

HALF-YEAR REPORT

2020

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Dear Shareholders

No one could have predicted the magnitude and scope of the challenges the first half of the year would bring, and the consequences this would have. It would be premature to draw any conclusions about the coronavirus crisis at this time. We can, however, derive some initial insights from the six months just ended: Our employees have done an outstanding job. Through their dedication, we have been able to meet the expectations placed on Emmi as a food provider and key partner of our customers and suppliers at all times.

These experiences will long shape the way we act and will likely influence our decisions in the future. The past few months have also confirmed that we are on the right track in one key aspect: Emmi is on solid ground, both strategically and operationally, and was able thanks to a strong corporate culture to pass the stress test posed by a global crisis with agility and resilience.

Robust business model and proven strategy

We have remained faithful to our three strategic pillars for over ten years now. We have made a targeted effort to internationalise and diversify our business; we have exercised strict cost management, while maintaining our focus on strengthening our business in our challenging home market, with its high level of saturation and fierce competition. In the current crisis, this systematic approach is delivering valuable results.

As a Group, we were able to learn from countries that bore the initial brunt of the crisis, such as Italy, and take early and decisive action to reinforce collaboration between the various country subsidiaries, also in the interests of protecting our employees. Our ability to innovate allowed us to respond quickly and effectively to changing patterns of demand as the crisis evolved. We were also pleased to see how our strong brand concepts such as Emmi Caffè Latte continued to drive growth even during these challenging months.

Strong organic growth in sales

Our rock-solid strategy, professional crisis management and agile organisation paved the way for a good 2020 half-year result, with sales up 6.6 % on the prior year at CHF 1,773.5 million. Organic sales growth was a pleasing 2.0 %, with all business divisions making a positive contribution except Americas, where the high proportion of sales from food service and premium cheese affected performance. While exchange rates dampened sales growth by -4.9 %, we posted strong growth from acquisitions at 9.5 %, and also made significant progress in integrating recently acquired companies.

Our particularly strong organic growth in Switzerland of 3.8 % is chiefly attributable to the positive performance of our retail business. Eating out at cafeterias and restaurants was replaced by consumption at home. Furthermore, with international borders closed, shopping tourism temporarily disappeared, boosting the domestic economy. Consumers also modified their habits, increasingly opting for organic products, buying more basic ranges than normal so they could cook and bake at home, and treating themselves to the occasional small reward. This goes some way to explaining why sales of Emmi Caffè Latte in Switzerland posted renewed gains, even though due to the lockdown out-of-home consumption came to a temporary standstill. It is likewise testament to the strength of this brand.

The picture was quite different in our Americas business, where we were confronted by a number of exacerbating factors. The food service business is an important sales channel in the key US market in particular. What is more, many of our premium products – particularly cheese specialities – are sold over the counter. Both ground to a virtual halt during the lockdown. The situation was compounded by negative currency trends against the Swiss franc.

The organic growth recorded by the business division Europe is the result of a combination of counteracting factors. Consumers exhibited similar behaviour to those in Switzerland, consuming fewer convenience products and, instead, indulging in the occasional treat in the form of a Swiss cheese speciality or organic product. After a few difficult months and on the basis of a new strategy, Gläserne Molkerei in Germany was also able to benefit from this development. Again, however, the markedly negative foreign currency effect had a negative impact on the European business.

Coronavirus squeezes gross profit margin

However, it would be wrong to conclude from the Group's positive sales development that Emmi has emerged unscathed from the coronavirus crisis. For example, changing consumer behaviour weakened our convenience business in favour of our basic portfolio, which had a negative impact on our gross profit margin. Furthermore, it required a lot of extra work to keep our business ticking over in the face of the current extraordinary situation, leading to additional production and operating costs. At the start of the pandemic, we therefore directed an even more critical eye to cost management. This allowed us to increase EBIT by 6.4 % to CHF 112.0 million and keep the EBIT margin steady at 6.3 %. As expected, however, higher financing and tax expenses dented net profit, which fell by 6.5 % to CHF 81.3 million, and reduced the net profit margin to 4.6 %.

To underpin the sustainable success of Emmi and re-emerge from the crisis as strongly as possible, we continued to make targeted investments, develop our innovations, and fine-tuned our investment and growth plans. It is with great anticipation that we look forward to one of our major investment projects of recent years: the construction of our new cheese dairy in Emmen – the place where it all began for Emmi.

Sustainable progress

We systematically align our business model to sustainable growth and have defined specific and binding targets to focus our activities on the four topics of waste and greenhouse gas reduction, as well as employees and sustainable milk, and we were able to make further progress in this regard. A sustainable dairy industry that ultimately generates added value, also in rural regions, remains a cornerstone of our approach. The close cooperation with our milk suppliers is especially important here. This helps us to remain true to the core of our products, increase the share of sustainably sourced milk in our range, and respond to a growing need on the part of consumers and customers.

We are pleased that in Switzerland, 87 % of the milk we source is already produced according to the Swissmilk Green sustainability standard. We are also on track to reduce greenhouse gas emissions, with levels down 23 % Group-wide compared with the base year 2014. On the other hand, there is more work to be done to reduce our waste footprint. While we were able to make significant headway when it comes to reducing food waste, down 18 % versus 2017, we are still behind target in terms of landfill waste. A key problem here is recycling the sludge generated by wastewater treatment at our site in Tunisia. We are working hard with the local authorities to identify a sustainable exploitation solution for this.

Cautiously optimistic outlook

The uncertainties triggered by coronavirus coupled with economic development risks in key markets Emmi operates in will shape the outlook for the months ahead. Our forecast is based on the assumption that the situation will stabilise in those markets that are important for Emmi. On this basis, we expect slightly lower organic sales growth for the Group as a whole for full-year 2020 of 0.5 % to 1.5 % (previously 2 % to 3 %), owing to the adverse development in the business division Americas. We regard the EBIT forecast of CHF 255 million to CHF 265 million for full-year 2020 as extremely ambitious, but still within our grasp provided the recovery remains on track. With that in mind, based on the current situation we forecast EBIT at the lower end of the identified range. We reiterate our original forecast for the net profit margin (4.8 % to 5.3 %).

Emerging from the crisis with renewed strength

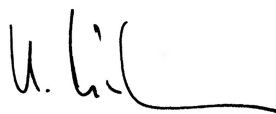
Emmi has largely weathered the adversities posed by the coronavirus crisis. But this success has been hard-fought. We owe this to the consistent implementation of our tried-and-tested corporate strategy and particularly to our employees, who in spite of the environment of heightened uncertainty have demonstrated outstanding commitment and unwavering dedication.

It fills us with pleasure that we have been able to maintain supply at all times and respond quickly and at short notice to extreme fluctuations in demand. We have achieved our overriding goal to protect our employees and to keep up the supply of the most essential what people need: quality food. The fact that in the first half of the year, we also generated a good result means that we can continue to make targeted investments in our organisation, in our brands and in sustainable growth.

“We are Emmi!” That fills us with the confidence to deal with the challenges the future has in store.



