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Income statement

Operating section

Emmi generated net sales of CHF 3,457.4 million in 2018, a rise of 2.8 % compared with the previous year (CHF 3,364.3 million). In organic terms, i.e. adjusted for currency and acquisition effects, Group sales grew by 2.3 %.

This figure is within the target range of 1.5 % to 3.0 % confirmed by Emmi in August 2018. Sales drivers included Emmi Caffè Latte (Switzerland and international markets), Italian desserts, goat's milk products and dynamic development in the Tunisian and Chilean markets.

Acquisition effects are accounted for by the following factors:

Positive factors:
- Acquisition of Italian Fresh Foods (Italy, 1 March 2017)
- Increased stake in Mexideli (Mexico, 8 October 2017)

Negative factors:
- Sale of stake in Venchiaredo (Italy, 31 July 2017)
- Disposal of part of the trading goods business (Switzerland, 1 January 2018)

Sales development Switzerland

Sales by product group: Switzerland

in CHF million	Sales 2018	Sales 2017	Difference 2018/2017	Acquisition effect	Organic growth
Dairy products	676.4	662.0	2.2 %	–	2.2 %
Cheese	450.4	475.6	-5.3 %	-3.5 %	-1.8 %
Fresh products	341.7	343.9	-0.6 %	-0.4 %	-0.2 %
Fresh cheese	107.9	107.8	0.1 %	-6.0 %	6.1 %
Powder/concentrates	61.3	67.5	-9.2 %	–	-9.2 %
Other products/services	75.5	73.9	2.0 %	-4.9 %	6.9 %
Total Switzerland	**1,713.2**	**1,730.7**	**-1.0 %**	**-1.6 %**	**0.6 %**

Sales in the business division **Switzerland** were CHF 1,713.2 million, compared with CHF 1,730.7 million in the previous year. This corresponds to a decline of 1.0 %. Adjusted for divestment effects, sales grew by 0.6 %, slightly above the 0 % to 0.5 % forecasted by Emmi. In view of the continuing high price pressure on the customer side, this development is remarkable.

The divestment effect resulted from the sale of part of the trading goods business to Coop. Emmi took over the business in 1998 as part of its acquisition of the Coop cheese centre in Kirchberg in the canton of Berne. The part through which Coop maintains direct relationships with suppliers was sold back to Coop at the beginning of 2018. There were corresponding effects in the cheese, fresh products, fresh cheese and other products/services segments.

The good sales performance is due in part to the stronger Swiss retail business, which posted growth of around 2 % for the year as a whole (source: Nielsen). There was still considerable import and price pressure, however, impacting the cheese segment in particular. Around 2.9 % more cheese was imported from abroad in 2018 than in the previous year, with above-average rises in the fresh cheese and extra-hard cheese segments of 5.6 % and 8.7 % respectively (source: TSM Treuhand).

Dairy products (milk, cream, butter) posted significantly higher sales overall, primarily as a result of higher milk prices. In the **cheese** segment, Luzerner Rahmkäse and Le Petit Chevrier improved, while sales of fondue and AOP cheese fell. In **fresh products**, Emmi Caffè Latte and protein-enriched products saw sales increase, while Yoqua and private label products of retailers were down. **Fresh cheese** benefited from the warm summer, which boosted mozzarella sales.

The business division Switzerland accounted for 49.6 % of Group sales (previous year: 51.4 %).

Sales development Americas

Sales by product group: Americas

in CHF million	Sales 2018	Sales 2017	Difference 2018/2017	Acquisition effect	Currency effect	Organic growth
Cheese	444.9	404.0	10.1 %	5.5 %	-0.3 %	4.9 %
Dairy products	283.2	266.1	6.4 %	0.2 %	-2.2 %	8.4 %
Fresh products	206.1	196.8	4.7 %	0.2 %	-0.4 %	4.9 %
Fresh cheese	12.3	2.6	367.9 %	283.5 %	-10.0 %	94.4 %
Powder/concentrates	4.8	5.3	-9.6 %	0.1 %	-0.6 %	-9.1 %
Other products/services	93.0	75.0	24.0 %	24.8 %	0.4 %	-1.2 %
Total Americas	**1,044.3**	**949.8**	**10.0 %**	**5.2 %**	**-0.8 %**	**5.6 %**

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

It generated sales of CHF 1,044.3 million, breaking the billion barrier for the first time. Sales in the previous year were CHF 949.8 million, corresponding to an increase of 10.0 %. In organic terms, i.e. adjusted for currency and acquisition effects, they rose by 5.6 %. This figure is at the upper end of the forecasted range of 4 % to 6 %.

The positive acquisition effect is attributable to the increased stake in premium food importer Mexideli, which had an impact on the scope of consolidation.

The main reasons for the good organic growth were the pleasing sales performances in Tunisia, Chile and the US. In Tunisia, the products marketed under the Vitalait brand (yogurts, desserts, milk and cream) reported significantly higher sales, which had a positive effect on the **dairy and fresh products** segments. These were further strengthened by the good performance of US goat's milk products (fresh products) and the Chilean market (dairy products). Last year's upward trend in Chile was thus continued. In **fresh products**, Emmi Caffè Latte in Spain also made a positive contribution.

In the **cheese** segment, the pleasing performance of locally produced cow's milk cheese in the US was a particular highlight. Cheese exports from Switzerland also recorded an increase. Sales of goat's cheese remained stable despite Emmi deliberately withdrawing from one particular channel.

The price war on private label yogurts in Spain and in the packaged cheese segment in France had an inhibiting effect on sales.

The business division Americas accounted for 30.2 % of Group sales (previous year: 28.2 %).

Sales development Europe

Sales by product group: Europe

in CHF million	Sales 2018	Sales 2017	Difference 2018/2017	Acquisition effect	Currency effect	Organic growth
Fresh products	264.5	227.5	16.2 %	1.7 %	4.1 %	10.4 %
Cheese	127.8	125.0	2.2 %	–	3.8 %	-1.6 %
Dairy products	109.0	108.1	0.7 %	–	3.8 %	-3.1 %
Fresh cheese	51.0	69.8	-27.0 %	-30.4 %	2.8 %	0.6 %
Powder/concentrates	32.2	26.5	21.8 %	–	4.6 %	17.2 %
Other products/services	8.8	7.2	23.2 %	–	4.5 %	18.7 %
Total Europe	**593.3**	**564.1**	**5.2 %**	**-3.1 %**	**3.9 %**	**4.4 %**

In the business division **Europe**, sales rose by 5.2 % from CHF 564.1 million to CHF 593.3 million. In organic terms, i.e. adjusted for currency and acquisition effects, this resulted in growth of 4.4 %, exceeding Emmi's expectations. The company had forecasted sales growth of 2 % to 4 %.

The positive acquisition effects are attributable to the acquisition of Italian Fresh Foods (fresh products), while the negative acquisition effects are due to the sale of the stake in Venchiaredo (fresh cheese).

Decisive growth factors included the higher sales of Emmi Caffè Latte and Italian speciality desserts, which had a positive impact on the **fresh products** segment. Emmi Caffè Latte grew in all European markets, most strongly in Germany and the UK. All three dessert companies reported rising sales of Italian speciality desserts, which is very pleasing. The **cheese** segment recorded a slightly negative organic performance overall, primarily due to lower sales of AOP cheese. By contrast, sales of speciality cheeses (Kaltbach, Der Scharfe Maxx) in Germany developed positively.

Sales of organic milk from Gläserne Molkerei were subdued, leading to an organic decline in the **dairy products** segment.

Dutch firm AVH dairy, a trading company that is strong in the field of goat's milk specialities, also performed very well. The good development is reflected in the **powder/concentrates** segment.

The business division Europe accounted for 17.1 % of Group sales (previous year: 16.8 %).

Sales development Global Trade

Sales by product group: Global Trade

in CHF million	Sales 2018	Sales 2017	Difference 2018/2017	Acquisition effect	Organic growth
Cheese	50.5	49.0	3.2 %	-1.2 %	4.4 %
Fresh products	39.2	42.8	-8.4 %	–	-8.4 %
Powder/concentrates	10.8	14.9	-27.4 %	–	-27.4 %
Dairy products	4.0	10.9	-63.3 %	–	-63.3 %
Fresh cheese	0.4	0.4	-14.0 %	–	-14.0 %
Other products/services	1.7	1.7	2.3 %	–	2.3 %
Total Global Trade	**106.6**	**119.7**	**-10.9 %**	**-0.5 %**	**-10.4 %**

The business division **Global Trade** primarily comprises direct sales from Switzerland to customers in countries where Emmi has no subsidiaries. These include the Asian and eastern European markets, most South American countries and the Arabian Peninsula.

Sales amounted to CHF 106.6 million, compared with CHF 119.7 million in the previous year, resulting in a decline of 10.9 % or 10.4 % in organic terms.

The negative performance is mainly attributable to declining exports of butter and milk powder. By contrast, various high-value exports, particularly cheese to Russia, increased, largely offsetting the declining sales in China (milk and fresh products).

Global Trade accounted for 3.1 % of Group sales (previous year: 3.6 %).

Gross profit

Gross profit increased by CHF 52.0 million to CHF 1,252.9 million in the year under review, compared with CHF 1,200.9 million in the previous year. This increase is primarily due to the good organic growth in the business divisions Americas and Europe as well as an overall favourable development of exchange rates and acquisition effects. The gross profit margin also rose from 35.7 % to 36.2 %. This is attributable to the increasing importance of branded products within the product portfolio. The successful implementation of further rationalisation and productivity measures also helped to offset the negative effects of the persistently high price pressure.

Non-recurring effects in the consolidated financial statements

The sale of the minority stake in The Icelandic Milk and Skyr Corporation “siggi’s” had a significant impact on the income statement for the period under review. The sale resulted in a pre-tax gain of CHF 79.4 million or CHF 57.8 million after taxes. The gain from this sale is included in the position “Income from associates and joint ventures”. Accordingly, earnings before taxes (EBT) rose by CHF 79.4 million and net profit by CHF 57.8 million. This special effect was already taken into account in spring 2018 with the distribution of a special dividend.

No significant non-recurring effects were recorded in the previous year.

Operating result

Operating expenses rose by CHF 39.5 million or 4.6 % in 2018 to CHF 905.4 million, compared with CHF 865.9 million in the previous year. As operating expenses grew more strongly than sales, they increased in comparison to sales from 25.8 % to 26.2 %, meaning that part of the margin gain at gross profit level was lost.

Personnel expenses were CHF 458.5 million in the period under review, compared with CHF 443.2 million in 2017. Since the increase of 3.4 % was slightly disproportionate to the development in sales, the ratio of personnel expenses to sales rose from 13.2 % to 13.3 % in the period under review.

Other operating expenses rose by CHF 24.3 million or 5.7 % in the period under review to CHF 446.9 million, compared with CHF 422.6 million in the previous year. In organic terms, i.e. adjusted for currency effects and acquisitions, expenses increased by CHF 16.5 million or 3.9 %. At CHF 12.0 million or 12.4 %, the most significant increase was in logistic expenses. The main reasons for this are higher volumes and the considerable rise in transport costs in individual countries (for example in the US). Accumulated marketing and sales-related expenses amounted to CHF 127.9 million, compared with CHF 126.0 million in the previous year, which corresponds to an increase of 1.5 %. While administrative expenses fell by a pleasing CHF 1.9 million or 4.7 %, expenses for occupancy, maintenance and repair rose by CHF 4.1 million or 6.3 %. Other operating expenses also increased substantially, due in part to a significantly reduced need for provisions for ongoing legal disputes in the previous year.

Other operating income fell by CHF 0.4 million year-on-year to CHF 5.3 million.

As a consequence of this development, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** increased by CHF 12.1 million to CHF 352.8 million, from CHF 340.7 million in the previous year. As a result, the **EBITDA margin** increased from 10.1 % in 2017 to 10.2 %.

Depreciation and amortisation rose by CHF 1.2 million in the period under review, from CHF 135.2 million to CHF 136.4 million. The marginal increase is due to slightly higher amortisation of goodwill. Unlike the majority of listed firms applying Swiss GAAP FER, Emmi continues to amortise goodwill via the income statement. Depreciation on property, plant and equipment and amortisation of other intangible assets were virtually unchanged compared with the previous year.

Earnings before interest and taxes (EBIT) were CHF 216.7 million in the period under review, CHF 10.9 million or 5.3 % higher than the previous year's EBIT of CHF 205.8 million. The **EBIT margin** increased from 6.1 % in 2017 to 6.3 % in 2018.

Income from associates, financial result and income taxes

Income from associates and joint ventures totalling CHF 78.3 million includes the pre-tax gain made on the sale of the minority stake in The Icelandic Milk and Skyr Corporation “siggi’s” of CHF 79.4 million. Adjusted for this non-recurring effect, income from associates and joint ventures fell by CHF 4.7 million year-on-year. A major reason for this development is the loss of the profit share in “siggi’s” due to the sale of our minority stake.

The **financial result** (net financial expenses) was CHF 6.5 million and was thus significantly lower than in the previous year (CHF 10.4 million). This positive development is due to the significantly improved interest result, which in turn is mainly attributable to the successful refinancing of a bond in mid-2017.

Income taxes in the year under review amounted to CHF 50.2 million, of which CHF 21.6 million is attributable to the sale of the minority stake in The Icelandic Milk and Skyr Corporation “siggi’s”. Accordingly, income taxes adjusted for this non-recurring effect amounted to CHF 28.6 million, compared with CHF 30.3 million in the previous year. The adjusted tax rate was thus 13.7 % (previous year: 15.2 %), with the fall attributable to reductions in tax rates in a number of countries relevant to Emmi and a further increase in recognised deferred tax assets at companies with historical tax loss carryforwards.

Net profit

Profit including minority interests totalled CHF 238.3 million and was also affected significantly by the gain on the sale of the minority stake in The Icelandic Milk and Skyr Corporation “siggi’s”, which amounted to CHF 57.8 million after taxes. As a result, **adjusted profit including minority interests** amounted to CHF 180.5 million, up CHF 11.8 million from the previous year (CHF 168.7 million).

The reduction in **minority interests** from CHF 7.2 million in the previous year to CHF 5.0 million in the period under review is primarily attributable to the increased stakes in companies with minority interests in 2018.

Accordingly, net profit of CHF 233.3 million and **adjusted net profit** of CHF 175.5 million were reported for the period under review. This represents an increase of CHF 13.9 million or 8.6 % compared with the previous year’s net profit of CHF 161.6 million. The **adjusted net profit margin** rose from 4.8 % in 2017 to 5.1 %.

