



Emmi Group

**Financial year 2018
Results presentation**

Lucerne, 28 February 2019



About the photographs

Sustainability efforts are part of Emmi's daily life.

Decisions taken today will primarily affect future generations. With this in mind, Emmi asked young people what is important to them. Their views are represented by six children whose fathers or mothers work for Emmi. Find out what they had to say in the Download Center at <https://report.emmi.com/en/>





Welcome
Konrad Graber, Chairman of the Board of Directors

Overview of financial year 2018
Urs Riedener, CEO

Annual results 2018
Jörg Riboni, CFO

Success factors
Urs Riedener, CEO

Outlook
Urs Riedener, CEO

Business division Switzerland

- Organic growth of 0.6 %
- Strong brand concepts to cope with import pressure

Business division Americas

- Dynamic sales performance in Tunisia, Mexico and Chile
- Higher sales in the US, especially cow's milk cheese (locally produced and exported from Switzerland)

Business division Europe

- Growth in niches (e.g. desserts, goat's milk products)
- Growth in Caffè Latte and Kaltbach
- AOP cheese still under pressure





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Milestones January to April 2018: raising the stakes



**Increased
stake in
Vitalait**



**Extension of
“High Protein”
product range**



**Membership of
Soy Network
Switzerland**



**New members
of the Board
of Directors**

Milestones May to August 2018: a remarkable summer



**Ten years of
Operational
Excellence**



**All 40 Emmi
apprentices pass
their final exam**

MAY

JUNE

JULY

AUGUST



**A perfect
summer**



**New
Emmi vision**



**From the
Engadin valley
to Kaltbach**



**Emmi Group
wins
17 awards**



**“Goat milk
Goodness”**



**Farmer
ambassadors:
the winners**



Jörg Riboni will leave Emmi
at the end of April 2019



Ricarda Demarmels will join
Emmi in June 2019

Pleasing sales and profit growth

- Net sales CHF 3,457.4 million
Increase of 2.8 %
(organic: +2.3 %)
- EBIT CHF 216.7 million
Increase of 5.3 %
 - EBIT margin 6.3 %
(2017: 6.1 %)
- Net profit CHF 233.3 million
- Adjusted net profit CHF 175.5 million
Increase of 8.6 %
- Adjusted net profit margin 5.1 %
(2017: 4.8 %)



Business division Americas breaks the billion-franc mark

Switzerland

- Sales CHF 1,713.2 million
 - Decline of 1.0 % (organic: +0.6 %)

Americas

- Sales CHF 1,044.3 million
 - Growth of 10.0 % (organic: +5.6 %)

Europe

- Sales CHF 593.3 million
 - Growth of 5.2 % (organic: +4.4 %)

Global Trade

- Sales CHF 106.6 million
 - Decline of 10.9 % (organic: -10.4 %)



The three biggest product groups account for 87 % of sales

Cheese 31 %, CHF 1,074 million
(previous year: CHF 1,054 million)

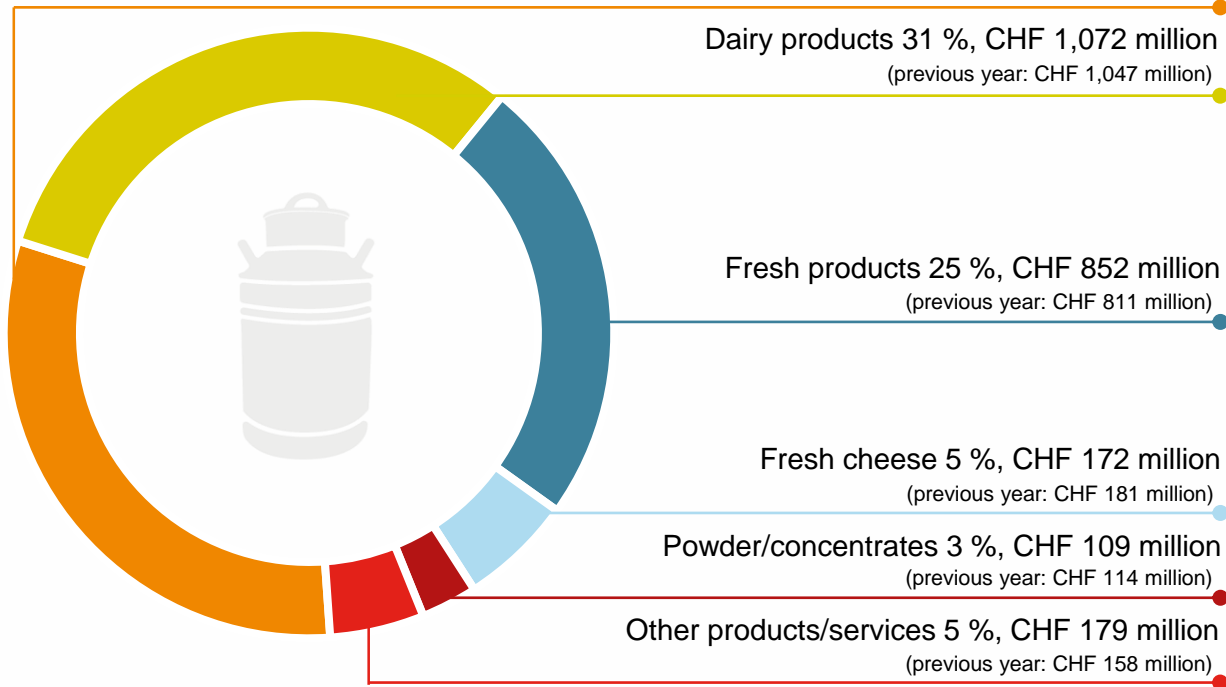
Dairy products 31 %, CHF 1,072 million
(previous year: CHF 1,047 million)

Fresh products 25 %, CHF 852 million
(previous year: CHF 811 million)

