

HALF-YEAR REPORT

2019

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# Dear Shareholders

Emmi again made great progress in the first half of 2019 thanks to consistent implementation of its strategy. Across the strategic pillars, business was strengthened with a particular focus on growth markets and the expansion of the dessert, organic and goat's milk strategic niches. In operational terms, Emmi held its ground despite the tough environment. Important brand concepts such as Emmi Caffè Latte performed very well. The same applies to strategically important niches and companies in growth markets including Chile, Mexico and Tunisia. Europe, on the other hand, fell short of expectations due to the decline in sales at Gläserne Molkerei.

## Group sales slightly below expectations, sales targets for Switzerland and Americas met

At Group level, Emmi generated sales of CHF 1,663.3 million in the first half of 2019, a decline of 0.7 % compared with the prior-year period (CHF 1,674.8 million). Adjusted for negative currency and acquisition effects of -1.4 % and -0.9 % respectively, this resulted in organic growth of 1.6 %. This is below the growth forecasts published in February for full year 2019 (2 % to 3 %).

Business division Switzerland has so far met organic sales expectations for the year as a whole (growth of 0 % to 0.5 %) and posted growth of 0.5 %. This pleasing performance is attributable to Emmi Caffè Latte, protein-enriched products and newly launched brands such as "Moments" yogurt and the "Toni's" fresh cheese range, which once again demonstrate Emmi's high level of innovation.

Business division Americas also met organic sales expectations for the full year (growth of 4 % to 6 %) and posted growth of 4.3 %. The main drivers were the growth markets of Chile, Mexico and Tunisia.

In business division Europe, Emmi Caffè Latte continued to soar to new heights. The strategic Italian dessert business also performed very well and will be boosted further by the acquisition of Pasticceria Quadrifoglio S.r.l. announced in July 2019. However, modest organic growth of 0.7 % meant the forecasts for the full year (1 % to 3 %) were not met, mainly because of the decline in sales at Gläserne Molkerei due to the organic milk surplus in Germany and the resulting competitive pressure.

## EBIT and EBIT margin slightly lower

In the first half of 2019, Emmi generated an EBIT of CHF 93.5 million, compared with CHF 95.0 million in the prior-year period, corresponding to a decline of 1.6 %. While the gross profit margin rose from 36.1 % to 36.4 % thanks to consistent work on the portfolio, the EBIT margin ultimately fell slightly from 5.7 % to 5.6 % due to the high cost pressure. This result is remarkable in view of the tough industry environment, and underlines the importance of the cost-saving programme Emmi has been steadily expanding for more than a decade.

Net profit was CHF 72.9 million, an increase of 1.1 % compared to the net profit of CHF 72.1 million in the same period of 2018, adjusted for the gain on the sale of the minority stake in The Icelandic Milk & Skyr Corporation ("siggis"). The net profit margin was 4.4 % (previous year, adjusted: 4.3 %).

## Strategy implementation as top priority

Consistent strategy implementation is the basis for securing Emmi's earnings and growth targets in the long term. This includes further strengthening its position in growth markets outside Europe and investing in strategic niches that serve growing consumer trends. Emmi drove this forward with various measures in the first half of 2019.

In June 2019, Emmi announced it would increase its stake in Brazilian company Laticínios Porto Alegre Indústria e Comércio S.A., based in Ponte Nova, from 40 % to 70 %. Emmi has held a stake in the dairy since July 2017, and it has performed well since then, working its way up from the fifth to the third-largest dairy in its primary market of Minas Gerais.

Goat's milk products are another focus. Since 2010, Emmi has gradually expanded its international goat's milk network, most recently with the announcement to purchase a 66 % stake in Austrian organic goat's and sheep's milk processor Leeb Biomilch GmbH ("Leeb"). Through its purchase of Hale GmbH at the same time, Emmi is also expanding its range of organic vegan products.

A third example is the purchase of a blue cheese production site from the Great Lakes Cheese Company. Through this acquisition, Emmi is furthering its speciality cheese business and obtaining additional capacity and complementary expertise in the US, its largest foreign market.

## Comprehensive sustainability efforts

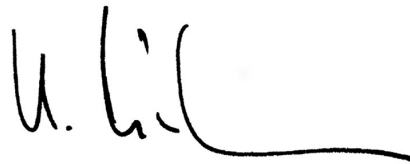
Emmi firmly believes that sustainability is part of its core business and a prerequisite for future success. The stake in Leeb is also a commitment to this. In general, Emmi emphasises four focus areas: avoiding waste (including food waste), reducing greenhouse gases (particularly CO<sub>2</sub>), employee development and sustainable milk. In 2016, the Board of Directors and Group Management set themselves concrete, binding targets for these key areas with Horizon 2020. Progress has been reviewed annually since then. Emmi has also held an annual internal sustainability competition since 2012 to reward exemplary projects. In 2019, Emmi also gave awards to two foreign companies for the first time. The winner was a project to reduce food waste in Switzerland. Second prize went to a water reduction project in Tunisia, and third place to California's Redwood Hill for minimising plastic in packaging. All projects are typical for Emmi due to their practical nature, the personal commitment on the part of employees and their cost-effectiveness. Further information can be found in the online sustainability report: [sustainability.emmi.com/en](https://sustainability.emmi.com/en)

### Earnings targets remain realistic

Emmi confirms its earnings targets for 2019 as a whole, with slightly lower organic growth of 1.5 % to 2.5 %. This assumes that the economic environment will not deteriorate significantly. Supporting pillars from the first half such as Emmi Caffè Latte will continue to play a key role. Emmi again has some hard work ahead of it. We accept the challenge.

A handwritten signature in black ink, appearing to read 'K. Graber'.