Assets, financing and cash flow

Total assets as at 31 December 2018 were up by 4.6 % or CHF 123.4 million compared with 31 December 2017 to CHF 2,820.5 million (previous year: CHF 2,697.1 million). This change is mainly due to the significant increase in cash and cash equivalents of CHF 238.8 million, which also benefited from the sale of the minority stake in The Icelandic Milk and Skyr Corporation “siggi’s”.

Operating net working capital (inventories as well as trade receivables and payables) was CHF 487.1 million, down slightly on the previous year (CHF 506.2 million) despite overall sales growth of 2.8 %. The instructed reduction in trade payables in 2017 to avoid negative interest rates also contributed to this.

By contrast, **non-current assets** declined substantially by CHF 105.2 million. The main reason for this was the low investments in the period under review. Both investments in intangible assets and investments in property, plant and equipment were significantly lower than amortisation and depreciation. With regard to intangible assets, it should be noted that no acquisitions were made in 2018 apart from a few purchases of minority interests, and that Emmi amortises goodwill in the income statement. We expect investing activities in property, plant and equipment to increase again in the coming year. Currency translation differences due to the strengthening of the Swiss franc against many of the currencies relevant to Emmi also made a significant contribution to the reduction in non-current assets.

With regard to financing, the reclassifications between short and long-term liabilities were primarily due to a bond issued in the amount of CHF 100 million, which will mature in June 2019. The **equity ratio** rose to 58.7 %, up from 56.4 % as at 31 December 2017. The main reason for this substantial increase is profit including minority interests, which at CHF 238.3 million more than compensated for dividend payments and negative currency effects. This development is also a consequence of the gain from the sale of the minority stake in Icelandic Milk and Skyr Corporation “siggi’s”. **Net debt** was significantly reduced in the period under review, from CHF 338.4 million at the end of 2017 to CHF 101.8 million as at 31 December 2018. The ratio of **net debt to EBITDA** was therefore low at 0.29 (previous year: 0.99).

Cash inflow from operating activities amounted to CHF 291.9 million in the period under review, a significant increase of CHF 40.2 million compared with the previous year (CHF 251.7 million). Cash flow before changes in net working capital, interest and taxes increased by CHF 16.4 million versus the previous year, essentially reflecting the operational improvement achieved at EBITDA level. The change in operating net working capital had a slightly positive impact on cash flow from operating activities overall in the period under review. This represents a significant improvement of CHF 49.5 million compared with the previous year. The instructed reduction in trade payables in 2017 to avoid negative interest rates was a major contributing factor. This effect will no longer occur in 2019. A further positive effect was visible in the change in trade receivables, which were neutral in 2018 following a significant increase in the previous year. Conversely, the change in other payables, accrued liabilities and deferred income had a negative impact. In addition, there was a significant increase in taxes paid, also as a result of the sale of the minority stake in The Icelandic Milk and Skyr Corporation “siggi’s”.

Cash outflow from investing activities amounted to CHF 5.7 million in the period under review, a significant reduction of CHF 468.6 million year-on-year (2017: CHF 474.3 million). The main reason for this was acquisition activities. Whereas the sale of the minority stake in The Icelandic Milk and Skyr Corporation “siggi’s” resulted in a net cash inflow from acquisition activities of CHF 62.6 million in the period under review, the previous year saw a cash outflow of CHF 398.1 million. Investments in property, plant and equipment were also lower in 2018. The cash outflow of CHF 80.3 million in the period under review corresponds to a reduction of CHF 16.0 million compared with the previous year.

Not including the cash flows resulting from acquisition activities, the level of **free cash flow** generated in 2018 thus amounted to CHF 223.6 million, compared with CHF 175.5 million in 2017.

Cash outflow from financing activities amounted to CHF 50.2 million in the period under review, compared with an inflow of CHF 26.6 million in the previous year. The cash outflow in the period under review resulted mainly from dividend payments of CHF 56.4 million (previous year: CHF 33.6 million), whereas in 2017 there was an overall positive cash flow from financing activities due to the refinancing in the middle of the year.

As a consequence of these cash flows, **cash and cash equivalents** rose from CHF 212.6 million to CHF 451.4 million in financial year 2018, a marked improvement of CHF 238.8 million.

Outlook 2019

The global economy lost considerable momentum in the second half of 2018. While the US economy continued to expand, the slowdown in growth in the EU was already clearly noticeable. Political issues such as the trade dispute between the US and China or Brexit are perceived as particular risks and could lead to greater uncertainty in the future. At the end of 2018 the European Central Bank forecasted weaker gross domestic product (GDP) growth of 1.7 % for the EU in 2019, down from 1.9 % in 2018.

In Switzerland, the State Secretariat for Economic Affairs (SECO) also revised its forecasts downwards at the end of 2018, but still anticipates moderate growth of 1.5 % for 2019. This is also expected to be achieved through rising consumption, especially in the food sector. Conditions in Switzerland remain challenging for Emmi, however. The competitive environment will continue to be tough, and some of the predicted increase in retail sales will be attributable to further growth in imports.

With regard to raw material prices, we expect milk to remain largely stable. The price level for the most important non-dairy raw materials (e.g. coffee and fruit) should be stable to slightly higher. We expect to see higher prices primarily for energy and transport and for packaging.

Markets

The considerable pressure exerted by imports and the price war in the retail trade will persist in Switzerland, and consumer tourism will remain a constant theme. Sales in the **business division Switzerland** will therefore remain under pressure, especially as the positive effect of a higher milk price will likely be eliminated in 2019. Emmi’s goal is to achieve stable to slightly higher organic sales in Switzerland through strong brand concepts.

Strong brands are also important success factors in the **business division Europe**. While it is currently very difficult to assess the impact of Brexit on Europe as a whole, we expect organic growth in the business division. The Italian dessert companies and goat’s milk products from the Netherlands are likely to play a key role here. Emmi is also hoping for a positive impact from exports of speciality cheeses and Emmi Caffè Latte from Switzerland.

In the **business division Americas**, we expect further significant growth in demand in Tunisia (milk, fresh products), the US (cheese, goat's milk specialities) and Chile (milk, fresh products) in 2019. Foreign currency effects in countries such as Chile, Mexico and Tunisia will remain an issue, however, as will the pressure in the business division's European markets Spain and France. The latter will again inhibit the business division's organic growth.

Sales and profit development

Emmi is robust and well diversified. Organic sales growth in line with medium-term forecasts should therefore be realistic for 2019.

To support earnings, Emmi will continue to pursue its efficiency programme and step this up in certain areas. The company therefore expects slightly higher profitability at Group level in 2019.

Emmi also confirms the medium-term sales growth forecast for the Group and the individual business divisions:
- Group 2 % to 3 %
- Switzerland 0 % to 1 %
- Americas 4 % to 6 %
- Europe 1 % to 3 %

Consolidated income statement

in CHF 000s

	Notes	2018	%	2017	%
Sales of products		**3,432,739**		3,338,561	
Sales of services		**24,673**		25,703	
Net sales	1	**3,457,412**	**100.0**	3,364,264	100.0
Change in inventories of semi-finished and finished products		**-17,582**	**0.5**	-12,263	0.4
Cost of materials and services		**-2,186,974**	**63.3**	-2,151,146	63.9
Gross operating profit		**1,252,856**	**36.2**	1,200,855	35.7
Other operating income	2	**5,338**	**0.2**	5,692	0.2
Personnel expenses		**-458,463**	**13.3**	-443,232	13.2
Other operating expenses	3	**-446,889**	**12.9**	-422,631	12.6
Operating expenses		**-905,352**	**26.2**	-865,863	25.8
Earnings before interest[1], taxes, depreciation and amortisation (EBITDA)		**352,842**	**10.2**	340,684	10.1
Depreciation on property, plant and equipment	4	**-96,973**	**2.8**	-97,140	2.9
Amortisation on intangible assets	4	**-39,456**	**1.1**	-38,027	1.1
Write-back of negative goodwill		**311**		310	
Earnings before interest[1] and taxes (EBIT)		**216,724**	**6.3**	205,827	6.1
Income from associates and joint ventures	5	**78,343**		3,613	
Financial result	6	**-6,497**		-10,387	
Earnings before taxes (EBT)		**288,570**	**8.3**	199,053	5.9
Income taxes	7	**-50,221**		-30,305	
Profit incl. minority interests		**238,349**	**6.9**	168,748	5.0
Minority interests		**-5,073**		-7,174	
Net profit		**233,276**	**6.7**	161,574	4.8
Earnings per share (diluted/basic in CHF)	8	**43.60**		30.20	

[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

Assets	Notes	31.12.2018	%	31.12.2017	%
Cash and cash equivalents		**451,399**		212,605	
Securities		**2,500**		1,661	
Trade receivables	9	**424,112**		432,729	
Other receivables	10	**37,675**		31,066	
Inventories	11	**357,006**		362,109	
Prepayments and accrued income	12	**26,062**		29,915	
Current assets		**1,298,754**	**46.0**	1,070,085	39.7
Investments in associates and joint ventures	31	**63,853**		71,539	
Loans and other receivables	13	**52,366**		59,018	
Securities		**2,390**		2,222	
Employer contribution reserves	21	**2,048**		2,048	
Deferred tax assets	7	**10,443**		10,908	
Total financial assets		**131,100**		145,735	
Prepayments and accrued income	12	**6,225**		5,869	
Property, plant and equipment	14	**899,484**		930,439	
Intangible assets	15	**484,917**		544,931	
Non-current assets		**1,521,726**	**54.0**	1,626,974	60.3
Total assets		**2,820,480**	**100.0**	2,697,059	100.0

Liabilities and shareholders' equity

Liabilities and shareholders' equity	Notes	31.12.2018	%	31.12.2017	%
Bank overdrafts	19	**21,526**		33,403	
Finance lease liabilities	19	**966**		1,331	
Bonds	19	**100,000**		–	
Loans	19	**2,790**		5,609	
Trade payables	16	**294,045**		288,659	
Other payables	17	**23,376**		23,301	
Accrued liabilities and deferred income	18	**149,293**		165,423	
Provisions	20	**10,245**		6,750	
Current liabilities		**602,241**	**21.4**	524,476	19.4
Bank overdrafts	19	**129,948**		120,306	
Finance lease liabilities	19	**1,092**		1,407	
Loans	19	**51,729**		49,647	
Bonds	19	**300,000**		400,000	
Accrued liabilities and deferred income	18	**1,329**		3,098	
Provisions	20	**77,570**		76,888	
Non-current liabilities		**561,668**	**19.9**	651,346	24.2
Liabilities		**1,163,909**	**41.3**	1,175,822	43.6
Share capital		**53,498**		53,498	
Capital reserves		**7,438**		44,887	
Retained earnings		**1,537,715**		1,357,833	
Shareholders’ equity excl. minority interests		**1,598,651**	**56.6**	1,456,218	54.0
Minority interests		**57,920**	**2.1**	65,019	2.4
Shareholders’ equity incl. minority interests		**1,656,571**	**58.7**	1,521,237	56.4
Total liabilities and shareholders' equity		**2,820,480**	**100.0**	2,697,059	100.0

Consolidated cash flow statement

in CHF 000s

	2018	2017
Profit incl. minority interests	**238,349**	168,748
Net interest expense	**4,824**	8,062
Income taxes	**50,221**	30,305
Result from sale of fixed assets	**-1,371**	-831
Result from sale of investments/businesses	**-79,425**	-397
Depreciation and amortisation	**134,871**	133,223
Impairment charges	**1,558**	1,944
Write-back of negative goodwill	**-311**	-310
Change in provisions	**2,499**	-2,130
Income from associates and joint ventures	**1,082**	-3,216
Other non-cash adjustments	**-405**	132
Cash flow before changes in net working capital, interest and taxes	**351,892**	335,530
Change in inventories	**-205**	-880
Change in trade receivables	**-444**	-23,042
Change in other receivables, prepayments and accrued income	**-5,688**	-3,302
Change in trade payables	**10,398**	-15,803
Change in other payables, accrued liabilities and deferred income	**-7,609**	10,353
Interest paid	**-7,928**	-11,359
Taxes paid	**-48,512**	-39,807
Cash flow from operating activities	**291,904**	251,690
Investments in property, plant and equipment	**-80,251**	-96,260
Proceeds from disposal of property, plant and equipment	**6,535**	5,875
Sale of securities	**640**	3,899
Investments in intangible assets	**-4,540**	-2,872
Purchase of shares in associates and joint ventures	**–**	-149,744
Proceeds from sale of shares in associates	**81,114**	2,056
Acquisition of consolidated companies	**-18,514**	-250,417
Repayment of loans receivable	**5,651**	7,930
Dividend received	**847**	3,492
Interest received	**2,837**	1,749
Cash flow from investing activities	**-5,681**	-474,292
Change in other current financial liabilities	**-9,836**	23,093
Change in other non-current financial liabilities	**16,027**	86,494
Repayments of bonds	**–**	-250,000
Proceeds from bond-issuance	**–**	200,613
Dividend paid to shareholders	**-53,498**	-31,564
Dividend paid to minority interests	**-2,923**	-1,998
Cash flow from financing activities	**-50,230**	26,638
Currency translation	**2,801**	1,687
Net change in cash and cash equivalents	**238,794**	-194,277
Cash and cash equivalents at beginning of period	**212,605**	406,882
Cash and cash equivalents at end of period	**451,399**	212,605

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 Jan. 2017	53,498	76,451	1,259,588	-67,983	1,191,605	**1,321,554**	184,465	**1,506,019**
Change in scope of consolidation	–	–	–	–	–	**–**	7,947	**7,947**
Acquisition of minority interests	–	–	–	–	–	**–**	-131,927	**-131,927**
Profit incl. minority interests	–	–	161,574	–	161,574	**161,574**	7,174	**168,748**
Currency translation differences	–	–	–	4,654	4,654	**4,654**	-642	**4,012**
Dividend	–	-31,564	–	–	–	**-31,564**	-1,998	**-33,562**
Shareholders' equity as at 31 Dec. 2017	53,498	44,887	1,421,162	-63,329	1,357,833	**1,456,218**	65,019	**1,521,237**
Capital increase of a group company	–	–	–	–	–	**–**	2,171	**2,171**
Acquisition of minority interests	–	–	–	–	–	**–**	-6,076	**-6,076**
Profit incl. minority interests	–	–	233,276	–	233,276	**233,276**	5,073	**238,349**
Currency translation differences	–	–	–	-37,345	-37,345	**-37,345**	-5,344	**-42,689**
Dividend	–	-37,449	-16,049	–	-16,049	**-53,498**	-2,923	**-56,421**
Shareholders' equity as at 31 Dec. 2018	53,498	7,438	1,638,389	-100,674	1,537,715	**1,598,651**	57,920	**1,656,571**

As at 31 December 2018, 5,349,810 registered shares with a par value of CHF 10 were issued (unchanged on the previous year). With regard to the rights associated with the shares, we refer to note 2 in the Corporate Governance report.