Fresh cheese 5 %, CHF 172 million
(previous year: CHF 181 million)

Powder/concentrates 3 %, CHF 109 million
(previous year: CHF 114 million)

Other products/services 5 %, CHF 179 million
(previous year: CHF 158 million)



Largest increase in sales since 2014, pleasing increase in EBITDA and EBIT margins

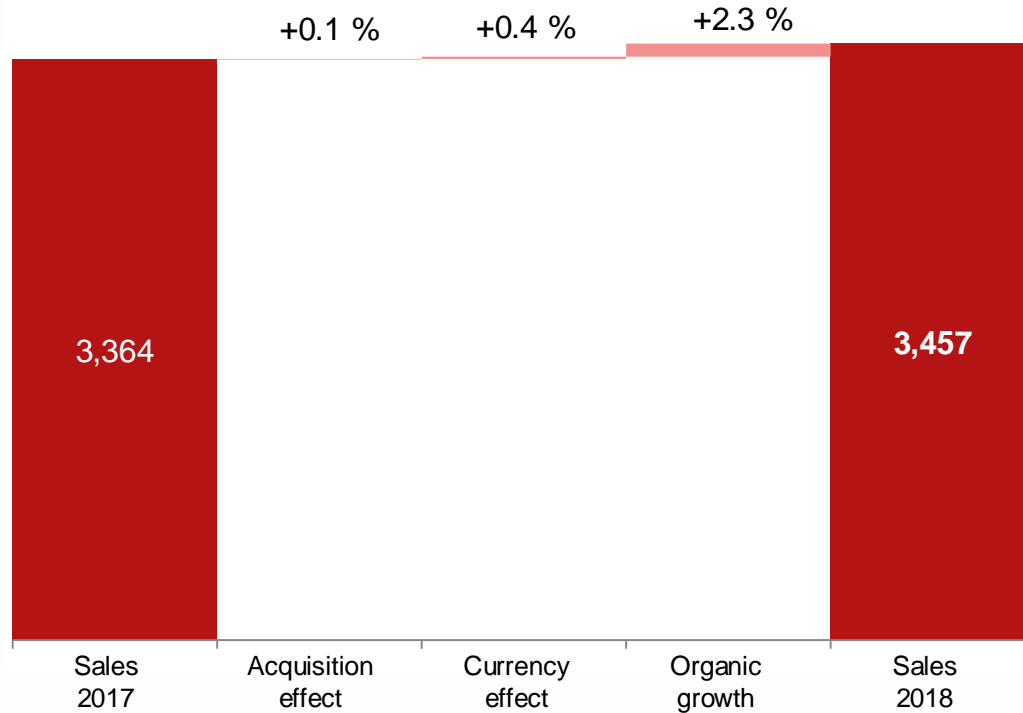
in CHF million	2018**	2017	2016	2015	2014*
Net sales	3,457	3,364	3,259	3,214	3,404
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	352.8	340.7	328.2	314.9	293.1
as % of net sales	10.2	10.1	10.1	9.8	8.6
Earnings before interest and taxes (EBIT)	216.7	205.8	202.7	188.9	170.7
as % of net sales	6.3	6.1	6.2	5.9	5.0
Net profit	175.5	161.6	140.3	120.2	109.4
as % of net sales	5.1	4.8	4.3	3.7	3.2
Headcount (full-time equivalents) as at 31.12.	6,151	6,147	5,779	5,405	5,305

*2014: EBIT and net profit adjusted for non-recurring effects of CHF -34.5 million and CHF -30.5 million respectively. These are attributable to the extraordinary impairment charge in Italy (Trentinalatte) less the extraordinary gain generated from the sale of companies, businesses and property, plant and equipment.

**2018: Net profit adjusted for non-recurring effects of CHF 57.8 million (after taxes). These are primarily attributable to the extraordinary gain generated from the sale of the minority stake in siggi's in the US.

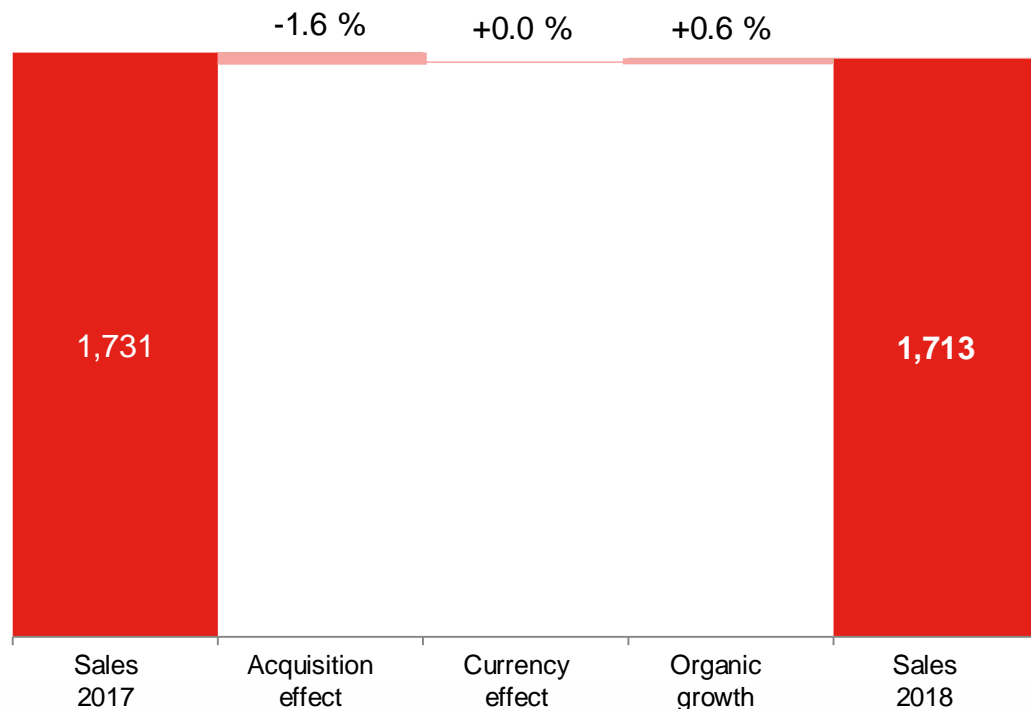
Group growth 2.8 %, organic growth 2.3 %

