



Annual Report 2019

Online report

The online version of the annual report 2019 is available on:
emmi.com/annual-report

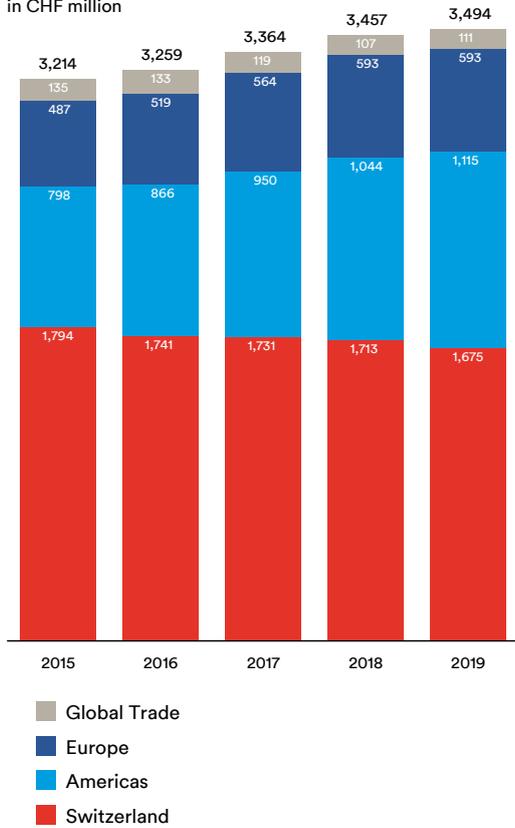
Key figures Emmi Group

Amounts in CHF million	2019	2018	2018 adjusted ¹⁾
Net sales	3,494	3,457	
Sales development in %	1.1	2.8	
Acquisition effect in %	0.4	0.1	
Currency effect in %	-1.5	0.4	
Net sales increase in organic terms in %	2.2	2.3	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	352.9	352.8	
as % of net sales	10.1	10.2	
Earnings before interest and taxes (EBIT)	217.8	216.7	
as % of net sales	6.2	6.3	
Net profit	166.2	233.3	175.5
as % of net sales	4.8	6.7	5.1
Investment in fixed assets (excl. acquisitions)	106.0	88.0	
as % of net sales	3.0	2.5	
Headcount (full-time equivalents) as at 31.12.	7,826	6,151	
Headcount (full-time equivalents) at yearly average	6,435	6,140	
Net sales per employee in CHF 000s (average)	543	563	
	31.12.2019	31.12.2018	
Total assets	2,865	2,820	
of which shareholders' equity incl. minority interests	1,784	1,657	
as % of total assets	62.3	58.7	
Market capitalisation	4,507	3,646	

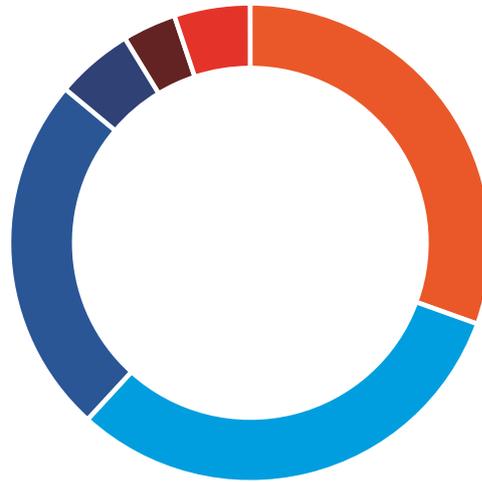
¹⁾ Adjusted for non-recurring effects. There were no significant non-recurring effects in the period under review. Non-recurring effects had an impact of CHF 57.8 million on net profit in the previous year and resulted from the sale of the minority stake in The Icelandic Milk and Skyr Corporation "siggi's".

Net sales

in CHF million

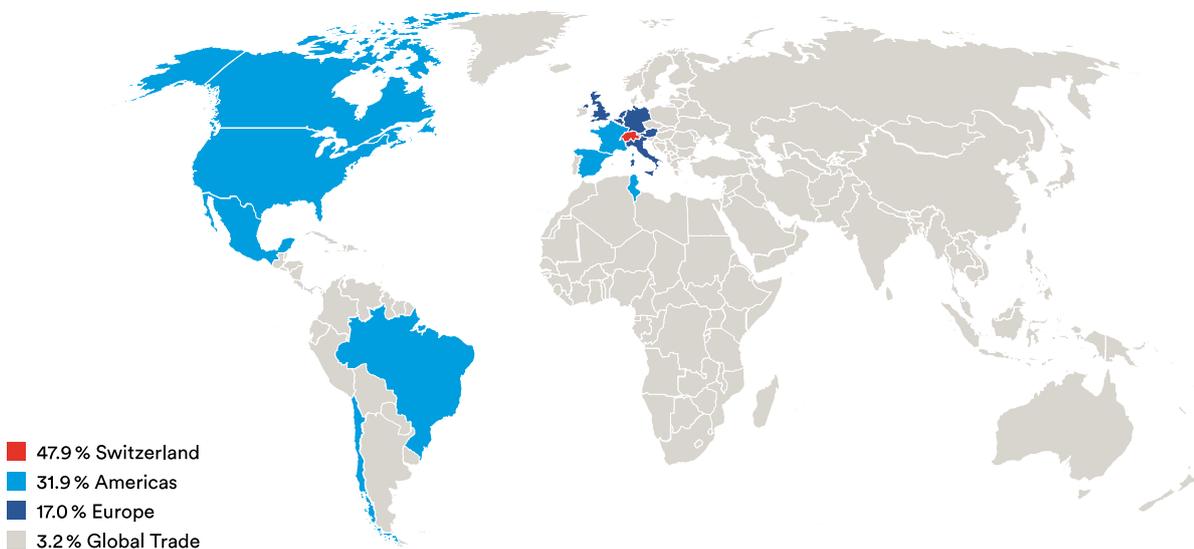


Net sales by product group

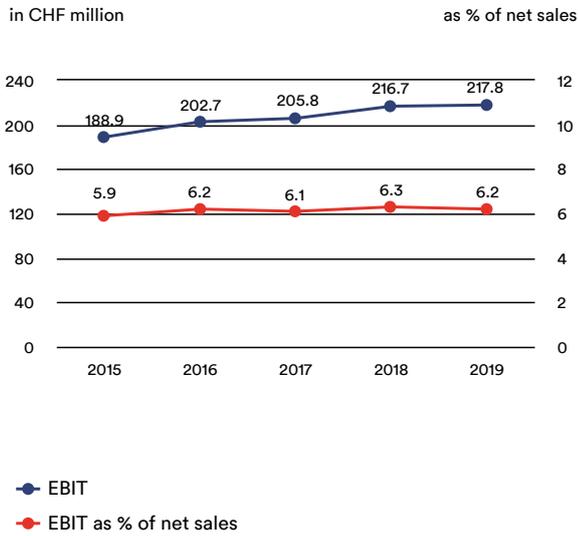


- 30.5 % Dairy products
- 31.3 % Cheese
- 24.3 % Fresh products
- 5.2 % Fresh cheese
- 3.6 % Powder/concentrates
- 5.1 % Other products/services

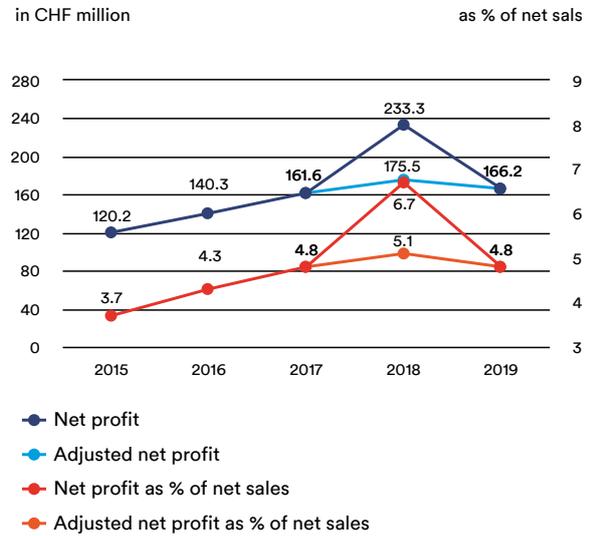
Net sales by business division



EBIT



Net profit



Sustainability at Emmi



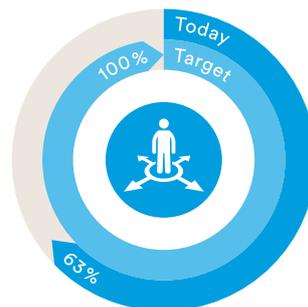
Greenhouse gases
“We are committed to reducing our global CO₂ emissions by 25% by 2020.”



Waste reduction
“By 2020 we will reduce food and packaging waste by 20% worldwide.”



Sustainable milk
“By 2020 all suppliers of Swiss cow’s milk will meet a catalogue of sustainability criteria.”



Employee development
“By 2020 all employees will have been integrated into our development planning.”

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Employee development at Emmi

Emmi is proud of its corporate culture. Very special people work at Emmi, and they make our culture very special too. Many of them have extraordinary stories to tell about their careers, with CVs as unique as their fingerprints – and perhaps even visible in the life-lines on their palms.

The photos in this annual report feature the hands of some employees. They, and their stories about how they got to where they are today, represent all of the company's colleagues – for Emmi aims to enable all its employees to actively advance their careers.



Urs Studer
Deputy Site Manager,
Stein Cheese Dairy, 25



Nicole Benninger
Team Leader Production 1
Emmen, 30



Jakob Furrer
Production Manager
LESA, 58



Marlon Conti
Apprentice Commercial
Administrator, Lucerne, 16



Simon Brunner
Production Manager
Kirchberg, 37

Strategy implementation on track

Dear Shareholders

Trade disputes, climate change, social tensions and much more besides posed a risk to the global economy in 2019. In the safe haven of Switzerland, we are often at a certain distance to acute problems. But as a company operating around the world, Emmi is not immune to many issues. Our clear strategy, which we have pursued with consistency and purpose for many years, has therefore proven all the more worthwhile in this constantly shifting environment. This, coupled with a broadly diversified company and product portfolio, the tireless efforts and flexibility of our employees, and key strategic partnerships have enabled us once again to post a solid result.

Pleasing organic growth across all business divisions

We are pleased with our organic growth of 2.2 %, which is broad-based and underpinned by all business divisions. This was achieved despite a challenging environment in some relevant markets, including price pressure and continued increasing import pressure in Switzerland, challenging conditions in Chile due to social unrest and upheavals in the organic milk market in Germany, to name but a few. Our pleasing growth was possible because we consciously position ourselves in all markets and constantly strengthen these positions. Growth drivers include our strategic niche markets such as Italian speciality desserts and goat's milk products, strong brands such as Emmi Caffè Latte and the growth markets in Latin America and North Africa. However, we have also succeeded in steadily filling the innovation pipeline, thereby consolidating our role as an innovation partner for our customers.

“The Emmi sustainability strategy is the articulation of our long-term thinking and actions.”

Konrad Graber





Solid earnings

EBIT amounted to CHF 217.8 million (previous year: CHF 216.7 million). The EBIT margin was 6.2 % (previous year: 6.3 %). This resulted in a net profit of CHF 166.2 million (previous year, adjusted for the non-recurring effect from the sale of the minority stake in "siggi's": CHF 175.5 million).

Adjusted dividend policy

As an owner of Emmi, you should also continue to share in Emmi's successful development. The Board of Directors will propose a dividend of CHF 12.00 per registered share to the General Meeting, which is an increase of CHF 3.00 or 33 % on the dividend in the previous year (CHF 9.00). This significant increase is a result of Emmi's new dividend policy, which provides for an increase in the distribution rate to between 40 % and 50 % of net profit (previously 25 % to 30 %). Taking into account the principles of consolidation and accounting for goodwill, which are adjusted from financial year 2020, this corresponds to a future distribution rate of between 35 % and 45 % of net profit.

Consistent implementation of strategy and continual development of our portfolio

The sales and earnings performance in 2019 also reflected the robustness, quality and balance of Emmi's company and product portfolio. We see a key role of the Board of Directors and Group Management to improve this portfolio on an ongoing basis.

With that in mind, last year was additionally characterised by intensive work on the portfolio as part of the implementation of our long-term strategy. Emmi's position in growth markets outside of Europe was further strengthened, and investments were made in promising niches. The former was achieved in particular by increasing the stake in Laticínios Porto Alegre in Brazil, and the merger of Surlat and Quillayes in Chile; both strengthen the Latin American business as well as the brands business. Measures strengthening Emmi's position in attractive strategic niche markets included the stake in Austrian goat's and sheep's milk processor Leeb Biomilch, the acquisition of Italian dessert company Pasticceria Quadrifoglio and the purchase of the blue cheese production site in the US. The Brazilian market in particular, where a further 1,250 employees are now part of Emmi, will be of great importance in future.

We now need to incorporate all these new members into the Emmi family, give them access to our expertise, tools and networks, and develop them further so that they make a significant contribution to the Emmi Group.

Sustainability as part of the corporate philosophy and a cornerstone of success

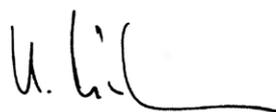
Sustainability is part of Emmi's corporate philosophy, to which all employees contribute through their active participation, and which is increasingly anchored in day-to-day business. Since 2016 Emmi has pursued specific, binding targets with an end date of 2020 with a view to the four key areas waste, greenhouse gases, employees and sustainable milk.

In 2019 we conducted an in-depth analysis of these objectives and associated measures and also took another look beyond our immediate environment at the footprint we create. We will refine and expand on our sustainability strategy this year. Alongside the ambitious targets for the four key areas, the strategy and objectives will also now cover water. We firmly believe that sustainability, commitment and reliability are not only necessary to maintain our successful growth, but will also be crucial to continuing our success story.

We would like to thank our suppliers for the valuable raw materials, and our employees – who now number around 7,800 – for their outstanding dedication and the many shared Emmi moments that inspire, motivate and ultimately push forward Emmi. We would also like to thank our customers for developing our business with us, and you, our valued shareholders, for your trust.



Konrad Graber
Chairman of the Board of Directors



Urs Riedener
CEO



After extensive analyses, Emmi decided to sell the Swiss trading company Emmi Frisch-Service AG ("EFSA"). In particular, new customer requirements led to increasing competition and cost pressure, as a result of which EFSA fell below the critical business mass. The buyer is the Transgourmet Group

According to a study by consumer research institute GfK, Emmi enjoys an excellent reputation among the Swiss population. Emmi was voted the ninth most popular company alongside firms such as Migros, Rivella and Geberit.

By purchasing a blue cheese production site from the Great Lakes Cheese Company, Emmi is gaining capacity and know-how for the production of blue cheese in the US and at the same time extending its value chain.

More and more consumers are becoming aware of what they eat. Some people pay meticulous attention to the number of calories consumed, while others consider a balanced diet to consist of the widest possible range of foods. Pleasure also has its place in such a diet. And this is where Emmi Moments comes in.





Fifteen years on the market and not tired at all! In the spring of 2019, two new Emmi Caffè Latte products were launched on the market: Emmi Caffè Latte Colombia Edition and Emmi Caffè Latte Cold Brew.

Under the Toni's brand, mozzarella and fresh cheese spread is now available at Coop in three varieties. In addition to offering "swissness", Toni's aims to win over consumers with a creamy consistency, a delicious taste and good value for money.

Between 1974 and 1999, the ice cream lollipops Tom, Magic, Pierino and co. were produced in Ostermundigen. After an almost 20-year hiatus, Emmi is breathing new life into the cult brand in the same location. So that the children of yesteryear buy Pierrot for themselves and share the love with the children of today.

With a 66% stake in the Austrian organic goat's milk and sheep's milk processor Leeb Biomilch GmbH ("Leeb"), Emmi is strengthening its position in the market for goat's milk products. With this acquisition, Emmi is also expanding its range to include organic vegan products. Leeb currently has around 50 employees and generates sales of over EUR 15 million.

Emmi announced it would be increasing its stake in Laticínios Porto Alegre from 40% to 70%. The dairy is active in the segments natural cheese, mozzarella and fresh cheese ("Requeijão"), UHT milk, cream, butter and whey powder. Since Emmi acquired a stake in the company in July 2017, it has performed well and is now among the top three dairies in its region.