The accumulated non-distributable reserves amounted to CHF 37.0 million (previous year: CHF 36.9 million).

Notes to the financial statements

Principles of consolidation

General information

The Board of Directors of Emmi AG approved the Group financial statements on 27 February 2019. They are subject to the approval of the Annual General Meeting.

Accounting principles

The consolidated financial statements are based on the annual accounts of the Group companies for the year ending 31 December 2018, prepared on a uniform basis. The Group prepares its accounts in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations) and the provisions of Swiss law.

Valuation is based on historical cost (acquisition cost or production cost) or actual value. The section “Principles of valuation” contains the valuation principles of specific balance sheet items. The income statement is presented using the classification of expenses based on their nature. The consolidated financial statements are based on economic values and present a true and fair view of the company’s assets, financial position and results of operations. They are prepared under the assumption of going concern.

The consolidated financial statements are presented in Swiss francs (CHF). Except where stated otherwise, all amounts in the Financial Report are presented in thousands of Swiss francs.

Scope of consolidation

The consolidated financial statements include the annual accounts of Emmi AG as well as the Group companies in which Emmi AG directly or indirectly holds more than 50 % of the voting rights or where Emmi has a controlling influence over the financial and business policy of a company by contractual agreement. Investments in joint ventures and investments in associates where Emmi has significant influence (this is usually assumed when the Group owns 20 % to 50 % of the voting rights in the company) are accounted for using the equity method. Accounts based on or reconciliations to Swiss GAAP FER are used to calculate Emmi’s proportionate share in shareholders’ equity. Minority holdings in companies where Emmi does not have a significant influence are carried in the balance sheet at acquisition cost less any necessary adjustments for impairment. The consolidated companies are listed in the Notes to the Consolidated Financial Statements (note 31).

Changes to the scope of consolidation

The following changes to the scope of consolidation took place in the year under review. For changes of the capital share without impact on the scope of consolidation or on the consolidation method, please refer to note 31.

Consolidated companies		Currency	Capital in thousands	**Capital share 31.12.2018**	Capital share 31.12.2017
Servicios Logisticos Jundiz, S.L., Vitoria, Spain	Founded on 24.1.2018	EUR	102	**73 %**	–
Kaiku Internacional, S.L. Agencia en Chile, Santiago, Chile	Liquidated on 28.6.2018	CLP	–	**–**	73 %
Emmi Resume LLC, Delaware, US	Founded on 21.12.2018	USD	p.m.	**100 %**	–

Associates and joint ventures					
The Icelandic Milk and Skyr Corporation, New York, US	Sale on 1.2.2018	USD	–	**–**	22 %

Consolidation method

Capital is consolidated using the purchase method.

Assets and liabilities as well as expenses and income of the fully consolidated companies are included in their entirety. Minority interests in consolidated shareholders’ equity and in net profit are shown separately. All intercompany transactions and relations between the consolidated companies are offset against each other and eliminated. Profits on intercompany transactions are eliminated.

Companies and businesses acquired during the course of the year are consoliated as from the date of acquisition. The net assets acquired are revalued on the acquisition date at actual value. With the exception of goodwill, the fixed assets acquired are recognised on a gross basis. As part of the purchase price allocation, intangible assets are only recognised and revalued at actual value if they were already recognised in the balance sheet at the acquisition date. The difference between the purchase price and the interest in revalued net assets is recognised as goodwill in the balance sheet and amortised on a straight-line basis in the income statement over its useful life of 5 to 20 years. At Emmi, most of the goodwill positions have a useful life of 20 years, which is explained particulary by the long-term-oriented expansion of the international business. Any negative goodwill is recognised as a provision and is released in the income statement over a five-year period. In a business acquisition achieved in stages (step acquisition), the goodwill of each separate transaction is determined. Accordingly, the goodwill at the acquisition date consists of the sum of the goodwill generated on each separate transaction less goodwill amortisation. Companies sold during the year are excluded from the consolidated financial statements from the date of sale.

Minority interests acquired are likewise measured using the purchase method. Accordingly, the difference between the purchase price and the proportionate equity on the basis of Swiss GAAP FER is recognised as goodwill or negative goodwill.

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

Where interests in fully consolidated companies or companies accounted for using the equity method are sold, the difference between the proceeds of the sale and the proportionate book value including goodwill is presented as a gain or loss in the income statement.

Translation of foreign currencies[1)]

Foreign currency transactions in Group companies

The foreign currency transactions and items contained in the individual financial statements of the consolidated companies are translated as follows: foreign currency transactions are translated into the functional currency at the exchange rate valid on the transaction date (current rate). At year-end, monetary assets and liabilities in foreign currency are measured using the exchange rate valid at the balance sheet date, with any profit or loss from such valuation taken to the income statement. Foreign exchange gains and losses resulting from the measurement of intercompany loans that are part of the net investment in a subsidiary are recognised in equity.

Exchange differences resulting from the revaluation of shares in associates are recognised in equity.

Translation of financial statements to be consolidated

Group financial statements are presented in Swiss francs. Assets and liabilities of Group companies with a functional currency other than the Swiss franc are translated at year-end rates (rates on balance sheet date); equity is translated at historical rates, while the income statement and cash flow statement are translated using average rates for the year. Any resulting exchange differences are recognised in shareholders' equity.

Accumulated exchange differences of foreign companies recognised in equity resulting from the translation of annual statements and loans between Group companies that are part of the net investment in a subsidiary are derecognised upon sale of the company and repatriated in the income statement as part of the gain or loss resulting from the sale.

[1)] **Currency exchange rates in CHF**

	Annual average rates		Year-end rates	
	2018	2017	**31.12.2018**	31.12.2017
1 EUR	**1.16**	1.11	**1.13**	1.17
1 USD	**0.98**	0.98	**0.98**	0.98
1 GBP	**1.31**	1.27	**1.25**	1.32
1 CAD	**0.76**	0.76	**0.72**	0.78
1 TND	**0.37**	0.41	**0.33**	0.40
1 MXN	**0.05**	0.05	**0.05**	0.05
100 CLP	**0.15**	0.15	**0.14**	0.16
1 BRL	**0.27**	0.30	**0.25**	0.29

Cash flow statement

Cash and cash equivalents form the basis for the presentation of the cash flow statement. Cash flow from operating activities is presented using the indirect method.

Principles of valuation

Cash and cash equivalents

Cash and cash equivalents include cash, balances in postal giro and bank accounts, and short-term time deposits with a residual term of less than three months. They are valued at their nominal value.

Securities (current)

Listed securities (incl. OTC securities with a market price) are valued at the market values prevailing on the balance sheet date. Unlisted securities are valued at acquisition cost less any necessary adjustments for impairment.

Trade receivables

Trade receivables include short-term receivables with a residual term of up to one year arising from ordinary operating activities. These receivables are valued at their nominal values. Credit default risks are accounted for by specific and general allowances. General allowances are recognised for items that have not yet been considered with a specific allowance. The general allowance is based on the assumption that the default risk increases as the debt becomes increasingly overdue.

Inventories

Goods manufactured by the company itself are valued at production cost. Any lower net market value is taken into account (lower of cost or market principle). Merchandise and other stocks of goods are valued at the lower of average cost or net market price. Discounts are treated as purchase value reductions.

Financial assets

Financial assets include alongside non-consolidated investments securities held as long-term investments, long-term loans, employer contribution reserves and deferred tax assets. Securities held as long-term investments and loans are valued at cost less any necessary impairment. Employer contribution reserves are recognised at nominal value. For a description of the valuation principles of investments, refer to the consolidation principles, whereas for the valuation principles of deferred taxes, refer to the separate description within the valuation principles.

Property, plant and equipment

Property, plant and equipment are valued at purchase cost less depreciation and any necessary impairment. Company-produced additions to plant and equipment are only recognised if they are clearly identifiable and the costs reliably determinable, and they bring a measurable benefit to the company over the course of several years. Depreciation is calculated on a straight-line basis over the useful life of the fixed asset.

The useful lives of assets have been determined as follows:

Land	no depreciation
Administrative buildings and residential buildings	40 years
Industrial buildings, rock caves	25 to 40 years
Installations and fittings	15 years
Machinery and equipment	10 to 15 years
Business infrastructure	5 to 10 years
Vehicles	4 to 7 years
Company-produced additions to plant and equipment	5 years

Intangible assets

This item includes mainly EDP software, trademarks and goodwill from acquisitions. Intangible assets are recognised if they are clearly identifiable and the costs reliably determinable, and they bring a measurable benefit to the company over the course of several years. Intangible assets are valued at purchase cost less amortisation and any necessary impairment. Amortisation is calculated on a straight-line basis over the useful life and recognised in the income statement. The useful life of EDP software is 2 to 5 years. Goodwill from acquisitions and trademarks are amortised over 5 to 20 years. At Emmi, most goodwill has a useful life of 20 years, which is explained particulary by the long-term oriented expansion of the international business. The expected useful life of other intangible assets is determined on a case-by-case basis. The useful life is usually 5 years and in justified cases up to 20 years.

Impairment

The value of non-current assets is assessed on the balance sheet date for indicators of impairment. If there is evidence of any lasting reduction in value, the recoverable amount is calculated (impairment test). If the book value exceeds the recoverable amount, the difference is recognised in the income statement as an impairment charge.

Major goodwill items are tested for impairment annually, based on a value-in-use calculation. The value-in-use calculation is based on future cash flows for the next five years and the extrapolated values as of the sixth year. The figures used are part of the multi-year financial planning approved by the Board of Directors.

Government grants

Government grants relating to investments in property, plant and equipment are deducted from the carrying value of the assets once the conditions to receive the grant are fully met. Consequently, as of the date when the conditions are met, government grants are released to the consolidated income statement on a straight-line basis over the expected lives of the related assets. Government grants that are received as a compensation of costs are credited to the income statement in the period when the costs are recognised. Grants received for which the conditions are not fully met are recognised as liabilities.

Liabilities

Group liabilities are recognised at their nominal values.

Leasing

Leasing transactions are divided into finance leases and operating leases. A lease is classified as a finance lease if it essentially transfers all the risks and rewards of an asset incidental to ownership. The assets and liabilities arising out of finance leases are recognised in the balance sheet. Leasing liabilities arising out of operating leases that cannot be cancelled within one year are disclosed in note 25.

Provisions

Provisions are recognised if an event in the past gives rise to a justified, likely obligation which is of uncertain timing and amount, but which can be estimated reliably. Provisions are measured on the basis of the estimated amount of money required to satisfy the obligation.

Negative goodwill

After the values of the individual net assets acquired have been adjusted and all necessary restructuring provisions created, any remaining negative goodwill is recognised as a provision and released in the income statement over a five-year period. Negative goodwill is reported under current and non-current provisions depending on the expected release date.

Employee benefit plan liabilities

Employees and former employees receive various employee benefits and old age pensions which are provided in accordance with the laws of the countries in question.

The Swiss companies of Emmi Group are affiliated to the "Emmi Vorsorgestiftung" (legally independent pension scheme) or are members of collective occupational pension foundations provided by banks or insurance companies, which do not carry risk themselves. These pension schemes are financed by employer and employee contributions.

The economic impact of existing pension schemes on the Emmi Group is reviewed each year. An economic benefit is recognised if it is permitted and intended to use the surplus to decrease the future pension expenses of the company. An economic obligation is recognised if the conditions for recognising a provision are met. The employer contribution reserves available are recognised as assets. Similar to pension contributions, changes of economic benefits or economic obligations are recognised in the income statement under personnel expenses.

Deferred income taxes

The annual accrual of deferred income taxes is based on a balance-sheet oriented approach and takes all future income tax effects into account. The future tax rate valid on the balance sheet date for the tax subject in question is used for the deferred income tax calculation. Deferred income tax assets and deferred income tax liabilities are offset, provided they relate to the same tax subject and are levied by the same tax authority. Deferred income tax assets on temporary differences and on tax losses carried forward are only recognised if it is probable that they can be realised in future through sufficient taxable profits.

Derivative financial instruments

Emmi uses derivative financial instruments to hedge its currency, interest rate and commodity risks. Recognition of derivative financial instruments depends on the underlyings hedged. Derivatives used to hedge changes in the value of an underlying transaction already recognised in the financial statements are accounted for using the same valuation principle used for the underlying transaction hedged. Instruments for hedging future cash flows are not recognised in the balance sheet but disclosed in the Notes until the future cash flow is realised. Upon the occurrence of the future transaction or the disposal of the derivative instrument, the current value of the derivative financial instrument is recognised in the balance sheet and recorded in the income statement at the same time as the cash flow hedged. Any derivative financial instruments which are open as at the balance sheet date are disclosed in note 23 of the consolidated financial statements.

Net sales and revenue recognition

Net sales represent amounts received and receivable for goods supplied and for services rendered. Revenue from the sale of goods is recognised in the income statement at the moment when the significant risks and rewards of ownership of the goods have been transferred to the buyer, generally upon shipment. Revenue from services is recognised in the period when the services were rendered. Net sales consist of the amounts invoiced for products and services less credits, deductions and sales tax.

Research and development

Research and development costs are fully charged to the income statement. These costs are included under “Personnel expenses” and “Other operating expenses”.

Contingent liabilities

The probability and the potential economic impact of contingent liabilities are assessed at each balance sheet date. Based on that assessment, contingent liabilities are evaluated and disclosed in the Notes.

