



Half-year Report 2021

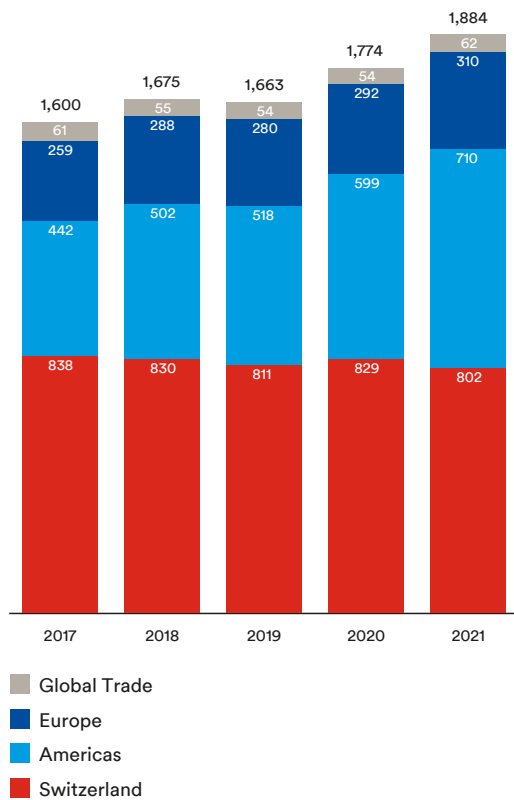
Best dairy
moments

Key figures Emmi Group

Amounts in CHF million	First 6 months 2021	First 6 months 2020
Net sales	1,884	1,774
Sales development in %	6.2	6.6
Acquisition effect in %	3.2	9.5
Currency effect in %	-0.7	-4.9
Net sales increase in organic terms in %	3.7	2.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	186.4	168.1
as % of net sales	9.9	9.5
Earnings before interest and taxes (EBIT)	129.4	112.0
as % of net sales	6.9	6.3
Net profit	98.7	81.3
as % of net sales	5.2	4.6
Investment in non-current assets (excl. acquisitions)	60.1	54.5
as % of net sales	3.2	3.1
Headcount (full-time equivalents) at 30.6.	8,862	8,173
Headcount (full-time equivalents) at half-year average	8,690	8,193
Net sales per employee in CHF 000s (average)	217	216
	30.06.2021	31.12.2020
Total assets	2,393	2,337
of which shareholders' equity incl. minority interests	1,281	1,233
as % of total assets	53.5	52.8
Market capitalisation	5,077	4,876