With the acquisition of Pasticceria Quadrifoglio, Emmi is expanding and strengthening its existing dessert network in Italy. The family business based in Emilia-Romagna specialises in patisserie desserts and ice cream.

Around 95 drivers are on the road for Emmi in Switzerland. Seven of them are apprentices. It is remarkable that no fewer than four young women have been trained as road transport specialists in Ostermundigen since summer 2019.

The Brazilian dairy Laticínios Porto Alegre in Antonio Carlos built its new production facilities in the record time of just 13 months. Yogurt and fresh cheese will be produced there in future, including Moments – a Brazilian version of Emmi Moments, the gourmet yogurt popular in Switzerland.

Emmi has been a sponsor of the FIS Alpine Ski World Cup since the 2009/10 season. In addition, starting from the 2019/20 season, Emmi has been the new main sponsor of Wendy Holdener. The athlete, who hails from the canton of Schwyz, is already a three-time world champion and Olympic gold medalist.

Emmi is present in the Chilean market in the form of local company Surlat. In August 2019, Surlat announced it would be merging with its competitor Quillayes. The products of the two companies complement each other perfectly. Cumulatively, the two companies generated sales of around CHF 170 million in 2018.

Thanks to the simple refuelling process and long range, hydrogen is likely to become an environmentally friendly alternative to conventional fuels for freight vehicles in the near future. Emmi is therefore becoming a member of the H2 Mobility Switzerland Association in the aim of promoting developments in this area.





Training as a dairy technologist is challenging, and talented new recruits are in high demand. Such talents were on display at the first “SwissSkills” professional championships for dairy technologists. Emmi supported this event as the main sponsor.

By participating in competitions such as the World Cheese Awards, Emmi aims to draw attention to its high-quality range of cheeses. At the world’s largest cheese industry competition in 2019, cheese specialties from the Emmi range won a total of 26 awards.

Consumers should be able to see who is behind Emmi’s milk products. Emmi launched the online competition “Take the cow out to pasture” in 2019. Christian Hitz received the most virtual cows. On his real pasture farm in Untersiggenthal, Aargau, he keeps around 80 Holstein cows. The animals are housed in accordance with the additional requirements of the two state-controlled animal welfare labels RAUS and BTS (stables).

Milk products with a high protein content continue to enjoy great popularity. Emmi therefore launched additional high-protein products on the Swiss market in the autumn of 2019, including a cheese for the first time. In Austria, Emmi’s protein products are available under the new “ProTime” brand.

Surlat, Emmi’s Chilean subsidiary, produces a wide range of dairy and fresh products at its facilities in Pitrufquen. The new warehouse will enable the company to meet increasing demand even more efficiently.

Emmi has operated the cheese dairy in Landquart and the associated Grisons mountain cheese warehouse since 2003. Over the last 15 years, the operation has not only developed into the largest raclette cheese dairy in Switzerland, but also produces “Switzerland Swiss”, which is popular in the US. Thanks to good performance, more than 100 million kilogrammes of milk were processed for the first time in 2019.



"I already wanted to discover as many new things as possible during my training as a dairy technologist. So the 16 months I spent in the R&D department at Emmi Roth in the US were a cool challenge for me. Now that I've graduated from technical dairy schools 1 and 2, I'm the Deputy Site Manager at the Stein Cheese Dairy in Appenzell. I want to pass my master's certificate examination next. This is keeping me busy for the moment but, of course, I'm always on the lookout for new challenges."



Urs Studer, Deputy Site Manager,
Stein Cheese Dairy
Appenzell Ausserrhoden, 25

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Sustainability

Sustainability is part of Emmi's corporate philosophy, to which all employees contribute. By formulating an environmental policy back in the mid-1990s, Emmi committed itself to resource-conserving corporate management. Today, sustainability is of particular importance at Emmi and is increasingly anchored in day-to-day business. As a strategic issue, Emmi handles sustainability at a global level and invests significant financial and human resources in this area.

As in its overall commercial activities, Emmi approaches sustainability with a clear focus on efficiency and implementation. Key sustainability areas over which Emmi has a relevant influence and where a real impact can be made were identified together with the various stakeholders.

Review

In its 2016 sustainability strategy, Emmi formulated binding sustainability targets to be achieved by the end of 2020 for the first time:

- 25 % reduction in greenhouse gas emissions (scope 1 and 2)
- Sustainability standard for all Swiss cow's milk suppliers
- 20 % less food and packaging waste
- Development goals for all employees

In the first few years, Emmi laid the groundwork for effective sustainability efforts: a strategy and the associated objectives were devised, an organisation developed, work carried out on raising awareness and alliances formed, for example with WWF Switzerland. However, measurable progress was already made in the area of reducing greenhouse gas emissions in the first year of the current target period. For example, by switching all locations in Switzerland and Europe to hydroelectric power, CO₂ emissions were reduced by 31,500 tonnes. It rapidly became clear, however, that other measures would be needed to move from the baseline of 139,000 tonnes (reference year: 2014) to the target of 105,000 tonnes (-25 %).

One of these is the connection of the Suhr site to the local district heating network (-5,500 tonnes of CO₂ per year), which will be completed in early 2021. The international Emmi companies are also increasingly contributing to the Emmi Group's CO₂-reduction targets. This is initially through reduction measures that are taken with the support of external and internal experts, usually on the basis of a professional energy analysis. This was the case at the Emmi Dessert Italia facilities in Gattico, Pero and Lasnigo in 2019. In addition, Emmi Österreich and Emmi Roth USA brought new photovoltaic systems with an annual production of around 870 megawatt hours online – which would cover the annual needs of some 200 households.

Thanks to the measures already mentioned and further initiatives, emissions were also reduced in 2019; the exact figures will be available at the end of March. The Group's own target of a 25 % reduction is therefore achievable, particularly since further measures are already underway in the current year, including commissioning of the first hydrogen-powered truck (as part of Emmi's membership of the H2 Mobility Switzerland Association), installation of heat recovery on the cooling system at the Kirchberg site and other measures to improve efficiency based on energy analyses. Other photovoltaic systems will also be brought online, including at Käserei Studer in Hatswil. Added to this are other measures outside of Emmi's own core activities, such as a programme to reduce travel, coupled with offset payments to compensate for emissions from flights still taken.

Emmi considers it has already reached its target for the focus area “sustainable milk”. After demonstrating little understanding for Emmi’s push for greater animal welfare and environmental protection at the end of 2016, a new standard for Swiss milk, with improvements in terms of sustainability, was introduced in autumn 2019 thanks to the determination of the entire Swiss dairy industry. As of the end of 2019, 88 % of the milk purchased already met this standard. The fact that dairy farmers were granted a transitional period until 2023 but that Emmi’s own target was set for the end of 2020 is acceptable from Emmi’s perspective. It is more important that the industry maintains the constructive dialogue and the level of ambition is raised.

The “pièce de résistance” proved to be the focus area “waste reduction”. Although the volume of food waste in Switzerland has been reduced by 18 % (11,138 tonnes) compared with the base year 2017 (13,448 tonnes), there are still challenges for Emmi in terms of waste. Just over 5 % of the target reduction of 20 % by 2020 was achieved (exact figures will follow at the end of March). For Emmi, this primarily involves production and packaging waste. However, Emmi’s internationalisation makes a uniform approach to this issue difficult as waste has no or little importance for many of Emmi’s international subsidiaries due to the regulatory environment in which they operate. Consequently, the first step was to introduce global waste monitoring, and then in a second step to develop and implement practical measures adapted to local circumstances. While Emmi continued to address smaller projects in 2019, such as an internal trading platform for surplus products or separate collection of recyclable materials (e.g. plastic at Redwood Hill, and paper and cardboard at Meyenberg), the plant in Tunisia, which accounts for the majority of operational waste, will focus on reducing waste in 2020. Emmi also wants to go a step further with regard to packaging. There are two lines of action here. First, own packaging, which is continuously being optimised in terms of material consumption and recyclability. For example, the plastic straw for the popular Yogi Drink is being replaced with a cardboard one, and Molkerei Biedermann is replacing the thick snap-on lid on its Bio-Lassi with a thin foil lid. Second – and with a focus on Switzerland – Emmi is advocating intensively for the modernisation of the recycling system together with other companies and organisations, including the association Prisma.

Good progress is being made in the focus area “employee development” at all Emmi facilities. The skills shortage is even more acute in many countries than it is in Switzerland. Advancing the company’s own employees helps in many respects here: knowledge is created and maintained, employees are motivated and attractiveness as an employer is increased. The requirement for each Emmi employee to have personal development goals strengthens awareness among managers that they are also responsible for the development of their staff. By communicating the Emmi management approach to local HR teams and managers, the current level of around 63 % should increase to close to the target of 100 % by the end of 2020.

Outlook

The desire for continuous improvement anchored in Emmi’s corporate culture also applies to sustainability. In previous years, work has therefore been carried out on the next stage of the sustainability strategy and targets in parallel to the current measures.

In the course of this, everything is consciously questioned, in particular the level of ambition and the areas themselves, with the result that sustainability at Emmi should in future be an even stronger of the Group’s identity and corporate DNA. Emmi aims to achieve this through continuity, among other things. The four focus areas defined in 2016 will therefore be retained. Various sustainability analyses and discussions over recent years have, however, also found areas that are important to the stakeholders but are not yet tackled to the desired extent by Emmi. One of these is use

of the valuable – and depending on the region, scarce – resource that is water. This has therefore been defined as a new focus area.

Emmi has set new, ambitious targets for all five focus areas with an end date of 2027:

Greenhouse gases

- -60 % direct CO₂ emissions (scope 1 and 2)
- -25 % CO₂ emissions in the supplier chain (scope 3)
- CO₂ neutral by 2050

To achieve these targets, Emmi continues to invest in energy-saving measures within its own businesses – on the basis of detailed energy analyses – and is planning to convert more of its plants to renewable energies. Thereby significant CO₂ savings should be achieved in its own businesses (scope 1) and indirectly in the production of energy services (scope 2) that are purchased (e.g. power generation). As milk production accounts for the majority of our emissions, in future Emmi will work on reducing greenhouse gases in its supply chain (scope 3).

Waste reduction

- -50 % waste and food waste in our facilities
- 0 % waste to landfill
- 100 % recyclable packaging

Within the focus topic “waste reduction”, the circular economy is becoming increasingly important at Emmi. This is where Emmi’s efforts in the areas of packaging and waste come in.

At Emmi, waste prevention is important for economic as well as environmental reasons. Classic waste management will also continue to be the responsibility of Emmi’s businesses, whereby, depending on the level of development, pragmatic successful concepts – such as those in Switzerland – can be adapted to local conditions and implemented. As part of its sustainability work, over the next few years Emmi will focus on waste that is incinerated or, depending on the country, disposed of in landfills. The latter is to be eliminated completely.

In the area of packaging, the aim is recycling capability. The total avoidance of plastics as the ultimate goal is not only utopian, but also makes little sense when it comes to the food industry. The benefits of these materials in the food industry are too numerous (e.g. longer shelf life, product quality, hygiene). The problem, however, lies with single-use plastics. Emmi is therefore committed to working intensively towards creating better recycling systems – this is a priority in Switzerland where Emmi carries great weight as a company. Other measures will include aligning the packaging used with these recycling systems.

Sustainable milk

- 100 % of Emmi milk suppliers worldwide produce according to a sustainability standard that is above average local requirements
- Further development of a sustainability standard for Swiss milk (swissmilk green)

Emmi's most important raw material, milk, generates added value in rural regions but is also associated with many sustainability issues. These are mainly ethical and social aspects relating to animal welfare, future sustainability and consumer protection. Emmi aims exclusively to process sustainable milk in future. An important step in this direction has been made in Switzerland with the introduction of an industry standard. Emmi supports the ongoing development of the standard. Comparable developments abroad are not to be expected, which is why Emmi and its suppliers will jointly develop approaches that are adapted to local conditions and exceed local requirements.

Employee development

- 100 % active further development
- 50 % of all vacancies filled internally

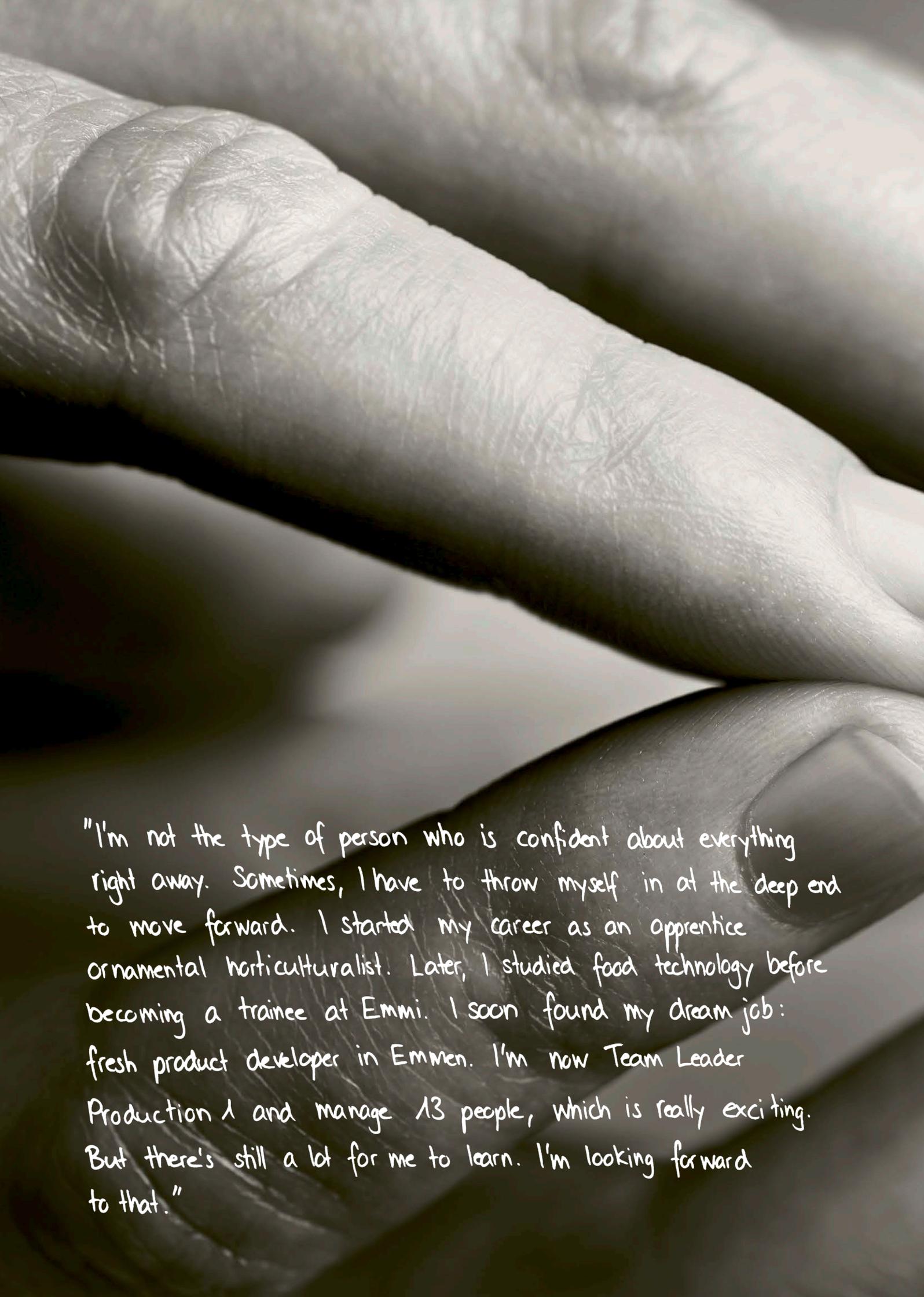
The knowledge and skills of our employees is one of our most important resources. By investing in the ongoing development of its employees, on the one hand Emmi creates access to a pool of qualified specialists, while on the other, it also takes its responsibility as an employer seriously.

Water consumption reduction

- -15 % own water consumption
- -50 % own water consumption in risk areas (e.g. Tunisia)
- Reduction of water consumption in the value chain

Clean water is becoming an increasingly scarce resource and some regions are severely affected. Therefore, in relation to this new focus topic, Emmi is focusing on water-scarce regions at risk. The commitment to reduce fresh-water consumption at Emmi's own companies by 50 % is to be achieved by using Swiss know-how, among other means. To use water efficiently in production, Emmi sees great potential in the optimised use of cleaning water, in new cleaning solutions and in cascade use. What's more, Emmi will take responsibility for water consumption within its value chain. Water scarcity is also a threat to the availability of important raw materials, such as milk, cocoa, sugar, coffee and almonds.