Group sales in CHF million



Pleasing organic growth

Sales Switzerland in CHF million



Dairy products

Sales CHF 676.4 million, 2.2 %

- Increase in sales due primarily to higher milk prices (since October 2017)

Cheese

Sales CHF 450.4 million, -5.3 % (organic: -1.8 %)

- Growth in Luzerner Rahmkäse and Le Petit Chevrier
- Declining sales of fondue and AOP cheese
- Cheese imports into Switzerland 2.9 % higher

Fresh products

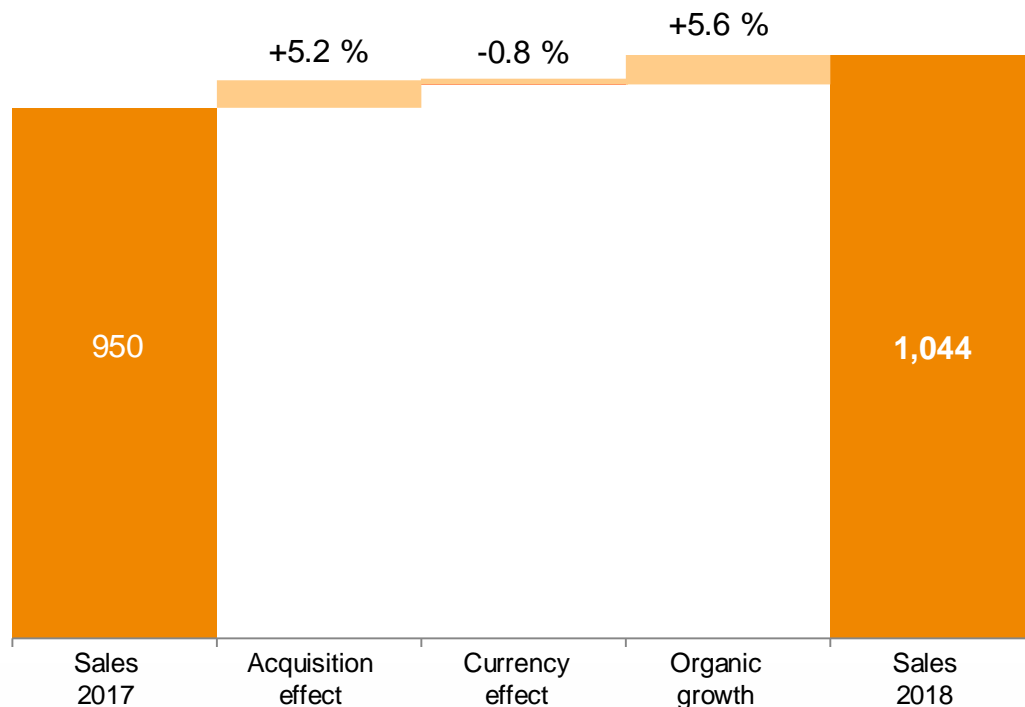
Sales CHF 341.7 million, -0.6 % (organic: -0.2 %)

- Growth in Caffè Latte and new protein products
- Decline in sales of private label yogurts and Yoquua

Divestment effect in cheese and fresh products from the sale of part of the trading goods business to Coop

Dynamic performance in Tunisia and Chile

Sales Americas in CHF million



Cheese

Sales CHF 444.9 million, +10.1 % (organic: +4.9 %)

- Growth in cow's milk cheese manufactured locally in the US
- Increase in exports of Le Gruyère AOP to the US

Dairy products

Sales CHF 283.2 million, +6.4 % (organic: +8.4 %)

- Pleasing growth in Tunisia and Chile

Fresh products

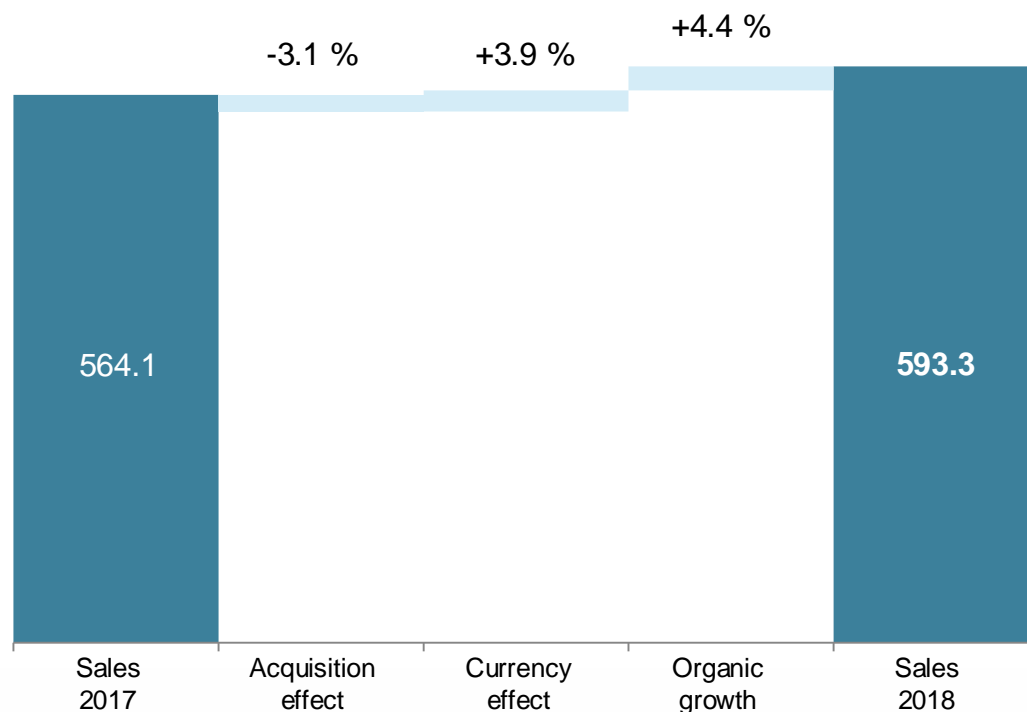
Sales CHF 206.1 million, +4.7 % (organic: +4.9 %)

