



Emmi Investor Day

Viva l'Italia

Peter Irle
Managing Director
Emmi Dessert Italia

Lucerne, 7 November 2018





History

Emmi's current footprint in Italy

Short-term priorities

The future of Emmi's business in Italy

Italy



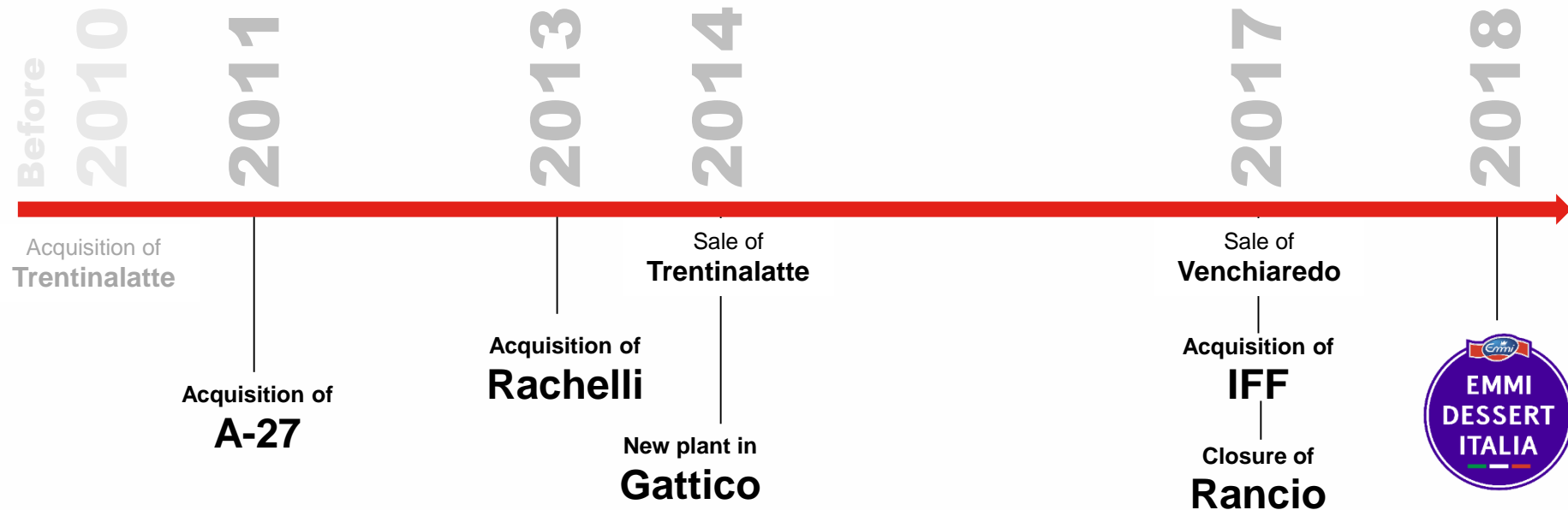
- Strong economy (engineering, steel, fashion, food, tourism)
- High employee motivation and long working days
- High debt (130 % of GDP)
- High unemployment rate
 - South
 - Youth
- After election, populist government
 - Extreme right (Lega – Salvini)
 - 5 Stelle (Di Maio)



Determined portfolio shift in Italy



Emmi has been investing into the dessert business for seven years



Mainly yogurt production and cheese exports



Local dessert production, small cheese export business



Emmi in Italy...