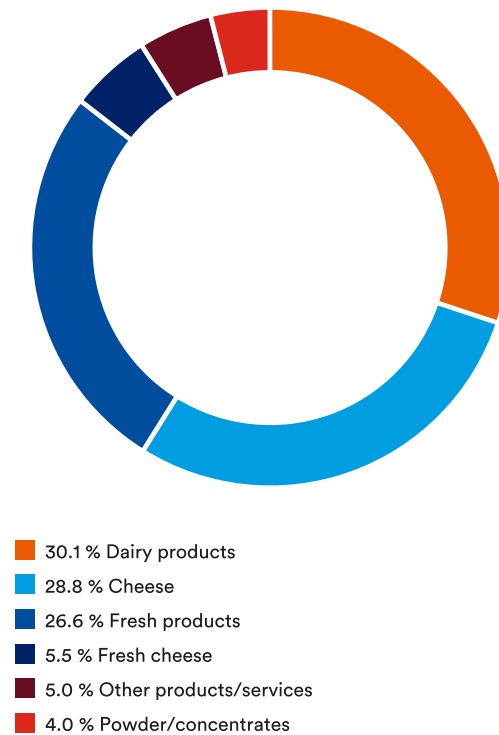
Net sales

in CHF million, first 6 months



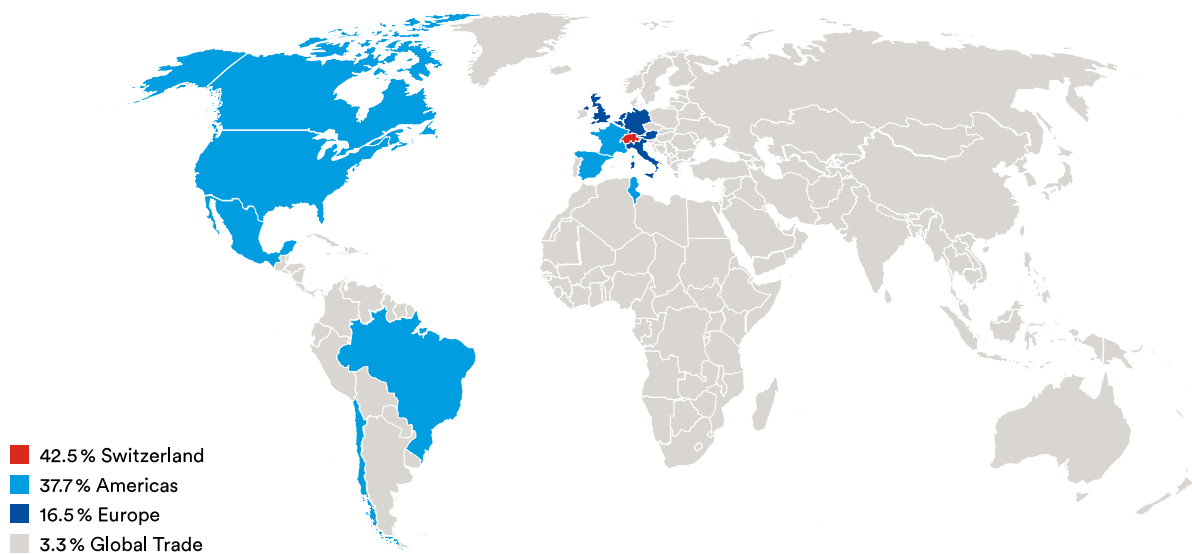
Net sales by product group

first 6 months

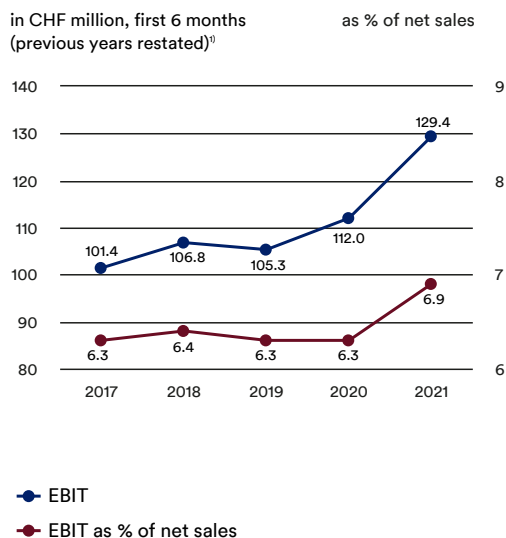


Net sales by business division

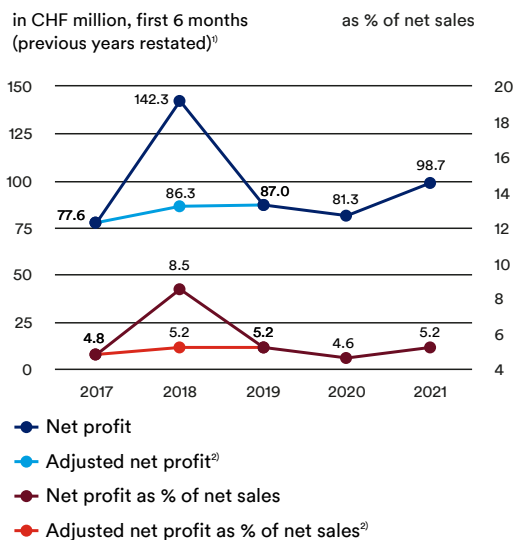
first 6 months



EBIT



Net profit



¹⁾ Previous-year figures for 2017 to 2019 adjusted due to change in the consolidation and accounting principles for goodwill in 2020.

²⁾ The adjustment effect in 2018 arose from the gain on the sale of the minority interest in Icelandic Milk and Skyr Corporation ("siggi's").

Sustainability targets with horizon 2027¹⁾



100 % of Emmi employees have a development plan in place

59 %

50 % of all vacancies filled by internal candidates

initiated



60 % reduction in own emissions (Scope 1 & 2 vs. 2014)

24 %

25 % reduction in emissions along the value chain (Scope 3 vs. 2019)

initiated

Vision netZERO 2050



50 % reduction in waste and food waste (vs. 2017)

10 %

ZERO waste to landfill

24 %

100 % recyclable packaging

initiated



100 % of Emmi's milk suppliers worldwide produce to an above-average local standard

83 % *

Further development of the Swiss industry standard (* in Switzerland)



50 % reduction in water use in risk areas (vs. 2019)

10 %

15 % reduction in non-risk areas (vs. 2019)

2 %

reduction in water use along the value chain

¹⁾ Target achievement levels as at 31 December 2020

Our ambition for the future

We care for the best dairy moments – for generations to come.

Our long-term success is dependent on sustainable growth and a healthy planet. As an important player in dairy, we aim to positively influence our sector, balancing economic, social and ecological aspects while stepping up and promoting our own sustainable practices beyond our operations.



We are also embracing Science Based Targets (SBTi) and a **netZERO 2050 vision** to limit global warming in line with the goal of the UN Paris Agreement.



Caring for our people

We provide a place where everyone feels welcome, valued and inspired and offer growth opportunities for all our employees.



Caring for our communities

We create positive social impact and shared value while making sustainable dairy the norm.



Caring for our planet

We aim to achieve netZERO by 2050 while driving circularity across our operations.

Supporting the UN Sustainable Development Goals



For more information about the Emmi sustainability model, our goals and the progress we have made so far, as well as access to the Emmi Sustainability Report 2019/2020, visit emmi.com/sustainability.

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Dear Shareholders

A year and a half after the first coronavirus cases were reported, the virus has not yet disappeared from our daily lives. The urge to normalise in some areas is undeniable, but developments elsewhere are giving cause for concern. With that in mind, the outlook for the future remains fraught with unknowns, which will require continued caution and ongoing flexibility. The fact that we have succeeded in keeping Emmi on track and have even further strengthened our organisation in this environment thanks to our proven strategy is due in substantial part to the huge commitment of our employees, which fills us with gratitude and confidence.

Strong organic growth in international business

We are also pleased to be able to continue reporting positive developments. At 3.7 %, organic growth was well above our own expectations not only for the first half, but also for the full year. We owe this welcome development to our focused and proven strategy, aimed at strengthening our position in our home market of Switzerland and expanding our international market positions in a focused manner. Building profitable niche businesses has allowed us to invest in innovation and in the future of our business by exploiting synergies.

The performance of the business division Americas, with impressive double-digit growth, is testament to this. In addition to tried-and-tested growth drivers and the recovery of the food service business in the USA, which was particularly hard hit by the pandemic, positive contributions came from Laticínios Porto Alegre in Brazil, which is gradually being integrated into the Group, and Quillayes Surlat in Chile, which was successfully merged. Emmi Dessert USA (formerly Indulge Desserts Group), which was only launched in autumn 2020, has also already benefited from synergies within the Emmi family and in particular from our dessert network in Italy. Our European business is also contributing to organic growth, driven in particular by key brands such as Kaltbach cheese and Emmi Caffè Latte, the vegan business of Austria-based Hale and the Italian speciality desserts business.