- Growth in Tunisia
- Growth in goat's milk products in the US
- Declining sales of private label yogurts in Spain, growth in Caffè Latte

Acquisition effects in the cheese and fresh products segments due to the increased stake in Mexideli, which had an impact on consolidation

Fresh products make major contribution to sales growth

Sales Europe in CHF million



Fresh products

Sales CHF 264.5 million, +16.2 % (organic: +10.4 %)

- Growth at all three Italian dessert companies
- Growth in Caffè Latte, strongest in Germany and UK
- Declining Onken sales

Cheese

Sales CHF 127.8 million, +2.2 % (organic: -1.6 %)

- Declining AOP sales
- Growth in speciality cheese in Germany

Dairy products

Sales CHF 109.0 million, +0.7 % (organic: -3.1 %)

- Declining sales at Gläserne Molkerei

Goat's cheese sales are recorded in the fresh cheese segment.

Acquisition effect in fresh products due to the acquisition of Italian Fresh Foods.



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Highest EBIT in Emmi's history

in CHF million	2018	2017	Δ in %
Net sales	3,457.4	3,364.3	2.8
Gross profit	1,252.9	1,200.9	4.3
as % of net sales	36.2	35.7	
Other income	5.3	5.7	6.2
Operating expenses	-905.4	-865.9	4.6
EBITDA	352.8	340.7	3.6
as % of net sales	10.2	10.1	
Depreciation and amortisation	-136.4	-135.2	0.9
Write-back of negative goodwill	0.3	0.3	–
EBIT	216.7	205.8	5.3
as % of net sales	6.3	6.1	

- Gross profit margin up 0.5 percentage points
- Disproportionately large increase in operating expenses primarily attributable to higher logistics costs
- EBIT margin 0.2 percentage points higher at 6.3 %

Pleasing increase in gross profit and gross profit margin

in CHF million	2018	2017	Δ in %
Net sales	3,457.4	3,364.3	2.8
Gross profit	1,252.9	1,200.9	4.3
as % of net sales	36.2	35.7	

- Higher gross profit margin due to improved product mix (focus on brand concepts)
- Productivity increases
- Pleasing margin growth in the business division Europe
- Continuing high price pressure on the customer side

Disproportionately high increase in operating expenses

in CHF million	2018	2017	Δ in %
Personnel expenses	458.5	443.2	3.4
as % of net sales	13.3	13.2	
Marketing and sales-related expenses	127.9	126.0	1.5
as % of net sales	3.7	3.7	
Occupancy expense, maintenance & repair, leasing	69.5	65.4	6.3
Energy, operating material and supplies	66.2	65.1	1.7
Logistic expenses	108.0	96.0	12.5
Other operating expenses	75.3	70.2	7.3
Operating expenses	905.4	865.9	4.6
as % of net sales	26.2	25.8	

- Higher personnel expenses mainly due to the business division Americas
- Targeted support for key brands; higher share of digital marketing
- Increase in logistics costs (higher transport costs and rising volumes)
- Other operating expenses: higher need for provisions for operating risks

Significant increase in earnings per share

in CHF million	2018	2017	Δ
EBIT	216.7	205.8	10.9
Income from associates	78.3	3.6	74.7
Financial result	-6.5	-10.4	3.9
Earnings before taxes (EBT)	288.6	199.1	89.5
Income taxes	-50.2	-30.3	-19.9
Average tax rate in %	17.4	15.2	
Minority interests	-5.0	-7.2	2.2
Net profit	233.3	161.6	71.7
Adjusted net profit	175.5	161.6	13.9
as % of net sales	5.1	4.8	
Adjusted earnings per share (in CHF)	32.80	30.20	2.60

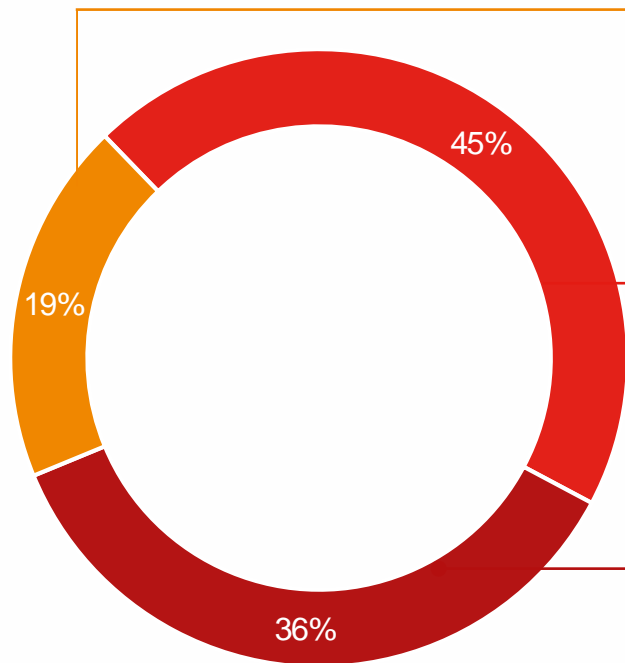
- Income from associates includes the pre-tax profit made on the sale of siggi's
- Refinancing in mid-2017 had a positive impact on the financial result
- Adjusted tax rate of 13.7 %
- Reduction in minority interests due to increased stakes in several companies
- Adjusted net profit 2018:
CHF 175.5 million (net profit margin: 5.1 %)
- Earnings per share
CHF 32.80 (previous year: CHF 30.20)