Emmi will communicate further details of its sustainability goals for the period 2021 to 2027 at a later date.



"I'm not the type of person who is confident about everything right away. Sometimes, I have to throw myself in at the deep end to move forward. I started my career as an apprentice ornamental horticulturalist. Later, I studied food technology before becoming a trainee at Emmi. I soon found my dream job: fresh product developer in Emmen. I'm now Team Leader Production 1 and manage 13 people, which is really exciting. But there's still a lot for me to learn. I'm looking forward to that."



Nicole Benninger, Team Leader
Production 1 Emmen, 30

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Guidelines

The following information complies with the Directive on Information Relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange as well as the Articles of Association and Organisational Regulations of the Emmi Group. Unless otherwise indicated, all data relate to the balance sheet as at 31 December 2019.

www.emmi.com > Media & Investors > Reports & Downloads > Articles of Association of Emmi AG (in German)

www.emmi.com > Media & Investors > Reports & Downloads > Organisational Regulations (in German)

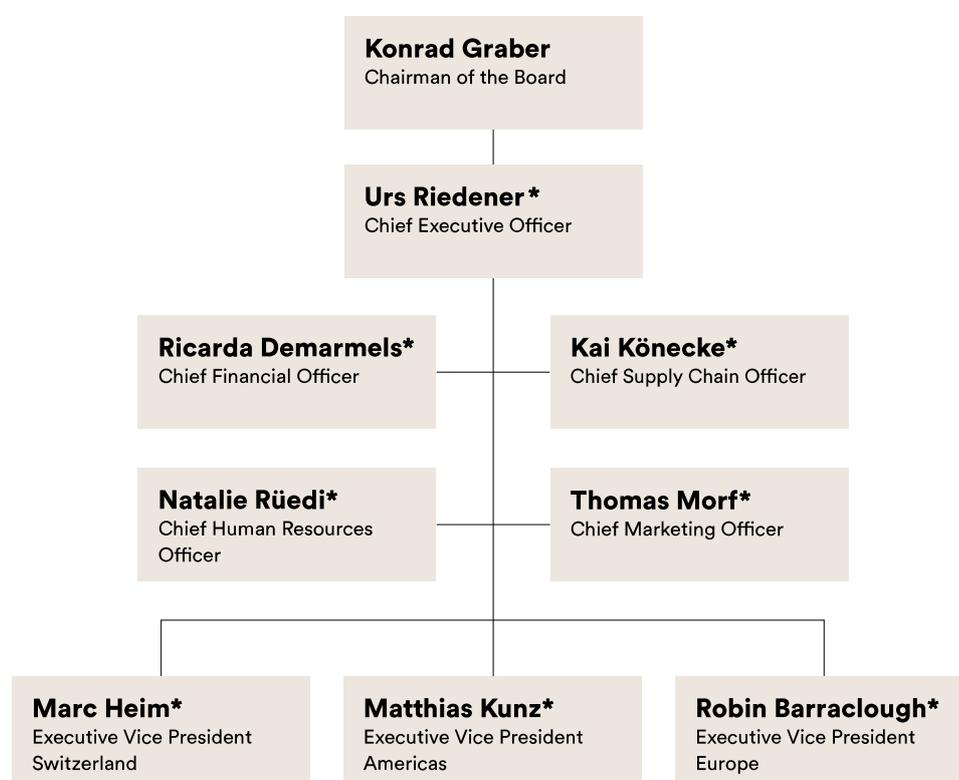
1. Group structure and shareholders

1.1 Group structure

The Group structure is shown below.

Group structure Emmi Group

as at the balance sheet date



Member of the extended Group Management:

- Othmar Dubach: Dairy Products & Cheese Switzerland
- Markus Willimann: Industry Switzerland

* Member of Group Management

Group functions:

- Corporate Development
- Corporate Communications & IR
- Internal Audit
- Legal

The Emmi Group is listed on the SIX Swiss Exchange through the holding company Emmi AG (headquartered in Lucerne, hereinafter referred to as “Emmi”). The group of consolidated companies contains only non-listed companies.

Market capitalisation, securities number and ISIN number, see section Share information Emmi AG (Emmi Annual Report 2019). Consolidated companies, see Summary of consolidated companies, associates and joint ventures in the Notes to the consolidated financial statements.

1.2 Significant shareholders

Significant shareholders, see section 2.5 Share capital and significant shareholders in the Notes to the financial statements of Emmi AG.

ZMP Invest AG, Lucerne, the Zentralschweizer Käsermeister Genossenschaft, Sursee (previously Zentralschweizer Milchkäuferverband, Willisau), and the MIBA Milchverband der Nordwestschweiz, Aesch (BL), form a group as defined by Art. 121 FinfraG, holding 60.6 % of the total voting rights. As at 7 June 2016, Capital Group Companies Inc., Los Angeles, US, reported that it owned 268,500 registered shares (5.019 %). No further disclosure notifications have been made since.

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies that exceed 5 % of capital or votes on both sides.

2. Capital structure

2.1 Share capital

Emmi's share capital amounts to KCHF 53,498.

2.2 Authorised and conditional capital

Emmi did not create any conditional or authorised capital in the reporting year, and there is no conditional or authorised capital from previous years.

2.3 Changes in capital

An overview of changes in capital for the years 2016 to 2019 can be found in the section Statement of changes in equity in the Financial statements of Emmi AG.

2.4 Shares and participation certificates

The share capital of Emmi comprises 5,349,810 registered shares with a par value of CHF 10 per share. Only one category of registered share exists and no participation certificates exist. Each share carries the right to one vote. No preferential rights exist. The shares are fully paid up.

For further information on shares, see the section Share information Emmi AG.

2.5 Dividend-right certificates

No dividend-right certificates exist.

2.6 Restrictions on transferability and nominee registrations

There are no restrictions on the transfer of registered shares of Emmi. The only precondition for entry in the share register and hence for the exercise of voting rights is a declaration on the part of the purchaser that the shares have been acquired in their own name and for their account. No other registration restrictions exist.

The registration of fiduciaries/nominees without voting rights is permitted. On request, the Board of Directors shall decide on the registration of fiduciaries/nominees with voting rights on a case-by-case basis. No fiduciaries/nominees with voting rights were entered during the year under review, nor did the Board of Directors approve any other exceptions for entry in the share register.

2.7 Convertible bonds and options

Emmi has no convertible bonds outstanding. Furthermore, neither Emmi nor other Group companies have issued options on ownership interests in Emmi.

3. Board of Directors

All nine members of the Emmi Board of Directors (see table in section 3.1 Members of the Board of Directors) are non-executive members who were not previously members of Emmi Group Management or the management team of one of the subsidiaries. The basis for nomination as a member of the Board of Directors is the fulfilment of a specific profile of requirements.

Christian Arnold-Fässler, Thomas Oehen-Bühlmann and Franz Steiger are members of the Board of the Central Switzerland Milk Producers Cooperative (ZMP), which supplies a large proportion of its milk to Emmi. ZMP, via its subsidiary ZMP Invest AG, Lucerne, holds a majority stake in Emmi.

Fritz Wyss (born 1944) has been Honorary Chairman of the Emmi Board of Directors since 2010. He was a Delegate of the Board of Directors from 1993 to 2003 and its Chairman from 2003 to 2009.



Members of the Emmi Board of Directors from right (as at the balance sheet date): Franz Steiger, Diana Strebel, Niklaus Meier, Monique Bourquin, Thomas Oehen-Bühlmann, Konrad Graber (Chairman of the Board of Directors), Alexandra Post Quillet, Christina Johansson, Christian Arnold-Fässler, Christa Wey (Secretary of the Board of Directors)

3.1 Members of the Board of Directors

	Year of birth	Nationality	Education	First elected
Konrad Graber Chairman of the Board of Directors	1958	Swiss	Business Administration HWV Swiss Certified Public Accountant	2006 2009 Chairman
Thomas Oehen-Bühmann Vice- Chairman of the Board of Directors	1958	Swiss	Certified Master Farmer	2009
Christian Arnold-Fässler	1977	Swiss	Certified Master Farmer	2012
Monique Bourquin	1966	Swiss	Business Economist lic. oec. HSG	2013
Christina Johansson	1966	Swiss/ Swedish	Business Economist dipl. oec. Master of Science in Business Administration & Economics	2018
Niklaus Meier	1955	Swiss	Swiss certified expert in accounting and controlling	2012
Alexandra Post Quillet	1967	Swiss/ German	Business Economist lic. oec. HEC	2018
Franz Steiger	1959	Swiss	Certified Master Farmer	2015
Diana Strebel	1960	Swiss	Business Economist dipl. oec. Master of Science in Marketing GSBA and University of Wales	2012

3.2 Professional background and other activities and interests

Konrad Graber

Member of the Board of Directors since 2006, Chairman since 2009

Professional background

since 2009	BDO AG, Partner and Member of the Board of Directors
2005 – 2009	BDO AG, Head of Management Consultancy and IT service division, Member of the Swiss Executive Board
1999 – 2005	BDO AG, Head of Department for Public Administration and non-profit organisations, Partner
1983 – 1999	KPMG, auditor for national and international companies, latterly Partner and Director

Key mandates outside of Emmi

2007 – 2019	Council of States, Member
2002 – 2017	CSS Versicherungen, Member of the Board of Directors
2000 – 2012	Verkehrsbetriebe Luzern AG, Chairman of the Board of Directors
1997 – 2001	Cantonal Parliament, canton of Berne, Auditor
1993 – 2004	SSBL (foundation for the severely disabled in Lucerne), President
1987 – 2007	Cantonal parliament, canton of Lucerne, Member

Thomas Oehen-Bühlmann

Member of the Board of Directors since 2009, Vice-Chairman since 2012

Professional background

since 2013	Member of the "Geissbühl" generational community farm
1985 – 2013	Management of the "Geissbühl" dairy and arable farm as an independent farmer

Other mandates

since 2012	Central Switzerland Milk Producers Cooperative (ZMP), Chairman
since 2011	Board of Swiss Milk Producers (SMP), Berne, Member of the Board
since 2009	Central Switzerland Milk Producers Cooperative (ZMP), Member of the Board, Chairman since 2012
2007 – 2012	Hohenrain, Municipal Councillor, Mayor from 2008
1995 – 2003	Agricultural training centres in the canton of Lucerne, Chairman of the Supervisory Committee
1985 – 2003	Technical expert for proficiency exams and master farmer exams

Christian Arnold-Fässler

Member of the Board of Directors since 2012

Professional background

since 2000	Management of a dairy farm as an independent farmer and training instructor
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Other mandates

since 2019	Lati SA, Member of the Board of Directors
since 2016	Caseificio del Gottardo, Member of the Board of Directors
since 2012	Uri Cantonal Parliament, Member
since 2012	Swiss Milk Producers (SMP), Member of the Board
since 2009	Central Switzerland Milk Producers Cooperative (ZMP), Member of the Board
since 2009	Central Switzerland Farmers' Cooperative, Delegate
2015 – 2016	Uri Cantonal Parliament, President
2006 – 2013	Seedorf, Deputy Mayor

Monique Bourquin

Member of the Board of Directors since 2013

Professional background

2012 – 2016	Unilever Germany, Austria and Switzerland (DACH), Chief Financial Officer
2008 – 2012	Unilever Switzerland, Country Managing Director
2002 – 2008	Unilever Switzerland, Customer Development Director
1999 – 2002	Mövenpick Foods Switzerland, latterly Director Switzerland for the Food division
1997 – 1999	Rivella AG, National Account Manager
1994 – 1997	Knorr Nahrungsmittel AG, Product Manager
1990 – 1994	PriceWaterhouseCoopers, various roles

Other mandates

since 2019	Weleda AG, Member of the Board of Directors
since 2018	Swisscontact, Member of the Foundation Committee
since 2017	Swiss Federal Institute of Technology (ETH), Zurich, Lecturer in Change Management
since 2017	Promarca (Swiss branded goods association), President
since 2017	Kambly AG, Member of the Board of Directors
since 2017	Straumann Group, Member of the Board of Directors
since 2009	GfM (Swiss Marketing Association), Member of the Board of Directors
2012 – 2016	Unilever Germany pension fund, Chairwoman of the Board for the employer side
2008 – 2016	Unilever Switzerland pension fund, Chairwoman of the Foundation Board

Christina Johansson

Member of the Board of Directors since April 2018

Professional background

since 2018	Bilfinger SE, Group CFO
2016 – 2018	Bucher Industries Group, Group CFO
2014 – 2016	SR Technics Group, Group CFO and Deputy Group CEO
2007 – 2014	Pöyry Energy Business Group and Management Consulting Business Group Switzerland, CFO
2005 – 2007	Zeag Group, CFO and Deputy CEO
1996 – 2005	Amcor Rentsch & Closures Group Switzerland/Germany/Canada, Group CFO, previously Corporate Finance Controller
1993 – 1996	Securitas Group, Financial Controller and Treasury Manager for Germany and Austria

Other mandates

since 2016	OptikArt AG, Member of the Board of Directors
2017 – 2019	Swiss CFO Association (VSF), Member of the Board
2013 – 2017	Municipal Council of Wangen, Member

Niklaus Meier

Member of the Board of Directors since 2012

Professional background

2011 – 2017	MEGlobal International FZE, Dubai, Chief Financial Officer
2009 – 2011	BASF Schweiz AG, integration of the financial organisation following acquisition of Ciba
1995 – 2009	Ciba AG, latterly CFO
1993 – 1995	ToniLait AG, Head of Finance
1976 – 1992	Association of Milk Producers of Northwestern Switzerland (MIBA), latterly Head of Finance and Administration

Other mandates

since 2017	Association CO13 (association supporting individuals in their professional integration), President
since 2010	Swiss Controlling Standards working group of the Swiss Association of Accounting and Controlling (VEB), Member
since 2000	Examination committee for finance and accounting specialists/Swiss certified experts for controlling and accounting, Member

Alexandra Post Quillet

Member of the Board of Directors since April 2018

Professional background

2004 – 2018	Crescendo Marketing, strategic brand and marketing consultancy, Managing Partner and Co-Founder
2000 – 2003	Unilever Poland, Managing Director Home and Personal Care
1998 – 1999	Unilever Poland, Marketing Manager Personal Care
1995 – 1998	Unilever Vietnam, Marketing Manager Home & Personal Care
1995	Unilever Switzerland, National Sales Account Manager
1994	Unilever Switzerland, Brand Manager
1992 – 1993	Unilever Switzerland, Assistant Brand Manager
1990 – 1992	Nestlé Switzerland, Controller Corporate Internal Audit

Other mandates

since 2019	Glückskette, Member of the Foundation Board
since 2019	Acad Sarl, Académie des administrateurs, Partner and Co-owner
since 2018	Télé Villars-Gryon-Diablerets, Member of the Board of Directors
since 2017	SwissBoardForum, Member of the Board
since 2017	Landolt & Cie, Member of the Board of Directors
since 2016	Schenk SA, Vice-Chairwoman of the Board of Directors
since 2015	Hug AG, Member of the Board of Directors
since 2012	SBB AG, Member of the Board of Directors

Franz Steiger

Member of the Board of Directors since 2015

Professional background

since 1984	Management of a dairy and pig-breeding farm as an independent farmer and training instructor
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Other mandates

since 2009	Emmentaler Milk Producers' Organisation, Member of the Board
since 2008	Schlierbach, Mayor
since 2006	Swiss Farmers' Union, Delegate
since 2000	Central Switzerland Milk Producers Cooperative (ZMP), Member of the Board
since 1991	Schlierbach-Krumbach Dairy Cooperative, Treasurer
2006 – 2015	Central Switzerland Milk Producers Cooperative (ZMP), Vice President

Diana Strebel

Member of the Board of Directors since 2012

Professional background

since 2009	Strebel-Birt AG, Managing Director of this consultancy firm for branding, communications and agency management, which she co-founded
2005 – 2009	Interbrand Zintzmeyer & Lux AG, Managing Director
2005 – 2009	Interbrand Europa, Chief Operating Officer
1981 – 2003	Various advertising agencies, including as Deputy CEO at Publicis Group and CEO at Wunderman AG; founder and co-owner of Aebi, Strebel AG

Other mandates

since 2011	Globalance Bank AG, Deputy of the Chairman of the Board of Directors
since 2009	Ricola AG, Member of the Board of Directors
2006 – 2009	Interbrand Zintzmeyer & Lux AG, Member of the Board of Directors
2002 – 2005	Scholz & Friends AG, Member of the Board of Directors
2002 – 2004	Wundermann AG, Member of the Board of Directors

3.3 Permitted number of activities

The members of the Board of Directors may hold a maximum of five mandates in listed legal entities and 15 mandates in non-listed legal entities.