Swiss domestic market under pressure

In the Swiss home market, business was more complex, as had been expected – and forecasted. The return of a certain normality was also accompanied by the resurgence of old behaviour patterns, including shopping tourism. Accordingly, we anticipated a significant decline in sales compared with the extraordinary first half of 2020. We are also aware that competitive and margin pressures will place increased demands on us, and that it will take patience for our industrial and food service customers to return to pre-pandemic levels. Such an environment makes strong brands, differentiated products and a spirit of innovation at all levels all the more important.

Consistent upward trend in profitability

Building on the overall pleasing sales growth, we were able to further strengthen our profitability in the first half of 2021. The continued and consistent focus of our company and product portfolio on profitable growth is bearing fruit here. Particular emphasis was once again placed on our Group-wide efficiency improvement and cost-saving programme Emmi Operational Excellence. Accordingly, with EBIT of CHF 129.4 million or an EBIT margin of 6.9 %, there was a significant improvement in the result (previous year: CHF 112.0 million or 6.3 %). The upward trend was also reflected in net profit, which amounted to CHF 98.7 million in the first half of the year, compared with CHF 81.3 million in the same period last year. The net profit margin also increased significantly from 4.6 % in the first half of the previous year to 5.2 %.

Head start into a challenging second half of the year

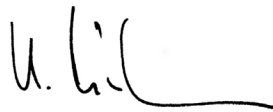
The sales expectations we communicated in March 2021 for the full year were exceeded in all business divisions, with the exception of Switzerland, where we are nevertheless within the range of our expectations for the half year. As mentioned at the outset, the second half of the year is fraught with massive uncertainties. We do not expect to see a normalisation across the board until 2022, if at all. However, we anticipate slightly higher organic growth of 2 % to 3 % at Group level (previously 1 % to 2 %), in particular due to the regained momentum in the international business. On the other hand, rising costs for packaging materials worldwide and higher logistics costs will impact earnings in the second half of the year. We will not be able to exclude these additional costs from our pricing. But we still consider the EBIT forecast of CHF 275 million to CHF 290 million and the net profit margin of 5.2 % to 5.7 % to be realistic.

Caring for future generations

As part of our commitment to our heritage and our business model geared towards sustainable growth, we recently launched a revised strategic sustainability model with expanded targets and a netZERO 2050 vision. Recent floods and heatwaves painfully illustrate the need to invest even more in our sustainability work. In doing so, we are helping to leave a healthy planet for the next generation and further strengthen trust in Emmi, our brands and our products. You can continue to count on Emmi to ensure that also future generations can experience the best dairy moments.



Konrad Graber
Chairman of the Board of Directors



Urs Riedener
CEO

Breakdown of the half-year results

Strong increase in organic sales thanks to pleasing and broad-based growth in international business

Emmi generated sales of CHF 1,883.6 million in the first half of financial year 2021, compared with CHF 1,773.5 million in the prior-year period. This corresponds to growth of 6.2 %. Adjusted for overall positive acquisition effects of 3.2 % and net negative foreign currency effects of 0.7 %, organic growth was 3.7 %. This is above our own forecast for the full year (1 % to 2 %) and can be considered a strong performance in the international business despite the negative impact of the pandemic on the prior-year period.

The first half of the year was dominated in part by a broad recovery in sales in the international business divisions, some of which had to absorb considerable losses in the same period of the previous year due to the pandemic. Another key development was the expected normalisation in sales in the Swiss business compared with the exceptionally strong prior-year period (organic growth of 3.8 %) due to the coronavirus, resulting in an organic decline in sales of 3.3 % at the business division Switzerland. The impact of the decline on the retail trade was exacerbated by further losses in the food service business due to greater restrictions in the restaurant and catering industry compared with the same period of the previous year. The international business divisions experienced the opposite trend. The business division Americas achieved high organic growth of 11.9 % (previous year: -1.0 %). Alongside the growth markets of Brazil, Tunisia, Chile and Mexico, one of the main reasons for this positive development was the recovery of the companies in the USA. The business division Europe also recorded high organic growth of 4.9 % (previous year: 2.1 %). In addition to pleasing growth of key brands such as Emmi Caffè Latte and Kaltbach cheese, this was driven in particular by the dessert companies in Italy, whose sales were also adversely affected by the pandemic in the previous year.

The strategic brand concepts also posted a very pleasing performance in the first half of the year. Emmi Caffè Latte was able to make further unwavering progress along the growth path commenced in previous years, recording a significant expansion in all markets. Kaltbach cheese and Italian speciality desserts also performed well in all markets.

Acquisition effects are accounted for by the following factors:

Positive impact:

- Acquisition of Chäs Hütte Zollikon GmbH (Switzerland, 29 July 2020)
- Acquisition of Emmi Dessert USA (formerly Indulge Desserts Group, USA, 6 October 2020)

Negative impact:

- Sale of Lácteos Caprinos S.A. (Spain, 18 December 2020)

Internal shifts in the distribution channels of individual customers also led to acquisition or divestment effects in the business divisions Americas and Europe. 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 below.