- A complete portfolio shift from cheese and dairy to desserts



History

Emmi's current footprint in Italy

Short-term priorities

The future of Emmi's business in Italy



Three plants near Milan



Lasnigo (CO)







Gattico (NO)



Pero (MI)



Three dessert production sites and cheese exports out of Switzerland

	A-27	Rachelli	IFF	EITA
Production	 <p>Gattico (Novara)</p>	 <p>Milan (Pero)</p>	 <p>Lasnigo (Como)</p>	 <p>Gattico (Novara)</p>
Employees	221	111	93	7
Production 2017 (total)	15.910	8.650	5.212	-
Sales 2017 (EUR m)	72	36	22	46
Markets In % of total sales	France (40 %) UK (18 %) Italy (16 %) Spain (8 %) Others 18 %	Germany (30 %) Italy (20 %) Poland (12 %) Australia (6 %) Others 32 %	UK (40 %) USA, CAN (25 %) Others 35 %	Italy



Strong competency in Italian speciality desserts and leader in Swiss cheese imports





Emmi in Italy...

- A complete portfolio shift from cheese and dairy to desserts
- The acquisition of IFF strengthens the position in interesting markets



History

Emmi's current footprint in Italy

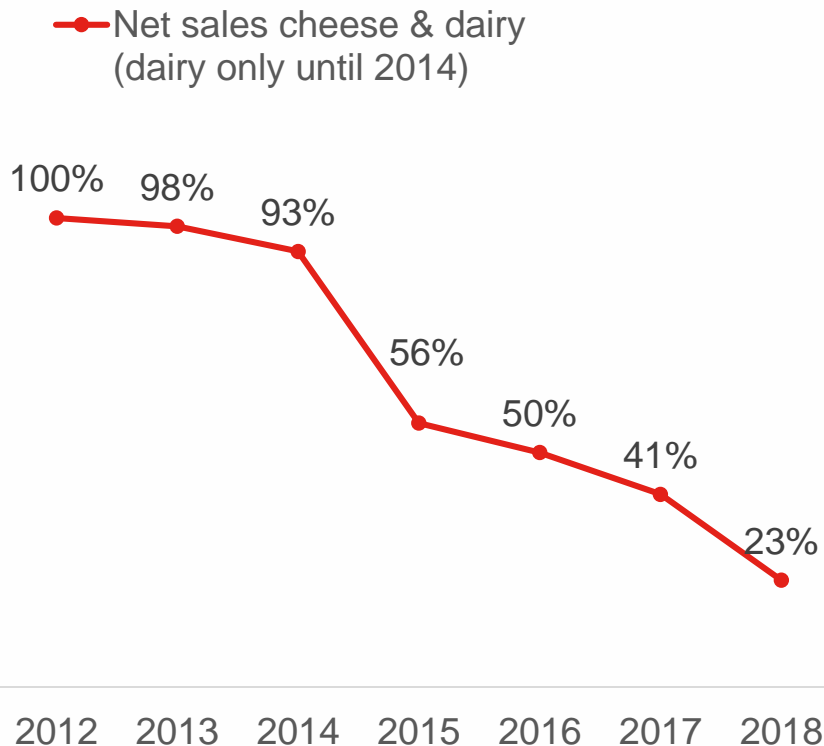
Short-term priorities

The future of Emmi's business in Italy

Tough market, low potential

- Emmentaler AOP as the main product
- Tough environment and price competition
- Decline in sales due to insufficient prices (generic market)

Objective: decrease low margin business and reduce costs





Internal strengths and weaknesses

Cheese business

- Emmentaler AOP as the main product
- Tough environment and price competition
- Decline in sales due to insufficient prices

A-27

- Too busy with internal topics
- Insufficient innovative strength
- Lack of differentiation, tough competition

Rachelli

- Differentiated products
- Growth in new markets (e.g. Far East)
- Less impact from stiff competition, Brexit and raw material increase

IFF

- Highly differentiated products
- Growth in new markets (e.g. North America)
- Great innovative strength