Konrad Graber
Chairman of the Board of Directors



Urs Riedener
CEO

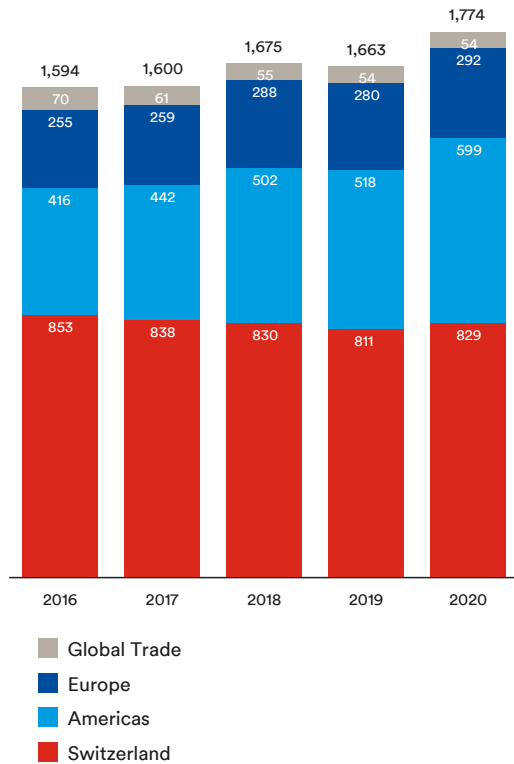
Key figures Emmi Group

Amounts in CHF million	First 6 months 2020	First 6 months 2019 (restated) ¹⁾
Net sales	1,774	1,663
Sales development in %	6.6	-0.7
Acquisition effect in %	9.5	-0.9
Currency effect in %	-4.9	-1.4
Net sales increase in organic terms in %	2.0	1.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	168.1	159.6
as % of net sales	9.5	9.6
Earnings before interest and taxes (EBIT)	112.0	105.3
as % of net sales	6.3	6.3
Net profit	81.3	87.0
as % of net sales	4.6	5.2
Investment in non-current assets (excl. acquisitions)	54.5	32.2
as % of net sales	3.1	1.9
Headcount (full-time equivalents) at 30.6.	8,173	6,045
Headcount (full-time equivalents) at half-year average	8,193	6,108
Net sales per employee in CHF 000s (average)	216	272
	30.06.2020	31.12.2019 (restated)
Total assets	2,344	2,382
of which shareholders' equity incl. minority interests	1,277	1,301
as % of total assets	54.5	54.6
Market capitalisation	4,424	4,884

¹⁾ Prior year figures restated based on the changes to the consolidation and valuation principles with respect to goodwill

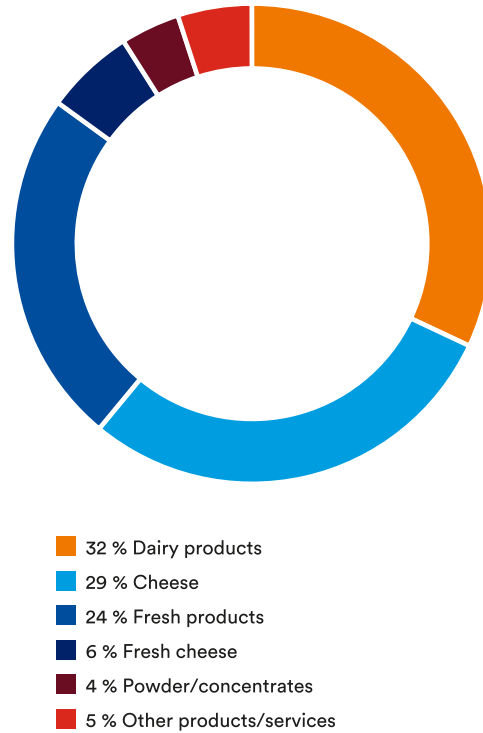
Net sales

in CHF million, first 6 months



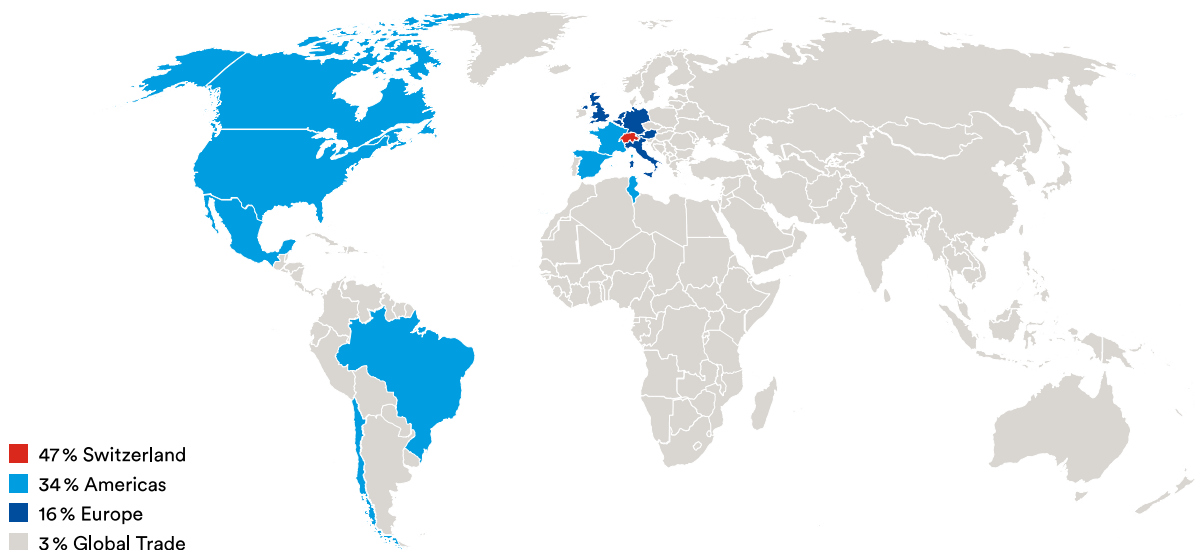
Net sales by product group

first 6 months



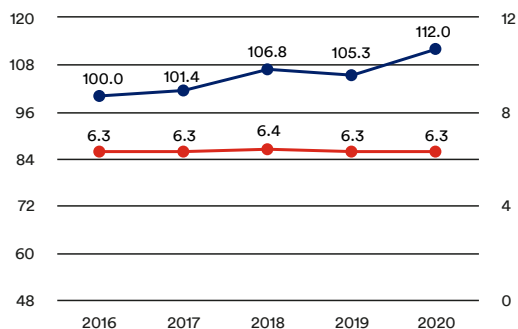
Net sales by business division

first 6 months



EBIT

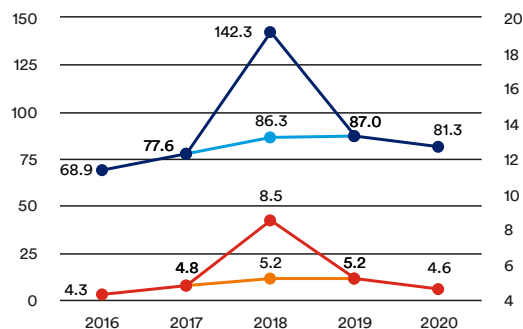
in CHF million, first 6 months
(prior years restated)¹⁾ as % of net sales



● EBIT
● EBIT as % of net sales

Net profit

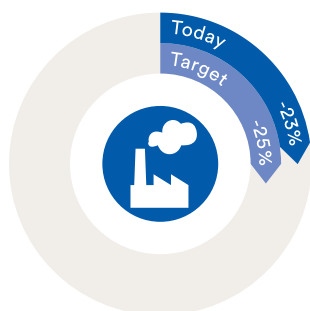
in CHF million, first 6 months
(prior years restated)¹⁾ as % of net sales



● Net profit
● Adjusted net profit
● Net profit as % of net sales
● Adjusted net profit as % of net sales

¹⁾ Prior-year figures restated based on the changes to the consolidation and valuation principles with respect to goodwill

Sustainability at Emmi



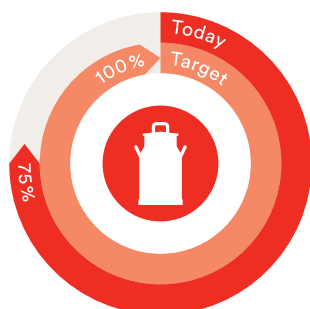
Greenhouse gases

"We are committed to reducing our global CO₂ emissions by 25 % by 2020."