3.4 Election and term of office

The first election of members can be seen in the table in section 3.1 Members of the Board of Directors. The term of office of members of the Emmi Board of Directors is one year and lasts until the 2020 General Meeting accordingly. Reelection is permitted. There is no restriction on the number of terms of office. The members of the Board of Directors and the Personnel and Compensation Committee are elected by the General Meeting, with the period between one Ordinary General Meeting and the end of the next deemed to be one year. The Chairman is elected by the General Meeting from among the members of the Board of Directors. Elections to the Board of Directors are generally carried out as individual elections. All votes and elections are carried out by open ballot unless a majority requests a secret ballot.

3.5 Internal organisation

Allocation of duties within the Board of Directors

The following table shows the allocation of duties to all members.

	Audit Committee	Market Committee	Personnel and Compensation Committee	Agricultural Council
Konrad Graber Chairman of the Board of Directors	●	●	● (Chairman)	● (Chairman)
Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors		●	●	●
Christian Arnold-Fässler Member	●			●
Monique Bourquin Member		●	●	●
Christina Johansson Member	●			
Niklaus Meier Member	● (Chairman)			
Alexandra Post Quillet Member		●		
Franz Steiger Member				●
Diana Strebel Member		● (Chairwoman)		

Composition, duties and delimitation of responsibilities of the committees

The composition of the committees and the Agricultural Council (hereinafter the “committees”) is shown in the previous table. The committees perform a regular assessment of their performance (self-assessment).

The **Audit Committee** supports the Board of Directors in monitoring the management of the company, in particular from a financial perspective. It is entitled to view all documents necessary for the performance of its duties and to request comprehensive information from all areas of the Group, as well as the external auditors, at any time. It comprises at least three members of the Board of Directors, one of whom is the Chairman of the Board of Directors. Its meetings are attended by the CEO, CFO, Head of Group Controlling, Head of Internal Auditing and, on invitation, the external auditor in charge.

The Audit Committee deliberates on and approves:

- the auditing plan and the personnel budget of Internal Auditing
- the appointment and dismissal of the Head of Internal Auditing
- the auditing plan and the remuneration budget for the external auditors
- the auditors for consolidated subsidiaries where these differ from the Group auditors
- the list of counterparties and their credit limits for financial transactions

The Audit Committee assesses the following, in particular, for the Board of Directors in an advisory or preparatory capacity:

- the organisation of accounting, and the organisation and content of financial control including internal auditing
- the effectiveness and independence of the internal auditors
- the selection of the Group auditors
- the effectiveness and independence of the external auditors
- the results of internal and external auditing and the monitoring of action plans by management based on these results
- the Group and holding accounts and the results of subsidiaries
- the annual and investment budget
- the evaluation of risks and of the measures based on this
- financial and liquidity planning as well as business relations with financial institutions
- financial reporting to shareholders and the public
- legal proceedings and out-of-court settlement of disputes whose outcome may have implications for the financial situation of the Group
- the treasury guidelines

The **Market Committee** supports the Board of Directors in monitoring the management of the company, in particular from a medium and long-term perspective. It offers recommendations on the basic organisation of the brand, product and market strategy as preparation for the corporate strategy. It comprises at least three members of the Board of Directors, one of whom is the Chairman of the Board of Directors. Its meetings are attended by the CEO and, on invitation, other members of Group Management. The Market Committee has no approval power.

The Committee assesses or processes the following, in particular, for the Board of Directors in an advisory or preparatory/follow-up capacity:

- the organisation based on the strategy
- merger and acquisition projects, brand projects, and product and marketing investments based on the strategy
- the strengthening of the Emmi brand portfolio and innovations based on the strategy
- the preparation of changes in strategy
- the development of key customers and markets as well as critical business units
- the controlling of major projects and major acquisitions

The Personnel and Compensation Committee supports the Board of Directors in monitoring the management of the company, in particular from a personnel perspective and regarding compensation issues. It comprises at least three members of the Board of Directors, one of whom is the Chairman of the Board of Directors. Its meetings are attended by the CEO and the Chief Human Resources Officer on invitation.

The Personnel and Compensation Committee deliberates on and approves:

- the remuneration system for management and employees
- the remuneration for the Chairman of the Board of Directors, the members of the Agricultural Council, the CEO and the other members of Group Management (taking into account the ceiling amounts approved by the General Meeting)
- the employer representation in the Emmi Pension Foundation and the Emmi Welfare Foundation
- other mandates of the members of the Board of Directors and Group Management

It also elects the members of Group Management, excluding the CEO, as well as the members of the extended Group Management.

The **Personnel and Compensation Committee** assesses or processes the following, in particular, for the Board of Directors in an advisory or preparatory capacity:

- the remuneration system for the compensation of the Board of Directors as well as the remuneration of the members of the Board of Directors
- the remuneration system for the compensation of Group Management
- the ceiling amounts for the remuneration of the Board of Directors, the Agricultural Council and Group Management for approval by the General Meeting (for approval model, see section Remuneration system)
- the total amount of salary adjustments and bonuses for employees and basic changes to the pension fund regulations and other retirement benefit plans
- the composition of Group Management
- succession planning and the evaluation of candidates for the Board of Directors according to the regulations governing election
- succession planning for the Chairman of Group Management and, at the request of the CEO, for members of Group Management
- the regular review of the organisational regulations

The **Agricultural Council**, which consists of members of the Board of Directors and specialists, supports the Board of Directors in monitoring the management of the company, in particular with regard to milk procurement and agricultural issues. It comprises at least four individuals, of whom at least three are members of the Board of Directors (the Chairman of the Board of Directors plus two further members). Internal and external experts inform the Agricultural Council about the latest developments and provide its members with advice where necessary. Members of the Emmi Group who attend meetings as internal experts include the CEO, the Executive Vice President Switzerland, the Head of Agricultural Policy and the Head of Procurement. The external experts are the Managing Directors of the regional milk producer organisation ZMP, which has a stake in Emmi, and the national milk producer organisation SMP. Other members are the President of the national milk sector organisation BOM and, as of 2019, the President of the milk producer organisation Mittelland Milch and the President of the milk producer organisation mooh. The Agricultural Council has no approval power.

It assesses or processes the following, in particular, for the Board of Directors in an advisory or preparatory capacity:

- general political issues
- the development of the milk and cheese industry and its organisations
- the volume and price management of milk as a raw material
- milk and cheese procurement

Working methods of the Board of Directors and its committees

As a rule, the Emmi Board of Directors and its committees meet as often as business requirements dictate, but at least quarterly. The Personnel and Compensation Committee and the Agricultural Council generally meet twice a year. In the year under review, the Board of Directors held eight half-day meetings and one all-day meeting. The Audit Committee met five times for three hours each, and the Market Committee three times for three hours each plus for one whole day. The Personnel and Compensation Committee met three times for one-and-a-half hours each, while the Agricultural Council met twice for two hours each (average times).

Meetings held by the Board of Directors are also attended by the CEO, the CFO and, depending on the topic, other members of Group Management. Individual items on the agenda are handled exclusively within the Board of Directors, i.e. excluding all participants who are not members of the Board of Directors. The entire Group Management participates in the strategy meeting held by the Board of Directors. The inclusion of members of Group Management in meetings held by the committees is shown for the individual committees. With the exception of the Agricultural Council and Audit Committee, the Emmi Board of Directors holds its meetings without any external experts. The Chairman of the Board of Directors is a member of all committees for the purposes of coordinating the various committees of the Board of Directors and integrating the Board of Directors as a whole.

The chairpersons of the committees report to the Board of Directors at every Board meeting regarding their activities and results, and record details of their consultations and decisions in minutes that are distributed to all members of the Board of Directors. If any important issues arise, the Board of Directors is informed immediately following the meeting.

Overall responsibility for the duties assigned to the committees remains with the Emmi Board of Directors. The decisions of the Board of Directors are made with an absolute majority of the votes cast. In the event of a tied vote, the Chairman has the casting vote.

3.6 Definition of responsibilities between the Board of Directors and Group Management

The **Board of Directors** is responsible for the overall management of the company and the Group, as well as for monitoring the management of the company in accordance with Art. 716a of the Swiss Code of Obligations. On this basis, it deliberates on and determines issues including:

- the annual and investment budget
- the annual and half-year results
- Group structure up to and including Group Management
- the salary policy, in particular the remuneration system for the compensation of the members of the Board of Directors, the remuneration system for the compensation of Group Management, the total amount of salary adjustments and bonuses for employees, the pension fund regulations and other retirement benefit plans
- ceiling amounts for remuneration of the Board of Directors, the Agricultural Council and Group Management for approval by the General Meeting (for approval model, see section 3.1 Approval model of the General Meeting in the Compensation report 2019)
- the evaluation of the main risks
- multi-year financial and liquidity planning
- strategy-relevant cooperations and agreements, in particular the purchase and sale of participations, companies, etc.
- Group regulations
- the founding and closure of companies
- the approval of members of the Board of Directors of consolidated subsidiaries
- the proposal of candidates for the Board of Directors to the General Meeting

All other areas of management are delegated in full by the Board of Directors to the Chairman, the CEO and Group Management. The Board of Directors can, at any time, on a case-by-case basis or on the basis of general powers reserved, intervene in the duties and areas of competence of the corporate bodies that report to it and take over business carried out by these bodies.

The **CEO** is the Chairman of Group Management. He leads, supervises and coordinates the members of Group Management and – for Group tasks – of the extended Group Management, and grants them the necessary authority to perform their functions. In particular, he is responsible for implementing strategic objectives, defining operational thrusts and priorities, and providing the necessary material and personnel resources for this purpose. He communicates regularly with the Chairman of the Board of Directors and the Board of Directors as a whole regarding business developments.

The **members of Group Management** consistently ensure the implementation of strategic Group management. They manage the subsidiaries from a financial point of view and influence their strategic orientation. Their areas of competence and responsibility are determined, in particular, by instructions from the CEO and the budget approved by the Board of Directors, as well as by the agreed business strategy.

As members of the Executive Board Switzerland and long-standing former members of Group Management, the **members of extended Group Management** undertake the selective Group duties assigned to them by the CEO.

3.7 Information and control instruments vis-à-vis Group Management

The Emmi Board of Directors is informed at every meeting by the Chairman, the chairpersons of the committees, the CEO, the CFO and – depending on the agenda item – by other members of Group Management about current business developments, the financial situation and key business events. Additional information is provided during committee meetings. In the case of significant acquisitions, the Market Committee or delegations from the Board of Directors visit the companies concerned to assess the situation first-hand. The Chairman of the Board of Directors meets with a local Executive Board twice a year on average.

In addition to the meetings, every member of the Board of Directors can, having first informed the Chairman of the Board of Directors accordingly, request information from the members of Group Management about business developments and, with the authorisation of the Chairman, about individual transactions. The Chairman is kept up to date by the CEO on a regular basis, at least once every two weeks, and receives the minutes of all Group Management meetings. He and the CEO ensure an appropriate flow of information between Group Management and the Board of Directors. Members of the Board of Directors are informed immediately of exceptional incidents by means of circular letter.

Additional information and control systems are:

- Management Information System (MIS): Members of the Board of Directors receive a detailed Group Management Report, containing in-depth information on the company's financial position, on a monthly basis. A forecast for the year-end closing statement is prepared on a quarterly basis. The members of the Audit Committee also receive a quarterly Group Treasury Report and detailed information about its contents, allowing them to assess financial performance.
- Risk management process: At least once a year, the Board of Directors is informed by the CEO regarding the main risks and their assessment on the basis of relevance and likelihood of occurrence. The Board of Directors approves the risk management measures defined by Group Management for implementation and monitors their progress (see also Notes to the consolidated financial statements of the Emmi Group in the Annual Report 2019).
- External and Internal Audit: Details of the external audit are provided in section 8 Auditors. Internal Audit is a management tool used by the Board of Directors and Group Management, and as such forms a fundamental part of the internal control system. It is directly associated with the Chairman of the Audit Committee, as well as the Audit Committee as a whole, through participation in its meetings, which are held at least quarterly (five meetings in the year under review). The Audit Committee approves the auditing programme and the annual planning; it also receives all auditors' reports and is kept informed at its meetings of all findings and the resulting measures. In addition, the Head of Internal Audit regularly meets with the Chairman of the Audit Committee.

Internal Audit works in accordance with standards defined in the Audit Manual and carries out audits in the entire Emmi Group. These audits involve assessing the risk potential in the company's corporate governance, business processes and information systems in terms of the reliability and integrity of accounting data and other fundamental information, the efficacy and efficiency of business processes, the securing of tangible and non-tangible business assets, and compliance with laws, ordinances and agreements. Internal Audit also works closely together with the external auditors and carries out special audits at the request of the Audit Committee. It evaluates the effectiveness of the internal and external control systems, as well as the risk management of the Emmi Group. Compliance is also supported and jointly monitored by the Legal department.

4. Group Management

4.1 Members of Group Management



Members of Emmi Group Management from left (as at the balance sheet date): Matthias Kunz, Ricarda Demarmels, Robin Barraclough, Urs Riedener (CEO), Natalie Rüedi, Thomas Morf, Kai Könecke, Marc Heim

	Year of birth	Nationality	Education	Current function
Urs Riedener	1965	Swiss	Business Economist lic. oec. HSG Stanford Executive Program	Chief Executive Officer (CEO)
Marc Heim	1967	Swiss	Business Economist lic. oec. HSG	Deputy CEO, Executive Vice President Switzerland
Robin Barraclough	1967	British/ Swiss	Economist	Executive Vice President Europe
Ricarda Demarmels	1979	Swiss	Business Economist lic. oec. HSG	Chief Financial Officer
Kai Könecke	1966	German	Dipl.-Ing. Mechanical Engineering	Chief Supply Chain Officer
Matthias Kunz	1960	Swiss	Certified Agronomics Engineer ETH MBA, Stanford Executive Program	Executive Vice President Americas
Thomas Morf	1974	Swiss	Business Economist lic. oec. HSG	Chief Marketing Officer
Natalie Rüedi	1971	Swiss	Certified Primary School Teacher EMBA, Lucerne University of Applied Sciences and Arts	Chief Human Resources Officer

4.2 Professional background and other activities and interests

Urs Riedener

CEO and Chairman of Group Management since 2008

Professional background

2000 – 2008	Migros Cooperative (MGB), from 2002 Head of Marketing and Member of the Executive Board
1995 – 2000	Lindt & Sprüngli Group, both in Switzerland and abroad, various management positions, latterly National Sales Manager and Member of the Board of Management for Switzerland
1992 – 1995	Kraft Jacobs Suchard Group, various positions, latterly Group Brand Manager

Other mandates

since 2015	SMG (Swiss Management Association), Member of the Executive Committee
since 2014	Conzzeta AG, Member of the Board of Directors
since 2010	Promarca (Swiss branded goods association), Member of the Executive Committee
since 2007	Institute of Marketing at the University of St. Gallen, Member of the Executive Committee

Marc Heim

Executive Vice President Switzerland and Deputy CEO since 2017, Member of Group Management since 2009

Professional background

2014 – 2016	Emmi Group, Executive Vice President Europe
2009 – 2013	Emmi Group, Head of Sales
2004 – 2009	Halter Bonbons AG, Managing Director
1999 – 2004	Kambly AG, various management roles
1992 – 1999	Effems AG (now Mars Schweiz AG), various positions

Robin Barraclough

Executive Vice President Europe since 2017, Member of Group Management since 2009

Professional background

2014 – 2016	Emmi Group, Chief Marketing Officer
2009 – 2014	Emmi Group, Head of Marketing
2008	Kraft Foods, in charge of the coffee business in German-speaking Europe
1991 – 2007	Mars Incorporated, various managerial marketing roles at national and international level, latterly Senior Member of the Marketing Leadership Team at the European Masterfoods headquarters in Bremen (Germany)