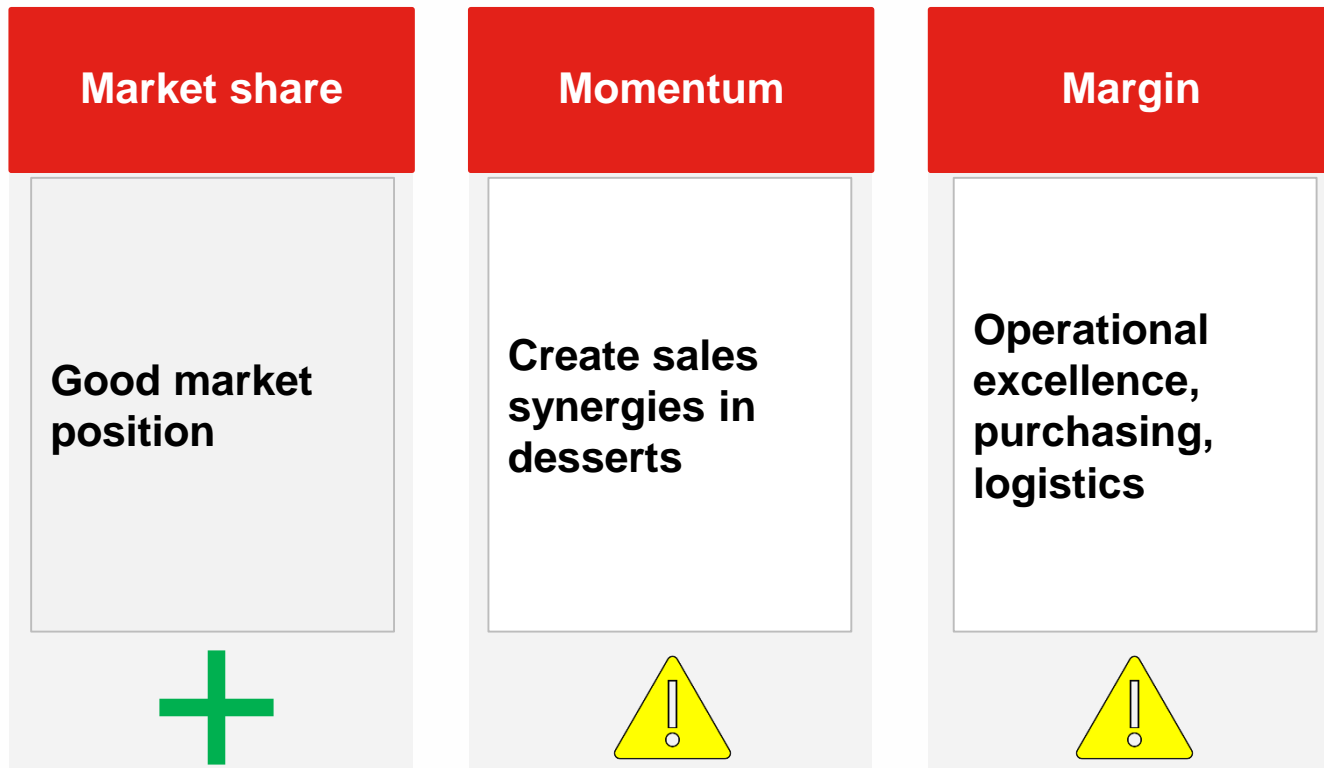
For all: good cost management is a must!