Notes to the consolidated financial statements

in CHF 000s

1. Segment reporting

Net sales by product groups and divisions	2018	Switzerland 2017	2018	Americas 2017	2018	Europe 2017	2018	Global Trade 2017	2018	Group 2017
Milk	**263,103**	254,830	**238,622**	231,128	**76,732**	77,440	**2,768**	2,881	**581,225**	566,279
Butter and margarine	**244,882**	239,560	**1,471**	1,160	**27,987**	27,001	**949**	6,856	**275,289**	274,577
Cream	**168,382**	167,564	**43,068**	33,771	**4,215**	3,689	**282**	1,144	**215,947**	206,168
Dairy products	**676,367**	661,954	**283,161**	266,059	**108,934**	108,130	**3,999**	10,881	**1,072,461**	1,047,024
As % of net sales	**39.5**	38.2	**27.1**	28.0	**18.4**	19.2	**3.7**	9.1	**31.0**	31.1
Fresh products	**341,736**	343,883	**206,126**	196,776	**264,509**	227,513	**39,169**	42,768	**851,540**	810,940
As % of net sales	**19.9**	19.9	**19.7**	20.7	**44.6**	40.3	**36.7**	35.7	**24.6**	24.1
Natural cheese	**397,531**	421,954	**424,986**	384,896	**109,971**	107,524	**43,901**	41,761	**976,389**	956,135
Processed cheese	**52,915**	53,676	**19,947**	19,094	**17,799**	17,492	**6,632**	7,250	**97,293**	97,512
Cheese	**450,446**	475,630	**444,933**	403,990	**127,770**	125,016	**50,533**	49,011	**1,073,682**	1,053,647
As % of net sales	**26.3**	27.5	**42.6**	42.5	**21.5**	22.1	**47.4**	40.9	**31.1**	31.3
Fresh cheese	**107,867**	107,767	**12,330**	2,636	**50,989**	69,826	**375**	436	**171,561**	180,665
As % of net sales	**6.3**	6.2	**1.2**	0.3	**8.6**	12.4	**0.4**	0.4	**5.0**	5.4
Powder/ concentrates	**61,337**	67,532	**4,819**	5,330	**32,220**	26,459	**10,825**	14,910	**109,201**	114,231
As % of net sales	**3.6**	3.9	**0.5**	0.6	**5.4**	4.7	**10.2**	12.5	**3.1**	3.4
Other products	**56,008**	53,575	**89,053**	71,695	**7,907**	5,516	**1,326**	1,268	**154,294**	132,054
Sales of services	**19,450**	20,378	**3,913**	3,269	**925**	1,651	**385**	405	**24,673**	25,703
Other products and services	**75,458**	73,953	**92,966**	74,964	**8,832**	7,167	**1,711**	1,673	**178,967**	157,757
As % of net sales	**4.4**	4.3	**8.9**	7.9	**1.5**	1.3	**1.6**	1.4	**5.2**	4.7
Net sales	**1,713,211**	1,730,719	**1,044,335**	949,755	**593,254**	564,111	**106,612**	119,679	**3,457,412**	3,364,264
As % of Group	**49.6**	51.4	**30.2**	28.2	**17.1**	16.8	**3.1**	3.6	**100.0**	100.0

Net sales by country group	2018	in %	2017	in %
Switzerland	**1,713,211**	**49.6**	1,730,719	51.4
Europe excl. Switzerland	**897,904**	**26.0**	887,049	26.4
North and South America	**650,678**	**18.8**	559,862	16.6
Africa	**146,617**	**4.2**	140,338	4.2
Asia/Pacific	**49,002**	**1.4**	46,296	1.4
Total	**3,457,412**	**100.0**	3,364,264	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.

2. Other operating income

	2018	2017
Gain on disposal of fixed assets	**1,446**	1,097
Miscellaneous operating income	**3,892**	4,595
Total	**5,338**	5,692

3. Other operating expenses

	2018	2017
Marketing and sales related expenses	**127,874**	126,005
Occupancy expense, maintenance and repair, leasing	**69,525**	65,413
Insurance, fees and HGV road tax	**17,256**	16,715
Energy, operating material and supplies	**66,168**	65,117
Administrative expenses	**37,357**	39,210
Logistic expenses	**108,001**	96,045
Other operating expenses	**20,708**	14,126
Total	**446,889**	422,631

4. Depreciation and amortisation

	2018	2017
Depreciation of property, plant and equipment	**96,025**	95,196
Impairment of property, plant and equipment	**948**	1,944
Amortisation of goodwill	**23,369**	22,508
Impairment of goodwill	**610**	–
Amortisation of other intangible assets	**15,477**	15,519
Total	**136,429**	135,167

Amortisation of goodwill related to investments which are accounted for using the equity method is included in the position “Income from associates and joint ventures” of the income statement.

5. Income from associates and joint ventures

Income from associates and joint ventures totalling CHF 78.3 million mainly includes the (pre-tax) gain made on the sale of the minority stake in “siggi’s” of CHF 79.4 million. Adjusted for this effect, income from associates and joint ventures amounted to CHF -1.1 million (previous year: CHF 3.6 million). A major reason for this development is the loss of the profit share in “siggi’s” due to the sale of our minority stake. Please refer to note 7 for the tax effect of the “siggi’s” transaction.

6. Financial result

	2018	2017
Interest income	**2,899**	1,740
Other financial income	**786**	262
Total financial income	**3,685**	2,002
Interest expense	**-7,723**	-9,802
Bank charges and fees	**-791**	-831
Total financial expenses	**-8,514**	-10,633
Total excl. currency result	**-4,829**	-8,631
Currency result	**-1,668**	-1,756
Financial result	**-6,497**	-10,387

7. Income taxes

	2018	2017
Current income taxes	**46,456**	39,681
Deferred income taxes	**3,765**	-9,376
Total	**50,221**	30,305
Average tax rate	**17.4 %**	15.2 %

The average tax rate adjusted for the tax effect on the sale of the minority stake in "siggi's" amounted to 13.7% in the reporting year.

Net accruals for current income taxes decreased from CHF 23.7 million in 2017 to CHF 22.6 million in 2018. Deferred income taxes are calculated for every company using the effective applicable tax rate. As at 31 December 2018, the resulting weighted average tax rate was 19.9 %. Adjusted for the above-mentioned non-recurring effect, the weighted average tax rate was 18.0 % (previous year: 18.1 %). Deferred income taxes include recognised tax claims from tax loss carryforwards amounting to CHF 8.5 million (previous year: CHF 13.0 million).

Details on change of tax claims from tax loss carryforwards	2018	2017
Recognised tax claims from tax loss carryforwards	**8,518**	12,969
Unrecognised tax claims from tax loss carryforwards	**9,178**	11,573
Total tax claims from tax loss carryforwards	**17,696**	24,542
Recognised tax claims from tax loss carryforwards at 1.1.	**12,969**	6,010
Additions	**331**	442
Utilisation	**-7,375**	-1,001
Reassessment	**2,868**	6,893
Other adjustments	**-275**	625
Recognised tax claims from tax loss carryforwards at 31.12.	**8,518**	12,969

The net change of recognised tax claims from tax loss carryforwards increased the income taxes of the current period by CHF 4.5 million.

8. Earnings per share

	2018	2017
Number of shares at 1.1.	**5,349,810**	5,349,810
Number of shares at 31.12.	**5,349,810**	5,349,810
Average number of shares	**5,349,810**	5,349,810
Net profit in CHF 000s	**233,276**	161,574
Earnings per share (in CHF)	**43.60**	30.20

Earnings per share is calculated by dividing the net profit attributable to the shareholders of Emmi AG by the average number of shares outstanding. Treasury shares (if any) are not included in the average number of shares outstanding.

Earnings per share of CHF 43.60 include the gain on the sale of the minority stake in Icelandic Milk and Skyr Corporation ("siggi's"). By excluding this non-recurring effect, earnings per share amount to CHF 32.80.

9. Trade receivables

	2018	2017
Third parties	**421,790**	426,424
Associates	**7,461**	10,569
Shareholders	**384**	344
Allowance for doubtful accounts	**-5,523**	-4,608
Total	**424,112**	432,729

10. Other receivables

	2018	2017
Third parties	**31,187**	27,838
Associates	**6,488**	3,228
Total	**37,675**	31,066

11. Inventories

	2018	2017
Finished products	**99,245**	89,695
Merchandise	**30,777**	30,518
Raw materials, semi-finished products and packaging material	**245,946**	250,406
Other inventories	**2,093**	2,013
Allowances for inventories	**-21,055**	-10,523
Total	**357,006**	362,109

12. Prepayments and accrued income

	2018	2017
Income taxes	**2,604**	4,421
Other – third parties	**29,497**	30,952
Other – associates	**168**	156
Other – shareholders	**18**	21
Other – related parties	**–**	234
Total	**32,287**	35,784
Thereof current prepayments and accrued income	**26,062**	29,915
Thereof non-current prepayments and accrued income	**6,225**	5,869

Other prepayments and accrued income consist mainly of various refunds, accrued promotion costs and prepayments for milk and insurance premiums.

13. Loans and other receivables

	2018	2017
Third parties	**43,240**	45,121
Associates	**9,126**	13,897
Total	**52,366**	59,018

The carrying amount of loans and other receivables from third parties includes impaired loans in the amount of CHF 1.7 million (previous year: CHF 3.6 million). Due to payments received for loans which were already impaired and reclassifications to currents assets, the total impairment on loans has been reduced by CHF 1.9 million in comparision with the previous year's reduction of CHF 0.6 million.

14. Property, plant and equipment

2018	Undeveloped land	Properties/ buildings	Machinery/ equipment	Tangible fixed assets under construction	Other tangible assets	Total
Purchase value at 1.1.2018	5,018	704,798	1,510,985	49,099	67,406	**2,337,306**
Additions	4,094	8,847	12,976	55,078	2,595	**83,590**
Disposals	–	-1,423	-53,386	–	-2,802	**-57,611**
Reclassification	1,921	5,883	52,249	-63,535	4,652	**1,170**
Currency translation differences	-123	-6,044	-17,812	-912	-1,591	**-26,482**
As at 31 December 2018	10,910	712,061	1,505,012	39,730	70,260	**2,337,973**
Accumulated depreciation at 1.1.2018	1,062	323,275	1,039,951	–	42,579	**1,406,867**
Depreciation		16,129	73,450	–	6,446	**96,025**
Impairment charges		389	544	–	15	**948**
Disposals		-1,051	-48,825	–	-2,570	**-52,446**
Reclassification		-238	1,190	–	218	**1,170**
Currency translation differences	-2	-2,287	-10,763	–	-1,023	**-14,075**
As at 31 December 2018	1,060	336,217	1,055,547	–	45,665	**1,438,489**
Net book value at 31 December 2018	9,850	375,844	449,465	39,730	24,595	**899,484**
Thereof finance leases	–	–	604	–	1,800	**2,404**

2017	Undeveloped land	Properties/ buildings	Machinery/ equipment	Tangible fixed assets under construction	Other tangible assets	Total
Purchase value at 1.1.2017	4,505	701,702	1,411,830	51,164	61,068	**2,230,269**
Change in scope of consolidation	363	6,147	6,931	6	2,465	**15,912**
Additions	–	6,106	15,325	68,456	6,373	**96,260**
Disposals	–	-11,139	-13,293	–	-7,289	**-31,721**
Reclassification	121	-4,329	82,330	-70,799	4,858	**12,181**
Currency translation differences	29	6,311	7,862	272	-69	**14,405**
As at 31 December 2017	5,018	704,798	1,510,985	49,099	67,406	**2,337,306**
Accumulated depreciation at 1.1.2017	1,058	316,278	949,901	–	43,014	**1,310,251**
Change in scope of consolidation	–	598	2,774	–	1,513	**4,885**
Depreciation	–	16,496	72,423	–	6,277	**95,196**
Impairment charges	–	39	1,696	–	209	**1,944**
Disposals	–	-6,777	-12,897	–	-7,003	**-26,677**
Reclassification	–	-6,164	19,904	–	-1,559	**12,181**
Currency translation differences	4	2,805	6,150	–	128	**9,087**
As at 31 December 2017	1,062	323,275	1,039,951	–	42,579	**1,406,867**
Net book value at 31 December 2017	3,956	381,523	471,034	49,099	24,827	**930,439**
Thereof finance leases	–	–	2,772	–	–	**2,772**

15. Intangible assets

2018	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value at 1.1.2018	83,145	72,365	507,194	111,002	618,196	17,035	**790,741**
Change in scope of consolidation	–	–	6,233	-3,753	2,480	–	**2,480**
Additions	–	4,380	–	–	–	28	**4,408**
Disposals	–	-1,654	–	–	–	-6,290	**-7,944**
Reclassification	-65	-404	–	–	–	-68	**-537**
Currency translation differences	-5,055	-661	-11,229	-12,395	-23,624	-396	**-29,736**
As at 31 December 2018	78,025	74,026	502,198	94,854	597,052	10,309	**759,412**
Accumulated amortisation at 1.1.2018	25,519	47,032	142,737	16,320	159,057	14,202	**245,810**
Change in scope of consolidation	–	–	–	-918	-918	–	**-918**
Amortisation	4,242	10,756	23,369	4,692	28,061	479	**43,538**
Impairment charges	–	–	610	–	610	–	**610**
Disposals	–	-1,654	–	–	–	-6,290	**-7,944**
Reclassification	-65	-404	–	–	–	-68	**-537**
Currency translation differences	-1,705	-416	-2,926	-826	-3,752	-191	**-6,064**
As at 31 December 2018	27,991	55,314	163,790	19,268	183,058	8,132	**274,495**
Net book value at 31 December 2018	50,034	18,712	338,408	75,586	413,994	2,177	**484,917**

All intangible assets were acquired. Amortisation of goodwill related to investments which are accounted for using the equity method is included in the position “Income from associates and joint ventures” of the income statement.

2017	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value at 1.1.2017	89,019	68,438	350,894	28,086	378,980	10,015	**546,452**
Change in scope of consolidation	93	–	143,059	88,739	231,798	352	**232,243**
Additions	5	2,703	–	–	–	164	**2,872**
Reclassification	-9,932	660	3,126	-3,126	–	6,646	**-2,626**
Currency translation differences	3,960	564	10,115	-2,697	7,418	-142	**11,800**
As at 31 December 2017	83,145	72,365	507,194	111,002	618,196	17,035	**790,741**
Accumulated amortisation at 1.1.2017	30,033	35,268	116,125	13,633	129,758	7,034	**202,093**
Change in scope of consolidation	53	–	–	–	–	125	**178**
Amortisation	4,153	10,810	22,508	3,340	25,848	556	**41,367**
Reclassification	-9,932	660	586	-586	–	6,646	**-2,626**
Currency translation differences	1,212	294	3,518	-67	3,451	-159	**4,798**
As at 31 December 2017	25,519	47,032	142,737	16,320	159,057	14,202	**245,810**
Net book value at 31 December 2017	57,626	25,333	364,457	94,682	459,139	2,833	**544,931**

16. Trade payables

	2018	2017
Third parties	**271,703**	267,309
Associates	**5,265**	4,012
Shareholders	**17,077**	17,170
Other related parties	**–**	168
Total	**294,045**	288,659

17. Other payables

	2018	2017
Third parties	**20,278**	20,391
Associates	**–**	36
Other related parties	**3,098**	2,874
Total	**23,376**	23,301

18. Accrued liabilities and deferred income

	2018	2017
Interest	**2,726**	2,931
Income taxes	**25,163**	28,083
Liabilities to employees and social security accruals	**33,855**	32,627
Contractual discounts	**48,724**	55,434
Other – third parties	**38,930**	48,333
Other – associates	**1,224**	1,113
Total	**150,622**	168,521
Thereof current accrued liabilities and deferred income	**149,293**	165,423
Thereof non-current accrued liabilities and deferred income	**1,329**	3,098

Other accrued liabilities and deferred income of the current and previous period comprise in particular contributions to cheese brand organisations, energy, advertising costs, HGV road tax and various services.