Ricarda Demarmels

CFO and Member of Group Management since 2019

Professional background

2015 – 2018	ORIOR Group, Chief Financial Officer
2009 – 2014	Capvis Equity Partners, Investment Director
2005 – 2009	Oliver Wyman Financial Services, Project Manager
2002 – 2003	Swiss National Bank, Research Assistant

Other mandates

since 2018	Sensirion, Member of the Board of Directors and Chairwoman of the Audit Committee
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Kai Könecke

Chief Supply Chain Officer and Member of Group Management since 2017

Professional background

2012 – 2016	Unilever Germany-Austria-Switzerland, Managing Director Supply Chain G-A-S
2011 – 2012	Amazon, General Manager, Fulfillment Center Rheinberg (Germany)
2006 – 2011	Mars (Effems) Germany, Plant Director of the facility in Viersen (Germany)
1993 – 2006	Mars (Effems) Germany, various roles in Supply Chain, including Head of Logistics Germany and Head of Development of Supply Chain Management Europe

Matthias Kunz

Executive Vice President Americas since 2014, Member of Group Management since 2002

Professional background

2009 – 2013	Emmi Group, Head of International Division
2002 – 2009	Emmi Group, Head of International Cheese Division
1999 – 2002	Swiss Dairy Food, Member of Group Management
1997 – 1999	Toni International AG, Managing Director

Thomas Morf

Chief Marketing Officer and Member of Group Management since 2017

Professional background

2012 – 2017	Danone Johannesburg, latterly Managing Director of the Mayo Dairy business unit
2010 – 2012	Danone Paris, Global Marketing Director Innovations
2007 – 2010	Danone Munich, various executive marketing roles
2000 – 2007	Procter & Gamble, Belgium, various executive marketing roles

Natalie Rüedi

Chief Human Resources Officer since 2014, Member of Group Management since 2011

Professional background

2009 – 2013	Emmi Group, Head of Human Resources, Member of extended Group Management until 2010
2004 – 2009	Emmi Group, responsible for developing and heading up staff development
2000 – 2004	Emmi Group, Human Resources Specialist
1992 – 2000	Teacher and headmistress at a primary school

Members of the extended Group Management

Othmar Dubach

Head of Cheese and Dairy Products Switzerland, Member of the Executive Board Switzerland and of the extended Group Management since 2014

Professional background

1993 – 2013	Emmi Group, Head of the Cheese Division
1992 – 1993	Emmi Group, Head of Marketing
1983 – 1991	Central Switzerland Milk Association, various roles

Markus Willimann

Head of Industrial Business Switzerland, Member of the Executive Board Switzerland and of the extended Group Management since 2014

Professional background

since 2004	Emmi Group, Head of Industrial Business and agricultural policy
1998 – 2004	Emmi Group, Member of Group Management with responsibility for the Dairy Products Division
1990 – 1998	UFAG AG, Division Head, Member of the Executive Board
1987 – 1990	Jacobs Suchard AG, latterly Senior Project Manager Research & Development
1982 – 1987	Testing station, Schweizerische Brauereien, research assistant and doctoral student

Other mandates

since 2011	Advisory Committee for Agriculture and the Agriculture Research Council of the Swiss Confederation, Member
since 2009	Swiss Milk Sector Organisation (BOM), Vice President
since 2007	Federal Agriculture Research Council, Member
since 2004	Swiss Dairy Industry Association (VMI), Chairman
since 2004	Federation of Swiss Food Industries (fial), Member of the Board
since 1998	Swiss Butter Sector Organisation (BOB), Member

4.3 Permitted number of activities

The members of Group Management may hold a maximum of two mandates in listed and ten mandates in non-listed legal entities.

4.4 Management contracts

No management contracts exist.

5. Compensation, participations and loans

Information on remuneration, the definition process for compensation, statutory rules, participations, and loans and credits to members of the Board of Directors, Agricultural Council and Group Management can be found in the Compensation report (see Compensation report 2019).

6. Shareholders' rights of co-determination

6.1 Restrictions on voting rights and proxies

Emmi's Articles of Association contain no restrictions on voting rights. A shareholder who has voting rights may only be represented at the General Meeting by a legal representative, another shareholder attending the General Meeting who has voting rights or the independent proxy. Power of attorney and instructions to the independent proxy may be issued electronically.

6.2 Statutory quorum

Unless the law stipulates otherwise, the General Meeting passes its resolutions and performs its elections by an absolute majority of the voting rights represented, not taking into account blank and invalid votes. In addition to the legal exceptions, the resolution concerning the amendment of the provision of the Articles of Association relating to the restrictions on registration (see section 2.6 Restrictions on transferability and nominee registrations) also requires at least two-thirds of voting rights represented and the absolute majority of shares represented.

6.3 Convening of the General Meeting

The Ordinary General Meeting takes place annually, at the latest six months after the end of the financial year. It is convened by the Board of Directors. The procedure for convening Extraordinary General Meetings is governed by the applicable legal provisions.

6.4 Agenda

Shareholders who represent shares with a par value of CHF 1 million and above can request that an item be placed on the agenda at the General Meeting. Such requests must be submitted to the Board of Directors in writing at least 45 days before the General Meeting, citing the motions concerned.

6.5 Entries in the share register

The share register is usually closed ten days prior to the General Meeting. The Board of Directors may approve exceptional subsequent entries on request. The effective closing date is published in the invitation to the General Meeting and in good time in the financial calendar on the Emmi website at:

www.emmi.com > Media & Investors > Deadlines

7. Change of control/defensive measures

7.1 Obligatory offer

Emmi's Articles of Association include neither an "opting up" clause pursuant to Art. 135(1) FinfraG nor an "opting out" clause pursuant to Art. 125(4) FinfraG regarding the legal obligation to make a takeover bid.

7.2 Change-of-control clauses

No contractual agreements exist either for members of the Board of Directors, members of Group Management or other management members in the event of a change in the controlling majority stake.

8. Auditors

8.1 Duration of the mandate and term of the Auditor in Charge

At the 2014 General Meeting, KPMG, Lucerne, were appointed as the new statutory auditors for the financial year. They have been reappointed annually since that time. According to the Articles of Association, their term ends with the approval of the financial statements for the relevant financial year. The Auditor in Charge, Thomas Affolter, has been in office since 2014. According to the provisions of the Swiss Code of Obligations, he may execute this mandate for a maximum of seven years. Thomas Affolter will therefore be responsible for the audit of the Emmi Group until the end of the 2020 financial year at the latest.

8.2 Audit fees

For the 2019 reporting year, the agreed audit fee for the performance of their mandate as statutory auditors (including the audit of the consolidated financial statements) amounted to KCHF 1,308.

8.3 Additional fees

During the year under review, KPMG charged a total of KCHF 149 for additional services beyond the scope of their statutory mandate. This fee includes KCHF 112 for tax advice and KCHF 37 for other consulting and audit-related services.

8.4 Information tools used by the external auditors

The supervision and monitoring of the auditors is exercised by the full Board of Directors. The Board of Directors' Audit Committee assesses the performance, invoicing and independence of the external auditors and provides the Board of Directors with corresponding recommendations. It also annually reviews the scope of the audit, the audit plans and the relevant procedures, and discusses the audit reports with the Auditor in Charge. Details of the term of the Auditor in Charge can be found in section 8.1. The report on the final audit of the annual accounts is also sent to all members of the Board of Directors for the final approval of the Annual Report. The Auditor in Charge attended three meetings of the Audit Committee in 2018. Details on Internal Audit are provided in section 3.7 Information and control instruments vis-à-vis Group Management.

9. Information policy

Investor Relations guidelines: Emmi strives to maintain open and ongoing communication with shareholders, existing and potential investors, and other stakeholder groups. Emmi's aim is to provide rapid, real-time and transparent information about the company, its strategy and business developments, and to offer a truthful picture of Emmi's performance in the past and the present, as well as its future prospects. This picture is intended to reflect the assessment of the current situation of the company by Group Management and the Board of Directors.

Methodology: Emmi publishes an extensive Annual Report every year that presents operating activities, corporate governance and financial reporting for the current year, drafted and audited in accordance with Swiss GAAP FER. A half-year report is also published.

Furthermore, media releases are published about events relevant to the share price, such as acquisitions, minority or majority shareholdings, joint ventures and alliances in accordance with guidelines relating to ad-hoc publicity. Important announcements, in particular half- and full-year results, are accompanied by presentations together with press and analyst conferences or analyst calls.

Emmi meets during the course of the year with institutional investors both in Switzerland and abroad, presents its published results on a regular basis, organises road shows and holds meetings with individual institutional investors and groups. The main point of contact for these meetings and presentations is the CFO. The meetings and presentations focus on Emmi's financial results, its strategic orientation and the current initiatives of the Group.

Emmi uses the Internet in order to ensure rapid, real-time and consistent distribution of information. The company's website features an electronic information tool that enables shareholders and other interested parties to add their names to an electronic distribution list:

www.emmi.com > Media & Investors > Emmi News Service

Media releases and investor information can be accessed via the following link:

www.emmi.com > Media & Investors > Media Releases

Notifications to SIX Exchange Regulation of participations that exceed the level at which notification becomes obligatory can be found via the following link:

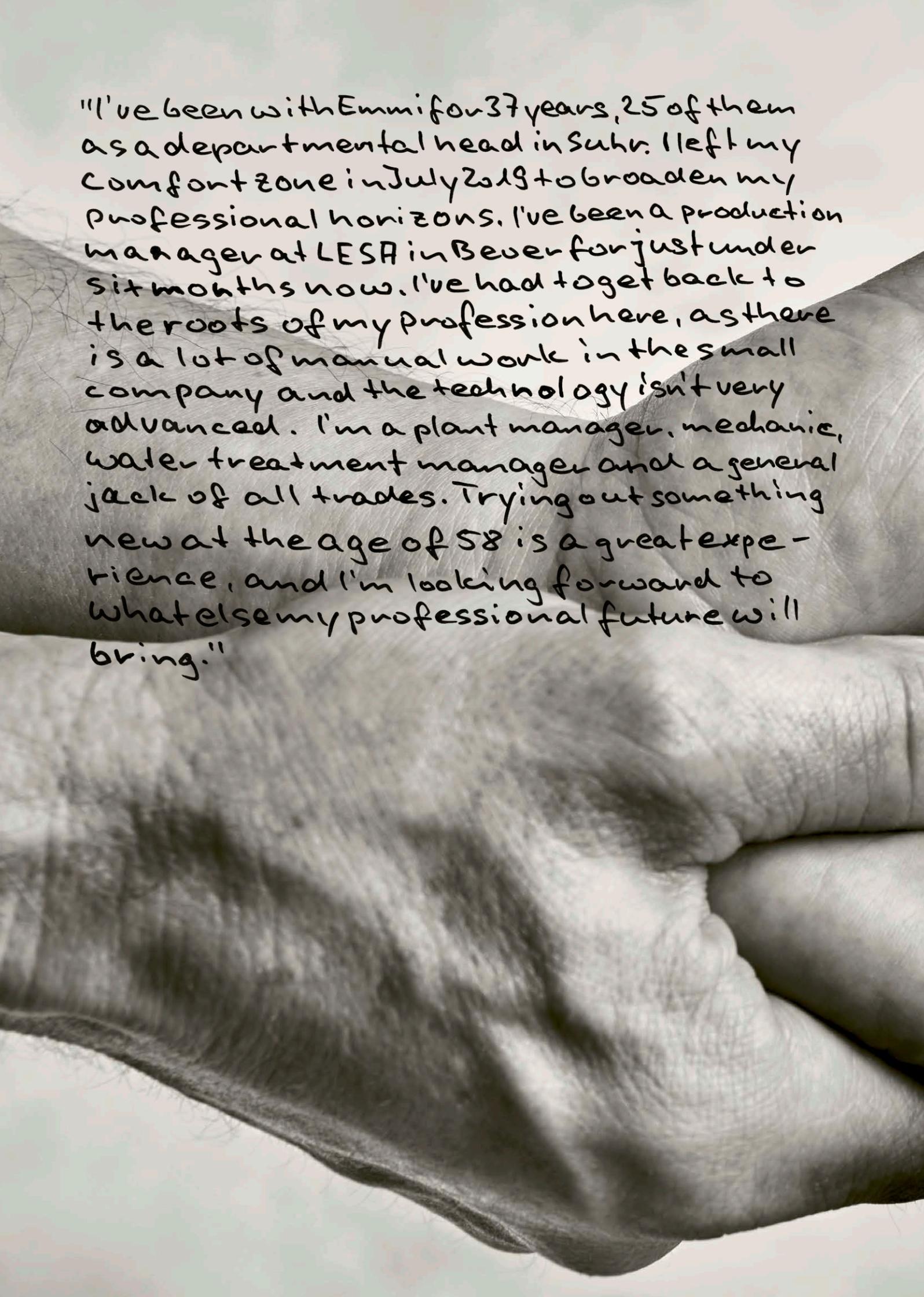
www.six-swiss-exchange.com > Market Data > Shares > Company: Emmi AG

Contact for Investor Relations:

Emmi Management AG, Corporate Communications & IR, Landenbergstrasse 1, P.O. Box 2570, CH-6002 Lucerne, Phone +41 58 227 50 69, E-mail ir@emmi.com, www.emmi.com

The General Meeting will take place on 2 April 2020. All registered shareholders will receive an invitation to the General Meeting by post.

The next business results (2020 half-year results) will be published on 26 August 2020.



"I've been with Emmi for 37 years, 25 of them as a departmental head in Suhr. I left my comfort zone in July 2019 to broaden my professional horizons. I've been a production manager at LESA in Bever for just under six months now. I've had to get back to the roots of my profession here, as there is a lot of manual work in the small company and the technology isn't very advanced. I'm a plant manager, mechanic, water treatment manager and a general jack of all trades. Trying out something new at the age of 58 is a great experience, and I'm looking forward to what else my professional future will bring."



Jakob Furrer,
Production Manager LESA, 58

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1. Guidelines

Productive employees with integrity are the key factor in Emmi's success. They enable objectives to be met through their commitment, mutual respect and honest business practices. In so doing, they contribute to the sustainable growth of the Group. Remuneration is only one part of the overall reward: respect, meaningful work, responsible organisation of the working environment and opportunities for further development are just as important.

The Board of Directors supports employees and thus the corporate strategy with an appropriate remuneration policy, i.e. one that is performance-focused and in line with market conditions and that incorporates the company's commercial development. Basic remuneration should reflect the requirements, skills and responsibilities of the respective role, as well as the performance and conduct of the employee. In addition, it should provide income security. The variable remuneration component at management level strengthens the shared responsibility. It focuses performance and conduct on sustainable business development and provides the opportunity to share in the company's success.

The Board of Directors firmly believes that the aforementioned factors improve and reward job motivation while at the same time reflecting Emmi's corporate values. It therefore considers a share and option programme to be unnecessary at present, also in terms of a simple and transparent remuneration system.

With regard to the remuneration of the company's management, Article 29b of the Articles of Association of Emmi AG states: Remuneration of members of the Board of Directors, Group Management and any advisory body should be adequate, competitive and performance-based. In addition, it should be determined in accordance with the strategic objectives and the success of the Emmi Group.

2. Remuneration system

2.1 Remuneration components

The remuneration of the Board of Directors and the Agricultural Council is fixed remuneration. The remuneration of Group Management comprises a fixed and a variable component. Variable means: depending on success and performance in the previous financial year in connection with defined objectives (“bonus”). The variable remuneration of a member of Group Management should not exceed 50 % of fixed remuneration. No long-term variable component has been implemented. For further information on this topic see section 2.3 Remuneration of Group Management.

According to Article 29b of the Articles of Association of Emmi AG, the company can issue equity securities, conversion or option rights, or other rights to equity securities to members of the Board of Directors, the Agricultural Council and Group Management as part of their remuneration. Emmi currently intentionally forgoes share or option plans or other share ownership programmes. This is intended to ensure that the remuneration system remains straightforward and transparent.

2.2 Remuneration of the Board of Directors and the Agricultural Council

The remuneration of members of the Board of Directors and the Agricultural Council is not related to performance. It is therefore purely basic remuneration, which is paid in cash. It comprises a basic salary and compensation for attending meetings. The amount of the remuneration reflects the time and work which the members invest to fulfil their duties in the Board of Directors, the Agricultural Council and the committees, as well as in the two pension fund foundations. In particular, the members of the Board of Directors and the Agricultural Council do not receive any bonus payments or other financial benefits such as employee terms and conditions or discounted share options. They have no entitlement to services or non-cash benefits.