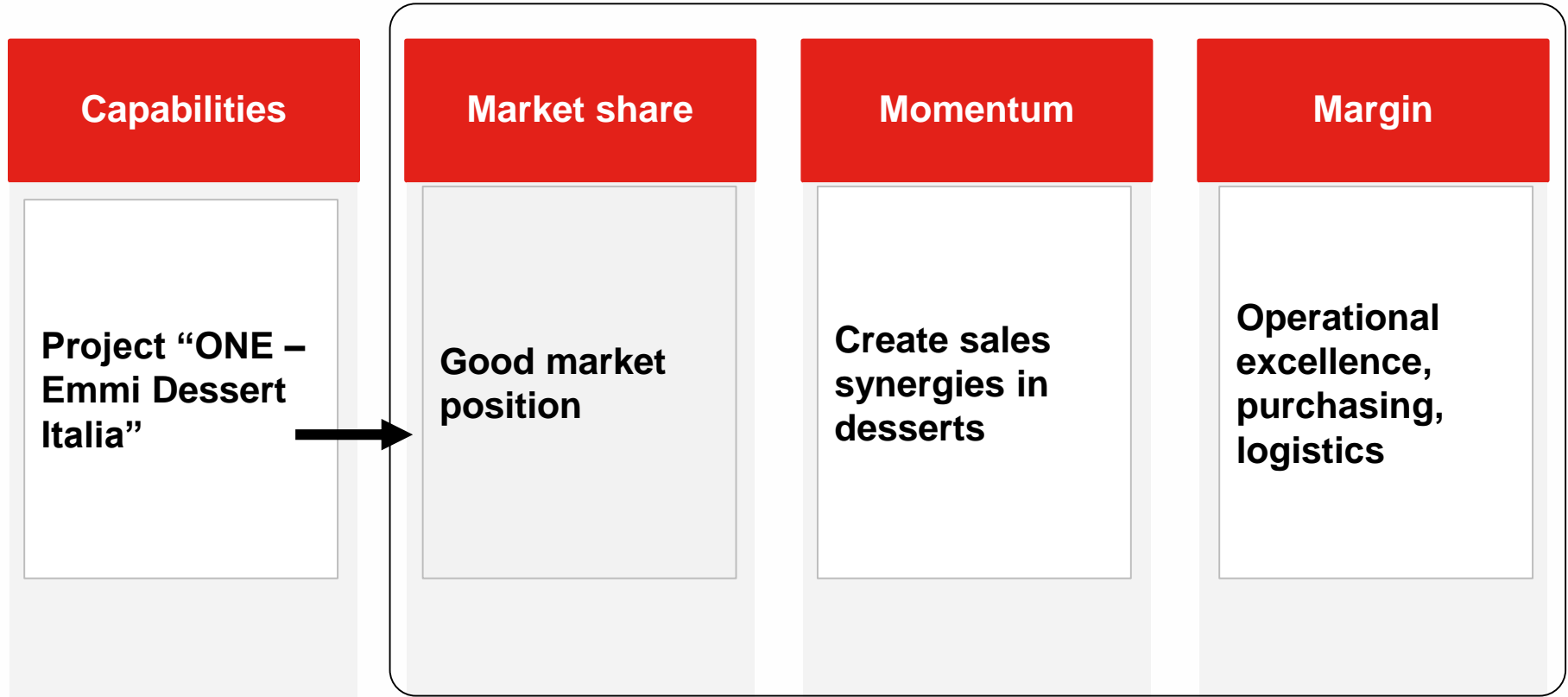
Situation in early 2018

	Market share	Momentum	Margin
A-27			
Rachelli			
IFF			
Total Emmi Dessert Italia			

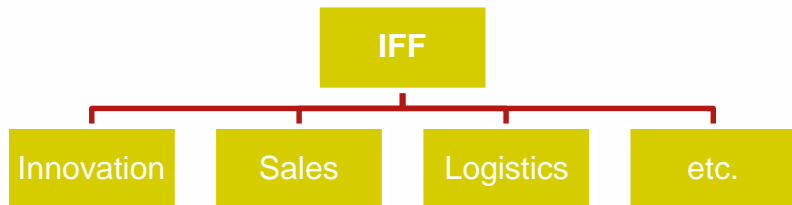
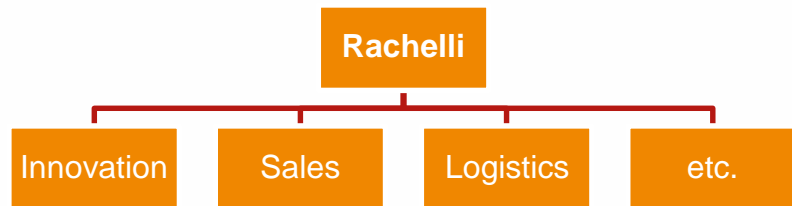
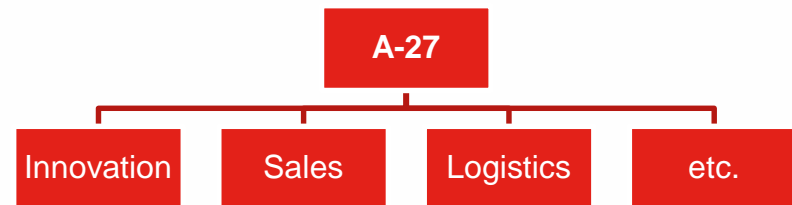
Leverage the good position