**Konrad Graber**  
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'U. Riedener'.

**Urs Riedener**  
CEO

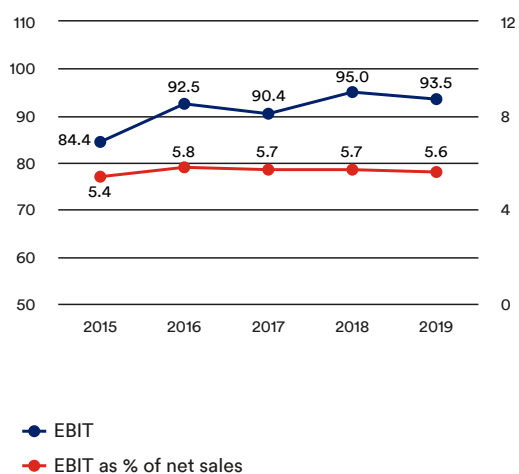
# Key figures Emmi Group

Amounts in CHF million	First 6 months 2019	First 6 months 2018	First 6 months 2018 adjusted <sup>1)</sup>
Net sales	<b>1,663</b>	1,675	
Sales development in %	<b>-0.7</b>	4.7	
Acquisition effect in %	<b>-0.9</b>	0.7	
Currency effect in %	<b>-1.4</b>	1.6	
Net sales increase in organic terms in %	<b>1.6</b>	2.4	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	<b>159.6</b>	162.7	
as % of net sales	<b>9.6</b>	9.7	
Earnings before interest and taxes (EBIT)	<b>93.5</b>	95.0	
as % of net sales	<b>5.6</b>	5.7	
Net profit	<b>72.9</b>	129.0	72.1
as % of net sales	<b>4.4</b>	7.7	4.3
	<b>30.06.2019</b>	31.12.2018	
Total assets	<b>2,711</b>	2,820	
of which shareholders' equity incl. minority interests	<b>1,678</b>	1,657	
as % of total assets	<b>61.9</b>	58.7	
Headcount (full-time equivalents) as at balance sheet date	<b>6,045</b>	6,151	

<sup>1)</sup> Adjusted for non-recurring effects. In the period under review there were no significant non-recurring effects. Non-recurring effects had an impact of CHF 56.9 million on net profit in the previous year and resulted from the sale of the minority stake in The Icelandic Milk and Skyr Corporation "siggi's".