Once a year, the Personnel and Compensation Committee assesses the remuneration of the Board of Directors compared to listed (small cap) and private Swiss companies. In doing so, it takes into account companies from the consumer goods sector with a similar level of internationalisation, together with firms based in the region from various sectors and of different sizes. Approximately 20 companies meeting the criteria given above, primarily from the food, machinery, plastics and retail industries, served as the comparison group. In addition, the committee has access to a recent external benchmark study from 2017 which compared the remuneration of the Emmi Board of Directors to external salaries and analysed whether the current remuneration and remuneration structure were in line with the market. In the year under review, no external advisor was consulted regarding the remuneration structure.

The basic remuneration, social security contributions and expenses are components of the fixed remuneration according to the table in section 6 Remuneration for the year under review. The General Meeting approves this fixed remuneration as a maximum ceiling amount for the current financial year.

2.3 Remuneration of Group Management

Remuneration of the members of Group Management comprises a fixed and a variable remuneration component (short-term bonus). Both components are paid in cash.

The basic remuneration reflects the experience, knowledge and continuing performance of members of Group Management as well as the competitiveness in external market comparisons based on function-related salary benchmarks. The Personnel and Compensation Committee has available to it a current external study from 2017 for the purpose of comparing the adequacy and competitiveness of the total remuneration. The same comparison group was used for the function-related salary benchmark and for the assessment of the remuneration of the Board of Directors. In the year under review, no external advisor was consulted regarding the remuneration structure.

The basic remuneration, non-cash benefits (company car), expense allowance, and relevant social security and pension benefits are part of the fixed remuneration according to the table in section 6 Remuneration for the year under review. The General Meeting approves this fixed remuneration prospectively as a maximum ceiling amount for the coming financial year.

The Personnel and Compensation Committee decides the fixed remuneration of the CEO and other members of Group Management for the following year, taking into account the maximum ceiling amount approved by the General Meeting.

Variable remuneration: Article 29b of the Articles of Association of Emmi AG states that, in general, the variable remuneration paid to a member of Group Management must not exceed 50 % of fixed remuneration. This is a bonus based on achievement of performance targets, which is paid in cash. The amount reflects the result of the previous financial year and comprises the following three criteria:

- Group performance (weighting 50 %)
- Respective business area performance (weighting 30 %)
- Achievement of individual performance targets (weighting 20 %)

The measurement of business performance is based on the three pillars of sales, income and market share. For service areas, the relevant targets also relate to ongoing development with a view to providing the core business with continuously better support.

The non-achievement of targets may lead to this remuneration not being paid at all in extreme cases; in the event of over-achievement of targets, it can increase up to a maximum of 120 % of the target amount. The variable remuneration of the CEO and the other members of Group Management is agreed by the Personnel and Compensation Committee in connection with the business results. The General Meeting approves the total variable remuneration from the previous financial year.

3. Responsibilities and definition process

3.1 Approval model of the General Meeting

Article 29e of the Articles of Association of Emmi AG defines the approval model. Each year, the General Meeting approves in a separate and binding manner the proposals put forward by the Board of Directors with regard to:

- the maximum total amount of remuneration of the Board of Directors and the Agricultural Council for the current financial year
- the maximum total amount of fixed remuneration for Group Management for the following financial year
- the total amount of variable remuneration for Group Management for the previous financial year

The following **approval model** clarifies which remuneration components and for which period the shareholders will vote on at the 2020 Ordinary General Meeting.

Approval model for the General Meeting 2020



3.2 Decision-making process

Remuneration system: The Board of Directors determines the principles of the remuneration system for the Board of Directors and Group Management as part of its general overall management. The Personnel and Compensation Committee undertakes its regular review and assessment. In this respect, it supports the Board of Directors in determining the remuneration system. External experts would only be involved at most in a fundamental restructuring of the remuneration system.

Remuneration amounts: The Personnel and Compensation Committee submits a proposal for the remuneration of the members of the Board of Directors to the Board of Directors. The Board of Directors decides annually on its remuneration and submits the maximum total remuneration to the General Meeting for approval.

The remuneration for the Chairman of the Board of Directors, the members of the Agricultural Council, the CEO and the other members of Group Management is decided annually by the Personnel and Compensation Committee. The Board of Directors proposes the total amounts of the relevant remuneration to the General Meeting for approval.

3.3 Personnel and Compensation Committee

With the exception of the remuneration of the members of the Board of Directors, the Personnel and Compensation Committee decides on remuneration. It defines the remuneration of the Chairman of the Board of Directors and CEO (associate member) in compliance with the rules on abstention.

Composition of the Personnel and Compensation Committee

Election by the 2019 General Meeting until the 2020 General Meeting.

Konrad Graber Chairman	Independent Member and Chairman of the Board of Directors
Monique Bourquin Member	Independent Member of the Board of Directors
Thomas Oehen-Bühlmann Member	Independent Member and Vice-Chairman of the Board of Directors

4. Loans and credits

Article 29c of the Articles of Association of Emmi AG stipulates that the members of the Board of Directors, Agricultural Council and Group Management may be granted advance payments up to a maximum of KCHF 1,000, in particular in the form of advances on costs for litigation connected to the activity of the person concerned as a member of the Board of Directors, Agricultural Council or Group Management.

5. Proposals to the General Meeting

The proposed total amounts ensure the required level of entrepreneurial flexibility to be able to react to changes (additional members of the Board of Directors, Agricultural Council and Group Management; transfers in committees; extraordinary occurrences; general reserve). There is no intention to use up the full ceiling amounts. Article 29e of the Articles of Association of Emmi AG provides for an additional amount of a maximum of 20 % if additional or replacement members are appointed to Group Management following approval of the fixed remuneration.

All amounts mentioned under point 5 are in KCHF.

5.1 Board of Directors

Approval of the total amount of fixed remuneration of the Board of Directors up to a maximum of KCHF 1,030 for financial year 2020.

Proposal to GM 2020 for full year 2020	Remuneration paid 2019 (see section 6)	Proposal to GM 2019 for full year 2019
1,030 (ceiling amount)	933	970 (ceiling amount)

5.2 Agricultural Council

Approval of the total amount of fixed remuneration of the Agricultural Council up to a maximum of KCHF 40 for financial year 2020.

Proposal to GM 2020 for full year 2020	Remuneration paid 2019 (see section 6)	Proposal to GM 2019 for full year 2019
40 (ceiling amount)	35	40 (ceiling amount)

5.3 Group Management fixed remuneration

Approval of the total amount of fixed remuneration of Group Management up to a maximum of KCHF 5,480 for financial year 2021.

Proposal to GM 2020 for full year 2021	Proposal to GM 2019 for full year 2020	Remuneration paid 2019 (see section 6)	Proposal to GM 2018 for full year 2019
5,480 (ceiling amount)	5,420 (ceiling amount)	4,684	5,400 (ceiling amount)

5.4 Group Management variable remuneration

Approval of the total amount of variable remuneration of Group Management of KCHF 1,030 for financial year 2019.

Proposal to GM 2020 for full year 2019 (see section 6)	Remuneration paid 2018	Proposal to GM 2019 for full year 2018
1,030	1,040	1,040

6. Remuneration for the year under review

Board of Directors	Fixed remuneration				Variable remuneration			Total previous year
	Basic remuneration ¹⁾	Non-cash benefits	Other remuneration ²⁾	Total fixed ³⁾	Bonus ¹⁾	Total variable	Total fixed and variable	
Konrad Graber								
Chairman	280	–	–	280	–	–	280	270
Thomas Oehen-Bühlmann								
Vice-Chairman	84	–	21	105	–	–	105	103
Christian Arnold-Fässler								
Member	62	–	16	78	–	–	78	72
Stephan Baer								
Member (until 12.4.2018)	–	–	–	–	–	–	–	34
Monique Bourquin								
Member	68	–	18	86	–	–	86	80
Christina Johansson								
Member (since 12.4.2018)	56	–	20	76	–	–	76	54
Niklaus Meier								
Member	70	–	26	96	–	–	96	92
Alexandra Post Quillet								
Member (since 12.4.2018)	55	–	15	70	–	–	70	50
Josef Schmidli								
Member (until 12.4.2018)	–	–	–	–	–	–	–	30
Franz Steiger								
Member	51	–	13	64	–	–	64	62
Diana Strebel								
Member	61	–	17	78	–	–	78	70
Total Board of Directors	787	–	146	933	–	–	933	917
Agricultural Council								
Christophe Eggenschwiler (until 30.9.2018)	–	–	–	–	–	–	–	5
Pirmin Furrer	6	–	1	7	–	–	7	7
Stephan Hagenbuch	7	–	–	7	–	–	7	6
Peter Hegglin	6	–	1	7	–	–	7	7
Andreas Hitz (since 1.1.2019)	6	–	1	7	–	–	7	n.a.
René Schwager (since 1.1.2019)	7	–	–	7	–	–	7	n.a.
Total Agricultural Council	32	–	3	35	–	–	35	25
Group Management								
Urs Riedener, CEO	871	3	229	1,103	396	396	1,499	1,488
Other Members	2,690	24	867	3,581	634	634	4,215	4,213
Total Group Management	3,561	27	1,096	4,684	1,030	1,030⁴⁾	5,714	5,701

¹⁾ Basic remuneration and bonuses comprise payments already made or still to be made and social security and pension contributions made by the employee.

²⁾ In the case of members of the Board of Directors, other compensation includes expenses, mandatory social security contributions made by the employer and pension contributions. For members of Group Management, it comprises all additional benefits, such as expenses, pensions, child allowances and mandatory social security contributions made by the employer that are currently paid to them directly or that will be paid to them at a later stage after the end of their employment.

³⁾ The remuneration of the Board of Directors also includes work in the committees, in the Agricultural Council (allocation of duties, see Corporate Governance report) as well as in the two pension fund foundations. Emmi Group employees who are members of the Agricultural Council do not receive any compensation for their work on the Agricultural Council.

⁴⁾ Subject to approval by the General Meeting.

Loans and credits in the year under review

No loans or credits were granted or made to members of the Board of Directors, Agricultural Council or Group Management in the year under review, and none were outstanding as at 31 December 2019. In addition, no loans or credits have been granted to former members of the Board of Directors, Agricultural Council or Group Management, or related parties of current or former members of the Board of Directors, Agricultural Council or Group Management, and none were outstanding as at 31 December 2019.

7. Auditors' report



Report of the Statutory Auditor

To the General Meeting of Emmi AG, Lucerne

We have audited the accompanying remuneration report of Emmi AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the section 6 on page 66 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2019 of Emmi AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Manuel Odoni
Licensed Audit Expert

Lucerne, 28 February 2020

"I'm in the first year of my apprenticeship for a Federal Certificate of Proficiency (EFZ) as a commercial administrator at Emmi's headquarters in Lucerne. I learned about Emmi early on because you can see the Emmen site from my grandparents' balcony. I applied for a shadowing apprenticeship and was impressed from the very first day by the relaxed, positive working environment. I'm constantly learning new, exciting things. It would be a dream come true for me if I could carry on working at Emmi after my apprenticeship."



Marlon Conti, Apprentice
Commercial Administrator,
Headquarters Lucerne, 16

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Emmi AG

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Income statement

Operating section

Emmi generated net sales of CHF 3,494.0 million in 2019. The growth of 1.1 % versus the previous year (CHF 3,457.4 million) is comprised of organic growth of 2.2 %, an acquisition effect of 0.4 % and a negative currency effect of -1.5 %. The pleasing organic growth of 2.2 % was broad-based across all divisions and is in the upper third of the target range of 1.5 % to 2.5 %, after being revised downwards from 2.0 % to 3.0 % when the company reported its half-year results. This means that sales grew much more strongly in organic terms in the second half of the year than they did in the first six months, especially in the Switzerland and Europe business divisions. Growth drivers included the strategic niche markets, for example Italian dessert specialities and goat's milk products, Emmi Caffè Latte and the growth markets in Latin America and North Africa.

Last year was additionally characterised by intensive work on the company and product portfolio as part of the implementation of the long-term corporate strategy. Accordingly, Emmi's position in growth markets outside of Europe was further strengthened, and investments were made in specific niches. Emmi was very active on the acquisitions front in 2019 and has tapped into significant development potential for the years ahead. This strategy will lay the groundwork for benefiting from market dynamics in developing markets, raising the profile of brand products and further consolidating the strong position in Italian desserts and goat's milk products.

In Switzerland, organic growth exceeded expectations at 1.0 %, due not least to the positive performance of Emmi Caffè Latte and the increase in the milk price effective 1 October 2019. The organic growth recorded by Americas was, by contrast, at the lower end of the target range, amounting to 4.1%. The top performers in this business division were cow's and goat's milk cheeses, Emmi Caffè Latte in Spain and the Mexico market. The Europe business division posted organic growth of 1.6 %, exceeding the updated target range of -1 % to 1 % after it was adjusted downwards within the scope of the half-year results. Pleasing growth was achieved in Europe in strategically relevant niche markets such as Italian speciality desserts and goat's milk products. While Emmi Caffè Latte also recorded strong growth in Europe, declining volumes and lower prices at Gläserne Molkerei in Germany hampered performance of the Europe business division overall.

Acquisition effects are accounted for by the following factors:

Positive factors:

- Acquisition of a blue cheese production site (US, 28 February 2019)
- Acquisition of Leeb Biomilch GmbH and Hale GmbH (Austria, 8 October 2019)
- Acquisition of Laticínios Porto Alegre Indústria e Comércio S.A. (Brazil, 24 October 2019)
- Acquisition of Pasticceria Quadrifoglio S.r.l. (Italy, 31 October 2019)

Negative factors:

- Sale of Emmi Frisch-Service AG (Switzerland, 3 April 2019)
- Disposal of part of the trading goods business (Switzerland, 1 January 2018)

Sales development Switzerland

Net sales by product group: Switzerland

in CHF million	Sales 2019	Sales 2018	Difference 2019/2018	Acquisition effect	Organic growth
Dairy products	686.6	676.4	1.5 %	-1.2 %	2.7 %
Cheese	427.1	450.4	-5.2 %	-5.1 %	-0.1 %
Fresh products	336.0	341.7	-1.7 %	-1.6 %	-0.1 %
Fresh cheese	102.5	107.9	-5.0 %	-6.8 %	1.8 %
Powder/concentrates	60.0	61.3	-2.1 %	0.0 %	-2.1 %
Other products/services	62.8	75.5	-16.9 %	-14.9 %	-2.0 %
Total Switzerland	1,675.0	1,713.2	-2.2 %	-3.2 %	1.0 %

Sales in the **Switzerland** business division were CHF 1,675.0 million, compared with CHF 1,713.2 million in the previous year. This corresponds to a decline of 2.2 %. Adjusted for divestment effects, sales grew by 1.0 % in organic terms, significantly above the 0 % to 0.5 % forecast by Emmi.

The divestment effects are due to the sale of Emmi Frisch-Service AG and the disposal of part of the trading goods business to Coop. Emmi took over a trading goods business from Coop as part of its acquisition of the Kirchberg cheese centre in 1998. The part of the trading goods business through which Coop maintains direct relationships with suppliers was sold back to Coop in 2018, with the related sales being transferred to the buyer on a staggered basis over two years.

The strong growth in **dairy products** (milk, cream, butter) is attributable to two main factors: the generally higher milk prices since 1 October 2019 and the increase in sales volumes for milk and cream, which was achieved in spite of the ongoing strong pressure on prices. Organic growth was likewise recorded in the **fresh cheese** segment, where protein-enriched quark products and the launch of the Toni's brand (cheese spreads and mozzarella) gave a decisive boost to growth.

The other two major product groups – cheese and fresh products – saw a slight organic decrease in sales. In the **cheese** segment, brand concepts such as Luzerner Rahmkäse, Scharfer Maxx and Le Petit Chevrier performed well, yet significantly higher cheese imports and the pressure this exerted on prices had an adverse impact on sales. In the **fresh products** segment, Emmi Caffè Latte and Emmi Energy Milk posted a positive performance, while sales of yogurt and ice cream fell short of expectations.

The Switzerland business division accounted for 47.9 % of Group sales (previous year: 49.6 %).