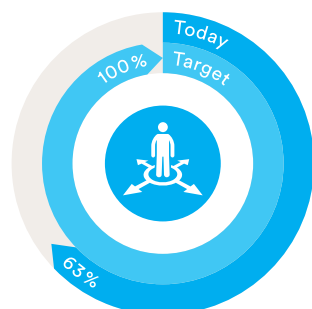
Waste reduction

"By 2020 we will reduce food and packaging waste by 20 % world-wide."



Sustainable milk

"By 2020 all suppliers of Swiss cow's milk will meet a catalogue of sustainability criteria."



Employee development

"By 2020 all employees will have been integrated into our development planning."

Breakdown of the half-year results

Strong organic growth in sales

Emmi generated sales of CHF 1,773.5 million in the first six months of the 2020 financial year, compared with CHF 1,663.3 million in the prior year period. This corresponds to growth of 6.6 %. Adjusted for overall positive acquisition effects of 9.5 % and negative foreign currency effects of 4.9 %, this resulted in organic growth of 2.0 %. While this is at the lower end of our forecast range for the full-year (2 % to 3 %), it should be considered a positive result in view of the negative impact of the coronavirus crisis on significant parts of our business.

Business in food service (especially gastronomy) and out-of-home consumption as well as at smaller-scale or stand-alone sales outlets and open cheese counters temporarily ground practically to a halt. From a Group perspective, the impact of this development was most pronounced on the international divisions, especially the business division Americas, which saw organic sales dip by 1.0 %. The business division Europe, by contrast, recorded pleasing organic growth of 2.1 %, with lower sales due to coronavirus in the fresh products and fresh cheese segments offset by gains in the dairy products and cheese segments. Last but not least, Switzerland generated exceptionally strong organic growth of 3.8 %. This uptick was broad-based across all segments and driven in particular by strong demand for basic products and rising at-home consumption. Additional positive contributors included the increase in demand fuelled by the temporary downturn in shopping tourism and a higher milk price in a prior year comparison.

Emmi Caffè Latte was able to continue its growth trajectory in the first half of 2020 in spite of the challenging environment, positing promising growth. This is especially noteworthy given the marked slump in sales of convenience products across all business divisions due to the coronavirus lockdown and the resulting restrictions on mobility. Other strategic concepts such as Italian speciality desserts or goat's milk products were consistently pursued, although performances varied from one sales channel to the next owing to the coronavirus crisis.

Acquisition effects are accounted for by the following factors:

Positive impact:

- Acquisition of a blue cheese production facility (US, 28 February 2019)
- Acquisition of Leeb Biomilch GmbH and Hale GmbH (Austria, 8 October 2019)
- Acquisition of Laticínios Porto Alegre Indústria e Comércio S.A. (Brazil, 24 October 2019)
- Acquisition of Pasticceria Quadrifoglio S.r.l. (Italy, 31 October 2019)
- Business combination with Quillayes (Chile, 15 January 2020)

Negative impact:

- Sale of Emmi Frisch-Service AG (Switzerland, 3 April 2019)

Internal shifting of distribution channels for individual customers additionally led to acquisition or divestment effects in the business divisions Americas, Europe and Global Trade. However, these shifts between the individual business divisions did not have any impact on the Group.

Developments in the business divisions Switzerland, Americas, Europe and Global Trade are explained in the following.

Sales development Switzerland

in CHF million	Sales 1HY 2020	Sales 1HY 2019	Difference 2020/2019	Acquisition effect	Organic growth
Dairy products	343.1	335.4	2.3 %	-0.8 %	3.1 %
Cheese	199.7	193.8	3.0 %	-1.6 %	4.6 %
Fresh products	172.0	167.0	3.0 %	-0.7 %	3.7 %
Fresh cheese	55.3	53.0	4.2 %	-3.7 %	7.9 %
Powder/concentrates	31.6	29.4	7.6 %	–	7.6 %
Other products/services	27.1	31.9	-15.0 %	-12.1 %	-2.9 %
Total Switzerland	828.8	810.5	2.2 %	-1.6 %	3.8 %

The business division Switzerland generated net sales of CHF 828.8 million, corresponding to a total increase of 2.2 % on the prior year figure of CHF 810.5 million. Adjusted for the divestment effect (Emmi Frisch-Service AG), this resulted in extraordinarily high organic growth of 3.8 %. This is significantly higher than the full-year forecast of 0 % to 1 % published by Emmi, and is attributable largely to brisk retail business resulting from increased at-home consumption as well as the temporary drop-off in shopping tourism. Organic growth was additionally propped up by developments in the milk price. These three effects combined had a particular impact on the sales achieved by the dairy products, cheese, fresh products and fresh cheese segments. The business division Switzerland accounted for 46.7 % (previous year: 48.7 %) of Group sales.

Sales of **dairy products** (milk, cream, butter) improved in the first half of 2020 from CHF 335.4 million to CHF 343.1 million. This translates into year-on-year growth of 2.3 %, or 3.1 % after taking into account the divestment effect. The main reasons for this strong growth were the sharp uptick in milk and butter sales volumes resulting from higher at-home consumption, closed borders in the second quarter and the milk price development.

In the **cheese** segment, sales climbed from CHF 193.8 million to CHF 199.7 million, up 3.0 % or 4.6 % in organic terms. This growth was driven on the one hand by traditional cheese varieties, and on the other by Emmi speciality cheeses such as Kaltbach, Luzerner Rahmkäse, Der Scharfe Maxx, Le Petit Chevrier and Gerber.

Fresh products posted gains from CHF 167.0 million to CHF 172.0 million, corresponding to growth of 3.0 % or 3.7 % in organic terms. Emmi Caffè Latte and Energy Milk made a pleasing contribution to this result, as did yogurt sales (especially private label products), which improved markedly in the first half of the year.

Sales generated by **fresh cheese** were up from CHF 53.0 million to CHF 55.3 million, corresponding to an increase of 4.2 % overall or 7.9 % in organic terms. This strong growth was driven in particular by significantly higher retail sales of mozzarella.

The **powder/concentrates** segment posted sales of CHF 31.6 million, compared with CHF 29.4 million in the prior year period. This constitutes growth of 7.6 %, reflecting higher sales volumes of milk powder.

Other products/services saw sales fall from CHF 31.9 million to CHF 27.1 million, down 15.0 %, primarily due to the divestment of Emmi Frisch-Service AG (equating to a decline of 2.9 % in organic terms).

Sales development Americas

in CHF million	Sales 1HY 2020	Sales 1HY 2019	Difference 2020/2019	Acquisition effect	Currency effect	Organic growth
Cheese	235.1	217.2	8.2 %	21.4 %	-9.1 %	-4.1 %
Dairy products	175.0	138.0	26.9 %	35.2 %	-15.6 %	7.3 %
Fresh products	96.6	101.2	-4.5 %	5.5 %	-6.0 %	-4.0 %
Fresh cheese	30.8	7.5	313.4 %	428.6 %	-111.3 %	-3.9 %
Powder/concentrates	11.0	2.3	377.1 %	408.6 %	-101.5 %	70.0 %
Other products/services	50.1	52.2	-4.0 %	12.9 %	-10.0 %	-6.9 %
Total Americas	598.6	518.4	15.5 %	28.7 %	-12.2 %	-1.0 %

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

Sales in the business division Americas improved in the first half of 2020 from CHF 518.4 million to CHF 598.6 million. The 15.5 % growth versus the prior year period is attributable primarily to the acquisitions made in Brazil and Chile. In organic terms, adjusted for currency and acquisition effects, sales were down 1.0 %, falling far short of our full-year forecast of 4 % to 6 % growth. This downtrend was fuelled in large part by the coronavirus crisis, which had by far the greatest impact on the business division Americas given it has the highest proportion of sales from the food service sector on a Group basis. The business division Americas accounted for 33.8 % (previous year: 31.2 %) of Group sales.

