-422.3	-426.5	-1.0
as % of net sales	26.4	26.8	
EBITDA	156.6	153.3	2.2
as % of net sales	9.8	9.6	
Depreciation and amortisation	-66.3	-61.0	8.7
EBIT	90.4	92.5	-2.2
as % of net sales	5.7	5.8	

- § Operating expenses reduced thanks to Operational Excellence measures
- § Additional amortisation due to acquisitions (goodwill, e.g. the complete takeover of Mittelland Molkerei) and the rollout of SAP

Overview of operating expenses



Lower operating expenses despite acquisitions

in CHF million	1HY17	1HY16	D in %
Personnel expenses	221.0	211.7	4.4
as % of net sales	13.8	13.3	
Marketing & sales-related expenses	59.2	62.5	-5.3
as % of net sales	3.7	3.9	
Occupancy expenses, maintenance & repair, leasing	31.2	33.7	-7.5
Energy, operating materials and supplies	32.1	31.9	0.7
Logistic expenses	46.3	46.0	0.7
Other operating expenses	32.5	40.7	-20.2
Operating expenses	422.3	426.5	-1.0
as % of net sales	26.4	26.8	

- § Personnel expenses:
- decision to avoid shifting jobs abroad or extending contractual working hours
 - additional expenses due to newly acquired companies
- § Stable marketing expenses, lower sales-related expenses
- § Savings in other operating expenses (e.g. IT)

EBIT to net profit



Improved net profit due to reduction in minority interests

in CHF million	1HY17	1HY16	D
EBIT	90.4	92.5	-2.1
Income from associates	0.9	2.3	-1.4
Financial result	-7.2	-7.7	0.5
Earnings before taxes (EBT)	84.1	87.0	-2.9
Income tax	-15.1	-16.1	1.0
average tax rate in %	18.0	18.5	
Minority interests	-3.0	-10.1	7.1
Net profit	66.0	60.8	5.2
as % of net sales	4.1	3.8	

§ Lower minority interests due to complete takeover of Mittelland Molkerei

§ Pleasing improvement in net profit

Cash flow



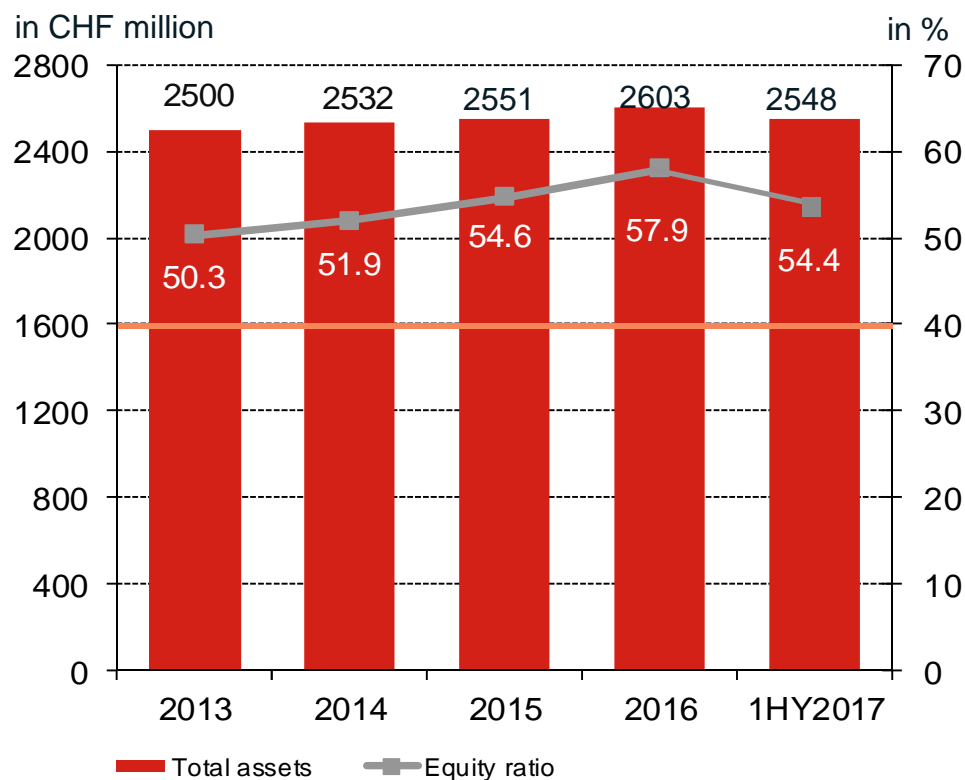
Strong cash flow from operating activities