Sales development Americas

Net sales by product group: Americas

in CHF million	Sales 2019	Sales 2018	Difference 2019/2018	Acquisition effect	Currency effect	Organic growth
Cheese	493.7	444.9	11.0 %	5.3 %	0.6 %	5.1 %
Dairy products	283.3	283.2	0.0 %	5.2 %	-6.6 %	1.4 %
Fresh products	202.9	206.1	-1.6 %	0.2 %	-4.8 %	3.0 %
Fresh cheese	25.9	12.3	110.4 %	101.7 %	-9.2 %	17.9 %
Powder/concentrates	7.8	4.8	60.8 %	72.8 %	-6.4 %	-5.6 %
Other products/services	101.1	93.0	8.7 %	1.4 %	-1.1 %	8.4 %
Total Americas	1,114.7	1,044.3	6.7 %	5.4 %	-2.8 %	4.1 %

The **Americas** business division comprises the following markets: US, Canada, Mexico, Chile, Tunisia, Spain (excluding Lácteos Caprinos), France and – since 24 October 2019 – Brazil.

The Americas business division generated sales of CHF 1,114.7 million in 2019, a rise of 6.7 % compared with the previous year (CHF 1,044.3 million). In organic terms, i.e. adjusted for currency and acquisition effects, growth was 4.1 %. This figure is at the lower end of the forecast range of 4 % to 6 % growth, which can be explained in part by the milk shortage in Tunisia, the social unrest in Chile and lower sales in Spain. The growth drivers in this division were Mexico, the US and – in spite of the factors mentioned above – also Chile and Tunisia, albeit to a lesser extent than last year.

The acquisition effect in the sales development of the Americas business division was due to the purchase of a blue cheese production site in the US and the increased stake in Laticínios Porto Alegre in Brazil, which had an impact on the scope of consolidation.

In the largest segment, **cheese**, locally produced cow's milk cheese in the US and Chile and the goat's cheese business (Cypress Grove) bolstered growth, while in the **dairy and fresh products** segment performance was dented by social unrest in Chile and the milk shortage experienced in Tunisia. These countries nonetheless remain the growth drivers in these product groups. Sales of dairy products were additionally encumbered by the difficult market situation in Spain, where the lactose-free milk products segment – which is crucial for Kaiku – is under strong pressure. The positive contributors to growth in the fresh products segment were the dessert business in Tunisia (locally produced desserts) and France (Italian speciality desserts) as well as Emmi Caffè Latte, which posted strong growth in Spain.

The high organic growth in **fresh cheese** is attributable to strong performance in Mexico (imported fresh cheese) and new fresh cheese products in the US (Redwood Hill). In the area of **other products/services**, Mexico and Chile were the main drivers of growth.

The Americas business division accounted for 31.9 % of Group sales (previous year: 30.2 %).

Sales development Europe

Net sales by product group: Europe

in CHF million	Sales 2019	Sales 2018	Difference 2019/2018	Acquisition effect	Currency effect	Organic growth
Fresh products	271.5	264.5	2.6 %	2.8 %	-3.7 %	3.5 %
Cheese	121.0	127.8	-5.3 %	1.0 %	-3.6 %	-2.7 %
Dairy products	92.9	109.0	-14.8 %	0.8 %	-3.3 %	-12.3 %
Fresh cheese	53.4	51.0	4.8 %	0.2 %	-4.0 %	8.6 %
Powder/concentrates	42.9	32.2	33.1 %	0.0 %	-5.1 %	38.2 %
Other products/services	11.1	8.8	26.2 %	30.5 %	-4.7 %	0.4 %
Total Europe	592.8	593.3	-0.1 %	2.1 %	-3.8 %	1.6 %

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

The Europe business division generated sales of CHF 592.8 million in 2019, down 0.1 % on the previous year's figure of CHF 593.3 million. Adjusted for currency and acquisition effects, this nevertheless resulted in pleasing organic growth of 1.6 %, exceeding expectations of -1 % to 1 % following the revised forecast presented in the half-year results. The Europe business division achieved especially pleasing growth in strategically relevant niche markets such as Italian speciality desserts and goat's milk products, as well as with strategic brands like Emmi Caffè Latte. However, low sales at organic milk processor Gläserne Molkerei in Germany proved a major drag on growth.

Acquisition effects are due to the takeover of Leeb Biomilch GmbH and Hale GmbH in Austria as well as the Pasticceria Quadrifoglio Group in Italy. In addition, shifting the distribution channel for a customer from the Global Trade business division to the Europe business division led to a positive acquisition effect in the cheese segment in the Europe business division (opposite effect in the same scope in the Global Trade business division).

The decisive growth factors in the **fresh products** segment – the most important segment in this business division – were the strategically important Italian speciality desserts and Emmi Caffè Latte. Emmi Caffè Latte grew in all European markets, most strongly in the UK. The **cheese** segment recorded a negative organic performance overall, primarily due to lower sales of certain cheese varieties (especially Emmentaler). Speciality cheeses, on the other hand, in particular KALTBACH cheese in Germany, performed well. The marked growth in **fresh cheese** can be explained by the pleasing sales development of fresh goat's cheese from the Netherlands.

The main reason for the sharp contraction in sales of **dairy products** is Gläserne Molkerei in Germany, where declining processed milk volumes coupled with the lower price level for organic milk products made a sizeable dent in sales.

In the **powder/concentrates** segment, the trading company AVH dairy in the Netherlands recorded high growth in sales of goat's milk powder.

The Europe business division accounted for 17.0 % of Group sales (previous year: 17.1 %).

Sales development Global Trade

Net sales by product group: Global Trade

in CHF million	Sales 2019	Sales 2018	Difference 2019/2018	Acquisition effect	Organic growth
Cheese	51.0	50.5	0.9 %	-2.5 %	3.4 %
Fresh products	38.4	39.2	-1.9 %	0.0 %	-1.9 %
Powder/concentrates	16.6	10.8	53.6 %	0.0 %	53.6 %
Dairy products	3.4	4.0	-15.5 %	0.0 %	-15.5 %
Fresh cheese	0.1	0.4	-82.9 %	0.0 %	-82.9 %
Other products/services	2.0	1.7	20.7 %	0.0 %	20.7 %
Total Global Trade	111.5	106.6	4.6 %	-1.2 %	5.8 %

The **Global Trade** business division 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.

Sales in the Global Trade business division amounted to CHF 111.5 million, compared with CHF 106.6 million in 2018. This constitutes an increase in sales of 4.6 %, or 5.8 % in organic terms.

As mentioned earlier, the divestment effect in the cheese segment was a result of shifting the distribution channel for a customer from the Global Trade business division to the Europe business division.

The growth in sales in the Global Trade business division is primarily attributable to the marked rise in milk powder exports (**powder/concentrates**). The two major product groups **fresh products** and **cheese** reported largely stable sales overall. While sales were up slightly in China, Finland and also in Spain, they were down elsewhere, especially in Brazil (fondue). Sales in Spain and Brazil were achieved through export products from Switzerland which were not distributed via the countries' local subsidiaries.

The Global Trade business division accounted for 3.2 % of Group sales (previous year: 3.1 %).

Gross profit

Gross profit increased by CHF 13.7 million to CHF 1,266.6 million in the year under review, compared with CHF 1,252.9 million in the previous year. This increase is due to strong organic growth and would have been considerably higher were it not for the overall negative currency effect. Acquisition and divestment effects largely cancelled each other out. The gross profit margin also rose from 36.2 % to 36.3 %. This is primarily attributable to the increasing importance of branded products within the product portfolio and the good performance of strategic niche markets. Added to this, the successful implementation of further rationalisation and productivity measures helped to offset the negative effects of the persistently high price pressure.

Non-recurring effects in the consolidated financial statements

No significant non-recurring effects were recorded in the period under review.

The sale of the minority stake in Icelandic Milk and Skyr Corporation “siggi’s” had a significant impact on the income statement in 2018, resulting in a pre-tax gain last year 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” in last year’s accounts. Accordingly, earnings before taxes (EBT) in 2018 rose by CHF 79.4 million and net profit by CHF 57.8 million.

Operating result

Operating expenses rose by CHF 15.2 million or 1.7 % in 2019 to CHF 920.6 million, compared with CHF 905.4 million in the previous year. With cost pressure driving up operating expenses more strongly than sales, operating expenses increased slightly in comparison to sales from 26.2 % to 26.4 %, meaning that the margin increase at gross profit level was lost again.

Personnel expenses were CHF 462.4 million in the period under review, compared with CHF 458.5 million in the previous year. While the increase of 0.8 % lagged slightly behind the growth in sales, the ratio of personnel expenses to sales remained at the same level as the previous year at 13.3 %. In organic terms – that is, excluding acquisition effects – personnel expenses rose at a slightly higher rate than the growth in sales.

Other operating expenses were up CHF 11.4 million or 2.5 % in the period under review to CHF 458.3 million, compared with CHF 446.9 million in the previous year. This means that other operating expenses outpaced sales in the period under review. Currency and acquisition effects offset each other, so the increase was mainly organic in nature. At CHF 5.7 million or 8.6 %, the most significant increase in expenses was recorded by energy, operating material and supplies. This can chiefly be explained by the effect of acquisitions, higher energy procurement volumes on the back of higher production volumes, and increased energy prices in various relevant countries. Added to this, expenditure for operating material was up in the period under review, as were logistic expenses, which rose by CHF 4.8 million, fuelled by higher volumes and the continued rise in transport costs in individual countries (for example in the US). Accumulated marketing and sales-related expenses amounted to CHF 129.9 million, compared with CHF 127.9 million in the previous year, which corresponds to an increase of 1.5 %. While administrative expenses were up by CHF 2.3 million or 6.2 % due to higher IT expenses, occupancy expense, maintenance and repair fell by CHF 1.3 million or 1.9 %. Other operating expenses were also reduced, specifically by CHF 2.4 million to CHF 18.3 million.

Other operating income rose by CHF 1.6 million year on year to CHF 6.9 million.

As a consequence of this development, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** remained stable versus the previous year at CHF 352.9 million (previous year: CHF 352.8 million). The **EBITDA margin** contracted slightly as a result from 10.2 % last year to 10.1 % in the period under review.

Depreciation and amortisation decreased by CHF 1.0 million in the period under review, from CHF 136.4 million to CHF 135.4 million. This decline is primarily attributable to lower software amortisations, more than offsetting the increased goodwill amortisations due to acquisition activities. Unlike the majority of listed firms applying Swiss GAAP FER, Emmi amortises goodwill via the income statement. Depreciation on property, plant and equipment was largely unchanged compared with the previous year.

Earnings before interest and taxes (EBIT) amounted to CHF 217.8 million in the period under review, exceeding prior-year EBIT by CHF 1.1 million or 0.5 % (previous year: CHF 216.7 million). Consequently, the **EBIT margin** fell slightly from 6.3 % in the previous year to 6.2 % in 2019.

Income from associates, financial result and income taxes

With a loss of CHF 1.1 million, **income from associates and joint ventures** remained at the level of the prior year after adjustments for non-recurring effects, when the result of CHF 78.3 million included the pre-tax gain made on the sale of the minority stake in “siggi’s” of CHF 79.4 million. This means that in the reporting period the share of profits was again insufficient to offset the goodwill amortisations made in connection with these investments.

The **financial result** (net financial expenses) was CHF 6.8 million, compared with CHF 6.5 million in the previous year. This slight increase in expenses is due to currency losses, which were higher than the year before.

Income taxes amounted to CHF 34.8 million in the period under review. CHF 21.6 million of the prior-year figure of CHF 50.2 million was attributable to the sale of the minority stake in “siggi’s”. Accordingly, income taxes adjusted for this non-recurring effect amounted to CHF 28.6 million in 2018, which increased the income tax expense in the period under review by CHF 6.2 million. The tax rate was thus 16.6 % (previous year, adjusted: 13.7 %). The higher tax rate is due on the one hand to the increase in recognised deferred tax assets at companies with historical tax loss carryforwards in 2018; while on the other taxable income arose in the US due to a government grant which under Swiss GAAP FER was recorded not as income, but as a reduction in property, plant and equipment, with a corresponding negative impact on the tax rate.

Net profit

Profit including minority interests was CHF 175.2 million, compared with CHF 238.3 million in the previous year. This 2018 figure was, however, significantly impacted by the sale of the minority stake in “siggi’s”; the prior-year adjusted profit including minority interests amounted to CHF 180.5 million, putting it CHF 5.3 million above the profit including minority interests in the period under review.

The marked increase in **minority interests** from CHF 5.1 million in the previous year to CHF 9.0 million in the period under review is attributable not only to the increased stakes acquired in companies with minority interests in 2018, but also to the profitability improvements made in 2019.

Accordingly, **net profit** of CHF 166.2 million was reported for the period under review, versus CHF 175.5 million the year before (adjusted). The main reasons for the fall in net profit were the very low tax rate in the previous year and the higher share of minority interests included in profit. The **net profit margin** therefore fell from (adjusted) 5.1 % in 2018 to 4.8 % in the reporting period.

Assets, financing and cash flow

Total assets as at 31 December 2019 were up by 1.6 % or CHF 44.8 million compared with 31 December 2018 to CHF 2,865.3 million (previous year: CHF 2,820.5 million). This increase is primarily attributable to the free cash flow generated from operating activities, which in the period under review did not, however, manifest itself in higher cash and cash equivalents, but rather was used for acquisitions and definancing (paying back bonds and dividend payments). In addition, total assets were negatively impacted by forex trends of currencies that are relevant for Emmi versus the Swiss franc.

Operating net working capital (inventories as well as trade receivables and payables) was CHF 518.4 million, up 6.4 % or CHF 31.3 million on the previous year (CHF 487.1 million), chiefly as a result of acquisition activities. This rise, which was significantly higher than the 1.1 % growth in sales, is due to the fact that the acquisitions made were in large part not completed until the fourth quarter of 2019.

Non-current assets increased by CHF 50.4 million. The main reason for this was the high investments in acquisition activity. The full consolidation of new Group companies caused a marked increase in property, plant and equipment, as well as in intangible assets (goodwill). This was driven primarily by the increased stake in Brazil and the impact this had on the scope of consolidation; the reduction in the book value of investments in associates and joint ventures can likewise be explained by this development. The amount of loans and other receivables also recorded a significant decline, attributable to the winding-up of a financing arrangement in the US, which also led to a reduction of the loans on the liabilities side. Investments in property, plant and equipment were slightly higher than depreciation in the period under review. Non-current assets were adversely impacted by forex trends of currencies that are relevant for Emmi versus the Swiss franc.

With regard to financing, acquisition activities led to an increase in liabilities on the consolidated balance sheet. The fact that liabilities were nevertheless still reduced by a considerable CHF 82.3 million overall can be explained by the repayment in June 2019 of a bond in the amount of CHF 100 million and by the winding-up of a financing arrangement in the US, as referred to above. The **equity ratio** rose to 62.3 %, up from 58.7 % as at 31 December 2018. The main reason for this substantial increase alongside the decrease in liabilities mentioned earlier is profit including minority interests, which at CHF 175.2 million more than compensated for dividend payments and negative currency effects.

Net debt was further reduced in the period under review, specifically from CHF 101.8 million at the end of 2018 to CHF 89.0 million as at 31 December 2019. The ratio of net debt to EBITDA therefore remained low at 0.25 (previous year: 0.29).

Cash inflow from operating activities amounted to CHF 303.3 million in the period under review, a significant increase of CHF 11.4 million compared with the previous year (CHF 291.9 million). Cash flow before changes in net working capital, interest and taxes remained stable versus the previous year, at CHF 350.4 million in 2019 versus CHF 351.9 million in 2018, reflecting the stable operating performance at EBITDA level. The increased cash flow from operating activities is mainly due to the considerable reduction in income taxes paid, which were down CHF 8.8 million year on year to CHF 39.7 million. This can be explained above all by the sale of the minority stake in “siggi’s” in 2018. The change in operating net working capital had a slightly positive impact on cash flow from operating activities overall in the period under review, amounting to CHF 1.8 million. This is compared to the prior year, when the change in operating net working capital dented the corresponding cash flow by CHF 3.5 million.