19. Financial liabilities

19.1 Bonds

Bond type	Bond with reopening option
Nominal amount	CHF 100 million
Securities number	36869774 / ISIN CH0368697741
Interest rate	Variable (CHF 3-month LIBOR plus 0.5 %, with floor at 0.00 % and cap at 0.05 %)
Term	21 June 2017 to 21 June 2019
Maturity	21 June 2019 at par value

The CHF 0.2 million expenses incurred in connection with the issuance of the bond were capitalised under prepayments and accrued income on 21 June 2017. This accrual will be released over the term of the bond. The issue price at 100.8 % led to an agio-revenue of CHF 0.8 million. The realisation of the capitalised agio resulted in an effective interest rate of -0.29 % on the bond.

Bond type	Bond with reopening option
Nominal amount	CHF 200 million
Securities number	21492608 / ISIN CH021492608
Interest rate	1.625 %
Term	12 July 2013 to 12 July 2023
Maturity	12 July 2023 at par value

The CHF 2.1 million expenses incurred in connection with the issuance of the bond were capitalised under prepayments and accrued income on 12 July 2013. This accrual will be released over the term of the bond. The actual interest rate on the bond is thereby increased from 1.625 % to 1.72 % per year.

Bond type	Bond with reopening option
Nominal amount	CHF 100 million
Securities number	36869775 / ISIN CH0368697758
Interest rate	0.5 %
Term	21 June 2017 to 21 June 2029
Maturity	21 June 2029 at par value

The CHF 0.4 million expenses incurred in connection with the issuance of the bond were capitalised under prepayments and accrued income on 21 June 2017. This accrual will be released over the term of the bond. The issue price at 100.4 % led to an agio-revenue of CHF 0.4 million. The actual interest rate on the bond is thereby increased from 0.50 % to 0.51 % per year.

19.2 Maturing structure of financial liabilities

2018	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	**Total**	Thereof secured by real property liens	Interest rate in %
Bank overdrafts	21,526	93,453	36,495	**151,474**	7,339	0.5 – 9.4
Finance lease liabilities	966	1,092	–	**2,058**	–	2.5 – 8.7
Loans from third parties	1,909	15,978	35,751	**53,638**	47,312	0.0 – 2.0
Loans from associates	881	–	–	**881**	–	2.0
Bonds	100,000	200,000	100,000	**400,000**	–	0.0 – 1.6
Total	125,282	310,523	172,246	**608,051**	54,651	–

Bank loans with residual terms of up to one year are usually set at variable interest rates. Bonds and the major part of the long-term financial debts are set at fixed terms. The bank loans linked to financial covenants such as net equity ratio and net-debt-to-EBITDA ratio were repayed in the year under review.

In the year under review, financial liabilities decreased by CHF 3.7 million. Additional financing was raised in Mexico, Spain and Tunisia. Emmi AG could repay the last Schuldscheine (promissory notes) of the 2011 issue in the amount of EUR 10 million. 67.0 % (previous year: 65.7 %) of the financing is denominated in Swiss francs, mainly through the three bonds in the amount of CHF 400.0 million. 20.1 % (previous year: 22.8 %) of the financial liabilities is denominated in Euro, 7.8 % (previous year: 7.8 %) in US dollars and 5.1 % (previous year: 3.7 %) in other currencies such as Chilean and Mexican peso or Tunisian dinar.

2017	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	**Total**	Thereof secured by real property liens	Interest rate in %
Bank overdrafts	33,403	83,586	36,720	**153,709**	6,190	0.0 – 10.0
Finance lease liabilities	1,331	1,407	–	**2,738**	–	2.5 – 9.0
Loans from third parties	876	11,269	38,378	**50,523**	47,526	0.0 – 5.4
Loans from associates	4,733	–	–	**4,733**	–	2.0
Bonds	–	100,000	300,000	**400,000**	–	0.0 – 1.6
Total	40,343	196,262	375,098	**611,703**	53,716	–

20. Provisions

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred income taxes	**Total provisions**
As at 1 January 2018	3,940	621	18,285	60,792	**83,638**
Additions	–	–	12,122	9,996	**22,118**
Utilisation	-1,403	–	-4,856	–	**-6,259**
Release	–	-311	-3,365	-7,042	**-10,718**
Currency translation differences	–	–	-661	-303	**-964**
As at 31 December 2018	2,537	310	21,525	63,443	**87,815**
Thereof current provisions	1,523	310	8,412	–	**10,245**
Thereof non-current provisions	1,014	–	13,113	63,443	**77,570**

The restructuring provisions relate in particular to anticipated costs in connection with the decision to reorganise business activities.

Other provisions include amongst other things liabilities for staff expenses in foreign countries as required by law (2018: CHF 6.8 million, 2017: CHF 5.1 million) and provisions for pending legal matters and business disputes (2018: CHF 2.9 million, 2017: CHF 4.4 million). In all cases, the likelihood of such events occurring has been assessed at above 50 %.

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred income taxes	**Total provisions**
As at 1 January 2017	2,901	931	21,001	65,890	**90,723**
Change in scope of consolidation	–	–	233	1,015	**1,248**
Additions	3,067	–	3,977	2,217	**9,261**
Utilisation	-2,028	–	-5,726	–	**-7,754**
Release	–	-310	-1,419	-8,556	**-10,285**
Currency translation differences	–	–	219	226	**445**
As at 31 December 2017	3,940	621	18,285	60,792	**83,638**
Thereof current provisions	404	310	6,036	–	**6,750**
Thereof non-current provisions	3,536	311	12,249	60,792	**76,888**

21. Employee benefit schemes

Employer contribution reserve (ECR)	Nominal value ECR 31.12.2018	Waiver of usage 31.12.2018	Other value adjustments 31.12.2018	Balance sheet 31.12.2018	Balance sheet 31.12.2017	Result from ECR in personnel expenses 2018	2017
Pension schemes without excess/ insufficient cover (domestic)	1,489	–	–	1,489	2,048	**–**	–
Pension schemes with excess cover (domestic)	559	–	–	559	–	**–**	–
Total	2,048	–	–	2,048	2,048	**–**	–

Economic benefit/economic obligation and pension expenses	Excess/ insufficient cover as per Swiss GAAP FER 26 31.12.2018	Economic benefit/obligation for the company 31.12.2018	31.12.2017	Change vs. previous year or taken to the income statement in the FY	Contributions limited to the period[1]	Pension expenses in personnel expenses 2018	2017
Welfare funds	32,500	–	–	–	–	**–**	–
Pension schemes without excess/insufficient cover (domestic)	–	–	–	–	19,784	**19,784**	19,370
Pension schemes without excess/insufficient cover (abroad)	–	–	–	–	2,586	**2,586**	1,788
Pension schemes with excess cover (domestic)	90	–	–	–	94	**94**	–
Total	32,590	–	–	–	22,464	**22,464**	21,158

[1] Including result from employer contribution reserves or comparable items in connection with pension schemes abroad.

Breakdown of pension expenses 2018	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	19,878	2,586	**22,464**
Contributions to pension plans from employer contribution reserves	–	–	**–**
Total contributions	19,878	2,586	**22,464**
Change in ECR due to asset performance, value adjustments, etc.	–	–	**–**
Contributions and change to employer contribution reserves	19,878	2,586	**22,464**
Increase in economic benefit to the company due to excess cover	–	–	**–**
Reduction in economic obligations of the company due to insufficient cover	–	–	**–**
Total change in economic impact arising from excess/insufficient cover	–	–	**–**
Pension expenses in personnel expenses for the period	19,878	2,586	**22,464**

Breakdown of pension expenses 2017	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	19,370	1,788	**21,158**
Contributions to pension plans from employer contribution reserves	–	–	**–**
Total contributions	19,370	1,788	**21,158**
Change in ECR due to asset performance, value adjustments, etc.	–	–	**–**
Contributions and change to employer contribution reserves	19,370	1,788	**21,158**
Increase in economic benefit to the company due to excess cover	–	–	**–**
Reduction in economic obligations of the company due to insufficient cover	–	–	**–**
Total change in economic impact arising from excess/insufficient cover	–	–	**–**
Pension expenses in personnel expenses for the period	19,370	1,788	**21,158**

22. Acquisitions

In the year under review, Emmi did not aquire new companies. In 2017, the acquired companies reported the following main balance sheet items at the date of acquisition:

	2017			
	Jackson-Mitchell, Inc.	Lácteos Caprinos S.A.	Italian Fresh Foods S.p.A.	Mexideli
Cash and securities	3,912	2,265	1,202	4,197
Trade receivables	2,713	452	3,729	6,108
Inventories	2,590	837	1,898	8,103
Other current assets	62	267	717	694
Non-current assets	2,594	2,598	5,077	1,025
Trade payables	566	579	1,975	5,948
Other current liabilities	1,182	607	1,688	980
Non-current liabilities	807	648	2,290	–
Shareholders' equity	9,316	4,585	6,670	13,199
Balance sheet total	11,871	6,419	12,623	20,127

On 4 January 2017, Emmi fully acquired the American family company Jackson-Mitchell, Inc., based in Turlock (US). This firm is a leading supplier of goat's milk and evaporated and powdered goat's milk in the US.

On 12 January 2017, Emmi acquired a stake of 80 % in Lácteos Caprinos S.A., based in Campillo de Arenas (Spain). This firm is specialised in the manufacture of semi-finished products (curd) for goat's cheese manufacturers.

On 1 March 2017, Emmi fully acquired Italian dessert specialist Italian Fresh Foods S.p.A., based in Lasnigo/Como (Italy).

On 8 October 2017, Emmi increased its stake in Mexideli 2000 Holding S.A. de C.V., based in Mexico City (Mexico), from 50 % to 51 % and consequently obtained control over it. Mexideli is Mexico's leading importer of premium food products – e.g. speciality cheese.

23. Unsettled derivative financial instruments

	31.12.2018			31.12.2017		
	Positive value	Negative value	Purpose	Positive value	Negative value	Purpose
Forward currency transactions	1,878	31	Hedging	757	2,016	Hedging
Other forward transactions	–	36	Hedging	–	189	Hedging
Total forward transactions	**1,878**	**67**	**–**	757	2,205	–
Thereof to hedge future cash flows	758	67	–	130	992	–
Total recognised in the balance sheet	**1,120**	**–**	**–**	627	1,213	–

Similar to the underlying transactions, currency forwards used to hedge future cash flows are not recognised in the balance sheet. The result of these derivative instruments is recognised in the income statement upon occurrence of the transaction hedged. Derivative financial instruments used to hedge balance sheet positions in foreign currencies are recognised as securities in the current assets or other payables in the current liabilities respectively. Corresponding changes in value are recognised in the financial result.

Emmi also has options to acquire additional shares in associates and joint ventures. At the same time, rights to sell their shares were granted to some counterparties. For these purchase and selling rights, the prices agreed are generally based on fair market value at the time of exercise. Currently, these options cannot be reliably measured and are therefore not recognised in the balance sheet.

24. Contingent assets and 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 significant negative impact on the operating activities or on the Group’s financial situation. Expected outgoing payments are provided for accordingly. Emmi is committed, in relation to the application for a government grant, to indemnify a third-party investor for damages up to a maximum of CHF 18.4 million (previous year: CHF 18.3 million) in case Emmi does not comply with the conditions attached to the grant. As at the date of the financial statements, the Group had no major contingent assets.

25. Pledged assets and off-balance sheet leasing/rental obligations

Pledged assets	**31.12.2018**	31.12.2017
Pledges on property, nominal values	**286,426**	281,287
Thereof used as security for own liabilities	**54,651**	53,634
Off-balance sheet leasing/rental obligations		
1 to 2 years	**18,657**	19,830
3 to 5 years	**19,195**	19,028
over 5 years	**24,407**	28,191
Total	**62,259**	67,049

26. Investment obligations and other off-balance sheet liabilities

	31.12.2018	31.12.2017
Investment obligations in connection with previously concluded agreements	**18,523**	5,916
Long-term commodity contracts	**1,117**	515
Cooperation agreements with suppliers/customers	**p.m.**	p.m.

Furthermore, there are milk purchase agreements which are not quantifiable.

The long-term commodity contracts are purchase agreements for coffee which will be settled at the market price valid in the period of delivery.

27. Transactions with related parties

Business transactions with related parties are based on arm's length conditions. All transactions are reported in the consolidated financial statements for 2018 and 2017, and consist of deliveries of products and raw materials, loans, and services to and from related parties. The corresponding receivable and payable balances are reported separately in these financial statements (see notes 9, 10, 12, 13, 16, 17, 18 and 19).

Transactions with associates	**2018**	2017
Net sales	**23,051**	25,321
Cost of materials and services	**35,111**	61,703
Other expenses	**2,483**	2,655
Financial income	**259**	474
Financial expense	**–**	86

Transactions with shareholders	**2018**	2017
Net sales	**4,613**	4,187
Cost of materials and services	**190,583**	187,397
Other expenses	**30**	17

Transactions with other related parties	**2018**	2017
Net sales	**1,048**	3,850
Cost of materials and services	**1,288**	3,035
Other expenses	**293**	162

Milk purchases from the main shareholder are included in cost of materials under transactions with shareholders. These are made at arm's length conditions. Emmi Group is jointly and severally liable within the scope of VAT Group taxation for the associated liabilities of the Genossenschaft Zentralschweizer Milchproduzenten ZMP and ZMP Invest AG.

Part of the purchase price for the minority interest in Mittelland Molkerei AG acquired in the previous year was paid to the seller, AZM Verwaltungs AG, in the form of shares in Emmi AG. For this purpose, Emmi purchased 61,132 shares at market value from its main shareholder, ZMP Invest AG.

Other transactions

The compensation paid to members of the Board of Directors and Group Management is disclosed in the compensation report of Emmi AG.

28. Shareholders

Nominal capital	31.12.2018	%	31.12.2017	%
ZMP Invest AG , Lucerne[1)]	**28,488**	**53.2**	28,476	53.2
Zentralschweizer Milchkäuferverband, Willisau[1)]	**2,250**	**4.2**	2,250	4.2
MIBA Milchverband der Nordwestschweiz, Aesch (BL)[1)]	**1,810**	**3.4**	1,811	3.4
Other	**20,950**	**39.2**	20,961	39.2
Total	**53,498**	**100.0**	53,498	100.0

1) ZMP Invest AG , Lucerne, the Zentralschweizer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Aesch (BL), form a group in the sense of Article 121 of the FMIA. The Group owns 60.8 % (previous year: 60.8 %) of the total voting rights.