Solid free cash flow

in CHF million

	2018	2017	Δ
Cash flow from operating activities	291.9	251.7	40.2
Investments in property, plant and equipment	-80.3	-96.3	16.0
Investments in intangible assets	-4.5	-2.9	-1.6
Other investing activities	16.5	23.0	-6.5
Free cash flow	223.6	175.5	48.1
Acquisition/disposal of holdings	62.6	-398.1	460.7
Cash flow from financing activities and impact of currency translation	-47.4	28.3	-75.7
Net change in cash and cash equivalents	238.8	-194.3	433.1

Shares of replacement, rationalisation and expansion investments almost unchanged



Expansion investments (PY: 20 %)

- New warehouse (Mexideli, Mexico)
- Cold store (Vitalait, Tunisia)
- Waste water treatment plant (Emmi Roth, US)
- Yogurt production facility (Gläserne Molkerei, Germany)

Replacement investments (PY: 44 %)

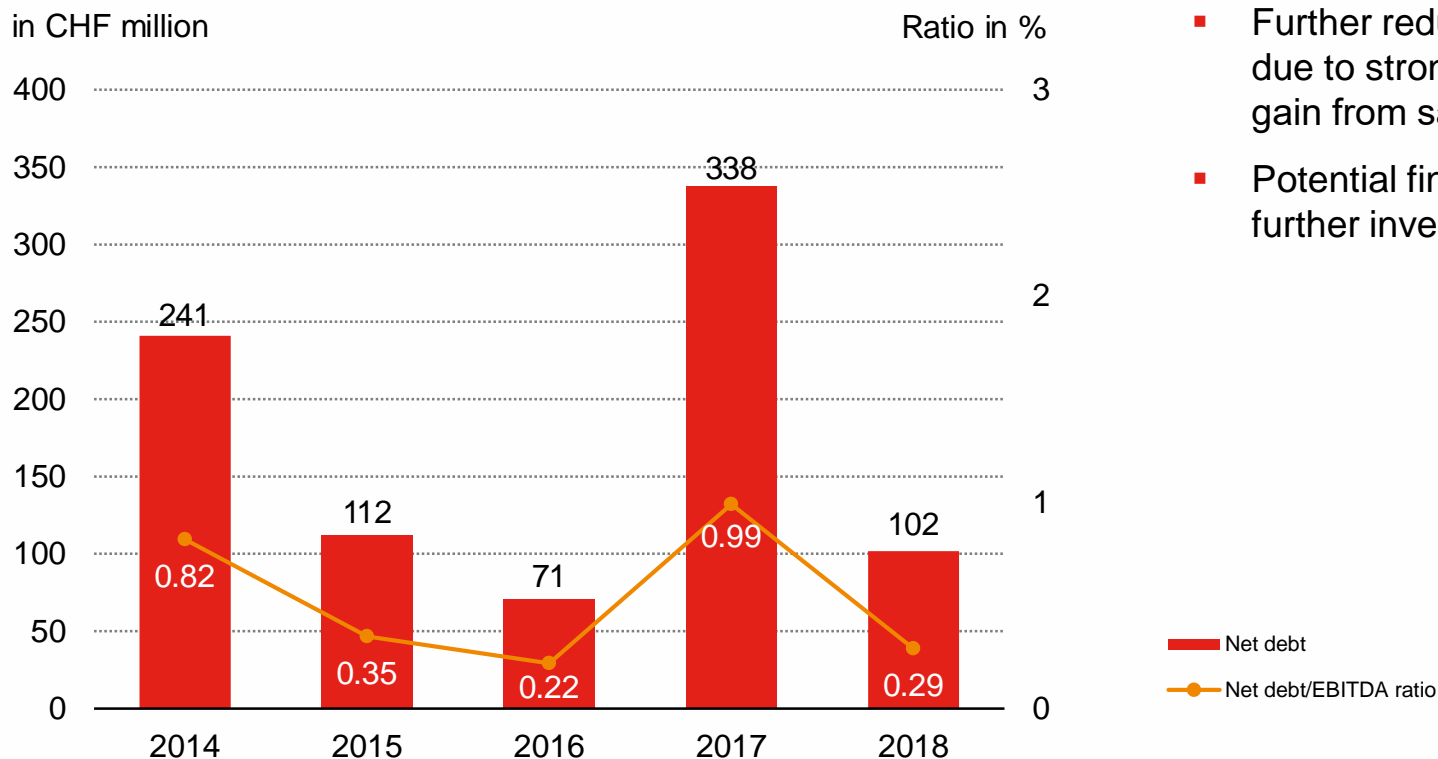
- New IT system (Emmi UK)
- Quark filling line (Emmen, CH)
- Modernisation of refrigeration system (Kirchberg, CH)
- Conversion of warehouse (Zollikofen, CH)

Rationalisation investments (PY: 36 %)

- Installation of solar plant (Emmi Roth, US)
- Automation of cardboard packaging (Ostermundigen, CH)
- SAP maintenance module (Emmen, CH)
- Modernisation of pasteurisation line (Bischofszell, CH)