in CHF million	1HY17	1HY16	D
Cash flow from operating activities	113.6	93.9	19.7
Investments in property, plant and equipment	-42.5	-34.5	-8.0
Investments in OneERP and other intangible assets	-1.7	-5.2	3.5
Other investment activities	11.2	4.9	6.3
Free cash flow	80.6	59.1	21.5
Acquisition of holdings	-260.0	-63.3	-196.7
Cash flow from financing activities and currency translation	31.6	-33.0	64.6
Net change in cash and cash equivalents	-147.8	-37.2	-110.6

Equity ratio in the first half of 2017



Equity ratio slightly lower but still comfortable



- § Lower equity ratio due to acquisition of minority interests in Mittelland Molkerei
- § Equity ratio remains very strong
- § Flexibility for future financing maintained

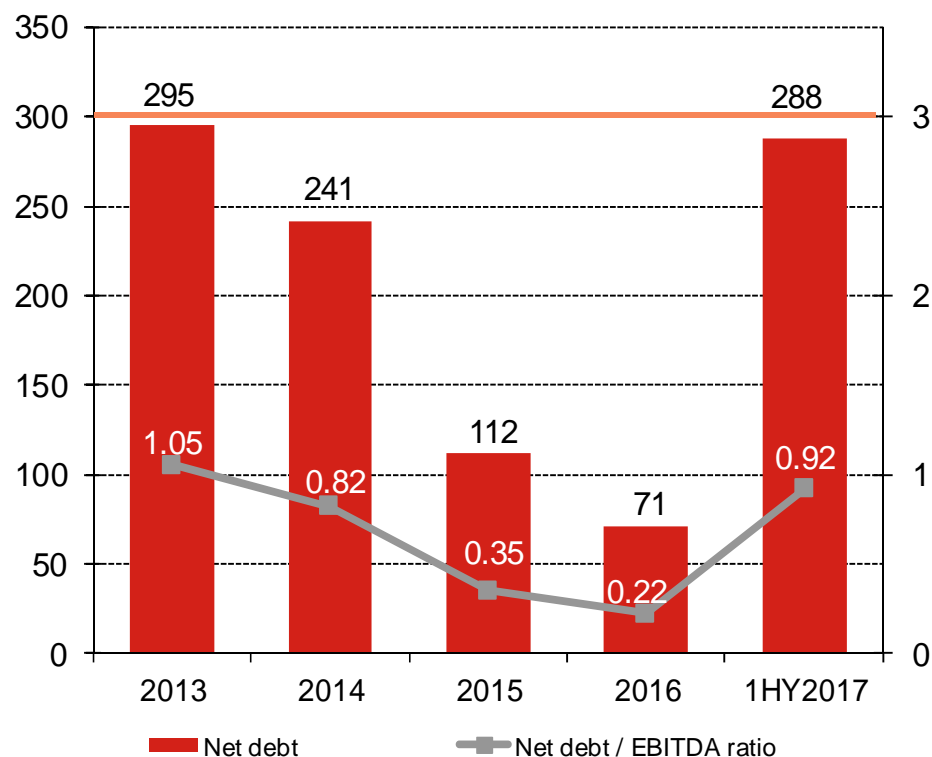
2013 – 2016: balance sheet date as of year-end;
2017: balance sheet date 30 June

Development of net debt



Net debt/EBITDA

in CHF million



- § Net debt up by CHF 217 million due to acquisitions
- § Net debt/EBITDA ratio still significantly below defined limits
- § Financing potential for additional investments