As at 7 June 2016, Capital Group Companies Inc. informed us that it owned 268,500 shares of Emmi AG (5.019 %). No further disclosure notifications have been made since.

As at 31 December 2018, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares of Emmi AG (unchanged to previous year).

29. Risk management and internal controls

The Board of Directors of Emmi AG has the ultimate responsibility for risk management, while implementation is delegated to Group Management. Irrespective of the type of risk, there is a generally applicable risk management process. As part of a formal process, significant business risks are assessed in workshops and individual interviews according to the extent of the potential damage and their likelihood of occurrence. This process is divided into two sub-processes: risk analysis and definition of measures. The first sub-process includes risk identification, assessment and classification. Risks are classified according to whether they are strategic, operational, financial or compliance-related. The second sub-process, definition of measures, covers how to deal with risks and the creation of a catalogue of measures per risk, as well as risk reporting.

The Board of Directors of Emmi AG approved the risk assessment in the year under review and monitors implementation of the measures defined by Group Management. No exceptional risks that went beyond normal limits were identified during the assessment. The process is repeated annually. The following risks, among others, were identified as significant risks to the Emmi Group:

- Milk price difference internationally: The milk price difference between Switzerland and other countries continues to have a negative impact on the sales of domestically produced products both in Switzerland, as the volume of imported milk products increases, and abroad. Although full liberalization of the Swiss milk market remains a long-term risk, this is absorbed through targeted and sustainable growth abroad. Any risks related to the international growth of the Emmi Group are minimized by strictly focusing on the strategy and its implementation.
- Currency risk: Although currency movements are currently less volatile than in previous years, in particular uncertainties related to Brexit and the corresponding impact on the British pound continue to be a risk for the Group. We aim to achieve natural hedges with purchases in foreign currencies. Furthermore, in-line with the Emmi strategy, expenditure and production in foreign currency zones are being increased through capital expenditures and acquisitions.
- Price pressure: National and international product tenders, as well as a potentially successful market launch of milk alternatives, threaten to result in price erosion, which could lead to a loss of margin mainly for generic products. If the prices of Emmi products remain stable in foreign currency, this may lead to a margin loss. If prices increase, market shares might be lost. However, the successfully established Emmi brands offer long-term value creation potential.

- Trade agreements: The drafting of trade agreements in countries in which Emmi operates presents both opportunities and risks for the company. Switzerland is currently engaged in various talks aimed at negotiating new trade agreements or renegotiating existing ones, but progress is slow. As a result, the Swiss dairy industry is increasingly lagging behind its competitors – especially those from the European Union – on the international market in terms of market access conditions. Negotiations that are unfavourable for Emmi could potentially also lead to heavy import pressure in Switzerland. A suspension of the bilateral agreements with the European Union would make it harder for Swiss export products to gain access to the market (e.g. due to the reintroduction of customs duties on cheese), posing a considerable risk. Meanwhile, the future structure of trade agreements between the European Union and the UK could also have significant ramifications for Emmi.

The Emmi Group is exposed to various financial risks through its business activities, including credit, liquidity and other market risks. Credit risks are managed by means of continual monitoring of day-to-day business and appropriate risk assessment when closing a transaction. Liquidity risk is managed by means of central cash management, which ensures that the planned liquidity requirement is covered by corresponding financing agreements. Other market risks, such as currency and interest rate risks, are partially hedged using derivative instruments. The non-hedged part is consciously borne as a risk. The currencies which are of particular relevance to the Emmi Group are the Euro, the US dollar and the British pound.

To ensure that the consolidated financial statements comply with the applicable accounting standards and are reported accurately, the Emmi Group has set up effective internal control and management systems, which are reviewed regularly. The accounting and valuation include estimates and assumptions regarding the future. These are based on the knowledge possessed by the respective employees and are regularly examined with a critical eye. Where a financial position includes a major valuation uncertainty that could lead to a significant change in the carrying amount, this uncertainty is disclosed accordingly in the Notes. However, no risks that could lead to a significant correction to the company's assets, financial position or results of operations as reported in the annual accounts were identified as at the balance sheet date.

30. Subsequent events

Acquisition of a blue cheese production site in the US

On 4 January 2019, Emmi announced the purchase of a blue cheese production site from the Great Lakes Cheese Company in the US. Emmi is thus gaining capacity and know-how for the production of blue cheese in the US and at the same time extending its value chain. The transaction includes the factory, the related land and the production facilities in Seymour, Wisconsin. The 50 employees at the production site currently produce almost 3.5 million kilograms of cheese. The transaction is expected to be completed in the first quarter of 2019.

Sale of Emmi Frisch-Service AG

On 31 January 2019, Emmi announced that it will sell its Swiss trading and supply company Emmi Frisch-Service AG to the Transgourmet Group. The sales of this company amount to approximately CHF 110 million on a full-year basis. In addition, around 160 employees will join the Transgourmet Group. Emmi does not expect this transaction to have a significant impact on the Group’s results in the following year. The completion of the transaction is subject to the approval of the Swiss Competition Commission.

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 27 February 2019, no other major events occurred which could have adversely affected the validity of the financial statements for 2018 or which would have to be disclosed.

31. Summary of consolidated companies, associates and joint ventures

Consolidated companies	Head office	Function	Currency	Capital in 000s 31.12.2018	**Capital share 31.12.2018**	Capital share 31.12.2017
Switzerland						
Emmi AG	Lucerne	Holding	CHF	53,498	**100 %**	100 %
Baumann Käse AG	Zollikofen	Trade	CHF	100	**100 %**	100 %
Emmi Finanz AG	Lucerne	Service	CHF	100	**100 %**	100 %
Emmi Fondue AG	Langnau i.E.	Production	CHF	15,000	**100 %**	100 %
Emmi Frisch-Service AG	Schlieren	Trade	CHF	1,000	**100 %**	100 %
Emmi International AG	Lucerne	Service	CHF	5,000	**100 %**	100 %
Emmi Management AG	Lucerne	Service	CHF	500	**100 %**	100 %
Emmi Schweiz AG	Lucerne	Prod. and trade	CHF	5,700	**100 %**	100 %
FDS Fromagerie de Saignelégier SA	Saignelégier	Production	CHF	1,050	**86 %**	86 %
Fromco S.A. Moudon	Moudon	Production	CHF	2,100	**60 %**	60 %
Holding der Schweizerischen Milchproduzenten AG	Münchenbuchsee	Service	CHF	100	**100 %**	100 %
Käserei Studer AG[1]	Hefenhofen	Prod. and trade	CHF	720	**100 %**	100 %
Lesa Lataria Engiadinaisa SA	Bever	Prod. and trade	CHF	1,500	**80 %**	80 %
Mittelland Molkerei AG	Suhr	Production	CHF	20,000	**100 %**	100 %
Molkerei Biedermann AG	Bischofszell	Prod. and trade	CHF	1,010	**100 %**	100 %
MOPRO Luzern AG	Lucerne	Service	CHF	120	**100 %**	100 %
Regio Molkerei beider Basel AG	Frenkendorf	Production	CHF	3,000	**80 %**	80 %
Studer Holding AG[1]	Hefenhofen	Service	CHF	–	**–**	100 %
Studer Käsemarketing AG[1]	Hefenhofen	Service	CHF	–	**–**	100 %
Sweet Port Services SA	Lugano	Trade	CHF	250	**100 %**	100 %
Swissexport, Aktiengesellschaft Schweizerischer Käseexporteure	Berne	Service	CHF	100	**79 %**	79 %
Spain						
Admilac Servicios Profesionales, S.L.	San Sebastian	Service	EUR	3	**73 %**	73 %
Altamira Alimentaria, S.L.	Renedo	Trade	EUR	3	**73 %**	73 %
Kaiku Corporación Alimentaria, S.L.	San Sebastian	Service and trade	EUR	82,110	**73 %**	73 %
Kaiku Internacional, S.L.	San Sebastian	Service and trade	EUR	61,632	**73 %**	73 %
Lácteos Caprinos S.A.	Campillo de Arenas	Prod. and trade	EUR	600	**80 %**	80 %
Lácteos de Navarra, S.L.	Pamplona	Production	EUR	9,647	**73 %**	73 %
Llet Nostra Alimentaria, S.L.	Barcelona	Trade	EUR	2,764	**33 %**	36 %
SDA Bilbao, S.L.	Bilbao	Service	EUR	3	**73 %**	73 %
SDA Catalunya	Barcelona	Trade	EUR	3	**53 %**	55 %
SDA Guipuzcoa, S.L.	Bilbao	Service	EUR	3	**73 %**	73 %
Servicios Logisticos Jundiz, S.L.[2]	Vitoria	Service	EUR	102	**73 %**	–
Kaiku Km0, S.L.	Bilbao	Service and trade	EUR	625	**73 %**	73 %
Soc. Servicios Logísticos SDA Central, S.L.	Bilbao	Service	EUR	3	**73 %**	73 %
Tecnología y Calidad Láctea, S.L.	San Sebastian	Service	EUR	3	**73 %**	73 %

1) Käserei Studer AG and Studer Käsemarketing AG were merged into Studer Holding AG on 20 June 2018, retroactive to 1 January 2018. Afterwards, Studer Holding AG was renamed to Käserei Studer AG.

2) Servicios Logisticos Jundiz, S.L. was founded on 24 January 2018.

Consolidated companies	Head office	Function	Currency	Capital in 000s 31.12.2018	**Capital share 31.12.2018**	Capital share 31.12.2017
Netherlands						
AVH dairy trade B.V.	Bergen	Prod. and trade	EUR	18	**90 %**	75 %
Bettinehoeve B.V.	Etten-Leur	Prod. and trade	EUR	18	**60 %**	60 %
Emmi Benelux B.V.	Tiel	Trade	EUR	523	**100 %**	100 %
Emmi Finance Netherlands B.V.	Tiel	Service	EUR	p.m.	**100 %**	100 %
Goat Milk Powder B.V.	Etten-Leur	Production	EUR	1	**54 %**	45 %
Rachelli International B.V.	Amsterdam	Trade	EUR	18	**100 %**	100 %
Germany						
Emmi Deutschland GmbH	Essen	Trade	EUR	75	**100 %**	100 %
Gläserne Molkerei GmbH[3)]	Dechow	Prod. and trade	EUR	375	**100 %**	100 %
Gläserne Molkerei Münchehofe GmbH[3)]	Münchehofe	Prod. and trade	EUR	100	**100 %**	100 %
Hofmolkerei Münchehofe GmbH	Münchehofe	Trade	EUR	25	**100 %**	100 %
Meierei Mecklenburg GmbH[3)]	Dechow	Trade	EUR	–	**–**	100 %
Molkerei Biedermann GmbH	Constance	Trade	EUR	25	**100 %**	100 %
Rutz Käse GmbH	Constance	Trade	EUR	25	**100 %**	100 %
Italy						
A-27 S.p.A.	Rancio Valcuvia	Prod. and trade	EUR	1,000	**100 %**	100 %
Emmi Dessert Italia S.p.A.[4)]	Milan	Trade	EUR	1,000	**100 %**	100 %
Emmi Holding Italia S.r.l.	Milan	Service	EUR	1,714	**100 %**	100 %
Emmi Italia S.p.A.	Milan	Trade	EUR	500	**100 %**	100 %
Italian Fresh Foods S.p.A.	Lasnigo	Prod. and trade	EUR	202	**100 %**	100 %
Rachelli Italia S.r.l.	Pero	Production	EUR	52	**100 %**	100 %
France						
Distribution Frais Disfrais SAS[5)]	Avignon	Trade	EUR	192	**85 %**	51 %
EAF Immo 84 SCI[5)]	Nice	Service	EUR	270	**85 %**	51 %
Emmi France SAS	Rungis	Trade	EUR	40	**100 %**	100 %
Ets Schoepfer SAS[5)]	Avignon	Trade	EUR	1,252	**85 %**	51 %
SAS Emmi Ambrosi France E.A.F.[5)]	Nice	Service	EUR	3,927	**85 %**	51 %
Belgium						
Emmi Belux SA	Brussels	Trade	EUR	62	**100 %**	100 %
United Kingdom						
Emmi UK Limited	London	Trade	GBP	4,717	**100 %**	100 %
Austria						
Emmi Österreich GmbH	Nüziders	Trade	EUR	2,800	**100 %**	100 %
Tunisia						
Centrale Laitière de Mahdia, S.A.	Mahdia	Production	TND	33,000	**40 %**	33 %
Société tunisienne d'engraissement des veaux S.A.R.L.	Mahdia	Production	TND	140	**36 %**	30 %

3) Meierei Mecklenburg GmbH was merged into Gläserne Molkerei GmbH on 7 August 2018, retroactive to 1 January 2018. Afterwards, Gläserne Meierei GmbH and Gläserne Molkerei GmbH were renamed to Gläserne Molkerei Gmbh, respectively Gläserne Molkerei Münchehofe GmbH.

4) Eurogel S.r.l. was renamed to Emmi Dessert Italia S.p.A. on 1 November 2018.

5) On 31 July 2018, Emmi increased its stake in SAS Emmi Ambrosi France E.A.F. and EAF Immo 84 SCI from 51 % to 85 % in each case. As a consequence, Emmi's share in Ets Schoepfer SAS and Distribution Disfrais SAS, which are directly held by SAS Emmi Ambrosi France E.A.F., increased from 51 % to 85 % in each case. As the share that is held indirectly by associates is no longer considered, the total share in the prior year has been adjusted.