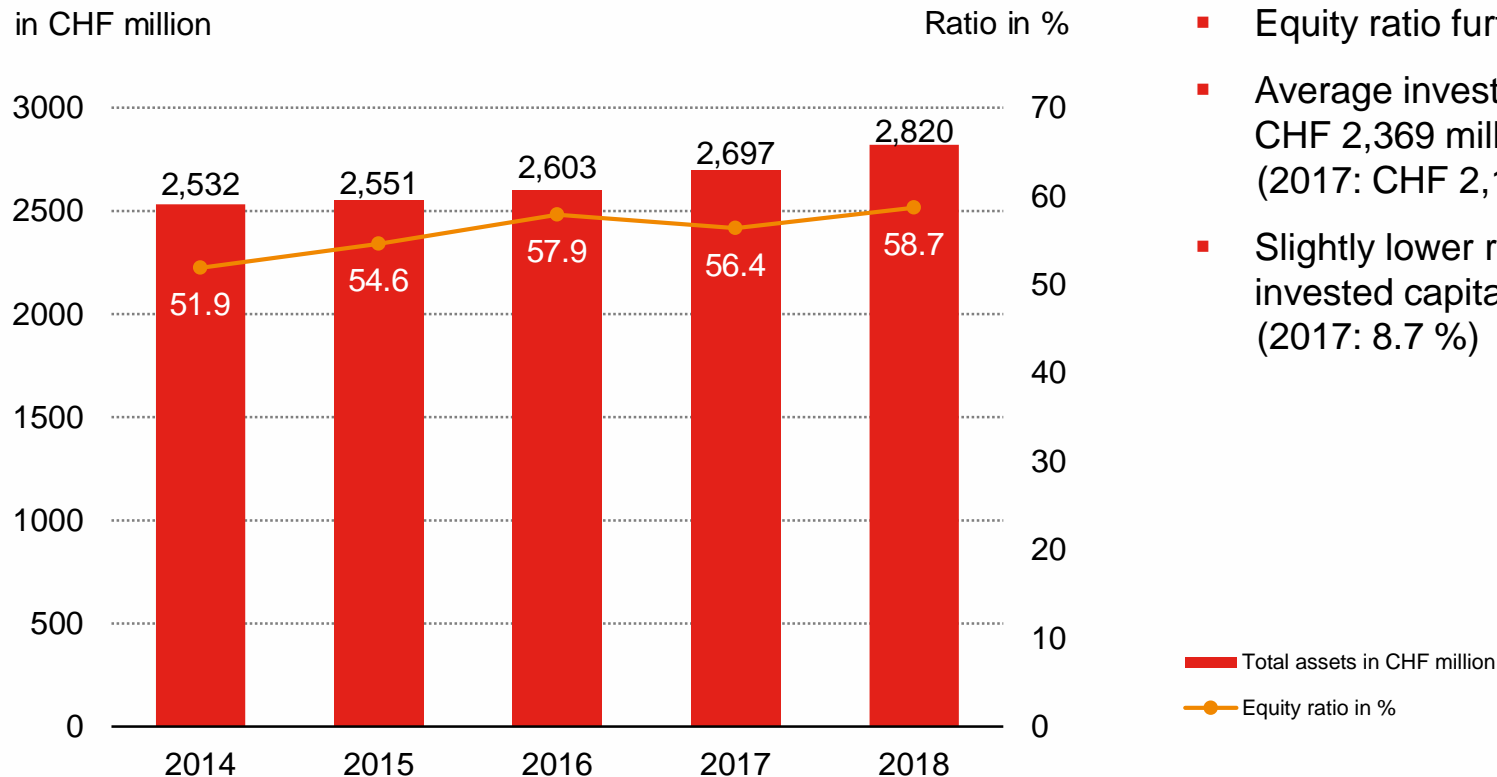
Total investments 2018: CHF 88.0 million

Net debt/EBITDA



- Further reduction of debt ratio due to strong free cash flow and gain from sale of stake in siggi's
- Potential financing available for further investment

Equity ratio

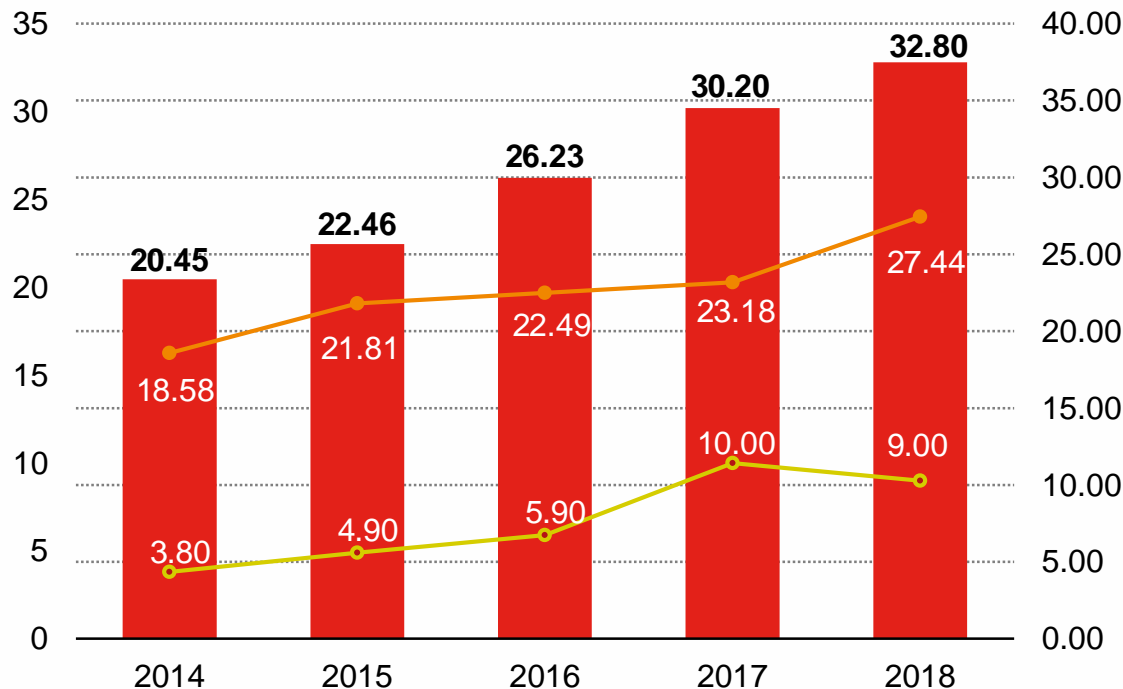


- Equity ratio further strengthened
- Average invested capital: CHF 2,369 million (2017: CHF 2,190 million)
- Slightly lower return on average invested capital (ROIC): 8.5 % (2017: 8.7 %)