Sales in the **cheese** segment were CHF 235.1 million, compared with CHF 217.2 million in the prior year period. This 8.2 % overall growth is chiefly attributable to the acquisitions made in Chile and Brazil. In organic terms, however, sales contracted by 4.1 %, with sales of cheese produced locally in the US collapsing temporarily as sales outlets, cheese counters and restaurants were closed. Sales of imported cheese in France and Mexico likewise slid. By contrast, the US posted a pleasing uptick in sales of cheese imported from Switzerland, e.g. Kaltbach.

In the **dairy products** segment, sales increased from CHF 138.0 million to CHF 175.0 million, again due largely to acquisition effects (Brazil and Chile). Even after taking into account acquisition and currency effects, organic growth was an impressive 7.3 %, driven by good sales growth in Chile (milk, cream) and Tunisia (milk, butter). This development was fuelled by increased at-home consumption and price trends in these markets.

Sales of **fresh products** fell from CHF 101.2 million to CHF 96.6 million, corresponding to a decline of 4.5 % or 4.0 % in organic terms. This decrease is attributable mainly to Italian speciality desserts in France, yogurts and milk drinks at Redwood Hill in California, and milk and yogurt drinks in Spain, Tunisia and Chile. Major positive contributions were made, on the other hand, by locally produced desserts in Tunisia and, pleasingly, also Emmi Caffè Latte in Spain.

Sales in the **fresh cheese** and **powder/concentrates** segments are of secondary importance for the business division, at CHF 30.8 million and CHF 11.0 million, respectively. The growth in sales was mainly due to acquisitions. The high organic growth in the powder/concentrates segment is additionally attributable to stronger sales of goat's milk powder at Jackson-Mitchell ("Meyenberg") in California as a result of the coronavirus crisis.

Other products/services generated sales of CHF 50.1 million, down 4.0 % (6.9 % in organic terms). This primarily relates to the trading goods business in Mexico and Spain, which has been sharply impacted by the coronavirus crisis.

Sales development Europe

in CHF million	Sales 1HY 2020	Sales 1HY 2019	Difference 2020/2019	Acquisition effect	Currency effect	Organic growth
Fresh products	140.2	129.2	8.6 %	15.4 %	-6.7 %	-0.1 %
Cheese	54.2	54.7	-0.8 %	2.8 %	-6.1 %	2.5 %
Dairy products	49.6	46.8	6.2 %	5.0 %	-6.4 %	7.6 %
Powder/concentrates	23.9	21.2	12.5 %	0.1 %	-6.9 %	19.3 %
Fresh cheese	19.1	25.7	-25.7 %	0.8 %	-4.5 %	-22.0 %
Other products/services	4.9	2.3	112.7 %	12.8 %	-12.9 %	112.8 %
Total Europe	291.9	279.9	4.3 %	8.7 %	-6.5 %	2.1 %

The business division Europe incorporates the Emmi Group companies in Germany, Italy, the Netherlands, the UK, Austria, Lácteos Caprinos in Spain and Belgium.

Sales in the business division Europe amounted to CHF 291.9 million in the first half of 2020, compared with CHF 279.9 million in the prior year period. This resulted in growth totalling 4.3 %. Excluding acquisition and currency effects, organic growth was 2.1 %, which is in line with our expectations for full-year 2020 (1 % to 3 %). The slight downtrend in fresh products was offset by strong growth in the dairy products, cheese and powder/concentrates segments. The business division Europe accounted for 16.4 % (previous year: 16.8 %) of Group sales.

Sales of **fresh products** in the first half of 2020 were CHF 140.2 million, corresponding to growth of 8.6 %. Adjusted for currency and acquisition effects, however, this translated into a slight organic decline of 0.1 %, exacerbated by the ongoing coronavirus crisis as this had an adverse impact on sales in the Netherlands, in Germany and at the dessert companies in Italy. The UK, by contrast, recorded growth both with Onken yogurts and Emmi Caffè Latte.

Sales in the **cheese** segment were CHF 54.2, compared with CHF 54.7 million in the prior year period. Adjusted for acquisition and currency effects, this resulted in organic growth of 2.5 %. This is chiefly due to higher sales in the Netherlands and Italy from natural and processed cheese. Viewed across the business division as a whole, fondue and Kaltbach from Switzerland posted gains.

Dairy products generated sales of CHF 49.6 million, up from CHF 46.8 million in the previous year. In organic terms, growth was strong at 7.6 %, resulting primarily from higher sales at Gläserne Molkerei in Germany, with organic dairy products experiencing higher demand during the crisis.

In the **powder/concentrates** segment, sales increased sharply from CHF 21.2 million to CHF 23.9 million. This growth of 12.5 % – which translates into as much as 19.3 % in organic terms – is mainly attributable to higher sales of goat's milk powder in the Netherlands.

Fresh cheese, meanwhile, contracted by 25.7 % (or 22.0 % in organic terms) from CHF 25.7 million to CHF 19.1 million. Lower sales of fresh goat's cheese at Bettinehoeve in the Netherlands and at Lácteos Caprinos in Spain owing to coronavirus (due to the high share of food service in total sales) were the chief culprit for the marked organic decline in sales in this segment.

In **other products/services**, the proportionally smallest product group, the business division Europe generated sales of CHF 4.9 million, up from CHF 2.3 million the previous year.

Sales development Global Trade

in CHF million	Sales 1HY 2020	Sales 1HY 2019	Difference 2020/2019	Acquisition effect	Organic growth
Cheese	21.5	22.8	-5.7 %	-6.3 %	0.6 %
Fresh products	18.9	19.5	-3.4 %	–	-3.4 %
Powder/concentrates	12.3	9.7	27.2 %	–	27.2 %
Dairy products	1.4	1.7	-18.1 %	–	-18.1 %
Fresh cheese	–	0.1	-100.0 %	–	-100.0 %
Other products/services	0.1	0.7	-84.3 %	–	-84.3 %
Total Global Trade	54.2	54.5	-0.6 %	-2.7 %	2.1 %

The business division Global Trade primarily 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. The business division Global Trade accounted for 3.1 % (previous year: 3.3 %) of Group sales.

Sales in the business division Global Trade were CHF 54.2 million in the first half of 2020, a decrease of 0.6 % from CHF 54.5 million in the previous year. Adjusted for the negative acquisition effect in the cheese segment, this translates into organic growth of 2.1 %.

The organic growth in the **cheese** segment of 0.6 % is primarily due to higher sales of natural cheese (including Kaltbach), partially offset by a decline in fondue. The 3.4 % decline in the **fresh products** segment is chiefly explained by a slight downtrend in yogurts and yogurt drinks in the Asian region coupled with restrictions imposed on the food service sector due to the coronavirus pandemic. The uptick in the **powder/concentrates** segment of 27.2 % reflects the marked rise in skimmed milk powder exports.

Gross profit

Gross profit amounted to CHF 639.9 million in the period under review, an increase of CHF 35.0 million on the previous year (CHF 604.9 million), with the overall positive acquisition effects partly offset by negative currency effects. The smaller rise at the operational level is due to the lower **gross profit margin** compared with the prior year period, which fell from 36.4 % to 36.1 %. This negative development can be explained by the changed mix in the wake of coronavirus coupled with negative currency effects. During the reporting period, strong sales were recorded by basic products in particular, which have a lower gross profit margin. The consistent implementation of rationalisation and productivity measures as well as strong brand concepts such as Emmi Caffè Latte had a positive and stabilising effect.