Sales development Switzerland

in CHF million	Sales 1HY 2021	Sales 1HY 2020	Difference 2021/2020	Acquisition effect	Organic growth
Dairy products	330.2	343.1	-3.8 %	–	-3.8 %
Cheese	189.2	199.7	-5.2 %	–	-5.2 %
Fresh products	172.4	172.0	0.2 %	–	0.2 %
Fresh cheese	53.0	55.3	-4.1 %	–	-4.1 %
Powder/concentrates	26.8	31.6	-15.2 %	–	-15.2 %
Other products/services	30.2	27.1	11.4 %	1.1 %	10.3 %
Total Switzerland	801.8	828.8	-3.3 %	0.0 %	-3.3 %

The business division Switzerland generated sales of CHF 801.8 million (previous year: CHF 828.8 million), which corresponds to an organic decline of 3.3 %. This drop was primarily due to the exceptionally high organic growth in the prior-year period (3.8 %) and, as expected, fell short of our forecast of -1 % to -2 % for the full year. The main reason for the decline was the retail business, which, as anticipated, contracted sharply compared with the extraordinary previous year, which saw pantry loading and border closures as well as partial closures across the food service sector. The negative effects were particularly visible in the dairy products and cheese segments, which account for the lion's share of sales. This was offset by positive effects resulting from the general increase in the milk price in the current year and the performance of brand and speciality concepts, in particular the continued growth of Emmi Caffè Latte. The business division Switzerland accounted for 42.5 % of Group sales (previous year: 46.7 %).

Sales of **dairy products** (milk, cream, butter) fell in the first half of 2021 from CHF 343.1 million to CHF 330.2 million. Compared with the same period of the previous year, this constitutes a substantial organic decline of 3.8 %. Significantly lower sales volumes in the retail trade with milk, cream and butter compared with record high sales in the previous year, combined with the negative impact from the closure of the food service sector for several months, were the main contributors to this sharp decline.

The **cheese** segment also recorded a significant organic decline of 5.2 %, with sales falling from CHF 199.7 million to CHF 189.2 million. This drop primarily related to traditional cheese varieties in the retail business, which had posted exceptionally high growth in the previous year. The further increase in cheese imports also hampered sales growth in this segment. Despite the overall negative trend in the cheese segment, it is pleasing that Emmi speciality cheeses such as Kaltbach, Luzerner Rahmkäse and Le Petit Chevrier were able to continue to grow even under difficult conditions.

Running against the general trend, **fresh products** even achieved slight organic growth of 0.2 %, rising from CHF 172.0 million to CHF 172.4 million. Although there was a decline in sales of yogurts (mainly private label products), Emmi Caffè Latte in particular again recorded strong growth.

Sales of **fresh cheese** were down from CHF 55.3 million to CHF 53.0 million. This corresponds to an organic decline of 4.1 %, which in turn was due to the contraction in sales in the retail trade, especially affecting quark and mozzarella.

The **powder/concentrates** segment posted sales of CHF 26.8 million, compared with CHF 31.6 million in the prior-year period. This is equivalent to a decline of 15.2 %, reflecting the lower sales volumes of milk powder to industrial customers.

Other products/services saw organic sales growth of 10.3 %, up from CHF 27.1 million to CHF 30.2 million, primarily due to increased sales of vegan products such as Emmi Caffè Drink and brands such as Beleaf.

Sales development Americas

in CHF million	Sales 1HY 2021	Sales 1HY 2020	Difference 2021/2020	Acquisition effect	Currency effect	Organic growth
Cheese	269.9	235.1	14.8 %	–	-4.1 %	18.9 %
Dairy products	188.5	175.0	7.7 %	–	-2.1 %	9.8 %
Fresh products	160.8	96.6	66.4 %	63.9 %	-3.0 %	5.5 %
Fresh cheese	32.9	30.8	6.6 %	–	-14.8 %	21.4 %
Powder/concentrates	12.5	11.0	14.1 %	–	-16.9 %	31.0 %
Other products/services	44.9	50.1	-10.4 %	–	0.2 %	-10.6 %
Total Americas	709.5	598.6	18.5 %	10.3 %	-3.7 %	11.9 %

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

Sales in the business division Americas improved in the first half of 2021 from CHF 598.6 million to CHF 709.5 million. The overall growth of 18.5 % compared with the same period of the previous year was due to the acquisition of Emmi Dessert USA and to the high organic growth of 11.9 %. This significantly exceeded our own forecast for full-year 2021 of 4 % to 6 %. Alongside the growth markets of Brazil, Tunisia, Chile and Mexico, the main reason for the high organic growth was the recovery of the companies based in the USA, which took a major hit in the previous year due to the coronavirus-related measures implemented in the food service sector. The business division Americas accounted for 37.7 % of Group sales (previous year: 33.8 %).

Sales in the **cheese** segment amounted to CHF 269.9 million, compared with CHF 235.1 million in the same period last year, representing an overall increase of 14.8 %. Adjusted for the negative currency effects, organic growth was high at 18.9 %. This increase was mainly due to locally produced cheese in the USA, where sales had temporarily collapsed in the previous year due to the closure of sales outlets, cheese counters and restaurants. Growth was likewise recorded with locally produced cheese in Chile and Brazil. Sales of imported cheese in France and Mexico recovered as well following the coronavirus-related setbacks in the previous year. Encouragingly, sales of cheese imported from Switzerland also increased in the USA and Canada.

Sales of **dairy products** rose by 7.7 % overall, from CHF 175.0 million to CHF 188.5 million. After adjusting for negative currency effects, this resulted in significant organic growth of 9.8 %. The main driver here was the positive price trend and the easing milk shortage in Tunisia, which had been a limiting factor for growth in the past.

Sales of **fresh products** rose significantly by 66.4 % from CHF 96.6 million to CHF 160.8 million, primarily due to the acquisition effect of Emmi Dessert USA. Adjusted for acquisition and currency effects, this resulted in organic growth of 5.5 %. A substantial, positive contribution came in particular from yogurts and yogurt drinks in Brazil, Italian speciality desserts in France and Emmi Caffè Latte in Spain.

Sales in the **fresh cheese** and **powder/concentrates** segments, at CHF 32.9 million and CHF 12.5 million respectively, are of less significance for the business division, but nevertheless recorded high organic growth of 21.4 % and 31.0 %. The sales growth in both segments was mainly driven by positive developments in Brazil.

Other products/services generated sales of CHF 44.9 million, down 10.4 % (10.6 % in organic terms). This primarily relates to the business with import licences in the USA.