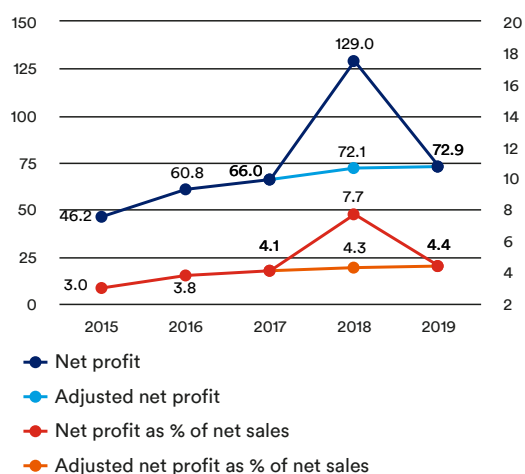
## EBIT

in CHF million, first 6 months      as % of net sales



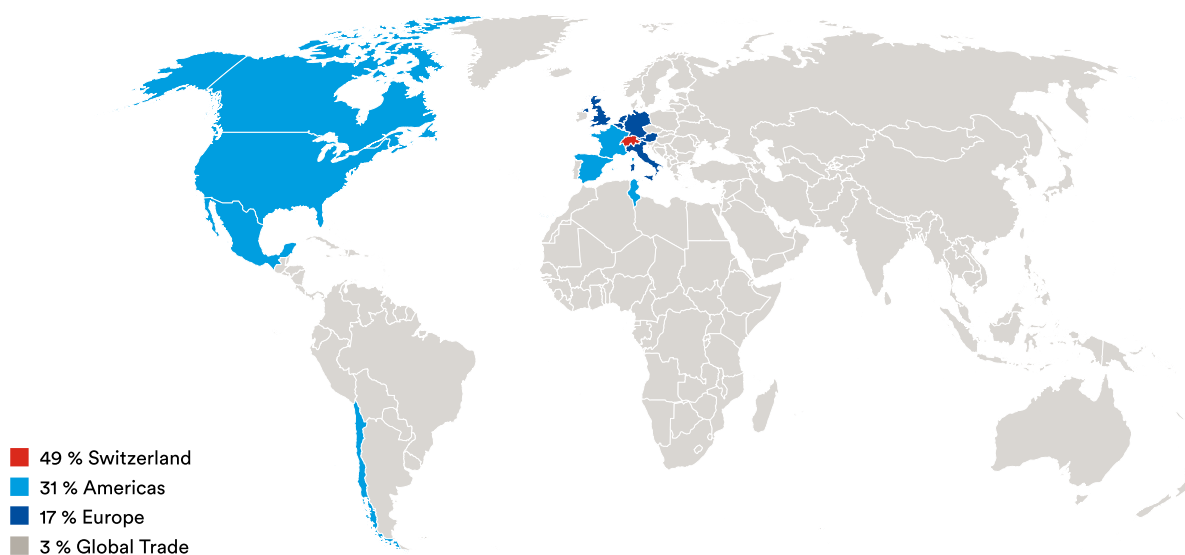
## Net profit

in CHF million, first 6 months      as % of net sales



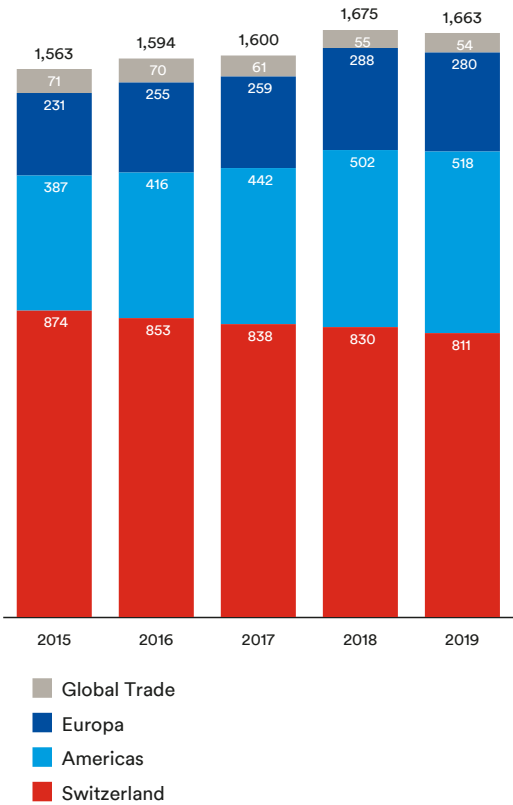
## Net sales by business division

first 6 months



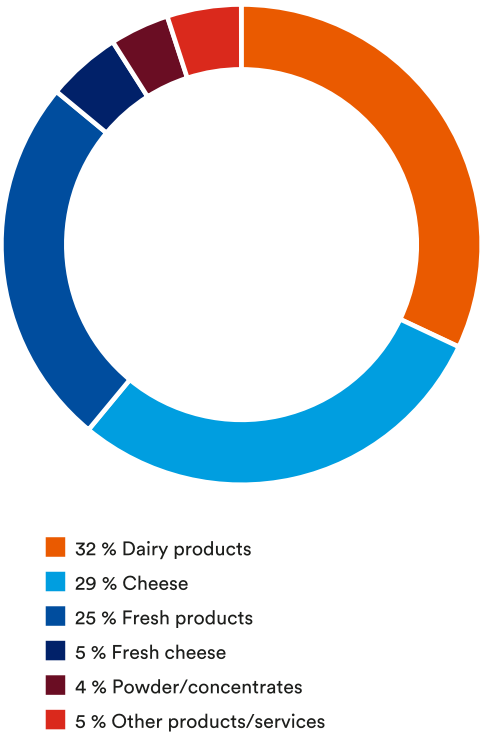
Net sales

in CHF million, first 6 months



Net sales by product group

first 6 months





# Breakdown of the half-year results

## Modest organic growth

Emmi achieved modest organic growth overall in the first six months of the 2019 financial year, coming in at 1.6 %. While organic growth in Switzerland was solid at 0.5 % and in the business division Americas on target at 4.3 %, in the business division Europe it fell short of expectations – amounting to 0.7 % overall – due to lower sales at Gläserne Molkerei in Germany. Sales of Emmi Caffè Latte performed very well across all business divisions. Pleasing gains were also recorded in strategically relevant niche markets such as Italian dessert specialities and goat's milk products. The emerging markets of Chile, Mexico and Tunisia additionally proved to be important drivers of growth in the first half of 2019.

In the first six months of the 2019 financial year, Emmi generated net sales of CHF 1,663.3 million, compared with CHF 1,674.8 million in the previous year, a decline of 0.7 % overall. Adjusted for currency and acquisition effects, organic growth was 1.6 % (forecast for the full year from February 2019: 2 % to 3 % growth).

The overall negative acquisition effect of 0.9 % is attributable to the following **negative factors**:

- Sale of Emmi Frisch-Service AG (Switzerland, 3 April 2019)
- Disposal of part of the trading goods business (Switzerland, 1 January 2018):  
Emmi also took over a trading goods business from Coop when it purchased its cheese centre in Kirchberg in 1998. Part of this trading goods business, which involves Coop maintaining direct business relationships with the suppliers, was sold back to Coop in 2018, with the corresponding sales transferred to the buyer over two years until the end of 2019.

As **positive factor** to mention is the acquisition of a blue cheese production facility (US, 28 February 2019).

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

## Sales development Switzerland

in CHF million	Sales 1HY 2019	Sales 1HY 2018	Difference 2019/2018	Acquisition effect	Organic growth
Dairy products	335.4	327.8	2.3 %	-0.9 %	3.2 %
Cheese	193.8	207.8	-6.7 %	-5.4 %	-1.3 %
Fresh products	167.0	171.8	-2.8 %	-1.7 %	-1.1 %
Fresh cheese	53.0	54.4	-2.6 %	-4.8 %	2.2 %
Powder/concentrates	29.4	31.2	-5.9 %	–	-5.9 %
Other products/services	31.9	37.3	-14.6 %	-10.8 %	-3.8 %
<b>Total Switzerland</b>	<b>810.5</b>	<b>830.3</b>	<b>-2.4 %</b>	<b>-2.9 %</b>	<b>0.5 %</b>

The business division Switzerland generated net sales of CHF 810.5 million, down 2.4 % on the prior-year value of CHF 830.3 million. Adjusted for the divestment effects indicated above, this translates into organic growth of 0.5 %, which is at the upper end of the full-year growth forecast published by Emmi in February 2019 of 0 % to 0.5 %. The business division Switzerland accounted for 48.7 % of Group sales.

Sales of **dairy products** (milk, cream and butter) in the first half of 2019 rose from CHF 327.8 million to CHF 335.4 million, up 2.3 % year-on-year, or 3.2 % after adjustment for divestment effects. This was supported by higher sales of milk and cream, which offset declining butter sales in spite of the ongoing overall strong pressure on prices.

In the **cheese** segment, sales contracted from CHF 207.8 million to CHF 193.8 million. This corresponds to a drop of 6.7 %, or 1.3 % in organic terms. The decrease primarily affected cheese varieties, reflecting the continued increase in cheese imports versus the first half of 2018 coupled with the general price pressure in this product segment. This was contrasted by gains by various cheese specialities such as Luzerner Rahmkäse, Scharfer Maxx and Le Petit Chevrier.

In **fresh products**, sales saw a year-on-year decline from CHF 171.8 million to CHF 167.0 million, equivalent to 2.8 %. Even adjusted for divestment effects the decline still amounted to 1.1 %. This negative trend was mainly driven by losses for private label products (yogurts and ice-cream). Emmi Caffè Latte and Energy Milk recorded significant growth, however.

Sales of **fresh cheese** fell from CHF 54.4 million to CHF 53.0 million, a decline of 2.6 %, attributable to the aforementioned divestment effects. In organic terms, the result was an increase of 2.2 %. The growth was shouldered in particular by protein-enriched quark and the relaunch of the “Toni’s” brand (cheese spread and mozzarella).

**Powder/concentrates** generated sales of CHF 29.4 million, compared with CHF 31.2 million in the previous period. This corresponds to a decline of 5.9 %, reflecting lower milk powder volumes sold.

In **other products/services**, sales decreased from CHF 37.3 million to CHF 31.9 million, down 14.6 %. Again, this is chiefly due to divestment effects (decline of 3.8 % in organic terms).

## Sales development Americas

in CHF million	Sales 1HY 2019	Sales 1HY 2018	Difference 2019/2018	Acquisition effect	Currency effect	Organic growth
Cheese	217.2	199.7	8.8 %	3.8 %	2.2 %	2.8 %
Dairy products	138.0	142.1	-2.9 %	–	-8.1 %	5.2 %
Fresh products	101.2	103.9	-2.6 %	–	-6.0 %	3.4 %
Fresh cheese	7.5	5.9	26.3 %	–	3.6 %	22.7 %
Powder/concentrates	2.3	2.4	-4.3 %	–	3.0 %	-7.3 %
Other products/services	52.2	48.2	8.5 %	0.4 %	0.4 %	7.7 %
<b>Total Americas</b>	<b>518.4</b>	<b>502.2</b>	<b>3.2 %</b>	<b>1.5 %</b>	<b>-2.6 %</b>	<b>4.3 %</b>

The business division Americas comprises the following markets: US, Canada, Mexico, Chile, Tunisia, Spain (excluding Lácteos Caprinos) and France.

Sales in the business division Americas rose from CHF 502.2 million to CHF 518.4 million in the first half of 2019, a year-on-year increase of 3.2 %. Adjusted for currency and acquisition effects, this corresponds to organic growth of 4.3 %. This value is in line with the full-year forecast from February 2019 of 4 % to 6 %. The US, Chile, Tunisia and Mexico markets were the main driver of the positive sales performance, with the business division Americas accounting for 31.2 % of Group sales.