Operating result

Operating expenses rose by CHF 26.8 million year-on-year to CHF 473.8 million (previous year: CHF 447.0 million). Compared with net sales, however, they contracted from 26.9 % to 26.7 %.

In the first half of 2020, **personnel expenses** increased by CHF 15.0 million to CHF 246.4 million, up from CHF 231.4 million the year before. This increase followed the trend in sales, meaning that the ratio of personnel expenses to sales remained constant at 13.9 %.

Other operating expenses in the period under review amounted to CHF 227.4 million (previous year: 215.6 million), a rise of CHF 11.8 million year-on-year in absolute terms. Compared with sales, however, they decreased to 12.8 % (previous year: 13.0 %). Marketing and sales-related expenses came to CHF 59.8 million, compared with CHF 63.3 million in the previous year. This decline of CHF 3.5 million is due not only to a more focused approach, but also to a shift in the timing of marketing activities. By contrast, expenses for logistics, maintenance and repairs, and energy, operating materials and supplies all rose. However, these increases were slightly below average in relation to the sales trend.

Other operating income amounted to CHF 2.0 million, versus CHF 1.6 million in the prior year period.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased in the period under review by CHF 8.5 million to CHF 168.1 million (previous year: CHF 159.6 million). The **EBITDA margin** was 9.5 %, compared with 9.6 % in the prior year period, with the deficit at the level of the gross profit margin largely offset by the disproportionately lower rise in operating expenses.

Depreciation on property, plant and equipment increased from CHF 47.1 million in the prior year to CHF 50.4 million in the period under review, primarily on the back of acquisition activities. **Amortisation on intangible assets**, by contrast, fell from CHF 7.3 million in the previous year to CHF 5.6 million, corresponding to a decline from 0.5 % last year to 0.3 % in relation to sales. The prior year values for amortisation on intangible assets have been restated due to a change in the consolidation and valuation principles with respect to goodwill.

Earnings before interest and taxes (EBIT) were CHF 112.0 million in the period under review, CHF 6.7 million or 6.4 % higher than the previous year's EBIT of CHF 105.3 million. The **EBIT margin** remained stable year-on-year at 6.3 %.

Non-recurring effects in the half-year results 2020

No significant non-recurring effects were recorded in the period under review or in the prior year period. For this reason, Emmi has opted not to disclose adjusted results.

Income from associates, financial result and income taxes

Income from associates and joint ventures recorded a loss of CHF 0.4 million in the period under review, compared with a gain of CHF 2.2 million the year before. One of the main reasons for this development was the step acquisition in Brazil in October 2019, which had an impact on the scope of consolidation.

The **financial result** (net financial expenses) rose by CHF 4.7 million year-on-year to CHF 7.7 million, affected by net interest expenses, currency losses and the other financial result in practically equal measure. While the increased net interest expense is attributable to additional local financing for recently acquired companies, the foreign currency result was down on the back of the volatile currency and interest rate environment (especially for USD) and consequently resulted in higher currency hedging costs.

Income taxes amounted to CHF 17.2 million, versus CHF 14.5 million in the prior year period. The expected tax rate for full-year 2020 is 16.5 % (previous year: 13.9 %). The higher tax rate is mainly due to positive non-recurring effects in the previous year.

Net profit

Net profit including minority interests was CHF 86.8 million, compared with CHF 90.0 million in the previous year.

Minority interests amounted to CHF 5.5 million, a rise of CHF 2.5 million on the prior year period. Additional minority interests in the result of recently acquired companies in Brazil, Chile and Austria were the main reason for this increase.

After deducting these minority interests, **net profit** was CHF 81.3 million (previous year: CHF 87.0 million), equating to a fall of CHF 5.7 million or 6.5 %. The **net profit margin** was 4.6 % (previous year: 5.2 %). Accordingly, **earnings per share** likewise dipped slightly to CHF 15.20 as at the end of the first half (previous year: CHF 16.25).

Assets, financing and cash flow

Total assets as at 30 June 2020 were down 1.6 % or CHF 38.6 million compared with 31 December 2019 to CHF 2,343.7 million. **Operating net working capital** was CHF 531.5 million, an increase of CHF 13.1 million versus 31 December 2019. By contrast, fixed assets declined by CHF 25.4 million, due exclusively to currency effects. There were likewise only very small changes versus 31 December 2019 on the funding side. As a result, the **equity ratio** remained practically constant at 54.5 %, compared with 54.6 % as at 31 December 2019. Given the slight rise in financial liabilities due to acquisition activities and the slight decline in cash and cash equivalents, **net debt** swelled from CHF 89.0 million as at 31 December 2019 to CHF 108.9 million as at 30 June 2020.

Cash inflow from operating activities amounted to CHF 126.0 million, up CHF 22.8 million on the prior year (CHF 103.2 million). While the change in operating net working capital was down slightly year-on-year, the improved operating result and lower level of taxes paid boosted operating cash flow. Indeed, the increase in inventories versus 31 December 2019 was much smaller than in the prior year period. Whereas trade receivables were reduced on a par with the previous year, the decrease in trade payables was slightly more pronounced. In addition, cash inflow from operating activities was impaired overall by the change in other receivables, prepayments and accrued income, together with the change in other payables, accrued liabilities and deferred income during the reporting period. In the prior year period, by contrast, these positions boosted cash flow from operating activities overall. A conscious effort was made to force this development in specific areas in order to reduce the negative interest burden. **Cash outflow from investing activities** amounted to CHF 65.4 million, an increase of CHF 17.7 million on the prior year figure of CHF 47.7 million. Cash outflow was CHF 14.0 million higher on the back of investments in property, plant and equipment. Excluding cash flow from acquisition activities, the **free cash flow** generated in the first half of 2020 amounted to CHF 59.0 million, compared with CHF 61.7 million in the prior year period. The higher operating cash flow was thus slightly offset by higher investments in fixed assets. **Cash outflow from financing activities** amounted to CHF 63.5 million in the first half of the year, attributable primarily to dividend payments to shareholders and minority interests totalling CHF 65.0 million. In the previous year, cash outflow from financing activities was higher, at CHF 146.9 million, owing to the repayment of a bond in the amount of CHF 100.0 million and a lower distribution rate to Emmi AG shareholders. As a consequence of the cash flows described, cash and cash equivalents decreased by CHF 9.3 million versus 31 December 2019, from CHF 378.1 million to CHF 368.8 million.

Outlook for full-year 2020

Emmi proved once again in the first half of 2020 that it is on a very solid ground. Backed by its broadly diversified portfolio and its varied mix of countries, categories and sales channels, so far it has managed to hold its own in the face of the coronavirus crisis. Given the persistent uncertainty surrounding the future course of the coronavirus pandemic and how this will affect economic performance, however, the outlook for the second half of the year remains uncertain. In those markets that have been hard hit by the pandemic and are important for Emmi, such as the US, Brazil, Mexico or Chile, there is currently still no recovery in sight. Consumer confidence is languishing at a low level worldwide and most national economies are exhibiting tendencies of recession. What is more, the second half of the year will no longer include the positive non-recurring effects seen in the first six months, and it may take several years before some sales channels are able to muster a sustainable recovery.

With that in mind, Emmi is positioning itself for a continued volatile and fiercely competitive environment in the second half of 2020. In Switzerland, price pressure in retail will remain high and the food service industry will remain below potential. Shopping tourism is likely to settle back to the level seen prior to the lockdown. As a result, the boost this provided to sales in the first half of the year will not materialise in the second half. At the international level, Emmi will continue to have to deal with uncertainty concerning the future course of the pandemic and will also be exposed to considerable currency risks. Emmi will meet these challenges head-on according to its defined strategic pillars.