Sales development Europe

in CHF million	Sales 1HY 2021	Sales 1HY 2020	Difference 2021/2020	Acquisition effect	Currency effect	Organic growth
Fresh products	150.7	133.5	12.9 %	-1.5 %	3.3 %	11.1 %
Cheese	57.7	54.2	6.5 %	–	3.0 %	3.5 %
Dairy products	46.4	49.1	-5.3 %	-1.5 %	2.7 %	-6.5 %
Powder/concentrates	19.8	23.9	-17.4 %	–	2.3 %	-19.7 %
Fresh cheese	18.2	19.1	-5.0 %	-9.9 %	2.6 %	2.3 %
Other products/services	17.6	12.1	45.6 %	–	4.1 %	41.5 %
Total Europe	310.4	291.9	6.3 %	-1.6 %	3.0 %	4.9 %

The business division Europe includes the Emmi Group companies in Germany, Italy, the Netherlands, the UK, Austria and Lácteos Caprinos in Spain (sold on 18 December 2020).

Sales in the business division Europe amounted to CHF 310.4 million in the first half of 2021, compared with CHF 291.9 million in the prior-year period. This resulted in growth of 6.3 % overall. Excluding acquisition and currency effects, organic growth was 4.9 %, which by the half-way point was above our expectations for the full year (1 % to 3 %). The strong growth in fresh products and vegan products (other products/services) was weakened by the negative performance of the dairy products and powder/concentrates segments. The business division Europe accounted for 16.5 % of Group sales (previous year: 16.4 %).

Sales of **fresh products** were CHF 150.7 million, corresponding to growth of 12.9 %. Adjusted for acquisition and currency effects, this resulted in strong organic growth of 11.1 %. Most of the growth came from the dessert companies in Italy, which were able to post significant gains in all markets following the coronavirus-related losses in the previous year. Emmi Caffè Latte also made a major positive contribution to organic growth in the UK, German, Austrian and Belgian markets.

Sales in the **cheese** segment were CHF 57.7 million, compared with CHF 54.2 million in the prior-year period. Excluding positive currency effects, organic growth was 3.5 %. This growth was primarily due to the good performance of Kaltbach cheese, which is enjoying increasing popularity in all European markets.

Sales in the **dairy products** segment fell by 5.3 % from CHF 49.1 million in the previous year to CHF 46.4 million. In organic terms, the decline in sales amounted to 6.5 %. While organic dairy products from Gläserne Molkerei in Germany posted strong growth in the previous year due to the pandemic, their sales settled back to pre-crisis levels in the first half of 2021.

In the **powder/concentrates** segment, sales contracted sharply from CHF 23.9 million to CHF 19.8 million. The decline of 17.4 %, or 19.7 % in organic terms, was mainly due to lower sales of goat's milk powder in the Netherlands, where challenges in overseas logistics had a negative impact on sales trends.

Sales in the **fresh cheese** segment amounted to CHF 18.2 million versus CHF 19.1 million in the previous year, a decrease of 5.0 %. Adjusted for acquisition and currency effects, this resulted in organic growth of 2.3 %. Following the slump in the previous year (due to the high share of food service in total sales), this constituted a partial recovery in sales of fresh goat's cheese at Bettinehoeve in the Netherlands.

In the **other products/services** segment, the business division Europe generated sales of CHF 17.6 million, compared with CHF 12.1 million in the previous year. The organic growth of 41.5 % was primarily due to rising sales of vegan products from Austria.

Sales development Global Trade

in CHF million	Sales 1HY 2021	Sales 1HY 2020	Difference 2021/2020	Acquisition effect	Organic growth
Cheese	25.4	21.5	18.2 %	–	18.2 %
Fresh products	17.7	18.9	-6.3 %	–	-6.3 %
Powder/concentrates	16.8	12.3	36.4 %	–	36.4 %
Dairy products	1.3	1.4	-4.9 %	–	-4.9 %
Other products/services	0.7	0.1	576.8 %	–	576.8 %
Total Global Trade	61.9	54.2	14.3 %	–	14.3 %

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 3.3 % of Group sales (previous year: 3.1 %).

Sales in the business division Global Trade amounted to CHF 61.9 million in the first half of 2021, compared with CHF 54.2 million in the previous year, corresponding to organic growth of 14.3 %.

The organic growth of 18.2 % in the **cheese** segment was mainly due to higher sales of natural cheese (especially Kaltbach cheese). The 6.3 % decline in sales in the **fresh products** segment can be explained by the continuing negative performance of the yogurt business in Asia due to diminished consumption at hotels. The 36.4 % increase in the **powder/concentrates** segment reflects the significant increase in exports of skimmed milk powder, which became necessary due to low domestic sales.

Gross profit

Gross profit amounted to CHF 699.8 million in the first half of the year, representing an overall increase of CHF 59.9 million or 9.4 %, propped up by organic growth and the acquisition of Emmi Dessert USA. The **gross profit margin** also widened, jumping from 36.1 % in the same period of the previous year to 37.2 %. This positive development is not only due to a low comparison basis in the previous year as a result of the pandemic, but also reflects the consistent progress made with the company and product portfolio. Measures to increase productivity and streamline procurement were likewise stepped up in the first six months.

Operating result

Year-on-year **operating expenses** climbed by CHF 41.5 million to CHF 515.3 million (previous year: CHF 473.8 million). In relation to net sales, this represents an increase from 26.7 % to 27.4 %.

Personnel expenses rose by CHF 22.3 million to CHF 268.8 million in the first half of 2021 (previous year: CHF 246.4 million), which translates into a disproportionately high increase in relation to sales from 13.9 % to 14.3 %. A major reason for the absolute and relative increase was the aforementioned acquisition effect in the USA.