The **cheese** segment generated sales of CHF 217.2 million, compared with CHF 199.7 million in the previous year. This corresponds to an increase of 8.8 %. The positive acquisition effect is due to the purchase of a blue cheese production facility in the US. In organic terms, sales grew by 2.8 %, boosted by the trading business of Mexideli, Emmi Roth sales of Swiss cheese, the goat's cheese business in the US and locally produced cheese in Chile.

Sales of **dairy products** declined from CHF 142.1 million to CHF 138.0 million, which, however, is attributable exclusively to negative currency effects. Adjusted for these currency effects, organic growth was 5.2 %, primarily a result of the good sales performance in Tunisia (milk, butter) and Chile (milk, cream).

Sales of **fresh products** fell by 2.6 % from CHF 103.9 million to CHF 101.2 million. This amounts to organic growth of 3.4 % when adjusted for the ongoing strong negative impact of currency effects. Positive influencing factors included gains in France with Italian dessert specialities, in Chile with yogurt and milkshakes, and in Spain with Emmi Caffè Latte. By contrast, sales growth was dealt a slight blow by only moderate sales in Spain of yogurts and yogurt drinks, hampered by persistently strong competition.

At CHF 7.5 million and CHF 2.3 million, respectively, sales of **fresh cheese** and **powder/concentrates** were of marginal importance for the division. The growth of 26.3 % (in organic terms, 22.7 %) in the fresh cheese segment is chiefly attributable to the positive performance of Mexideli (mozzarella and other fresh cheeses).

**Other products/services** posted an increase in sales of 8.5 % (7.7 % in organic terms), up from CHF 48.2 million to CHF 52.2 million.

## Sales development Europe

in CHF million	Sales 1HY 2019	Sales 1HY 2018	Difference 2019/2018	Acquisition effect	Currency effect	Organic growth
Fresh products	129.2	124.8	3.5 %	–	-3.5 %	7.0 %
Cheese	54.7	57.5	-5.0 %	–	-3.4 %	-1.6 %
Dairy products	46.8	57.8	-19.1 %	–	-2.9 %	-16.2 %
Fresh cheese	25.7	26.2	-1.7 %	–	-3.5 %	1.8 %
Powder/concentrates	21.2	15.5	37.5 %	–	-4.9 %	42.4 %
Other products/services	2.3	5.8	-61.1 %	–	-1.4 %	-59.7 %
<b>Total Europe</b>	<b>279.9</b>	<b>287.6</b>	<b>-2.7 %</b>	<b>–</b>	<b>-3.4 %</b>	<b>0.7 %</b>

The business division Europe comprises the markets of Italy, Germany, Austria, Belgium, the Netherlands, the UK and Lácteos Caprinos in Spain.

In the business division Europe, sales in the first half of 2019 were CHF 279.9 million, down 2.7 % on the prior-year figure of CHF 287.6 million. Excluding currency effects, which were negative overall, the result was moderate organic growth of 0.7 %, which is still below Emmi's full-year forecast of 1 % to 3 %. Significantly lower sales of dairy products at Gläserne Molkerei in Germany were the main reason for this contraction. The fresh products and powder/concentrates segments, by contrast, recorded substantial growth in terms of the division as a whole. The business division Europe accounted for 16.8 % of Group sales.

In **fresh products**, sales in the first half of 2019 climbed from CHF 124.8 million to CHF 129.2 million, a year-on-year increase of 3.5 %, or 7.0 % in organic terms. This result was boosted in particular by sales of Emmi Caffè Latte in all European markets as well as by dessert specialities in Italy. Onken yogurts, meanwhile, recorded declining sales in both Germany and the UK.

The **cheese** division posted sales of CHF 54.7 million. This represents a decrease of 5.0 % – or 1.6 % in organic terms – versus the previous year's figure of CHF 57.5 million, depressed primarily by declining exports of Emmentaler AOP from Switzerland to Italy. Individual cheese specialities, by contrast, for example Kaltbach in Germany, posted a positive performance.

Sales of **dairy products** fell by 19.1 % from CHF 57.8 million to CHF 46.8 million. In organic terms, the decrease was 16.2 %. The main contributing factor was significantly lower sales at Gläserne Molkerei in Germany, where a combination of decreased volumes of milk processed and a generally lower price for organic milk caused a considerable contraction in sales.

Sales of **fresh cheese** declined by 1.7 % from CHF 26.2 million to CHF 25.7 million. Adjusted for negative currency effects, this equates to organic growth of 1.8 %, driven primarily by higher sales of goat's milk fresh cheese at Bettinehoeve in the Netherlands.

Sales generated by the **powder/concentrates** segment rose from CHF 15.5 million to CHF 21.2 million, corresponding to growth of 37.5 %, or even 42.4 % in organic terms. This jump is primarily attributable to goat's milk powder sales at the trading company AVH dairy in the Netherlands.

In **other products/services**, the smallest product group in terms of figures, the business division Europe generated sales of CHF 2.3 million, compared with CHF 5.8 million the year before.

## Sales development Global Trade

in CHF million	Sales 1HY 2019	Sales 1HY 2018	Difference 2019/2018	Acquisition effect	Organic growth
Cheese	22.8	23.6	-3.3 %	–	-3.3 %
Fresh products	19.5	20.5	-4.8 %	–	-4.8 %
Powder/concentrates	9.7	8.1	19.4 %	–	19.4 %
Dairy products	1.7	2.1	-17.4 %	–	-17.4 %
Fresh cheese	0.1	0.3	-79.4 %	–	-79.4 %
Other products/services	0.7	0.1	588.3 %	–	588.3 %
<b>Total Global Trade</b>	<b>54.5</b>	<b>54.7</b>	<b>-0.4 %</b>	<b>–</b>	<b>-0.4 %</b>

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.

The business division Global Trade generated CHF 54.5 million in the first half of 2019. This is down 0.4 % year-on-year, when the figure stood at CHF 54.7 million.

The declines in the two key segments **fresh products** and **cheese** are primarily attributable to lower sales of yogurt drinks and fondue. The appreciation of the Swiss franc also had an adverse impact here. The rise in the area of **powder/concentrates** is a consequence of higher milk powder exports.

## Gross profit

**Gross profit** amounted to CHF 604.9 million in the period under review. This constitutes a slight increase of CHF 0.4 million over the prior-year level of CHF 604.5 million, which is positive in light of the decline in sales of CHF 11.5 million. Negative currency effects and the overall negative acquisition effects dented gross profit, meaning the positive development was due to organic growth, especially in the business division Americas, and the generally improved gross profit margin. The Group's **gross profit margin** was increased from 36.1 % to 36.4 %. The focus on strong market concepts and the consistent implementation of rationalisation and productivity measures once again played a key role in counteracting the heightened price pressure on the customer side.