The unpredictability of the current environment makes it difficult to provide any forecast for the months ahead. Working on the assumption that the pandemic abates over the coming months in the markets that are important for Emmi and there are no new waves of infection, Emmi expects slightly lower organic sales growth for the full year of 0.5 % to 1.5 % (previously 2 % to 3 %). In Switzerland, organic sales growth is forecast at 1 % to 2 %, up from 0 % to 1 %, on the back of the good first half. In the business division Americas, which has borne the brunt of the blow from the pandemic, organic sales growth of -2 % to 0 % (previously 4 % to 6 %) would seem realistic. The previous forecast for the business division Europe remains in effect (1 % to 3%).

Emmi still thinks that the EBIT forecast of CHF 255 million to CHF 265 million for full-year 2020 is within its grasp provided the recovery remains on track. Given the current situation, however, this target is extremely ambitious, as a result of which we expect EBIT to be at the lower end of this range. Emmi reiterates its original forecast for the net profit margin (4.8 % to 5.3 %).

Consolidated income statement

in CHF 000s

	First 6 months 2020	%	First 6 months 2019 (restated)	%
Sales of products	1,759,507		1,649,335	
Sales of services	14,033		13,958	
Net sales	1,773,540	100.0	1,663,293	100.0
Change in inventories of semi-finished and finished products	-3,008	0.2	-4,104	0.2
Cost of materials and services	-1,130,641	63.7	-1,054,263	63.4
Gross operating profit	639,891	36.1	604,926	36.4
Other operating income	2,046	0.1	1,635	0.1
Personnel expenses	-246,404	13.9	-231,443	13.9
Other operating expenses	-227,434	12.8	-215,556	13.0
Operating expenses	-473,838	26.7	-446,999	26.9
Earnings before interest¹⁾, taxes, depreciation and amortisation (EBITDA)	168,099	9.5	159,562	9.6
Depreciation on property, plant and equipment	-50,433	2.9	-47,112	2.8
Amortisation on intangible assets	-5,646	0.3	-7,332	0.5
Write-back of negative goodwill	-		155	
Earnings before interest¹⁾ and taxes (EBIT)	112,020	6.3	105,273	6.3
Income from associates and joint ventures	-443		2,246	
Financial result	-7,653		-3,047	
Earnings before taxes (EBT)	103,924	5.9	104,472	6.3
Income taxes	-17,151		-14,472	
Profit incl. minority interests	86,773	4.9	90,000	5.4
Minority interests	-5,451		-3,040	
Net profit	81,322	4.6	86,960	5.2
Earnings per share (diluted/basic in CHF)	15.20		16.25	

¹⁾ Incl. income from associates and joint ventures and other financial positions that are reported in the financial result.

Consolidated balance sheet

in CHF 000s

Assets	30.06.2020	%	31.12.2019 (restated)	%
Cash and cash equivalents	368,790		378,112	
Securities	3,248		4,743	
Trade receivables	399,578		447,939	
Other receivables	58,206		37,434	
Inventories	393,423		371,879	
Prepayments and accrued income	56,795		53,131	
Current assets	1,280,040	54.6	1,293,238	54.3
Investments in associates and joint ventures	17,858		18,515	
Loans and other receivables	13,256		11,532	
Securities	8,087		2,408	
Employer contribution reserves	2,048		2,048	
Deferred tax assets	8,518		10,555	
Total financial assets	49,767		45,058	
Prepayments and accrued income	5,095		6,713	
Property, plant and equipment	954,081		976,497	
Intangible assets	54,706		60,783	
Non-current assets	1,063,649	45.4	1,089,051	45.7
Total assets	2,343,689	100.0	2,382,289	100.0
Liabilities and shareholders' equity				
Bank overdrafts	52,235		44,614	
Finance lease liabilities	829		796	
Loans	1,447		1,540	
Trade payables	261,513		301,449	
Other payables	31,153		24,740	
Accrued liabilities and deferred income	192,472		173,963	
Provisions	13,203		13,046	
Current liabilities	552,852	23.6	560,148	23.5
Bank overdrafts	137,485		132,634	
Finance lease liabilities	782		751	
Loans	1,879		3,099	
Bonds	299,520		300,000	
Accrued liabilities and deferred income	3,246		8,167	
Provisions	70,902		76,816	
Non-current liabilities	513,814	21.9	521,467	21.9
Liabilities	1,066,666	45.5	1,081,615	45.4
Share capital	53,498		53,498	
Capital reserves	2,088		2,088	
Retained earnings	1,120,702		1,151,207	
Shareholders' equity excl. minority interests	1,176,288	50.2	1,206,793	50.7
Minority interests	100,735	4.3	93,881	3.9
Shareholders' equity incl. minority interests	1,277,023	54.5	1,300,674	54.6
Total liabilities and shareholders' equity	2,343,689	100.0	2,382,289	100.0

Consolidated cash flow statement

in CHF 000s

	First 6 months 2020	First 6 months 2019 (restated)
Profit incl. minority interests	86,773	90,000
Net interest expense	4,245	2,763
Income taxes	17,151	14,472
Result from sale of fixed assets	29	-158
Result from sale of investments/businesses	–	-254
Depreciation and amortisation	54,051	54,430
Impairment charges	2,028	14
Write-back of negative goodwill	–	-155
Change in provisions	-230	-10,384
Income from associates and joint ventures	443	-1,362
Other non-cash adjustments	6,998	-1,474
Cash flow before changes in net working capital, interest and taxes	171,488	147,892
Change in inventories	-23,042	-43,124
Change in trade receivables	40,016	39,964
Change in other receivables, prepayments and accrued income	-24,284	-13,741
Change in trade payables	-31,092	-27,776
Change in other payables, accrued liabilities and deferred income	19,596	33,012
Interest paid	-3,613	-2,715
Taxes paid	-23,071	-30,326
Cash flow from operating activities	125,998	103,186
Investments in property, plant and equipment	-58,117	-44,116
Proceeds from disposal of property, plant and equipment	711	1,627
Purchase of securities	-5,905	–
Investments in intangible assets	-1,692	-158
Purchase of shares in associates and joint ventures	–	-739
Proceeds from sale of shares in associates	–	884
Acquisition of consolidated companies	1,556	-13,420
Proceeds from sale of investments/businesses	–	7,108
Change of loans receivable	-2,700	-183
Dividend received	–	203
Interest received	714	1,115
Cash flow from investing activities	-65,433	-47,679
Change in other current financial liabilities	-7,356	4,594
Change in other non-current financial liabilities	8,868	-2,503
Repayments of bonds	–	-100,000
Dividend paid to shareholders	-64,198	-48,148
Dividend paid to minority interests	-847	-892
Cash flow from financing activities	-63,533	-146,949
Currency translation	-6,354	-2,424
Net change in cash and cash equivalents	-9,322	-93,866
Cash and cash equivalents at beginning of period	378,112	451,399
Cash and cash equivalents at end of period	368,790	357,533