Other operating expenses amounted to CHF 246.5 million in the period under review (previous year: CHF 227.4 million) and thus increased by CHF 19.1 million compared to the prior-year period. As a percentage of sales, this figure was up 13.1 % (previous year: 12.8 %). The largest increase was in marketing and sales expenses, which rose from CHF 59.8 million to CHF 67.7 million due to below-average expenses in the previous year as a result of the pandemic. Expenses for logistics, maintenance and repairs, and energy, operating materials and supplies rose across the board as well. However, these increases were slightly above average in relation to the sales trend.

Other operating income in the first half of the year amounted to CHF 1.9 million, versus CHF 2.0 million in the prior-year period.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose in the period under review by CHF 18.3 million to CHF 186.4 million (previous year: CHF 168.1 million). The **EBITDA margin** consequently amounted to 9.9 %, compared with 9.5 % in the same period last year. Thanks to the pleasing increase in the gross profit margin, the EBITDA margin therefore increased significantly despite a disproportionate rise in operating expenses.

Depreciation on property, plant and equipment increased slightly by CHF 1.8 million from CHF 50.4 million in the previous year to CHF 52.2 million in the period under review, although this represents a below-average increase in relation to sales. **Amortisation on intangible assets** even fell in absolute terms from CHF 5.6 million in the previous year to CHF 4.8 million.

Earnings before interest and taxes (EBIT) were CHF 129.4 million in the period under review, up CHF 17.4 million or 15.5 % on prior-year EBIT (CHF 112.0 million). As a result of the margin trend described above, the **EBIT margin** also improved significantly, from 6.3 % in the previous year to 6.9 % in the reporting period.

Non-recurring effects in the half-year results 2021

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 gain of CHF 3.1 million in the period under review, compared with a loss of CHF 0.4 million in the prior-year period.

The **financial result** (net financial expenses) fell by CHF 3.5 million year on year to CHF 4.2 million (previous year: CHF 7.7 million). This improvement mainly related to the foreign currency result, which had weighed heavily on the financial result in the previous year and has now returned to normal. Net interest expense and the other financial result also improved compared with the previous year.

Income taxes amounted to CHF 21.2 million, versus CHF 17.2 million in the prior-year period. The expected tax rate for full-year 2021 remains unchanged from the estimate in the first half of the previous year at 16.5 %.

Net profit

Net profit including minority interests was CHF 107.1 million, compared with CHF 86.8 million in the previous year.

The share of **minority interests** in net profit was CHF 8.4 million, versus CHF 5.5 million the prior-year period. This increase of CHF 2.9 million is due to the additional share of minority interests in the net profit of Emmi Dessert USA, acquired in the previous year, and to the generally better results of companies with minority interests.

After deducting minority interests, **net profit** was thus CHF 98.7 million (previous year: CHF 81.3 million). This translates into a substantial rise in net profit of CHF 17.4 million or 21.4 %. The **net profit margin** came in at 5.2 % (previous year: 4.6 %). Accordingly, **earnings per share** likewise ticked up to CHF 18.45 as at the end of the first half of the year (previous year: CHF 15.20).

Assets, financing and cash flow

Total assets as at 30 June 2021 were up 2.4 % or CHF 56.2 million compared with 31 December 2020 to CHF 2,393.3 million. **Operating net working capital** was CHF 589.9 million, an increase of CHF 47.9 million compared with 31 December 2020. Higher inventories were the main driver of this. Non-current assets increased by CHF 25.2 million in total. Alongside higher investments in property, plant and equipment compared with depreciation, this was mainly due to positive currency effects. On the financing side, conditions were mostly stable, with the **equity ratio** increasing slightly to 53.5 % compared with 52.8 % as at 31 December 2020, on the back of net profit exceeding distribution. The lower level of cash and cash equivalents combined with mostly stable financial debt resulted in **net debt** of CHF 196.7 million as at 30 June 2021, compared with CHF 163.1 million as at 31 December 2020.

Cash inflow from operating activities amounted to CHF 100.1 million, down CHF 25.9 million on the previous year (CHF 126.0 million). This negative difference was primarily driven by the change in net working capital, which reduced cash flow from operating activities by a total of CHF 41.3 million compared with a charge of just CHF 18.8 million in the same period the year before. Within net current assets, the increase in inventories had a greater negative impact on cash flow from operating activities of CHF 48.0 million than in the previous year. The main reason for this was the exceptionally low level of inventory as at 30 June of the previous year brought about by the pandemic, particularly in Switzerland (including butter). This negative impact was offset by trade payables, which reduced the cash flow from operating activities by CHF 19.2 million year on year. **Cash outflow from investing activities** was also negatively impacted by CHF 8.4 million higher taxes paid compared with the previous year. At CHF 65.3 million, the cash outflow from investing activities was virtually unchanged on the previous year (CHF 65.4 million). As in the previous year, investments in property, plant and equipment accounted for the lion's share, amounting to CHF 61.3 million in the first six months, an increase of CHF 3.2 million on the previous year. Excluding cash flow from acquisition activities, the **free cash flow** generated amounted to CHF 35.5 million, compared with CHF 59.0 million the prior-year period. **Cash outflow from financing activities** amounted to CHF 82.8 million and resulted mainly from dividend payments to shareholders and minority shareholders totalling CHF 72.7 million and the repayment of financial liabilities. In the previous year, the cash outflow from financing activities amounted to CHF 63.5 million due to lower dividend payments and the net cash inflow from the change in financial liabilities. As a consequence of the cash flows described, cash and cash equivalents decreased by CHF 44.7 million versus 31 December 2020, from CHF 294.7 million to CHF 249.9 million.