## Operating result

Year-on-year **operating expenses** increased by CHF 3.6 million to CHF 447.0 million (previous year: CHF 443.4 million). Compared to net sales, they rose from 26.5 % to 26.9 %.

**Personnel expenses** fell in the first half of 2019 by CHF 0.7 million to CHF 231.4 million (previous year: CHF 232.1 million). This decline mirrored the development in sales, as a result of which the ratio between personnel expenses and sales remained constant at 13.9 %.

**Other operating expenses** amounted to CHF 215.6 million in the period under review, compared with CHF 211.3 million the year before. This equates to a year-on-year increase both in absolute terms (CHF 4.3 million) and in relation to sales. Marketing and sales expenses totalled CHF 63.3 million, thus remaining practically constant versus the prior-year period (CHF 63.2 million). Expenses for maintenance and repair also remained stable. Compared to this, expenses for logistics as well as for energy, operating material and supplies rose sharply in some areas and it proved a challenge to pass on the corresponding price increases to customers. Overall, total other operating expenses in relation to net sales were up year-on-year from 12.6 % to 13.0 %.

**Other operating income** came in at CHF 1.6 million, unchanged versus the prior-year period.

**Earnings before interest, taxes, depreciation and amortisation (EBITDA)** fell in the reporting period by CHF 3.1 million or 1.9 % to CHF 159.6 million, down from CHF 162.7 million in the previous year. The **EBITDA margin** contracted slightly from 9.7 % to 9.6 % owing to the disproportionate increase in other operating expenses versus sales.

**Depreciation** on property, plant and equipment recorded a marginal decline from CHF 48.4 million in 2018 to CHF 47.1 million in the period under review, attributable to the expiry of the useful lives of certain assets in Switzerland. This constitutes a slight decrease also as a proportion to sales, from 2.9 % the previous year to 2.8 % this year. **Amortisation** on intangible assets likewise fell slightly from CHF 19.4 million to CHF 19.1 million.

**Earnings before interest and taxes (EBIT)** were CHF 93.5 million in the period under review, CHF 1.5 million or 1.6 % below the previous year's EBIT of CHF 95.0 million. The **EBIT margin** also contracted slightly to 5.6 %, down from 5.7 % the year before.

## Non-recurring effects in the 2019 half-year results

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

In the prior-year period, by contrast, the sale of the minority stake in the US-based Icelandic Milk and Skyr Corporation (“siggi’s”) had a significant impact on the income statement, resulting in a pre-tax gain of CHF 78.2 million or CHF 56.9 million after taxes in the first half of 2018. The gain from this sale is included in the position “Income from associates and joint ventures”. This increased earnings before taxes (EBT) in the same period last year by CHF 78.2 million and net profit by CHF 56.9 million.

## Income from associates, financial result and income taxes

**Income from associates and joint ventures** practically broke even in the period under review. In year-on-year comparison after adjustment for the non-recurring effect from the sale of the minority stake in “siggi’s”, the result increased by CHF 1.4 million.

The **financial result** (net financial expenses) fell by CHF 0.2 million versus the previous year to CHF 3.0 million. The slight rise in net interest expenses was more than offset by lower currency losses and higher other financial income.

**Income taxes** amounted to CHF 14.5 million in the period under review, compared with adjusted income taxes of CHF 14.4 million in the first half of 2018. The tax rate for full year 2019 is forecasted at 16.0 %.

## Net profit

**Profit including minority interests** was CHF 76.0 million, on a par with the profit adjusted for the proceeds from the sale of the minority interest in “siggi’s” in the prior-year period.

The share of **minority interests** in profit totalled CHF 3.0 million, down CHF 0.9 million year-on-year.

After the deduction of minority interests, **net profit** was CHF 72.9 million, compared to the net profit of CHF 72.1 million in the same period of 2018 adjusted for the gain on the sale of the minority stake in “siggi’s”. Adjusted net profit rose by CHF 0.8 million or 1.1 % accordingly. The **net profit margin** was increased to 4.4 % (previous year, adjusted: 4.3 %). **Net profit per share** recorded a commensurate rise and at the end of the first half of 2019 stood at CHF 13.63 (previous year, adjusted: CHF 13.48).

## Assets, financing and cash flow

**Total assets** as at 30 June 2019 were down by 3.9 % or CHF 109.4 million compared with 31 December 2018 to CHF 2,711.1 million. This change is due mainly to the decrease in cash and cash equivalents resulting primarily from the repayment of a bond of CHF 100.0 million. **Operating net working capital** was CHF 522.5 million, up CHF 35.4 million versus 31 December 2018. By contrast, fixed assets declined by CHF 68.5 million, chiefly on the back of the reclassification of a loan previously recorded under loans and other receivables in the non-current assets to other receivables in the current assets. On the funding side, the reduction in current liabilities can be explained by the repayment of a bond of CHF 100.0 million, which was partially offset by the reclassification of a loan from non-current to current liabilities. The **equity ratio** rose to 61.9 %, up from 58.7 % as at 31 December 2018. This is a consequence of higher profit versus the distributed dividend in combination with lower total assets. **Net debt** thus contracted further from CHF 101.8 million as at 31 December 2018 to CHF 93.6 million as at 30 June 2019.

**Cash inflow from operating activities** amounted to CHF 103.2 million, a decrease of CHF 16.7 million compared with the previous year (CHF 119.9 million). The lower operating result and higher investments in net working capital were responsible for this development in approximately equal shares. Trade receivables and other receivables, prepayments and accrued income saw a less pronounced decrease overall compared with 31 December 2018 than in the prior-year period. Net working capital was also adversely affected by the sharper year-on-year reduction in trade payables. This is again attributable to the payment of trade payables at the end of 2017 to avoid negative interest rates. Conversely, the increase in other payables, accrued liabilities and deferred income was up and the increase in inventories slightly down on the prior-year period, which partially offset the negative repercussions of the change in net working capital. Overall, however, the development in net working capital resulted in a lower operating cash flow year-on-year. **Cash inflow from investing activities** recorded an outflow of CHF 47.7 million in the first half of 2019, compared with an inflow of CHF 39.1 million in the previous year, primarily as a result of the sale of the minority stake in "siggi's". A CHF 17.3 million higher outflow resulted due to investments in property, plant and equipment; added to this, the level of investment in the prior-year period was unusually low. Excluding the outflow of funds resulting from acquisition activities, the level of **free cash flow** generated in the first half of 2019 amounted to CHF 61.7 million, compared with CHF 94.3 million in the prior-year period. The lower operating cash flow and higher investments in fixed assets contributed to this development in approximately equal shares. **Cash outflow from financing activities** amounted to CHF 146.9 million in the first half of the year (previous year: CHF 45.5 million), attributable primarily to the repayment of a bond of CHF 100.0 million and dividend payments to shareholders and minority interests totalling CHF 49.0 million. Owing to the flows of funds described above, cash and cash equivalents declined compared with 31 December 2018 by CHF 93.9 million, from CHF 451.4 million to CHF 357.5 million.