Leverage the good position

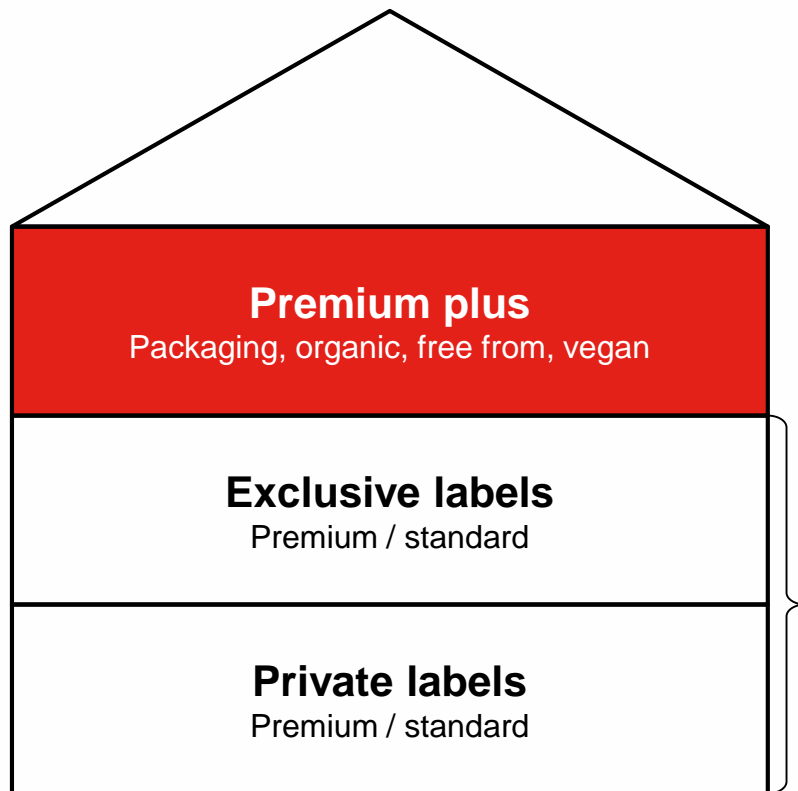


The fitness programme: merge the three companies into one



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

Pushing premium products from Rachelli and IFF

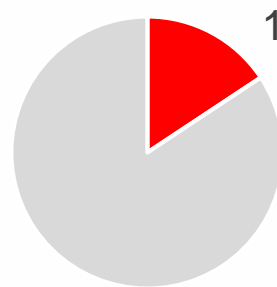


Price
(EUR/kg)