Outlook for full-year 2021

Emmi once again proved to be rock solid and reliable in the first half of 2021. On the basis of its proven strategy, its broadly diversified company and product portfolio and its differentiated brand concepts, the company has managed to successfully navigate the coronavirus crisis so far and to transfer the positive growth momentum into a good overall performance. In the international business, a faster recovery was observed in the food service business, which was especially hard hit by the coronavirus crisis. In our domestic market of Switzerland, normality in this sector as well as in our business with industrial customers is still a long way off. Despite these initial positive developments, uncertainty about the future remains, particularly with regard to the pandemic, where infection figures are currently on the rise again.

Emmi is therefore preparing itself for an unchanged uncertain and volatile environment in the second half of 2021. In addition to persistent interest rate and currency risks, rising costs for packaging materials and in particular for logistics will put pressure on earnings in the second half of the year. The resulting non-absorbable additional costs will also have an impact on pricing.

Emmi still considers the EBIT forecast of CHF 275 million to CHF 290 million for financial year 2021 to be realistic, despite the uncertainties and risks described in the second half of the year. Emmi is also confirming its forecast for the net profit margin (5.2 % to 5.7 %). As a result of the positive trend in international business in the first half of the year, Emmi is expecting slightly higher organic sales growth at Group level of 2 % to 3 % for the full year (previously 1 % to 2 %). The ranges for expected organic growth have therefore been increased to 7 % to 9 % (previously 4 % to 6 %) for the business division Americas and to 3 % to 5 % (previously 1 % to 3 %) for the business division Europe. For the business division Switzerland, Emmi is expecting lower organic growth of -2.5 % to -3.5 % (previously -1 % to -2 %), primarily due to the ongoing restrictions in the food service business, the continued subdued growth of business with industrial customers and the resurgence of shopping tourism.

Consolidated income statement

in CHF 000s

	First 6 months 2021	%	First 6 months 2020	%
Sales of products	1,869,367		1,759,507	
Sales of services	14,222		14,033	
Net sales	1,883,589	100.0	1,773,540	100.0
Change in inventories of semi-finished and finished products	-5,980	0.3	-3,008	0.2
Cost of materials and services	-1,177,795	62.5	-1,130,641	63.7
Gross operating profit	699,814	37.2	639,891	36.1
Other operating income	1,901	0.1	2,046	0.1
Personnel expenses	-268,752	14.3	-246,404	13.9
Other operating expenses	-246,547	13.1	-227,434	12.8
Operating expenses	-515,299	27.4	-473,838	26.7
Earnings before interest¹⁾, taxes, depreciation and amortisation (EBITDA)	186,416	9.9	168,099	9.5
Depreciation on property, plant and equipment	-52,242	2.8	-50,433	2.9
Amortisation on intangible assets	-4,774	0.2	-5,646	0.3
Earnings before interest¹⁾ and taxes (EBIT)	129,400	6.9	112,020	6.3
Income from associates and joint ventures	3,073		-443	
Financial result	-4,238		-7,653	
Earnings before taxes (EBT)	128,235	6.8	103,924	5.9
Income taxes	-21,159		-17,151	
Profit incl. minority interests	107,076	5.7	86,773	4.9
Minority interests	-8,391		-5,451	
Net profit	98,685	5.2	81,322	4.6
Earnings per share (diluted/basic in CHF)	18.45		15.20	

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

	30.06.2021	%	31.12.2020	%
Cash and cash equivalents	249,924		294,671	
Securities	1,455		1,362	
Trade receivables	430,393		464,794	
Other receivables	72,361		57,176	
Inventories	467,190		390,126	
Prepayments and accrued income	58,522		40,718	
Current assets	1,279,845	53.5	1,248,847	53.4
Investments in associates and joint ventures	17,902		15,124	
Loans and other receivables	14,776		12,191	
Securities	7,964		7,720	
Employer contribution reserves	2,048		2,048	
Deferred tax assets	6,771		6,163	
Total financial assets	49,461		43,246	
Prepayments and accrued income	5,086		5,018	
Property, plant and equipment	1,005,896		985,663	
Intangible assets	53,005		54,351	
Non-current assets	1,113,448	46.5	1,088,278	46.6
Total assets	2,393,293	100.0	2,337,125	100.0

Liabilities and shareholders' equity

Bank overdrafts	28,596		34,761	
Finance lease liabilities	1,287		1,431	
Loans	1,218		1,303	
Trade payables	307,718		312,946	
Other payables	34,762		33,240	
Accrued liabilities and deferred income	212,028		189,065	
Provisions	16,824		16,399	
Current liabilities	602,433	25.2	589,145	25.2
Bank overdrafts	130,924		131,300	
Finance lease liabilities	685		916	
Loans	619		2,116	
Bonds	299,520		299,520	
Accrued liabilities and deferred income	8,079		10,428	
Provisions	70,176		70,634	
Non-current liabilities	510,003	21.3	514,914	22.0
Liabilities	1,112,436	46.5	1,104,059	47.2
Share capital	53,498		53,498	
Capital reserves	2,088		2,088	
Retained earnings	1,110,301		1,071,451	
Shareholders' equity excl. minority interests	1,165,887	48.7	1,127,037	48.2
Minority interests	114,970	4.8	106,029	4.6
Shareholders' equity incl. minority interests	1,280,857	53.5	1,233,066	52.8
Total liabilities and shareholders' equity	2,393,293	100.0	2,337,125	100.0