## Outlook for 2019 as a whole

Emmi confirms its EBIT forecast of CHF 215 to 220 million for the 2019 financial year, yet expects slightly lower organic growth of 1.5 % to 2.5 % instead of 2 % to 3 %. This correction is chiefly due to lower sales at Gläserne Molkerei in Germany.

Emmi is positioning itself for ongoing strong competition in the second half of 2019. Pressure on prices in the Swiss retail business will remain high. The appreciation of the Swiss franc coupled with current political developments will also expose the company to substantial additional risks, which Emmi will counteract with its robustness and strong diversification.

Emmi made great strides in implementing its strategy in the first half of 2019 by strengthening important growth and niche markets. Moreover, important brand concepts such as Emmi Caffè Latte performed very well. It will, however, be very challenging to compensate for the decline in sales at Gläserne Molkerei.

Based on the current outlook, Emmi therefore forecasts organic sales growth for full year 2019 of 1.5 % to 2.5 % (previously 2 % to 3 %). Organic sales growth in Europe is expected to come in at -1.0 % to 1.0 %, down from the previous level of 1 % to 3 % in the wake of the developments at Gläserne Molkerei. Emmi is sticking to its current forecasts for the business divisions Switzerland and Americas.

Alongside its EBIT forecast communicated in February 2019, Emmi also confirms the net profit margin projected at that time of 4.7 % to 5.2 %.

# Consolidated income statement

in CHF 000s

	First 6 months 2019	%	First 6 months 2018	%
Sales of products	1,649,335		1,663,202	
Sales of services	13,958		11,569	
<b>Net sales</b>	<b>1,663,293</b>	<b>100.0</b>	<b>1,674,771</b>	<b>100.0</b>
Change in inventories of semi-finished and finished products	-4,104	0.2	-13,288	0.8
Cost of materials and services	-1,054,263	63.4	-1,057,004	63.1
<b>Gross operating profit</b>	<b>604,926</b>	<b>36.4</b>	<b>604,479</b>	<b>36.1</b>
<b>Other operating income</b>	<b>1,635</b>	<b>0.1</b>	<b>1,643</b>	<b>0.1</b>
Personnel expenses	-231,443	13.9	-232,097	13.9
Other operating expenses	-215,556	13.0	-211,341	12.6
<b>Operating expenses</b>	<b>-446,999</b>	<b>26.9</b>	<b>-443,438</b>	<b>26.5</b>
<b>Earnings before interest<sup>1)</sup>, taxes, depreciation and amortisation (EBITDA)</b>	<b>159,562</b>	<b>9.6</b>	<b>162,684</b>	<b>9.7</b>
Depreciation on property, plant and equipment	-47,112	2.8	-48,437	2.9
Amortisation on intangible assets	-19,071	1.2	-19,372	1.1
Write-back of negative goodwill	155		155	
<b>Earnings before interest<sup>1)</sup> and taxes (EBIT)</b>	<b>93,534</b>	<b>5.6</b>	<b>95,030</b>	<b>5.7</b>
Income from associates and joint ventures	-38		76,802	
Financial result	-3,047		-3,176	
<b>Earnings before taxes (EBT)</b>	<b>90,449</b>	<b>5.4</b>	<b>168,656</b>	<b>10.1</b>
Income taxes	-14,472		-35,755	
<b>Profit incl. minority interests</b>	<b>75,977</b>	<b>4.6</b>	<b>132,901</b>	<b>7.9</b>
Minority interests	-3,040		-3,863	
<b>Net profit</b>	<b>72,937</b>	<b>4.4</b>	<b>129,038</b>	<b>7.7</b>
<b>Earnings per share (diluted/basic in CHF)</b>	<b>13.63</b>		<b>24.12</b>	

<sup>1)</sup> 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

	30.06.2019	%	31.12.2018	%
Cash and cash equivalents	357,533		451,399	
Securities	3,323		2,500	
Trade receivables	375,923		424,112	
Other receivables	76,054		37,675	
Inventories	401,380		357,006	
Prepayments and accrued income	43,682		26,062	
<b>Current assets</b>	<b>1,257,895</b>	<b>46.4</b>	<b>1,298,754</b>	<b>46.0</b>
Investments in associates and joint ventures	65,490		63,853	
Loans and other receivables	18,549		52,366	
Securities	2,406		2,390	
Employer contribution reserves	2,049		2,048	
Deferred tax assets	10,348		10,443	
Total financial assets	98,842		131,100	
Prepayments and accrued income	3,077		6,225	
Property, plant and equipment	884,875		899,484	
Intangible assets	466,414		484,917	
<b>Non-current assets</b>	<b>1,453,208</b>	<b>53.6</b>	<b>1,521,726</b>	<b>54.0</b>
<b>Total assets</b>	<b>2,711,103</b>	<b>100.0</b>	<b>2,820,480</b>	<b>100.0</b>

## Liabilities and shareholders' equity

Bank overdrafts	27,159		21,526	
Finance lease liabilities	873		966	
Loans	48,364		2,790	
Bonds	–		100,000	
Trade payables	254,852		294,045	
Other payables	28,724		23,376	
Accrued liabilities and deferred income	159,798		149,293	
Provisions	4,204		10,245	
<b>Current liabilities</b>	<b>523,974</b>	<b>19.3</b>	<b>602,241</b>	<b>21.4</b>
Bank overdrafts	127,171		129,948	
Finance lease liabilities	969		1,092	
Loans	3,333		51,729	
Bonds	300,000		300,000	
Accrued liabilities and deferred income	5,135		1,329	
Provisions	72,094		77,570	
<b>Non-current liabilities</b>	<b>508,702</b>	<b>18.8</b>	<b>561,668</b>	<b>19.9</b>
<b>Liabilities</b>	<b>1,032,676</b>	<b>38.1</b>	<b>1,163,909</b>	<b>41.3</b>
Share capital	53,498		53,498	
Capital reserves	2,088		7,438	
Retained earnings	1,562,120		1,537,715	
<b>Shareholders' equity excl. minority interests</b>	<b>1,617,706</b>	<b>59.7</b>	<b>1,598,651</b>	<b>56.6</b>
Minority interests	60,721	2.2	57,920	2.1
<b>Shareholders' equity incl. minority interests</b>	<b>1,678,427</b>	<b>61.9</b>	<b>1,656,571</b>	<b>58.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,711,103</b>	<b>100.0</b>	<b>2,820,480</b>	<b>100.0</b>