Consolidated companies	Head office	Function	Currency	Capital in 000s 31.12.2018	**Capital share 31.12.2018**	Capital share 31.12.2017
United States						
Cowgirl Creamery Corporation[6)]	Petaluma	Prod. and trade	USD	–	**–**	100 %
Cypress Grove Chèvre, Inc.	Arcata	Prod. and trade	USD	202	**100 %**	100 %
Emmental Cheese Corp.	Orangeburg	Trade	USD	6	**100 %**	100 %
Emmi Holding (USA), Inc.	Orangeburg	Service	USD	1	**100 %**	100 %
Emmi Penn Yan LLC	Penn Yan	Production	USD	2,390	**100 %**	100 %
Emmi Platteville, Inc.	Delaware	Service	USD	p.m.	**100 %**	100 %
Emmi Resume LLC[7)]	Delaware	Service	USD	p.m.	**100 %**	–
Emmi Roth USA, Inc.	Monroe	Prod. and trade	USD	2	**100 %**	100 %
Emmi USA Inc.	Orangeburg	Trade	USD	800	**100 %**	100 %
Jackson-Mitchell, Inc.	Turlock	Prod. and trade	USD	50	**100 %**	100 %
Redwood Hill Farm & Creamery, Inc.	Sebastopol	Prod. and trade	USD	p.m.	**100 %**	100 %
Switzerland Cheese Marketing (USA) Inc.	Orangeburg	Trade	USD	1	**79 %**	79 %
Tomales Bay Foods, Inc.	Petaluma	Prod. and trade	USD	p.m.	**100 %**	100 %
Zingg + Co. Inc.	Orangeburg	Trade	USD	1	**100 %**	100 %
Mexico						
Alimentos Finos del Sureste, S.A. de C.V.	Cancun, Qroo	Trade	MXN	100	**38 %**	38 %
Comalca 2000, S.A. de C.V.	Cancun, Qroo	Trade	MXN	14,960	**38 %**	38 %
Comalca Gourmet, S.A. de C.V.	Cancun, Qroo	Trade	MXN	12,623	**38 %**	38 %
Distribuidora Internacional de Lacteos, S.A. de C.V.	Mexico City	Trade	MXN	50	**38 %**	38 %
Distribuidora Mexideli, S.A. de C.V.	Mexico City	Service	MXN	100	**51 %**	51 %
Mexideli 2000 Holding S.A. de C.V.	Mexico City	Trade	MXN	101,759	**51 %**	51 %
Mexideli, S.A. de C.V.	Mexico City	Trade	MXN	68,350	**51 %**	51 %
Tecnologias Narcisco, S.A. de C.V.	Mexico City	Trade	MXN	60	**51 %**	51 %
Chile						
Eurolac Chile, S.A.	Santiago	Service	CLP	29,020,654	**73 %**	73 %
Kaiku Internacional, S.L. Agencia en Chile[8)]	Santiago	Service	CLP	–	**–**	73 %
SDA Chile, S.A.	Santiago	Trade	CLP	798,271	**72 %**	72 %
Surlat Comercial, S.A.	Santiago	Trade	CLP	7,934,483	**72 %**	72 %
Surlat Corporación, S.A.	Santiago	Service	CLP	28,624,995	**72 %**	72 %
Surlat Industrial, S.A.	Pitrufquen	Production	CLP	20,310,389	**72 %**	72 %
Canada						
Emmi Canada Inc.	Saint-Laurent	Trade	CAD	27,152	**100 %**	100 %
Switzerland Cheese Marketing Inc.	Saint-Laurent	Trade	CAD	1	**79 %**	79 %
9314 — 8591 Québec Inc.	Boucherville	Trade	CAD	3,137	**100 %**	100 %
Brazil						
Emmi do Brasil Holding Ltda.	Sao Paulo	Service	BRL	481,000	**100 %**	100 %

6) Cowgirl Creamery Corporation was merged into Tomales Bay Foods, Inc. on 1 January 2018.
7) Emmi Resume LLC was founded on 21 December 2018.
8) Kaiku Internacional, S.L. Agencia en Chile was liquidated on 28 June 2018.

The percentage of voting rights controlled by the Emmi Group in the subsidiaries of Kaiku Corporación Alimentaria, S.L. and the subsidiaries of Mexideli 2000 Holding S.A. de C.V. differs from the capital share since Emmi controls these subsidiaries through its control of the parent companies.

Associates and joint ventures	Head office	Function	Currency	Capital in 000s 31.12.2018	**Capital share 31.12.2018**	Capital share 31.12.2017
Switzerland						
BO Butter GmbH	Berne	Service	CHF	500	**33 %**	33 %
Cetra Holding SA	Lugano	Trade	CHF	250	**34 %**	34 %
FDC Fromagerie de Courgenay SA	Courgenay	Service	CHF	990	**25 %**	25 %
Sbrinz Käse GmbH	Sursee	Service	CHF	180	**24 %**	24 %
Switzerland Cheese Marketing AG	Berne	Service	CHF	290	**23 %**	23 %
Thurgauische Käse-Reifungs AG	Weinfelden	Service	CHF	2,000	**25 %**	25 %
Vermo Tiefkühl Pool AG	Lucerne	Trade	CHF	2,500	**35 %**	35 %
Italy						
Ambrosi S.p.A.	Brescia	Prod. and trade	EUR	10,000	**25 %**	25 %
Sepa S.r.l.	Pieve Porto Morone	Prod. and trade	EUR	100	**40 %**	40 %
Germany						
Carl Fr. Scheer GmbH + Co. KG	Willstätt	Trade	EUR	500	**25 %**	25 %
Scheer Verwaltungs u. Beteiligungs GmbH	Willstätt	Service	EUR	26	**25 %**	25 %
Spain						
Batiovo I.A.E.	Madrid	Trade	EUR	12	**37 %**	37 %
Serkolat Bide, S.L.	San Sebastian	Service	EUR	8	**37 %**	37 %
United States						
Big Red Cheese Company LLC	Monroe	Trade	USD	p.m.	**50 %**	50 %
EB Snacks LLC	Delaware	Production	USD	2	**50 %**	50 %
Emmi Meister LLC	Fitchburg	Production	USD	2	**50 %**	50 %
Kindred Creamery LLC	Fitchburg	Trade	USD	1	**30 %**	30 %
The Icelandic Milk and Skyr Corporation[1)]	New York	Production	USD	–	**–**	22 %
White Hill Cheese Company LLC	Shullsburg	Production	USD	7,000	**50 %**	50 %
Brazil						
Laticínios Porto Alegre Indústria e Comércio S.A.	Ponte Nova	Prod. and trade	BRL	344,637	**40 %**	40 %

1) The minority stake in The Icelandic Milk and Skyr Corporation was sold on 1 February 2018.

Auditors' report

KPMG

Statutory Auditor's Report

To the General Meeting of Emmi AG, Lucerne

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Emmi AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 75 to 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of goodwill

Valuation of inventories, in particular the cheese inventory

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Valuation of goodwill

Key Audit Matter

Intangible assets, including particularly goodwill, is a significant balance sheet caption of Emmi Group, and their recoverability depends on the achievement of expected future returns.

These non-current assets are assessed annually for their recoverability. In this context, management makes significant assumptions concerning the future development. If there is any indication of a decline in value, the Group performs a calculation of the recoverable amount.

Major goodwill positions are tested for impairment on the basis of the cash generating units to which they are allocated. These tests are based on estimates concerning the future cash flows, the underlying growth and the applied discount rates. The results are therefore subject to uncertainty.

Our response

We mainly performed the following audit procedures:

We challenged management's assumptions and judgments with regards to the recoverability of goodwill. We analyzed whether management's assessments are based on current forecasts approved by the Board of Directors.

We evaluated the calculations of the recoverable amounts with respect to consistency and methodical adequacy and performed recalculations on a sample basis. We assessed the appropriateness of the estimated future cash flows and the growth rates among others by comparing these against external market expectations regarding consumer behavior, based on industry information and economic data. For testing the discount rates, we involved one of our valuation specialists, benchmarked the input factors against market data and re-performed the calculations. In addition, we also carried out sensitivity analyses with different growth scenarios.

For further information on goodwill refer to the following:

- Principles of valuation, page 83
- Note 15 Intangible assets

Valuation of inventories, in particular the cheese inventory

Key Audit Matter

Inventories is a significant caption in the consolidated balance sheet of Emmi AG. Goods manufactured by the Group are recognized at manufacturing costs, which are validated regularly. In addition, there is a periodic assessment about whether goods can be sold without realizing a loss.

Regarding cheese, which is included in semi-finished and finished products, this valuation and assessment requires know-how with respect to its production and maturation. This includes considering the utilization of manufacturing plants and equipment, the natural weight loss in relation to maturation, the costs of cheese handling as well as the expected sales volumes and prices.

Our response

We mainly performed the following audit procedures:

We obtained an understanding of the process from initiating purchase orders to payment of invoices. Based on this we assessed whether transactions are completely and accurately recorded in the accounts. onsidering the diverse design of internal control systems of individual subsidiaries, we tested the operating effectiveness of key controls relating to acquisition and manufacturing costs.

We analyzed the consistency of the valuation method used for cheese inventories by a prior year comparison. We assessed the appropriateness of the cheese inventory valuation by testing acquisition costs and the calculation of manufacturing costs on a sample basis. To test the valuation at lower of cost or net realizable value, we compared costs and sales prices by reference to a sample.

For further information on Valuation of inventories refer to the following:

— Principles of valuation, page 82
— Note 11 Inventories

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

KPMG

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Thomas Affolter Licensed Audit Expert Auditor in Charge	Manuel Odoni Licensed Audit Expert

Lucerne, 27 February 2019

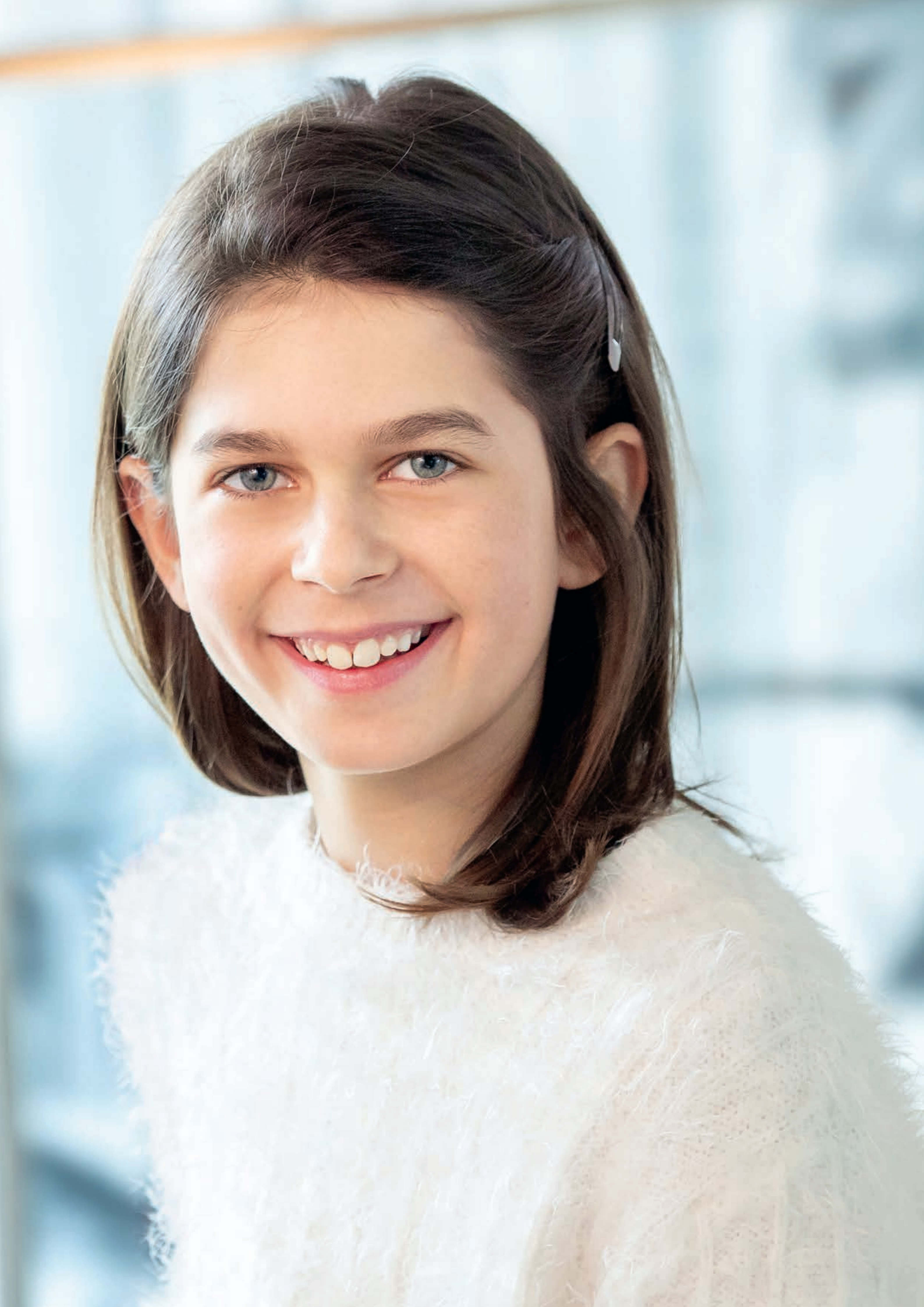
"Cars and factories make the climate warmer"

Jil, aged 9

Greenhouse gases

Here at Emmi, we are committed to reducing our global CO_2 emissions by 25 % by 2020. One of the ways we can achieve this is by avoiding the use of fossil fuels such as crude oil wherever possible. This is why we are using solar energy at more and more locations, for example in Saignelégier (Switzerland), Platteville (USA) and Nüziders (Austria).