Consolidated statement of changes in equity

in CHF 000s

	Share capital	Capital reserves (premium)	Retained earnings	Accumulated translation differences	Total profit reserves	Total excl. minority interests	Minority interests	Total incl. minority interests
Shareholders' equity as at 1 January 2019 (reported)	53,498	7,438	1,638,389	-100,674	1,537,715	1,598,651	57,920	1,656,571
Change of goodwill accounting	–	–	-440,260	26,266	-413,994	-413,994	–	-413,994
Shareholders' equity as at 1 January 2019 (restated)	53,498	7,438	1,198,129	-74,408	1,123,721	1,184,657	57,920	1,242,577
Offset goodwill	–	–	-3,914	–	-3,914	-3,914	–	-3,914
Profit incl. minority interests	–	–	86,960	–	86,960	86,960	3,040	90,000
Currency translation differences	–	–	–	-3,526	-3,526	-3,526	653	-2,873
Dividend	–	-5,350	-42,798	–	-42,798	-48,148	-892	-49,040
Shareholders' equity as at 30 June 2019 (restated)	53,498	2,088	1,238,377	-77,934	1,160,443	1,216,029	60,721	1,276,750
Shareholders' equity as at 1 January 2020 (reported)	53,498	2,088	1,757,255	-122,995	1,634,260	1,689,846	93,881	1,783,727
Change of goodwill accounting	–	–	-519,752	36,699	-483,053	-483,053	–	-483,053
Shareholders' equity as at 1 January 2020 (restated)	53,498	2,088	1,237,503	-86,296	1,151,207	1,206,793	93,881	1,300,674
Change in scope of consolidation	–	–	–	–	–	–	24,588	24,588
Offset goodwill	–	–	-24,031	–	-24,031	-24,031	–	-24,031
Profit incl. minority interests	–	–	81,322	–	81,322	81,322	5,451	86,773
Currency translation differences	–	–	–	-23,598	-23,598	-23,598	-22,338	-45,936
Dividend	–	–	-64,198	–	-64,198	-64,198	-847	-65,045
Shareholders' equity as at 30 June 2020	53,498	2,088	1,230,596	-109,894	1,120,702	1,176,288	100,735	1,277,023

Segment reporting

in CHF 000s

Net sales by product groups and divisions	Switzerland		Americas		Europe		Global Trade		Group	
	1HY 2020	1HY 2019	1HY 2020	1HY 2019	1HY 2020	1HY 2019	1HY 2020	1HY 2019	1HY 2020	1HY 2019
Dairy products	343,119	335,447	175,022	137,964	49,633	46,748	1,422	1,737	569,196	521,896
As % of net sales	41.4	41.4	29.2	26.6	17.0	16.7	2.6	3.2	32.1	31.4
Fresh products	171,974	166,965	96,609	101,203	140,245	129,195	18,860	19,518	427,688	416,881
As % of net sales	20.7	20.6	16.1	19.5	48.0	46.2	34.8	35.8	24.1	25.1
Cheese	199,686	193,867	235,118	217,252	54,211	54,653	21,467	22,767	510,482	488,539
As % of net sales	24.1	23.9	39.3	41.9	18.6	19.5	39.7	41.8	28.8	29.4
Fresh cheese	55,271	53,028	30,816	7,454	19,111	25,735	–	64	105,198	86,281
As % of net sales	6.7	6.5	5.2	1.4	6.5	9.2	–	0.1	5.9	5.2
Powder/ concentrates	31,616	29,377	10,955	2,296	23,944	21,278	12,305	9,675	78,820	62,626
As % of net sales	3.8	3.6	1.8	0.5	8.2	7.6	22.7	17.8	4.5	3.7
Other products and services	27,108	31,875	50,122	52,222	4,815	2,264	111	709	82,156	87,070
As % of net sales	3.3	4.0	8.4	10.1	1.7	0.8	0.2	1.3	4.6	5.2
Net sales	828,774	810,559	598,642	518,391	291,959	279,873	54,165	54,470	1,773,540	1,663,293
As % of Group	46.7	48.7	33.8	31.2	16.4	16.8	3.1	3.3	100.0	100.0

Net sales by country group	1HY 2020	in %	1HY 2019	in %
Switzerland	828,774	46.7	810,559	48.7
Europe excl. Switzerland	421,982	23.8	423,075	25.4
North and South America	412,399	23.3	330,259	19.9
Africa	76,641	4.3	68,029	4.1
Asia/Pacific	33,744	1.9	31,371	1.9
Total	1,773,540	100.0	1,663,293	100.0

Emmi does not publish segment results since this would cause significant competitive disadvantages towards stakeholders, non-listed and larger listed competitors both in Switzerland and abroad.

The business divisions are not defined strictly according to geographical considerations. The business division Americas includes the Emmi Group companies in the US, Spain (excl. Lácteos Caprinos S.A.), Chile, Brazil, Tunisia, France, Mexico and Canada. The business division Europe incorporates those in Germany, Italy, the Netherlands, the UK, Austria, Lácteos Caprinos in Spain, and Belgium. The business division Global Trade primarily 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.

Notes to the half-year results

Principles of consolidation

Accounting principles

These consolidated interim financial statements comprise the unaudited half-year results of Emmi AG and its subsidiaries for the period ending 30 June 2020. The consolidated interim financial statements for 2020 have been prepared in compliance with Swiss GAAP FER 31 “Additional accounting and reporting recommendations for listed companies” and the consolidation and accounting principles described in the 2019 consolidated financial statements, with the exception of the change described below.

Income taxes are calculated based on an estimate of the expected income tax rate for the full-year 2020. The consolidated half-year results should be read in conjunction with the consolidated financial statements compiled for the financial year ended 31 December 2019, as they represent an update of the last complete financial statements and therefore do not contain all information and disclosures required in the year-end consolidated financial statements. The consolidated half-year results are presented in Swiss francs (CHF). Except where stated otherwise, all amounts are presented in thousands of Swiss francs.

The consolidated interim financial statements were approved by the Board of Directors of Emmi AG on 25 August 2020.

Change to the consolidation and valuation principles

In past years, it had become standard practice under Swiss GAAP FER to offset goodwill against shareholders' equity. Therefore, and in order to simplify comparison with other companies, the Board of Directors of Emmi AG has decided that, beginning 1 January 2020, goodwill from acquisitions will be offset directly against shareholders' equity at the date of acquisition, making use of the accounting policy choice provided in Swiss GAAP FER 30 “Consolidated financial statements”. The impact of theoretical capitalisation and amortisation including any impairments from assessing recoverability are disclosed in the notes. Until now, goodwill has been capitalised and amortised over the expected useful life of mostly 20 years. Since this is a change to the accounting principles, the prior period has been restated accordingly. The revised consolidation and valuation principles are described below.

Consolidation method

Capital is consolidated using the purchase method. Assets and liabilities as well as expenses and income of the fully consolidated companies are included in their entirety. Minority interests in consolidated shareholders' equity and in net profit are shown separately. All intercompany transactions and relations between the consolidated companies are offset against each other and eliminated. Profits on such intercompany transactions are eliminated. Companies and businesses acquired during the course of the year are consolidated as from the date of acquisition. Net assets acquired are revalued on the acquisition date at fair value. Non-current assets acquired are recognised on a gross basis. As part of the purchase price allocation, intangible assets are only recognised and revalued at fair value if they were already recognised in the balance sheet at the acquisition date.

Goodwill from the acquisition of companies and businesses is equivalent to the difference between the purchase price and the interest in revalued net assets of the acquired company. This is offset against retained earnings at the date of acquisition. The impact of theoretical capitalisation and amortisation of goodwill are disclosed in the notes to the consolidated financial statements. Any negative goodwill is released in the income statement over a five-year period. In a business acquisition achieved in stages (step acquisition), the goodwill of each separate transaction is determined.

Companies and businesses sold during the year are excluded from the consolidated financial statements from the date of sale. Minority interests acquired are likewise measured using the purchase method. As a consequence, the difference between purchase price and proportionate equity is offset as goodwill against retained earnings or recognised as negative goodwill in accordance with Swiss GAAP FER.

When acquiring investments in associates and joint ventures, no purchase price allocation is performed. As a consequence, the difference between purchase price and proportionate equity is offset as goodwill against retained earnings or recognised as negative goodwill in accordance with Swiss GAAP FER.

Where interests in fully consolidated companies or companies accounted for using the equity method are sold, goodwill acquired at an earlier date and offset against retained earnings is recognised in the income statement at original cost for the purpose of calculating the gain or loss resulting from the sale.