Consolidated cash flow statement

in CHF 000s

	First 6 months 2021	First 6 months 2020
Profit incl. minority interests	107,076	86,773
Net interest expense	3,388	4,245
Income taxes	21,159	17,151
Result from sale of fixed assets	-423	29
Depreciation and amortisation	54,532	54,051
Impairment charges	2,484	2,028
Change in provisions	729	-230
Income from associates and joint ventures	-3,073	443
Other non-cash adjustments	-10,817	6,998
Cash flow before changes in net working capital, interest and taxes	175,055	171,488
Change in inventories	-71,054	-23,042
Change in trade receivables	43,192	40,016
Change in other receivables, prepayments and accrued income	-25,447	-24,284
Change in trade payables	-11,940	-31,092
Change in other payables, accrued liabilities and deferred income	23,948	19,596
Interest paid	-2,206	-3,613
Taxes paid	-31,432	-23,071
Cash flow from operating activities	100,116	125,998
Investments in property, plant and equipment	-61,276	-58,117
Proceeds from disposal of property, plant and equipment	475	711
Purchase of securities	-	-5,905
Investments in intangible assets	-2,582	-1,692
Acquisition of consolidated companies	-662	1,556
Change of loans receivable	-2,025	-2,700
Dividend received	555	-
Interest received	238	714
Cash flow from investing activities	-65,277	-65,433
Change in other current financial liabilities	-7,122	-7,356
Change in other non-current financial liabilities	-2,992	8,868
Dividend paid to shareholders	-69,548	-64,198
Dividend paid to minority interests	-3,184	-847
Cash flow from financing activities	-82,846	-63,533
Currency translation	3,260	-6,354
Net change in cash and cash equivalents	-44,747	-9,322
Cash and cash equivalents at beginning of period	294,671	378,112
Cash and cash equivalents at end of period	249,924	368,790

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 2020	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
Shareholders' equity as at 1 January 2021	53,498	2,088	1,179,718	-108,267	1,071,451	1,127,037	106,029	1,233,066
Profit incl. minority interests	–	–	98,685	–	98,685	98,685	8,391	107,076
Currency translation differences	–	–	–	9,713	9,713	9,713	3,734	13,447
Dividend	–	–	-69,548	–	-69,548	-69,548	-3,184	-72,732
Shareholders' equity as at 30 June 2021	53,498	2,088	1,208,855	-98,554	1,110,301	1,165,887	114,970	1,280,857

Segment reporting

in CHF 000s

Net sales by product groups and divisions	Switzerland		Americas		Europe		Global Trade		Group	
	1HY 2021	1HY 2020	1HY 2021	1HY 2020	1HY 2021	1HY 2020	1HY 2021	1HY 2020	1HY 2021	1HY 2020
Dairy products	330,209	343,119	188,544	175,022	46,429	49,052	1,353	1,422	566,535	568,615
As % of net sales	41.2	41.4	26.6	29.2	15.0	16.8	2.2	2.6	30.1	32.1
Cheese	189,226	199,686	269,887	235,118	57,713	54,211	25,375	21,467	542,201	510,482
As % of net sales	23.6	24.1	38.0	39.3	18.6	18.6	41.0	39.7	28.8	28.8
Fresh products	172,340	171,974	160,758	96,609	150,744	133,568	17,674	18,860	501,516	421,011
As % of net sales	21.5	20.7	22.7	16.1	48.6	45.8	28.5	34.8	26.6	23.7
Fresh cheese	53,002	55,271	32,859	30,816	18,151	19,111	–	–	104,012	105,198
As % of net sales	6.6	6.7	4.6	5.2	5.8	6.5	–	–	5.5	5.9
Powder/ concentrates	26,819	31,616	12,495	10,955	19,766	23,944	16,781	12,305	75,861	78,820
As % of net sales	3.3	3.8	1.8	1.8	6.4	8.2	27.1	22.7	4.0	4.5
Other products and services	30,199	27,108	44,933	50,122	17,577	12,073	755	111	93,464	89,414
As % of net sales	3.8	3.3	6.3	8.4	5.6	4.1	1.2	0.2	5.0	5.0
Net sales	801,795	828,774	709,476	598,642	310,380	291,959	61,938	54,165	1,883,589	1,773,540
As % of Group	42.5	46.7	37.7	33.8	16.5	16.4	3.3	3.1	100.0	100.0

Net sales by country group	1HY 2021	in %	1HY 2020	in %
Switzerland	801,795	42.5	828,774	46.7
Europe excl. Switzerland	457,564	24.3	421,982	23.8
North and South America	502,728	26.7	412,399	23.3
Africa	86,244	4.6	76,641	4.3
Asia/Pacific	35,258	1.9	33,744	1.9
Total	1,883,589	100.0	1,773,540	100.0

Emmi does not publish segment results since this would cause significant competitive disadvantages towards customers, 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 (sold on 18 December 2020) 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 2021. The consolidated interim financial statements for 2021 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 2020 consolidated financial statements.

Income taxes are calculated based on an estimate of the expected income tax rate for full-year 2021. The consolidated half-year results should be read in conjunction with the consolidated financial statements compiled for the financial year ended 31 December 2020, 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 17 August 2021.

Changes to the scope of consolidation

Holding der Schweizerischen Milchproduzenten AG in Liquidation

On 26 January 2021, the Holding der Schweizerischen Milchproduzenten AG in Liquidation was liquidated.

Changes in the 2020 financial year

We refer to the consolidated financial statements 2020 for the changes to the scope of consolidation in the 2020 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

From the balance sheet date until the consolidated interim financial statements were approved by the Board of Directors of Emmi AG on 17 August 2021, no other major events occurred which could adversely affect the validity of the half-year statements for 2021.

Currency exchange rates in CHF

	First 6 months average rates		End rates	
	2021	2020	30.06.2021	31.12.2020
1 BRL	0.17	0.20	0.19	0.17
1 CAD	0.73	0.71	0.75	0.70
100 CLP	0.13	0.12	0.13	0.12
1 EUR	1.09	1.06	1.10	1.08
1 GBP	1.26	1.22	1.28	1.21
1 MXN	0.05	0.05	0.05	0.04
1 TND	0.33	0.34	0.33	0.33
1 USD	0.91	0.97	0.93	0.89

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The Emmi half-year report is available in German and English. The German version is legally binding.

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