Martin Steiger, Coordinator of focus issue "Greenhouse gases"



Contents

Financial Statements of Emmi AG

Share information of Emmi AG

Income statement

in CHF 000s

	Notes	2018	2017
Income from investments	2.1	**87,675**	436,448
Other financial income	2.2	**20,300**	20,105
Other operating income		**6,379**	6,289
Total income		**114,354**	462,842
Financial expenses	2.3	**-19,988**	-18,007
Personnel expenses		**-1,035**	-937
Other operating expenses		**-6,384**	-5,780
Direct taxes		**-341**	-1,631
Total expenses		**-27,748**	-26,355
Net profit		**86,606**	436,487

Balance sheet

in CHF 000s

Assets

Assets	Notes	31.12.2018	%	31.12.2017	%
Cash and cash equivalents		**8,365**		3,809	
Other short-term receivables from third parties		**32**		18	
Other short-term receivables from companies in which the entity holds an investment		**72,395**		53,368	
Prepayments and accrued income		**64**		1,623	
Current assets		**80,856**	**6.0**	58,818	4.4
Loans to companies in which the entity holds an investment	2.4	**182,556**		186,945	
Investments in subsidiaries and associates	2.5	**1,076,437**		1,078,723	
Financial assets		**1,258,993**		1,265,668	
Prepayments and accrued income		**122**		164	
Non-current assets		**1,259,115**	**94.0**	1,265,832	95.6
Total assets		**1,339,971**	**100.0**	1,324,650	100.0

Liabilities and shareholders' equity

Liabilities and shareholders' equity	Notes	31.12.2018	%	31.12.2017	%
Other current payables due to third parties		**145**		11,854	
Accrued liabilities and deferred income		**2,775**		4,464	
Current liabilities		**2,920**	**0.2**	16,318	1.2
Non-current interest-bearing debts due to third parties		**112,556**		116,945	
Non-current liabilities		**112,556**	**8.4**	116,945	8.8
Liabilities		**115,476**	**8.6**	133,263	10.0
Share capital	2.6	**53,498**		53,498	
Legal capital reserves					
– Reserves from capital contributions	2.7	**13,644**		51,093	
Legal retained earnings		**2,886**		2,886	
Voluntary retained earnings					
– Free reserves		**1,065,000**		645,000	
– Available earnings					
– Profit brought forward		**2,861**		2,423	
– Net profit		**86,606**		436,487	
Shareholders' equity		**1,224,495**	**91.4**	1,191,387	90.0
Total liabilities and shareholders' equity		**1,339,971**	**100.0**	1,324,650	100.0

Statement of changes in equity

in CHF 000s

	Share capital	Legal capital reserves	Legal retained earnings	Free reserves	Available earnings	**Total**
Shareholders' equity as at 1 January 2015	53,498	129,200	2,886	445,000	81,158	**711,742**
Allocation	–	–	–	80,000	-80,000	**–**
Dividend	–	-20,329	–	–	–	**-20,329**
Net profit for the year	–	–	–	–	53,605	**53,605**
Shareholders' equity as at 31 December 2015	53,498	108,871	2,886	525,000	54,763	**745,018**
Allocation	–	–	–	50,000	-50,000	**–**
Dividend	–	-26,214	–	–	–	**-26,214**
Net profit for the year	–	–	–	–	67,660	**67,660**
Shareholders' equity as at 31 December 2016	53,498	82,657	2,886	575,000	72,423	**786,464**
Allocation	–	–	–	70,000	-70,000	**–**
Dividend	–	-31,564	–	–	–	**-31,564**
Net profit for the year	–	–	–	–	436,487	**436,487**
Shareholders' equity as at 31 December 2017	53,498	51,093	2,886	645,000	438,910	**1,191,387**
Allocation	–	–	–	420,000	-420,000	**–**
Dividend	–	-37,449	–	–	-16,049	**-53,498**
Net profit for the year	–	–	–	–	86,606	**86,606**
Shareholders' equity as at 31 December 2018	53,498	13,644	2,886	1,065,000	89,467	**1,224,495**

Notes to the financial statements

in CHF 000s

1. Principles

1.1 General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

Where not prescribed by law, the significant accounting and valuation principles applied are described below.

1.2 Securities listed on a stock exchange

Securities with a short-term holding period are valued at their quoted market price as at the balance sheet date. A valuation adjustment reserve has not been accounted for.

1.3 Financial assets

Financial assets include long-term loans and investments. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealised losses are recorded but unrealised profits are not recognised (imparity principle).

1.4 Non-current interest-bearing debts

Interest-bearing debts are recognised in the balance sheet at nominal value.

1.5 Foregoing a cash flow statement and additional disclosures in the Notes

As Emmi AG has prepared its consolidated financial statements in accordance with a recognised accounting standard (Swiss GAAP FER), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement, in accordance with the law.

2. Information on balance sheet and income statement items

2.1 Income from investments

This position includes dividend income from investments. In financial year 2017, the financing of the Swiss group entities was reorganised and simplified. In this process, high extraordinary dividends were distributed to Emmi AG. With these funds, Emmi AG carried out capital increases at other group companies and acquired intragroup investments.

2.2 Other financial income

Other financial income mainly comprises foreign currency gains and interest income on loans granted to companies in which the entity holds an investment.

2.3 Financial expenses

Financial expenses mainly comprise foreign currency losses and interest expenses.

2.4 Loans to companies in which the entity holds an investment

Loans to companies in which the entity holds an investment include subordinated loans in the amount of CHF 40.0 million. The subordinated loans were cancelled in 2018.

2.5 Investments

	Function	Currency	Capital in 000s 31.12.2018	**Capital share 31.12.2018**	Capital share 31.12.2017
Switzerland					
Baumann Käse AG , Zollikofen	Trade	CHF	100	**100 %**	100 %
Cetra Holding SA, Lugano	Trade	CHF	250	**34 %**	34 %
Emmi Finanz AG, Lucerne	Service	CHF	100	**100 %**	100 %
Emmi Fondue AG , Langnau i.E.	Production	CHF	15,000	**100 %**	100 %
Emmi Frisch-Service AG, Schlieren	Trade	CHF	1,000	**100 %**	100 %
Emmi International AG , Lucerne	Service	CHF	5,000	**100 %**	100 %
Emmi Management AG, Lucerne	Service	CHF	500	**100 %**	100 %
Emmi Schweiz AG , Lucerne	Production and trade	CHF	5,700	**100 %**	100 %
Fromco S.A. Moudon, Moudon	Production	CHF	2,100	**60 %**	60 %
Holding der Schweizerischen Milchproduzenten AG, Münchenbuchsee	Service	CHF	100	**100 %**	100 %
Käserei Studer AG, Hefenhofen[1)]	Production and trade	CHF	720	**100 %**	100 %
Mittelland Molkerei AG , Suhr	Production	CHF	20,000	**100 %**	100 %
Molkerei Biedermann AG , Bischofszell	Production and trade	CHF	1,010	**100 %**	100 %
MOPRO Luzern AG , Lucerne	Service	CHF	120	**100 %**	100 %
Switzerland Cheese Marketing AG, Berne	Service	CHF	290	**23 %**	23 %
Vermo Tiefkühl Pool AG , Lucerne	Trade	CHF	2,500	**35 %**	35 %
Spain					
Kaiku Corporación Alimentaria, S.L., San Sebastián	Service and trade	EUR	82,110	**73 %**	73 %
Lácteos Caprinos S.A.	Production and trade	EUR	600	**80 %**	80 %
Germany					
Emmi Deutschland GmbH, Essen	Trade	EUR	75	**100 %**	100 %
Netherlands					
Emmi Finance Netherlands B.V., Tiel	Service	EUR	p.m.	**100 %**	100 %
Italy					
Emmi Holding Italia S.r.l., Milan	Service	EUR	1,714	**70 %**	70 %
United Kingdom					
Emmi UK Limited, London	Trade	GBP	4,717	**100 %**	100 %
Canada					
Emmi Canada Inc.	Trade	CAD	27,152	**100 %**	100 %
United States					
Emmi Holding (USA), Inc.	Service	USD	1	**100 %**	100 %

[1)] Studer Holding AG was renamed to Käserei Studer AG on 20 June 2018.

The above-mentioned investments are directly held by Emmi AG. Investments which are indirectly held by Emmi AG are mentioned in note 31 of the consolidated financial statements.

2.6 Share capital and significant shareholders

The share capital of KCHF 53,498 as at 31 December 2018 consists of 5,349,810 registered shares with a nominal value of CHF 10 (unchanged on the previous year).

Nominal capital	31.12.2018	%	31.12.2017	%
ZMP Invest AG, Lucerne[1)]	28,488	53.2	28,476	53.2
Zentralschweizer Milchkäuferverband, Willisau[1)]	2,250	4.2	2,250	4.2
MIBA Milchverband der Nordwestschweiz, Aesch (BL)[1)]	1,810	3.4	1,811	3.4
Other	20,950	39.2	20,961	39.2
Total	**53,498**	**100.0**	53,498	100.0

[1)] ZMP Invest AG , Lucerne, the Zentralschweizer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Aesch (BL), from a Group in the sense of Article 121 of the FMIA. The Group owns 60.8 % (previous year: 60.8 %) of the total voting rights.

As at 7 June 2016, Capital Group Companies Inc. informed us that it owned 268,500 shares of Emmi AG (5.019 %). No further disclosure notifications have been made since.

As at 31 December 2018, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares of Emmi AG (unchanged on the previous year).

2.7 Capital contribution reserve

	31.12.2018	31.12.2017
Confirmed by the tax authorities	7,872	45,321
Not confirmed by the tax authorities	5,772	5,772
Total	**13,644**	51,093

The capital contribution reserve results from capital contribution payments above the nominal amount during past years.

3. Other disclosures

3.1 Full-time equivalents

In 2018 and in the previous year, Emmi AG employed fewer than 10 employees on average.

3.2 Collateral provided for liabilities of third parties

	31.12.2018	31.12.2017
Guarantees and joint liability for loans of Group companies	**521,758**	512,144
Of which used by Group companies	**419,548**	408,856
Other guarantees for Group companies	**293,891**	344,185

3.3 Contingent liabilities

Emmi AG is jointly and severally liable for the VAT liabilities of the other Swiss-domiciled Emmi companies and of the Genossenschaft Zentralschweizer Milchproduzenten ZMP and ZMP Invest AG.

3.4 Net release of hidden reserves

In the year under review and in 2017, there were no releases of hidden reserves.

3.5 Participations of members of the Board of Directors, the Council and Group Management

As at 31 December 2018, individual members of the Board of Directors, the Agricultural Council and Group Management (including affiliated persons) held the following number of shares in the company:

Board of Directors	**No. of shares 31.12.2018**	No. of shares 31.12.2017
Konrad Graber, Chairman	**950**	950
Thomas Oehen-Bühlmann, Vice-Chairman	**615**	615
Christian Arnold-Fässler, Member	**30**	30
Stephan Baer, Member (until 12.4.2018)	**n.a.**	34,500
Monique Bourquin, Member	**–**	–
Christina Johansson, Member (since 12.4.2018)	**–**	n.a.
Niklaus Meier, Member	**200**	200
Alexandra Post Quillet, Member (since 12.4.2018)	**–**	n.a.
Josef Schmidli, Member (until 12.4.2018)	**n.a.**	74
Franz Steiger, Member	**400**	400
Diana Strebel, Member	**–**	–
Agricultural Council		
Christophe Eggenschwiler (until 30.9.2018)	**n.a.**	–
Pirmin Furrer	**–**	–
Stephan Hagenbuch	**50**	50
Peter Hegglin	**–**	–
Group Management		
Urs Riedener, CEO	**–**	–
Marc Heim, Deputy CEO	**150**	150
Robin Barraclough, Member	**20**	20
Kai Könecke, Member	**–**	–
Matthias Kunz, Member	**27**	27
Thomas Morf, Member	**–**	–
Jörg Riboni, Member	**–**	–
Natalie Rüedi, Member	**–**	–

The members of the Board of Directors, the Agricultural Council and Group Management own a total of 2,442 shares (previous year: 37,016 shares) and thus hold 0.05 % of the voting rights (previous year: 0.69 %).

3.6 Significant events after the balance sheet date

Sale of Emmi Frisch-Service AG

On 31 January 2019, Emmi announced that it will sell its Swiss trading and supply company Emmi Frisch-Service AG, a direct subsidiary of Emmi AG, to the Transgourmet Group. Emmi does not expect this transaction to have a significant impact on Emmi AG's results in the following year. The completion of the transaction is subject to the approval of the Swiss Competition Commission.

From the balance sheet date until the financial statements were approved by the Board of Directors on 27 February 2019, no other major events occurred which could have adversely affected the validity of the financial statements for 2018 or which would have to be disclosed.

Proposed appropriation of available earnings

in CHF 000s

Available earnings	31.12.2018	31.12.2017
Retained earnings carried forward	2,861	2,423
Net profit	86,606	436,487
Available for distribution by the General Meeting	**89,467**	438,910

Appropriation of available earnings

The Board of Directors proposes that the General Meeting approve the distribution of a dividend of CHF 9.00 (previous year: CHF 10.00) gross per registered share for the 2018 financial year on 5,349,810 shares entitled to dividends. The Board of Directors likewise proposes that the distribution of CHF 1.00 per share be paid out of the capital contribution reserve (exempt from withholding tax) and CHF 8.00 per share be paid out of retained earnings (subject to withholding tax).

Earnings available for distribution by the General Meeting	89,467	438,910
Allocation from confirmed capital contribution reserve	5,350	37,449
Dividend	-48,148	-53,498
Allocation to free reserves	-40,000	-420,000
Carried forward to new account	**6,669**	2,861

Total distribution	48,148	53,498
Of which from confirmed capital contribution reserve (exempt from withholding tax)	-5,350	-37,449
Of which from other available earnings	-42,798	-16,049

Auditors' report

Statutory Auditor's Report

To the General Meeting of Emmi AG, Lucerne

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Emmi AG, which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 118 to 127) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Thomas Affolter Licensed Audit Expert Auditor in Charge	Manuel Odoni Licensed Audit Expert

Lucerne, 27 February 2019

Share information Emmi AG

Stock exchange information		2018	2017	2016	2015	2014
Share price at 31.12.	in CHF	**681.50**	701.50	616.50	450.25	351.00
Year's high (end-of-day position)	in CHF	**868.00**	764.00	677.50	452.25	375.00
Year's low (end-of-day position)	in CHF	**671.00**	608.00	429.25	288.75	271.00
Market capitalization at 31.12.	in CHF million	**3,646**	3,753	3,298	2,409	1,878
Average trading volume	Units	**4,842**	5,377	4,355	5,518	3,286

Key share data						
Earnings per share	in CHF	**43.60**	30.20	26.23	22.46	14.75
Adjusted earnings per share	in CHF	**32.80**	30.20	26.23	22.46	20.45
Shareholders' equity per share	in CHF	**298.82**	272.20	247.03	225.76	212.78
Return on shareholders' equity[1)]	in %	**-1.43**	14.74	38.01	29.36	29.73
Distribution	in CHF	**9.00**	10.00	5.90	4.90	3.80
Distribution rate[2)]	in %	**20.64**	33.11	22.49	21.81	25.76
Adjusted distribution rate[3)]	in %	**27.44**	23.18[4)]	22.49	21.81	18.58
Dividend return[5)]	in %	**1.32**	1.43	0.96	1.09	1.08

1) (Share price gain per share + distribution per share)/share price at the beginning of the year
2) Distribution per share/earnings per share
3) Distribution per share/adjusted earnings per share
4) Based on the regular dividend of CHF 7.00 (without special dividend "siggi's" and anniversary dividend)
5) Distribution per share/year-end closing price

Capital structure at 31.12.						
Share capital	CHF 000s	**53,498**	53,498	53,498	53,498	53,498
divided into number of registered shares	Units	**5,349,810**	5,349,810	5,349,810	5,349,810	5,349,810
Par value per registered share	in CHF	**10**	10	10	10	10

Share ranking for dividends	All
Voting rights	All registered shareholders have full voting rights
Securities number	1.282.989
ISIN code	CH0012829898
Ticker	EMMN
Common code	20,592,664
Traded	in the SIX Local Caps segment on the SIX Swiss Exchange
Index inclusion	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index

Share price 2018