Intangible assets

This item includes mainly EDP software and trademarks. Intangible assets are recognised if they are clearly identifiable and the costs reliably determinable, and they bring a measurable benefit to the company over the course of several years. Intangible assets are valued at purchase cost less amortisation and any necessary impairment. Amortisation is calculated on a straight-line basis over the useful life and recognised in the income statement. The useful life of EDP software is 2 to 5 years. Trademarks are amortised over useful lives of 5 to 20 years. The expected useful life of other intangible assets is determined on a case-by-case basis. The useful life is usually 5 years and in justified cases up to 20 years. Goodwill is not capitalised, but offset against retained earnings at the date of acquisition.

Impairment

The value of non-current assets is assessed on the reporting date for indicators of impairment. If there is evidence of any lasting reduction in value, the recoverable amount is calculated (impairment test). If the book value exceeds the recoverable amount, the difference is recognised in the income statement as an impairment charge. Major goodwill items are tested for impairment annually, based on a value-in-use calculation. The value-in-use calculation is based on cash flows for usually the next five years and the extrapolated values thereafter. Since the goodwill is already offset against retained earnings at the date of acquisition, any impairment to goodwill does not lead to a charge to the income statement, but only to disclosure in the notes.

Financial effects of the change to the consolidation and valuation principles

The financial effects of the described change to the consolidation and valuation principles are set out below:

	Reported	Restatement	Restated
Balance sheet 1.1.2019			
Intangible assets	484,917	-413,994	70,923
Shareholders' equity incl. minority interests	1,656,571	-413,994	1,242,577
Balance sheet 1.1.2020			
Intangible assets	543,836	-483,053	60,783
Shareholders' equity incl. minority interests	1,783,727	-483,053	1,300,674
Income statement first 6 months 2019			
Amortisation on intangible assets	-19,071	11,739	-7,332
Earnings before interest and taxes (EBIT)	93,534	11,739	105,273
Income from associates and joint ventures	-38	2,284	2,246
Net profit	72,937	14,023	86,960
Earnings per share (diluted/basic in CHF)	13.63	2.62	16.25

Goodwill from acquisitions (shadow accounting)

The goodwill from the acquisition of companies and businesses or the purchase of interests in associates or joint ventures is offset against retained earnings at the date of acquisition. The theoretical capitalisation of goodwill and its amortisation over the expected useful life of usually 20 years would have the following effects on the consolidated interim financial statements as at 30 June 2020.

Theoretical movement schedule for goodwill

	Goodwill group companies	Goodwill associated companies	Total
At cost 1.1.2020	672,351	19,305	691,656
Additions	24,031	–	24,031
Currency translation differences	-52,567	-273	-52,840
At cost 30.6.2020	643,815	19,032	662,847
Theoretical accumulated amortisation 1.1.2020	194,523	14,080	208,603
Amortisation	15,605	341	15,946
Impairment	7,308	–	7,308
Currency translation differences	-6,811	-170	-6,981
Theoretical accumulated amortisation 30.6.2020	210,625	14,251	224,876
Theoretical net book value 30.6.2020	433,190	4,781	437,971

The impairment charge in the period under review relates to a company of the business division Europe.

	Goodwill group companies	Goodwill associated companies	Total
At cost 1.1.2019	502,198	94,854	597,052
Additions	3,914	–	3,914
Currency translation differences	-3,208	-347	-3,555
At cost 30.6.2019	502,904	94,507	597,411
Theoretical accumulated amortisation 1.1.2019	163,790	19,268	183,058
Amortisation	11,739	2,284	14,023
Currency translation differences	-1,168	-179	-1,347
Theoretical accumulated amortisation 30.6.2019	174,361	21,373	195,734
Theoretical net book value 30.6.2019	328,543	73,134	401,677

Theoretical impact on shareholders' equity incl. minority interests

	30.06.2020	30.06.2019
Shareholders' equity per balance sheet	1,277,023	1,276,750
Theoretical capitalisation of net book value of goodwill	483,830	403,885
Currency translation differences	-45,859	-2,208
Theoretical shareholders' equity incl. net book value of goodwill	1,714,994	1,678,427
Theoretical shareholders' equity ratio	61.7 %	61.9 %

Theoretical impact on earnings before interest and taxes (EBIT)

	First 6 months 2020	First 6 months 2019
Earnings before interest and taxes (EBIT) per income statement	112,020	105,273
Theoretical amortisation of goodwill	-15,605	-11,739
Theoretical impairment of goodwill	-7,308	–
Theoretical earnings before interest and taxes (EBIT) after goodwill amortisation and impairment	89,107	93,534

Theoretical impact on net profit

	First 6 months 2020	First 6 months 2019
Net profit	81,322	86,960
Theoretical amortisation and impairment of goodwill	-23,254	-14,023
Theoretical net profit after goodwill amortisation and impairment	58,068	72,937

Changes to the scope of consolidation

Quillayes Surlat S.p.A.

The business combination of the Chilean Emmi group Surlat with competitor Quillayes announced on 30 August 2019 was closed on 15 January 2020. As part of the transaction, both parties combined their existing Chilean companies to form Quillayes Surlat S.p.A., in which Emmi subsidiary Kaiku holds a 51.5 % stake. Emmi in turn holds a 73 % stake in Kaiku and, following the transaction, has an indirect participation of approximately 38 % in the profits of the Chilean companies. The transaction saw the two Chilean companies Quillayes Peteroa S.p.A. and Chevrita S.p.A. join the scope of consolidation of the Emmi Group. Quillayes produces cheese, yogurt, butter and cream and has also established itself in the distribution of imported branded products. Surlat's key segments include UHT milk and other dairy products, especially in the lactose-free segment. Quillayes has around 550 employees and generated sales of CLP 55,000 million (approx. CHF 77 million) in 2019. The purchase price allocation used in these interim consolidated financial statements is provisional.

Rachelli International B.V.

Rachelli International B.V. was liquidated on 28 February 2020.

Emmi Platteville, Inc.

Emmi Platteville, Inc. was merged with Emmi Roth USA, Inc. on 31 May 2020.

Changes in the 2019 financial year

We refer to the consolidated financial statements 2019 for the changes to the scope of consolidation in the 2019 financial year.

Contingent liabilities

Emmi is involved in legal disputes in connection with ordinary operating activities. Although the outcome of the lawsuits currently cannot be predicted with certainty, Emmi believes that none of the disputes will have any significant negative impact on the operating activities or on the Group's financial situation. Suitable provisions for expected outgoing payments have therefore been made.

Subsequent events

Chäs Hütte Zollikon GmbH

Emmi acquired 100 % of the shares of Chäs Hütte Zollikon GmbH on 29 July 2020. The company is active in trading and selling dairy products and other food items.

White Hill Cheese Company LLC

Emmi sold its 50 % stake in US-based White Hill Cheese Company LLC on 3 August 2020. The transaction has no significant impact on Emmi's consolidated financial statements.

Vermo Tiefkühl Pool AG

Emmi sold its 35 % stake in Vermo Tiefkühl Pool AG, headquartered in Lucerne, on 19 August 2020. The transaction has no significant impact on Emmi's consolidated financial statements.

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors of Emmi AG on 25 August 2020, no other major events occurred which could adversely affect the validity of the interim financial statements for 2020.

Currency exchange rates in CHF

	First 6 months average rates		End rates	
	2020	2019	30.06.2020	31.12.2019
1 BRL	0.20	0.26	0.17	0.24
1 CAD	0.71	0.75	0.70	0.74
100 CLP	0.12	0.15	0.12	0.13
1 EUR	1.06	1.13	1.06	1.09
1 GBP	1.22	1.29	1.17	1.27
1 MXN	0.05	0.05	0.04	0.05
1 TND	0.34	0.33	0.33	0.35
1 USD	0.97	1.00	0.95	0.97

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