Dividend, dividend payout

in CHF million

Ratio in %



- The Board of Directors is proposing to the General Meeting a dividend of CHF 9.00 (previous year: CHF 10.00), of which CHF 1.00 from capital contribution reserves
- The 2017 dividend of CHF 10.00 included a special dividend of CHF 3.00 (participation in siggi's gain and anniversary dividend). The calculation of the adjusted distribution rate is based on the regular dividend of CHF 7.00

■ Adjusted EPS
—●— Adjusted distribution rate in %
—●— Dividend



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Organic sales performance since first half of 2017

- Organic growth at Group level has been above 2 % in each of the last three six-month periods
- Emmi has recorded organic growth in its three largest business divisions over these periods
- Growth is flattening out in the business division Europe
- Loss in Global Trade is due to significantly lower regulatory exports

	1HY 2017	2HY 2017	Total 2017	1HY 2018	2HY 2018	Total 2018	Emmi forecast for 2018
Emmi Groupe	-1.3 %	2.5 %	0.5 %	2.4 %	2.1 %	2.3 %	1.5 – 3 %
Switzerland	-1.8 %	0.5 %	-0.6 %	0.5 %	0.8 %	0.6 %	0 – 0.5 %
Americas	2.4 %	6.3 %	4.1 %	5.6 %	5.5 %	5.6 %	4 – 6 %
Europe	-2.1 %	4.7 %	0.8 %	5.8 %	3.0 %	4.4 %	2 – 4 %
Global Trade	-13.8 %	-5.1 %	-9.7 %	-9.0 %	-12.3 %	-10.4 %	n. a.

New brand imagery

Meyenberg



Emmi Caffè Latte



Green Valley Organics (Redwood Hill)



Highlighting new ways to consume

Serving suggestions



Recipe ideas



Beer & goat's cheese



Innovative strength in various markets

Spain: high-protein, vegan



Tunisia: limited editions



Innovative strength in various markets

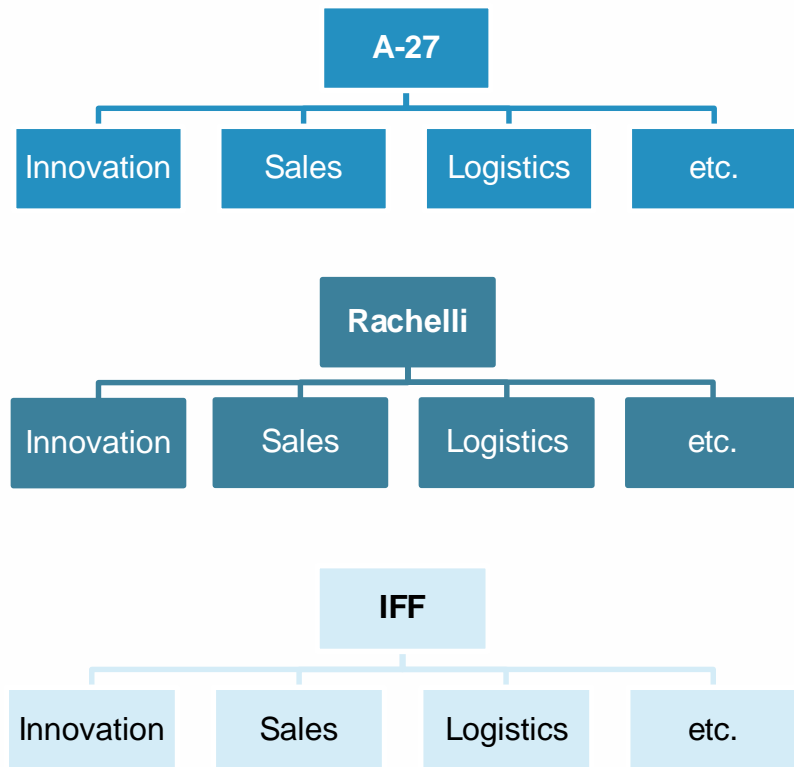
Chile: high-protein, lactose-free, lifestyle



Netherlands: goat's cheese spread



The fitness programme: merge the three companies into one



- Leverage know-how
- Leverage innovative strength
- One sales force
- One administration
- New skills and capabilities

10 years of Emmi Operational Excellence

30 plants in **9** Emmi countries (CH, D, A, NL, F, E, USA, Chile, Tunisia)