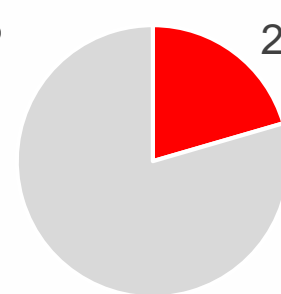
Approx.
Index 200

Index 100

YTD 2017



YTD 2018

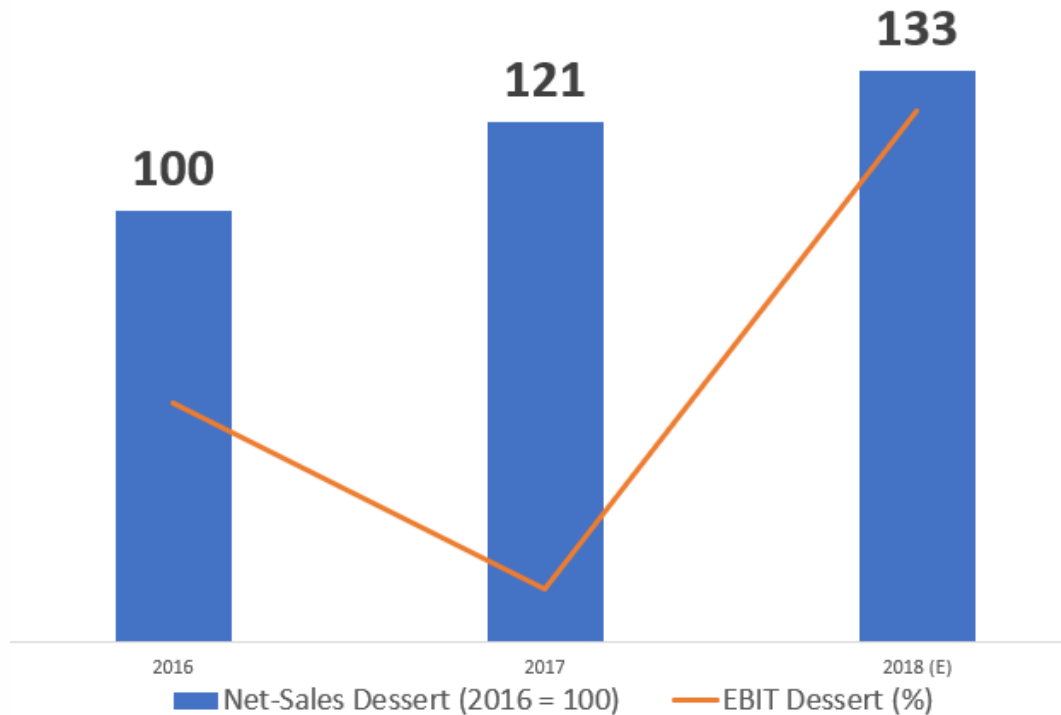




Turnaround: measures tailored to A-27 with very pleasing results

	2017	2018	Measures
Material / losses (Basis recipe = 100 %)	117 %	110 %	
Losses elaboration / pasteurisation			New leaders Training
▪ Losses washing / changes (Tetra)	133 kg	90 kg	Many small initiatives
▪ Losses washing / changes (SPX)	172 kg	40 kg	
Productivity filling / packaging			Sensitisation Training
▪ Weight	2.5 %	0.5 %	Line 26 as a pilot, multiplying successes
▪ Losses	1.8 %	0.4 %	
▪ Second choice	>2 %	0.5 %	
▪ Stops	17.1 %	11.8 %	
Total productivity (per working hour)	48.2 kg	58.7 kg	Enhanced production planning

Results in 2018 (estimate, including IFF acquisition)





Emmi in Italy...

- A complete portfolio shift from cheese and dairy to desserts
- The acquisition of IFF strengthens the position in interesting markets
- Promising development in 2018 after a challenging 2017



History

Emmi's current footprint in Italy

Short-term priorities

The future of Emmi's business in Italy

Vision: The best dessert moments are Emmi moments



- Consumers: Dessert is the highlight of every lunch and dinner
- Customers: We are the first choice for Italian desserts
- Shareholder: We are world market leader in Italian desserts
- Employees: We are **Emmi Dessert Italia**



Five forces for Italian chilled desserts

Suppliers

- Impact of raw material

New entries

- Low risk of entrance of big players

Industry – competition

- No. 1 in Italian chilled desserts
- 3 production plants
- Price competition from local competitors