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Key measures in the second half of 2017



Innovations in all product areas, continuation of cost-efficiency programmes



Highlighting innovative strength

- § Desserts: new “Ooola” brand
- § Cheese NL: new “Zoë&Zazu” goat’s cheese brand
- § Cheese USA: cheese snacks
- § Fresh products: new YoQua and Aktifit varieties

Reinforcement of key brands

- § Targeted marketing activities for brands such as Caffè Latte, YoQua, Jogurtpur, Kaltbach, Kaiku sin lactosa and Roth

Cost management

- § Continuation of cost-efficiency programmes
- § Strong focus on A-27



Spotlight on: Ooola Secrets

- § Premium desserts in small portions of 60 or 90 grams
- § Varieties: Chocolate & Raspberry with Chocolate Splits, Choco Trio with Caramel, and Stracchiarella with Lemon
- § No preservatives
- § Produced in Emmen
- § Launch in October 2017 (Switzerland)





Spotlight on: Zoë&Zazu



- § Matured fresh goat's cheese
- § Organic
- § Varieties: Super Natural, Midnight Truffle and Wild Fennel
- § Produced by Emmi subsidiary Bettinehoeve
- § Launch in October 2017 (Netherlands)

Latest acquisition



Emmi strengthens its presence in Brazil

40 % stake in Laticínios Porto Alegre as of 3 July 2017



- § Product portfolio
 - Cheese
 - Fresh cheese
 - UHT milk
 - Butter
 - Milk and whey powder

- § Sales 2016
 - BRL 500 million (CHF 150 million)

- § Number of employees
 - 1,000 employees



Why Brazil?

- § Emerging markets will be the key growth regions in the medium and long term
- § With a population of over 220 million, Brazil is the largest economic power and biggest market for dairy products in Latin America
- § An appealing market despite economic uncertainty:
 - Attractive demographics: young population with high spending power, particularly in major cities
 - Good growth potential for brand concepts
 - Consolidation of dairy industry offers growth opportunities
- § Democracy and business conditions not exposed to any fundamental changes, despite political turbulence
- § Increasing geographical diversification makes Emmi more robust



Why Porto Alegre?

- § Well established in Minas Gerais (fifth-largest state, as large as France)
- § Diversified brands (fresh milk, whey powder, cheese, fresh cheese)
- § Well established in the dairy industry (secure sourcing)
- § Solid growth and margins
- § Modern facility that has continually invested
- § Attractive potential for expansion
- § Proximity to major cities of São Paulo and Rio de Janeiro



The market environment in 2017



Influential factors

	Switzerland	International
Positive	<ul style="list-style-type: none">§ Innovations§ Brand development§ Established product concepts§ Operational Excellence§ Completion of SAP rollout	<ul style="list-style-type: none">§ Organic growth (Roth, Kaltbach, lactose-free products, Caffè Latte)§ Markets: USA, Tunisia§ Operational Excellence (Tunisia, Spain, USA, Chile, Italy)§ Goat's milk specialities (USA, Europe)
Limiting	<ul style="list-style-type: none">§ Significant price pressure§ High import pressure§ Consistently high retail tourism§ Decline in retail business§ Economic uncertainty	<ul style="list-style-type: none">§ Volume loss due to currency disadvantage for interchangeable products§ Currency trends, e.g. in Mexico and Tunisia§ Dessert business in UK and France§ Rising milk prices

Outlook for 2017 as a whole



Emmi remains on track for earnings and adapts sales growth forecasts



Organic growth, income targets	March 2017 forecasts	New forecasts
Group sales	1 % to 2 %	-1 % to 0 %
Sales Switzerland	-2 % to 0 %	Unchanged
Sales Americas	3 % to 5 %	Unchanged
Sales Europe	0 % to 2 %	-3 % to -1 %
EBIT in CHF million	195 to 205	Unchanged
Net profit margin	4.0 % to 4.5 %	Unchanged