3,500 employees use EOE, **10** EOE trainers, **25** EOE coordinators,

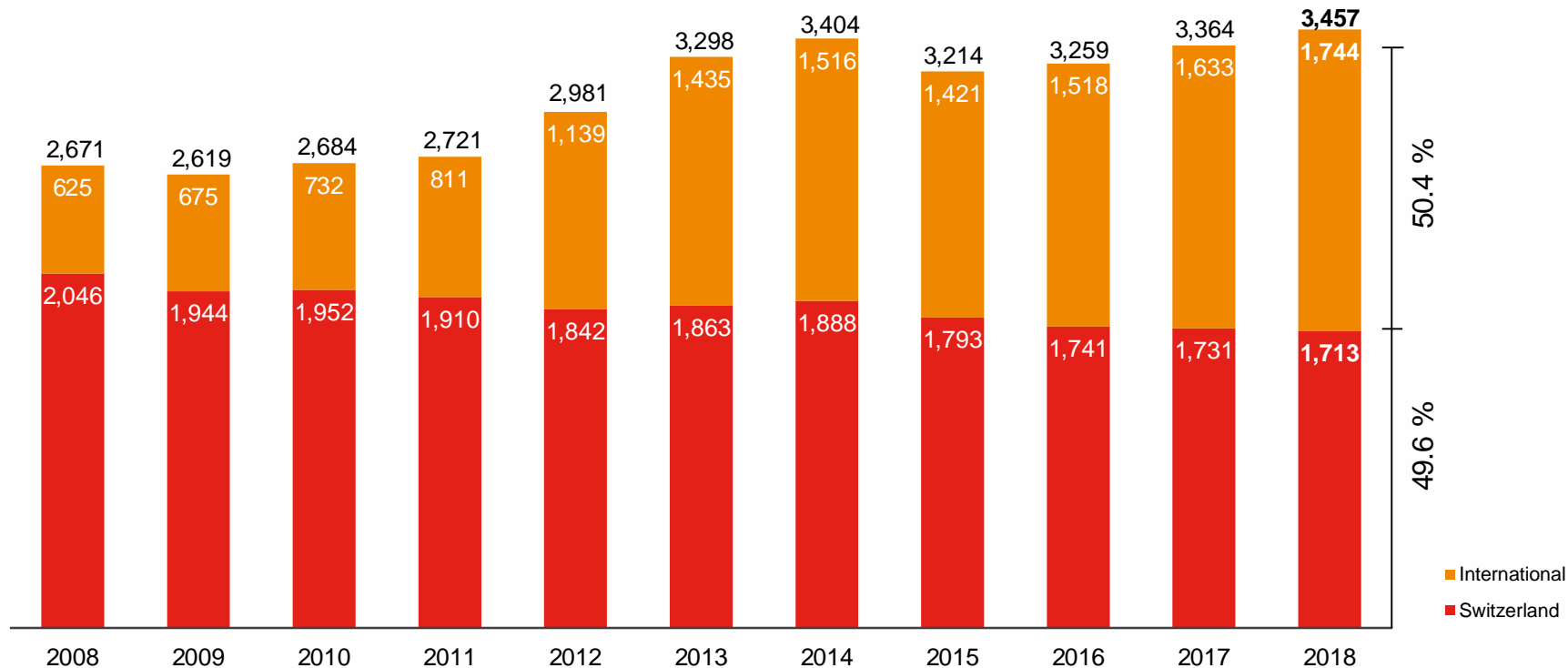
100 EOE coaches, **100** EOE supporters

6,000 identified opportunities for improvement

4,000 ideas submitted by employees, **90 %** of which have been implemented



Share of sales from international business exceeded 50 % for the first time in 2018





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Agility

is a key quality in today's fast-moving consumer world

A consumer centric approach is crucial for generating sustainable concepts



**Understanding the
fundamental needs,
drivers and barriers
of the consumer**



**Generating ideas
and concepts –
with the right balance
of speed and maturity**



**Investing in
infrastructure and
marketing**

Growth opportunities



Global concepts

- Trend-oriented concepts such as drinks (cold coffee), enjoyment (desserts), convenience (cheese snacks, muesli), protein, vegan, etc.

Organic or lactose-free can't be the only point of differentiation



Regional concepts

- Transparent regionality, interpreted in a modern way and communicated via new media, offers opportunities and puts established players under pressure



Acquisitions

- Acquisitions are still possible, but more difficult and more expensive
- Concentration on Americas and, to a lesser extent, Europe
- Companies in niches are particularly sought after

Margin, market relevance and momentum

Margin & return

Is the business profitable?

- Sustainable and competitive advantage to ensure the margin?
- Do we create value or burn money?

Market relevance

Is it big enough?

- Business relevance in the market?
- Business relevance for us?

Momentum (Growth)

Is it growing?

- Factors which support the growth?
- Factors which impede the growth?

The benefit:

- Focus on the most promising segments
- Set the right priorities
- Allocate the resources efficiently

	Switzerland	International
Positive	<ul style="list-style-type: none">▪ Innovations▪ Brand development▪ Established product concepts▪ Operational Excellence	<ul style="list-style-type: none">▪ Org. growth of brand concepts▪ Growth markets: Tunisia, Chile, Mexico, US▪ Emmi Operational Excellence▪ Growth in niches (e.g. desserts, goat's cheese)▪ Bundling of resources (Italy, California)
Limiting	<ul style="list-style-type: none">▪ Weaker retail trade▪ Significant price pressure▪ High import pressure▪ Consistently high consumer tourism▪ Fluctuating exchange rates▪ Cost increase: salaries, packaging, transport, raw material	<ul style="list-style-type: none">▪ Growing uncertainty in the global economy▪ Impact of Brexit▪ Drop in volume of interchangeable products▪ Currency trends, e.g. in Tunisia▪ Cost increase: salaries, logistic costs, packaging, raw material

Growth targets largely in line with medium-term forecasts

Organic growth, earning targets

Growth Group	2 % bis 3 %
Growth Switzerland	0 % bis 0.5 %
Growth Americas	4 % bis 6 %
Growth Europe	1 % bis 3 %
EBIT in CHF million	215 bis 220
Net profit margin*	4.7 % bis 5.2 %

(Figures assume constant exchange rates and raw milk prices)

*Net profit margin excluding non-recurring effects



Net profit margin to be adjusted upwards

Organic growth, earnings targets

Growth Group	2 % bis 3 %
Growth Switzerland	0 % bis 1 %
Growth Americas	4 % bis 6 %
Growth Europe	1 % bis 3 %
Net profit margin*	4.7 % bis 5.2 %

(Figures assume constant exchange rates and raw milk prices)





Fragen und Antworten

Questions and answers

Preguntas y respuestas

Vragen en antwoorden

Perguntas e respostas

Questions et réponses

Galderak eta erantzunak