Product substitution

- Substitution by other ready-to-eat desserts

Retail / trade

- Retail remains priority
- Discount growing
- New business models (foodservice, digital, etc.)
- Brexit, currencies

Consumers

- Italian heritage, leadership in Italy
- Trend for ready-to-eat
- Sugar debate
- Healthy – natural – vegan
- Sustainable packaging



What do we want to achieve

Capabilities

- World's most competent one-stop shop for desserts

Market share

- Be the leader in the six biggest markets

Momentum

- Be one of the growth drivers of the group

Margin

- Be the cost leader with specialized plants



How do we get there

Capabilities

Upgrade capabilities

Change the cultural mindset

Market share

Product portfolio:
Follow consumer trends
-> innovations

From product seller to solution provider
(category captain)

Momentum

Margin

Drive efficiencies across the asset base

Relevant consumer and food trends



1. Food is the new music



2. Coffee is sexy



3. Full transparency



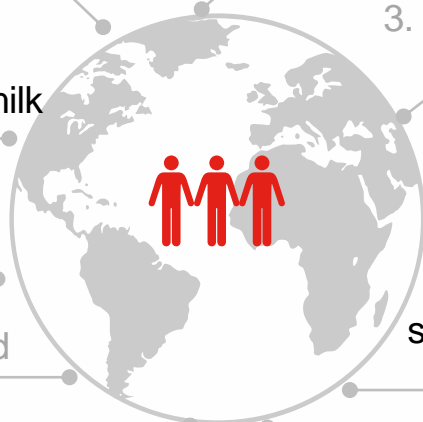
10. Pressure on milk



4. Demanding consumers



9. Demonisation of sugar



5. The schizophrenic consumer



8. Casual food

6. Digital disruption



7. Political polarisation (Trump, GDPR, Brexit)



Flagship products in our future

1. Food is the new music

Small portions – superfresco



5. The schizophrenic consumer

Organic – gluten free



9. Demonisation of sugar

UK (from red to yellow)



10. Pressure on milk

Vegan



Learn from IFF: the right products in the right country (example: USA)