# Consolidated cash flow statement

in CHF 000s

	First 6 months 2019	First 6 months 2018
Profit incl. minority interests	75,977	132,901
Net interest expense	2,763	2,393
Income taxes	14,472	35,755
Result from sale of fixed assets	-158	-446
Result from sale of investments/businesses	-254	–
Depreciation and amortisation	66,169	67,700
Impairment charges	14	109
Write-back of negative goodwill	-155	-155
Change in provisions	-10,384	-4,872
Income from associates and joint ventures	922	-76,802
Other non-cash adjustments	-1,474	-176
Cash flow before changes in net working capital, interest and taxes	147,892	156,407
Change in inventories	-43,124	-44,771
Change in trade receivables	39,964	46,179
Change in other receivables, prepayments and accrued income	-13,741	-5,810
Change in trade payables	-27,776	-22,297
Change in other payables, accrued liabilities and deferred income	33,012	22,098
Interest paid	-2,715	-1,823
Taxes paid	-30,326	-30,118
<b>Cash flow from operating activities</b>	<b>103,186</b>	<b>119,865</b>
Investments in property, plant and equipment	-44,116	-26,783
Proceeds from disposal of property, plant and equipment	1,627	862
Investments in intangible assets	-158	-1,940
Purchase of shares in associates and joint ventures	-739	–
Proceeds from sale of shares in associates	884	80,856
Acquisition of businesses/consolidated companies	-13,420	-16,177
Proceeds from sale of investments	7,108	–
Repayment of loans receivable	-183	257
Dividend received	203	704
Interest received	1,115	1,314
<b>Cash flow from investing activities</b>	<b>-47,679</b>	<b>39,093</b>
Change in other current financial liabilities	4,594	2,184
Change in other non-current financial liabilities	-2,503	8,011
Repayments of bonds	-100,000	–
Dividend paid to shareholders	-48,148	-53,498
Dividend paid to minority interests	-892	-2,214
<b>Cash flow from financing activities</b>	<b>-146,949</b>	<b>-45,517</b>
Currency translation	-2,424	4,486
<b>Net change in cash and cash equivalents</b>	<b>-93,866</b>	<b>117,927</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>451,399</b>	<b>212,605</b>
<b>Cash and cash equivalents at end of period</b>	<b>357,533</b>	<b>330,532</b>

# 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
<b>Shareholders' equity at 1 January 2018</b>	53,498	44,887	1,421,162	-63,329	1,357,833	<b>1,456,218</b>	65,019	<b>1,521,237</b>
Acquisition of minority interests	–	–	–	–	–	–	-5,314	<b>-5,314</b>
Profit incl. minority interests	–	–	129,038	–	129,038	<b>129,038</b>	3,863	<b>132,901</b>
Currency translation differences	–	–	–	-20,480	-20,480	<b>-20,480</b>	-1,707	<b>-22,187</b>
Dividend	–	-37,449	-16,049	–	-16,049	<b>-53,498</b>	-2,214	<b>-55,712</b>
<b>Shareholders' equity at 30 June 2018</b>	53,498	7,438	1,534,151	-83,809	1,450,342	<b>1,511,278</b>	59,647	<b>1,570,925</b>
<b>Shareholders' equity at 1 January 2019</b>	53,498	7,438	1,638,389	-100,674	1,537,715	<b>1,598,651</b>	57,920	<b>1,656,571</b>
Profit incl. minority interests	–	–	72,937	–	72,937	<b>72,937</b>	3,040	<b>75,977</b>
Currency translation differences	–	–	–	-5,734	-5,734	<b>-5,734</b>	653	<b>-5,081</b>
Dividend	–	-5,350	-42,798	–	-42,798	<b>-48,148</b>	-892	<b>-49,040</b>
<b>Shareholders' equity at 30 June 2019</b>	53,498	2,088	1,668,528	-106,408	1,562,120	<b>1,617,706</b>	60,721	<b>1,678,427</b>

# Segment reporting

in CHF 000s

Net sales by product groups and divisions	Switzerland		Americas		Europe		Global Trade		Group	
	1HY 2019	1HY 2018	1HY 2019	1HY 2018	1HY 2019	1HY 2018	1HY 2019	1HY 2018	1HY 2019	1HY 2018
<b>Dairy products</b>	<b>335,447</b>	327,776	<b>137,964</b>	142,109	<b>46,748</b>	57,778	<b>1,737</b>	2,103	<b>521,896</b>	529,766
As % of net sales	<b>41.4</b>	39.4	<b>26.6</b>	28.3	<b>16.7</b>	20.1	<b>3.2</b>	3.8	<b>31.4</b>	31.6
<b>Fresh products</b>	<b>166,965</b>	171,742	<b>101,203</b>	103,921	<b>129,195</b>	124,844	<b>19,518</b>	20,493	<b>416,881</b>	421,000
As % of net sales	<b>20.6</b>	20.7	<b>19.5</b>	20.7	<b>46.2</b>	43.4	<b>35.8</b>	37.5	<b>25.1</b>	25.1
<b>Cheese</b>	<b>193,867</b>	207,825	<b>217,252</b>	199,722	<b>54,653</b>	57,503	<b>22,767</b>	23,555	<b>488,539</b>	488,605
As % of net sales	<b>23.9</b>	25.0	<b>41.9</b>	39.7	<b>19.5</b>	20.0	<b>41.8</b>	43.1	<b>29.4</b>	29.2
<b>Fresh cheese</b>	<b>53,028</b>	54,435	<b>7,454</b>	5,902	<b>25,735</b>	26,190	<b>64</b>	311	<b>86,281</b>	86,838
As % of net sales	<b>6.5</b>	6.6	<b>1.4</b>	1.2	<b>9.2</b>	9.1	<b>0.1</b>	0.6	<b>5.2</b>	5.2
<b>Powder/ concentrates</b>	<b>29,377</b>	31,215	<b>2,296</b>	2,400	<b>21,278</b>	15,474	<b>9,675</b>	8,105	<b>62,626</b>	57,194
As % of net sales	<b>3.6</b>	3.8	<b>0.5</b>	0.5	<b>7.6</b>	5.4	<b>17.8</b>	14.8	<b>3.7</b>	3.4
<b>Other products and services</b>	<b>31,875</b>	37,313	<b>52,222</b>	48,132	<b>2,264</b>	5,820	<b>709</b>	103	<b>87,070</b>	91,368
As % of net sales	<b>4.0</b>	4.5	<b>10.1</b>	9.6	<b>0.8</b>	2.0	<b>1.3</b>	0.2	<b>5.2</b>	5.5
<b>Net sales</b>	<b>810,559</b>	830,306	<b>518,391</b>	502,186	<b>279,873</b>	287,609	<b>54,470</b>	54,670	<b>1,663,293</b>	1,674,771
As % of Group	<b>48.7</b>	49.5	<b>31.2</b>	30.0	<b>16.8</b>	17.2	<b>3.3</b>	3.3	<b>100.0</b>	100.0