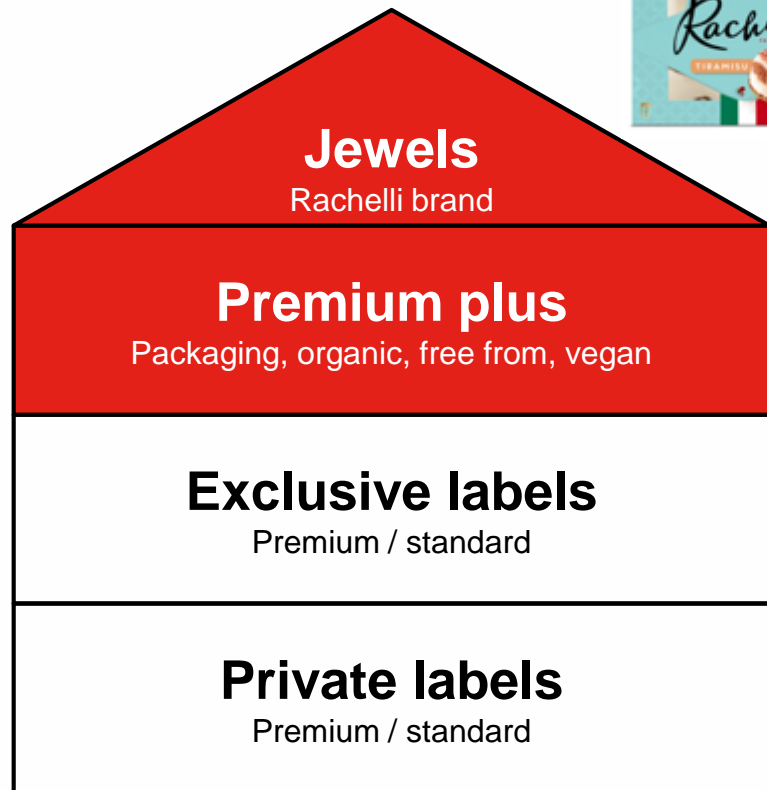


IFF US business

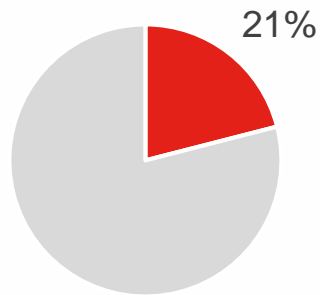
From EUR 0 to 13 million sales within 3 years

- Until 2017: mainly tiramisu
- 2018: launch of mini desserts

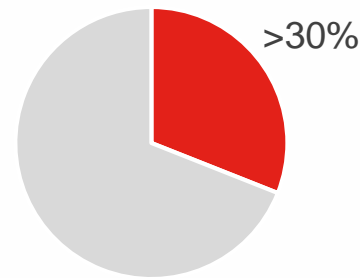
Continuous innovation



FC 2018



Mid-term objective

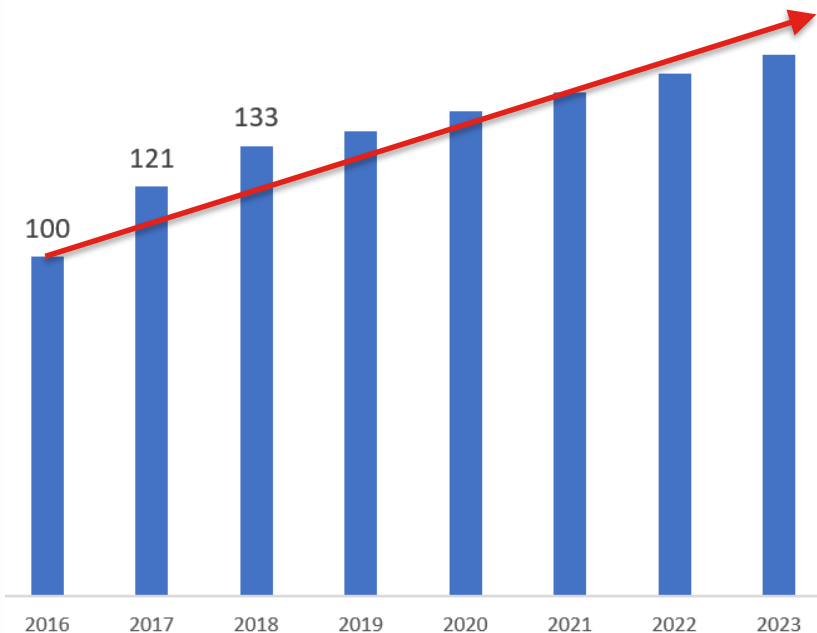


Sustainability:
environmentally
friendly packaging

Clean recipes:
without alcohol,
natural ingredients

Net sales desserts

Net-Sales Dessert (2016 = 100)



Growth areas:

Products

- Premium plus (packaging, recipe, Rachelli brand)

Markets

Strong growth outside Europe

- USA
- Latam
- Far East

Moderate growth in Europe

Strategic questions for expanding our leading position



Manufacturing footprint
(Europe and beyond)?

Food service?

Geographical expansion?

Further acquisitions?



Emmi in Italy...

- A complete portfolio shift from cheese and dairy to desserts
- The acquisition of IFF strengthens the position in interesting markets
- Promising development in 2018 after a challenging 2017
- Many opportunities for a promising future



Emmi in Italy...

- A complete portfolio shift from cheese and dairy to desserts
- The acquisition of IFF strengthens the position in interesting markets
- Promising development in 2018 after a challenging 2017
- Many opportunities for a promising future



**THE BEST
DAIRY MOMENTS
— ARE EMMI —
MOMENTS**

Grazie