Net sales by country group	1HY 2019	in %	1HY 2018	in %
Switzerland	<b>810,559</b>	<b>48.7</b>	830,306	49.5
Europe excl. Switzerland	<b>423,075</b>	<b>25.4</b>	440,586	26.3
North and South America	<b>330,259</b>	<b>19.9</b>	304,735	18.2
Africa	<b>68,029</b>	<b>4.1</b>	74,646	4.5
Asia/Pacific	<b>31,371</b>	<b>1.9</b>	24,498	1.5
<b>Total</b>	<b>1,663,293</b>	<b>100.0</b>	1,674,771	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, Canada, Chile, Mexico, Spain (excl. Lácteos Caprinos S.A.), France and Tunisia. The business division Europe incorporates those in Italy, Germany, Austria, Belgium, the Netherlands, the UK and Lácteos Caprinos S.A. in Spain. 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 2019. The consolidated interim financial statements for 2019 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 2018 consolidated financial statements.

Income taxes are calculated based on an estimate of the expected income tax rate for full year 2019. The consolidated half-year results should be read in conjunction with the consolidated financial statements compiled for the financial year ended 31 December 2018, 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 (CHF 000s).

The consolidated interim financial statements were approved by the Board of Directors of Emmi AG on 26 August 2019.

## Changes to the scope of consolidation or capital share

### Acquisition of a blue cheese production site in the US

On 28 February 2019, Emmi acquired a blue cheese production site from the Great Lakes Cheese Company in the US. The transaction included the acquisition of the production building in Seymour, Wisconsin, the related land and the production facilities. The some 50 employees at this production site currently produce almost 3.5 million kilograms of cheese every year.

### Sale of Emmi Frisch-Service AG

On 3 April 2019, Emmi sold its Swiss trading and supply company Emmi Frisch-Service AG to the Transgourmet Group. The negative impact on sales in 2019 amounts to approximately CHF 40 million. In addition, as a result of the transaction, around 160 employees joined the Transgourmet Group. The transaction did not have any significant impact on results.



**Acquisition of a majority stake in Leeb Biomilch GmbH and Hale GmbH**

On 2 June 2019, Emmi announced the acquisition of a 66 % stake in Austrian Leeb Biomilch GmbH and Hale GmbH. Leeb Biomilch GmbH has established a leading position in Europe for organic goat's and sheep's milk products in fresh and UHT milk, milk drinks and yogurt. Hale GmbH was founded in 2016 and distributes vegan organic products made from almonds, coconut and oats. The two companies employ some 50 people and generate annual sales of around EUR 15 million (approx. CHF 17 million). The closing of the transaction is subject to approval by the responsible competition authorities; the announcement therefore had no impact on the half-year results.

**Acquisition of a minority stake in NATUR-ALL BBVV-2018, S.L.U.**

On 17 June 2019, Kaiku Corporación Alimentaria, S.L. acquired a 25 % stake in Spain's NATUR-ALL BBVV-2018, S.L.U., which produces vegan drinks. Emmi has a 73 % stake in Kaiku Corporación Alimentaria, S.L.; Emmi considers NATUR-ALL to be an associated company.

**Increased stake and acquisition of control in Laticínios Porto Alegre Indústria e Comércio S.A.**

On 18 June 2019, Emmi announced an increase in its stake in Brazilian company Laticínios Porto Alegre Indústria e Comércio S.A. from 40 % to 70 %. Emmi has held a stake in the dairy since July 2017, which has continued to develop positively since then and is now among the top three largest dairies in its primary market of Minas Gerais. Laticínios Porto Alegre generated net sales of around BRL 630 million (approx. CHF 160 million) in 2018 and employs some 1,250 members of staff. The closing of the transaction is subject to approval by the local competition authorities; the announcement therefore had no impact on the half-year results.

**Changes in the 2018 financial year**

We refer to the consolidated financial statements 2018 for the changes to the scope of consolidation in the 2018 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 assumes that none of the disputes will have any fundamental negative impact on operating activities or on the Group's financial situation. Expected outgoing payments are provided for accordingly.

## Subsequent events

### Acquisition of Pasticceria Quadrifoglio S.r.l.

On 25 July 2019, Emmi announced its acquisition of Italian company Pasticceria Quadrifoglio S.r.l. The company is well established in its home market of Italy, both in food retail as well as in the food service sector in particular, and therefore strengthens Emmi's existing dessert network in Italy. It employs some 90 staff and generated net sales of around EUR 19 million (approx. CHF 21 million) in 2018. The closing of the transaction is subject to the approval of the relevant competition authorities.

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors of Emmi AG on 26 August 2019, no other major events occurred which could adversely affect the validity of the interim financial statements for 2019.

## Currency exchange rates in CHF

	First 6 months average rates		End rates	
	2019	2018	30.06.2019	31.12.2018
1 EUR	<b>1.13</b>	1.17	<b>1.11</b>	1.13
1 USD	<b>1.00</b>	0.97	<b>0.98</b>	0.98
1 GBP	<b>1.29</b>	1.33	<b>1.24</b>	1.25
1 CAD	<b>0.75</b>	0.76	<b>0.75</b>	0.72
1 TND	<b>0.33</b>	0.39	<b>0.34</b>	0.33
1 MXN	<b>0.05</b>	0.05	<b>0.05</b>	0.05
100 CLP	<b>0.15</b>	0.16	<b>0.14</b>	0.14
1 BRL	<b>0.26</b>	0.28	<b>0.25</b>	0.25

**Editing**

Emmi Group Communications & IR, Lucerne

**Concept, design, usability and realisation**

Farner Consulting AG, Zurich

**Technical realisation**

NeidhartSchön AG, Zurich

**Translation**

Lionbridge Switzerland AG, Basel

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

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**best dairy  
moments**