Cash outflow from investing activities amounted to CHF 226.3 million in the period under review, compared with just CHF 5.7 million in the previous year. This corresponds to a sharp increase in cash outflow of CHF 220.6 million, due mainly to acquisition activities. Whereas in the period under review the combined effect of acquisitions and divestments resulted a net investment of CHF 132.8 million, the previous year saw a net cash inflow of CHF 62.6 million, primarily owing to the sale of the minority stake in “siggi’s”. As already announced last year, investments in property, plant and equipment were also significantly higher, up from CHF 73.7 million net in 2018 to CHF 93.6 million net in 2019.

Not including cash flow from acquisition activities, the level of **free cash flow** generated in the reporting period thus amounted to CHF 209.8 million, compared with CHF 223.6 million the year before. This decrease is chiefly attributable to higher investments in property, plant and equipment, which rose by CHF 19.9 million, more than offsetting the increased cash flow from operating activities.

Cash outflow from financing activities amounted to CHF 148.6 million in the period under review, compared with CHF 50.2 million in the previous year. The main reason for this marked rise in cash outflow is the repayment of a CHF 100 million bond in June 2019. A total of CHF 50.0 million was allocated to dividend payments (previous year: 56.4 million), of which CHF 48.1 million (previous year: CHF 53.5 million) went to the shareholders of Emmi AG.

As a consequence of these cash flows, **cash and cash equivalents** fell from CHF 451.4 million to CHF 378.1 million in financial year 2019, down CHF 73.3 million.

Outlook 2020

Global indicators tell a tale of two economies. While international trade remains soft, with corresponding consequences for the industrial sector, the employment markets are reporting strong numbers and domestic economic forces are helping to stabilise business activity in many countries. The US continues to post solid growth; in Europe, however, the pace of growth has started to slow. If the eagerly awaited economic recovery in Germany and Europe takes a while to materialise or is weaker than expected, this will of course have adverse repercussions for the Swiss economy, which is inextricably linked to the financial health of its neighbours. We also see various global economic risks on the horizon, posed in particular by trade disputes such as the one between the US and China. The International Monetary Fund forecasts that economic output in Latin America will make only modest gains in the year ahead, and political risks – including in Chile – have the potential to deal a decisive blow to growth.

In spite of the economic risks outlined above, the prevailing mood of optimism among consumers due to low levels of unemployment in many countries makes Emmi cautiously optimistic about future macroeconomic developments as they pertain to the company. In Switzerland, the State Secretariat for Economic Affairs (SECO) does not anticipate any significant change in underlying economic momentum for 2020. Conditions in Switzerland remain challenging for Emmi, however. The environment in which it operates is as competitive as ever: price pressure will persist, and some of the predicted increase in retail sales will be attributable to further growth in imports.

With regard to raw material prices, Emmi expects the milk price to remain largely stable or to trend upwards slightly. The price level for the most important non-dairy raw materials (e.g. coffee and fruit) and for packaging materials should remain mostly stable. Conversely, costs for energy and transport will likely rise.

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. As a result, sales in the **Switzerland business division** will remain under pressure. The increase in the milk price effective 1 October 2019 in connection with the new sustainability standard should prop up sales to a limited extent. Emmi's goal is unchanged: to achieve stable to slightly higher organic sales in Switzerland through strong brand concepts.

Strong brands are also important success factors in the **Europe business division**. While it is currently very difficult to assess the impact of Brexit on Europe as a whole and even though economic momentum in Europe remains weak, Emmi expects organic growth in the Europe business division. The Italian dessert companies and goat's milk products from the Netherlands are likely to play a key role here in 2020 as well. Emmi is also hoping for a positive impact from exports of speciality cheeses and Emmi Caffè Latte from Switzerland.

The **Americas business division** should continue to see ongoing rising demand in the US and Mexico. Provided milk collection in Tunisia normalises and the social unrest in Chile abates, these markets can also be expected to provide a decisive boost to growth going forward. Brazil will significantly increase sales of the Americas business division in 2020 but will only be able to make a minor contribution to organic growth. The two European markets falling under the Americas business division – Spain and France – will also impede sales growth.

Sales and profit growth

Emmi is robust and well diversified. The defined strategy will be continue to be pursued with intent and purpose. Organic sales growth in line with medium-term forecasts should therefore be realistic for 2020.

To support earnings, Emmi remains committed to its efficiency programme and will step this up in certain areas. The companies Emmi has recently acquired have opened up additional sources of revenue, although in the short term they will also generate integration costs. Emmi expects earnings before interest and taxes (EBIT) to rise slightly overall at Group level in 2020.

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	2019	%	2018	%
Sales of products		3,464,883		3,432,739	
Sales of services		29,080		24,673	
Net sales	1	3,493,963	100.0	3,457,412	100.0
Change in inventories of semi-finished and finished products		-12,468	0.3	-17,582	0.5
Cost of materials and services		-2,214,890	63.4	-2,186,974	63.3
Gross operating profit		1,266,605	36.3	1,252,856	36.2
Other operating income	2	6,934	0.2	5,338	0.2
Personnel expenses		-462,359	13.3	-458,463	13.3
Other operating expenses	3	-458,268	13.1	-446,889	12.9
Operating expenses		-920,627	26.4	-905,352	26.2
Earnings before interest¹⁾, taxes, depreciation and amortisation (EBITDA)		352,912	10.1	352,842	10.2
Depreciation on property, plant and equipment	4	-96,598	2.8	-96,973	2.8
Amortisation on intangible assets	4	-38,781	1.1	-39,456	1.1
Write-back of negative goodwill		310		311	
Earnings before interest¹⁾ and taxes (EBIT)		217,843	6.2	216,724	6.3
Income from associates and joint ventures	5	-1,091		78,343	
Financial result	6	-6,754		-6,497	
Earnings before taxes (EBT)		209,998	6.0	288,570	8.3
Income taxes	7	-34,784		-50,221	
Profit incl. minority interests		175,214	5.0	238,349	6.9
Minority interests		-8,972		-5,073	
Net profit		166,242	4.8	233,276	6.7
Earnings per share (diluted/basic in CHF)	8	31.07		43.60	

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	Notes	31.12.2019	%	31.12.2018	%
Cash and cash equivalents		378,112		451,399	
Securities		4,743		2,500	
Trade receivables	9	447,939		424,112	
Other receivables	10	37,434		37,675	
Inventories	11	371,879		357,006	
Prepayments and accrued income	12	53,131		26,062	
Current assets		1,293,238	45.1	1,298,754	46.0
Investments in associates and joint ventures	32	18,515		63,853	
Loans and other receivables	13	11,532		52,366	
Securities		2,408		2,390	
Employer contribution reserves	21	2,048		2,048	
Deferred tax assets	7	10,555		10,443	
Total financial assets		45,058		131,100	
Prepayments and accrued income	12	6,713		6,225	
Property, plant and equipment	14	976,497		899,484	
Intangible assets	15	543,836		484,917	
Non-current assets		1,572,104	54.9	1,521,726	54.0
Total assets		2,865,342	100.0	2,820,480	100.0
Liabilities and shareholders' equity					
Bank overdrafts	19	44,614		21,526	
Finance lease liabilities	19	796		966	
Loans	19	1,540		2,790	
Bonds	19	-		100,000	
Trade payables	16	301,449		294,045	
Other payables	17	24,740		23,376	
Accrued liabilities and deferred income	18	173,963		149,293	
Provisions	20	13,046		10,245	
Current liabilities		560,148	19.5	602,241	21.4
Bank overdrafts	19	132,634		129,948	
Finance lease liabilities	19	751		1,092	
Loans	19	3,099		51,729	
Bonds	19	300,000		300,000	
Accrued liabilities and deferred income	18	8,167		1,329	
Provisions	20	76,816		77,570	
Non-current liabilities		521,467	18.2	561,668	19.9
Liabilities		1,081,615	37.7	1,163,909	41.3
Share capital		53,498		53,498	
Capital reserves		2,088		7,438	
Retained earnings		1,634,260		1,537,715	
Shareholders' equity excl. minority interests		1,689,846	59.0	1,598,651	56.6
Minority interests		93,881	3.3	57,920	2.1
Shareholders' equity incl. minority interests		1,783,727	62.3	1,656,571	58.7
Total liabilities and shareholders' equity		2,865,342	100.0	2,820,480	100.0

Consolidated cash flow statement

in CHF 000s

	2019	2018
Profit incl. minority interests	175,214	238,349
Net interest expense	4,798	4,824
Income taxes	34,784	50,221
Result from sale of fixed assets	-2,382	-1,371
Result from sale of investments/businesses	643	-79,425
Depreciation and amortisation	134,153	134,871
Impairment charges	1,226	1,558
Write-back of negative goodwill	-310	-311
Change in provisions	4,238	2,499
Income from associates and joint ventures	1,969	1,082
Other non-cash adjustments	-3,934	-405
Cash flow before changes in net working capital, interest and taxes	350,399	351,892
Change in inventories	1,537	-205
Change in trade receivables	-4,706	-444
Change in other receivables, prepayments and accrued income	-2,950	-5,688
Change in trade payables	-5,813	10,398
Change in other payables, accrued liabilities and deferred income	13,698	-7,609
Interest paid	-9,123	-7,928
Taxes paid	-39,742	-48,512
Cash flow from operating activities	303,300	291,904
Investments in property, plant and equipment	-103,994	-80,251
Proceeds from disposal of property, plant and equipment	10,378	6,535
Sale of securities	-	640
Investments in intangible assets	-3,268	-4,540
Purchase of shares in associates and joint ventures	-727	-
Proceeds from sale of shares in associates	879	81,114
Acquisition of consolidated companies	-138,342	-18,514
Proceeds from sale of investments/businesses	5,342	-
Change of loans receivable	-1,251	5,651
Dividend received	396	847
Interest received	4,270	2,837
Cash flow from investing activities	-226,317	-5,681
Change in other current financial liabilities	4,618	-9,836
Change in other non-current financial liabilities	-3,270	16,027
Repayments of bonds	-100,000	-
Dividend paid to shareholders	-48,148	-53,498
Dividend paid to minority interests	-1,845	-2,923
Cash flow from financing activities	-148,645	-50,230
Currency translation	-1,625	2,801
Net change in cash and cash equivalents	-73,287	238,794
Cash and cash equivalents at beginning of period	451,399	212,605
Cash and cash equivalents at end of period	378,112	451,399

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. 2018	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
Change in scope of consolidation	-	-	-4,578	-	-4,578	-4,578	34,390	29,812
Capital increase of a group company	-	-	-	-	-	-	100	100
Acquisition of minority interests	-	-	-	-	-	-	-746	-746
Profit incl. minority interests	-	-	166,242	-	166,242	166,242	8,972	175,214
Currency translation differences	-	-	-	-22,321	-22,321	-22,321	-4,910	-27,231
Dividend	-	-5,350	-42,798	-	-42,798	-48,148	-1,845	-49,993
Shareholders' equity as at 31 Dec. 2019	53,498	2,088	1,757,255	-122,995	1,634,260	1,689,846	93,881	1,783,727

As at 31 December 2019, 5,349,810 registered shares with a par value of CHF 10 were issued (unchanged to 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 32.5 million (previous year: CHF 37.0 million).

Notes the consolidated financial statements

Principles of consolidation

General information

The Board of Directors of Emmi AG approved the Group financial statements on 28 February 2020. 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 2019, 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 32).

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 32.

Consolidated companies		Currency	Capital in thousands	Capital share 31.12.2019	Capital share 31.12.2018
Emmi Frisch-Service AG, Schlieren, Switzerland	Sold on 3.4.2019	CHF	n.a.	–	100 %
Leeb Group					
Leeb Biomilch GmbH, Wartberg, Austria ¹⁾	Partially acquired on 8.10.2019	EUR	70	66 %	–
Laticínios Porto Alegre Group					
Laticínios Porto Alegre Indústria e Comércio S.A., Ponte Nova, Brazil ²⁾	Partially acquired on 24.10.2019	BRL	460,369	70 %	40 %
Pasticceria Quadrifoglio Group					
Pasticceria Quadrifoglio S.r.l., Piumazzo, Italy ³⁾	Acquired on 31.10.2019	EUR	104	100 %	–
Emmi Javelin B.V., Tiel, Netherlands ⁴⁾	Founded on 16.12.2019	EUR	1	100 %	–
Quillayes Surlat S.p.A., Santiago, Chile ⁴⁾	Founded on 23.12.2019	CLP	1,000	37 %	–

¹⁾ Leeb Group consists of the company mentioned above and Hale GmbH. See note 32.

²⁾ Laticínios Porto Alegre Group consists of the parent company mentioned above and its subsidiary Transportadora Porto Alegre S.A. Due to the increase of the investment in Laticínios Porto Alegre Group, Emmi controls and thus fully consolidates this company as from 24 October 2019 onwards. Transportadora Porto Alegre S.A. was merged into Laticínios Porto Alegre Indústria e Comércio S.A. on 30 December 2019. See note 32.

³⁾ Pasticceria Quadrifoglio Group consists of the parent company mentioned above as well as Gelostar S.r.l. and Immobiliare 5 S.r.l. See note 32.

⁴⁾ No operating activities in the period under review.

Associates and joint ventures

Natur-All BBVV-2018, S.L., Corella, Spain	Partially acquired on 17.6.2019	EUR	2,600	18 %	–
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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 consolidated 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 particularly 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

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.

Currency exchange rates in CHF

	Annual average rates		Year-end rates	
	2019	2018	31.12.2019	31.12.2018
1 BRL	0.24	0.27	0.24	0.25
1 CAD	0.75	0.76	0.74	0.72
100 CLP	0.14	0.15	0.13	0.14
1 EUR	1.11	1.16	1.09	1.13
1 GBP	1.27	1.31	1.27	1.25
1 MXN	0.05	0.05	0.05	0.05
1 TND	0.34	0.37	0.35	0.33
1 USD	0.99	0.98	0.97	0.98

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 particularly 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 26.

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 24 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	Switzerland		Americas		Europe		Global Trade		Group	
	2019	2018	2019	2018	2019	2018	2019	2018		
Milk	272,902	263,103	240,517	238,622	60,575	76,732	2,864	2,768	576,858	581,225
Butter and margarine	243,205	244,882	12,251	1,471	28,782	27,987	303	949	284,541	275,289
Cream	170,523	168,382	30,522	43,068	3,497	4,215	211	282	204,753	215,947
Dairy products	686,630	676,367	283,290	283,161	92,854	108,934	3,378	3,999	1,066,152	1,072,461
As % of net sales	41.0	39.5	25.4	27.1	15.7	18.4	2.9	3.7	30.5	31.0
Fresh products	335,931	341,736	202,862	206,126	271,473	264,509	38,424	39,169	848,690	851,540
As % of net sales	20.1	19.9	18.2	19.7	45.8	44.6	34.5	36.7	24.3	24.6
Natural cheese	377,281	397,531	470,143	424,986	105,007	109,971	44,688	43,901	997,119	976,389
Processed cheese	49,862	52,915	23,588	19,947	16,034	17,799	6,277	6,632	95,761	97,293
Cheese	427,143	450,446	493,731	444,933	121,041	127,770	50,965	50,533	1,092,880	1,073,682
As % of net sales	25.5	26.3	44.3	42.6	20.4	21.5	45.7	47.4	31.3	31.1
Fresh cheese	102,504	107,867	25,941	12,330	53,426	50,989	64	375	181,935	171,561
As % of net sales	6.1	6.3	2.3	1.2	9.0	8.6	0.1	0.4	5.2	5.0
Powder/ concentrates	60,030	61,337	7,747	4,819	42,880	32,220	16,622	10,825	127,279	109,201
As % of net sales	3.6	3.6	0.7	0.5	7.2	5.4	14.9	10.2	3.6	3.1
Other products	40,562	56,008	95,437	89,053	10,352	7,907	1,596	1,326	147,947	154,294
Sales of services	22,176	19,450	5,639	3,913	795	925	470	385	29,080	24,673
Other products and services	62,738	75,458	101,076	92,966	11,147	8,832	2,066	1,711	177,027	178,967
As % of net sales	3.7	4.4	9.1	8.9	1.9	1.5	1.9	1.6	5.1	5.2
Net sales	1,674,976	1,713,211	1,114,647	1,044,335	592,821	593,254	111,519	106,612	3,493,963	3,457,412
As % of Group	47.9	49.6	31.9	30.2	17.0	17.1	3.2	3.1	100.0	100.0

Net sales by country group	2019	in %	2018	in %
Switzerland	1,674,976	47.9	1,713,211	49.6
Europe excl. Switzerland	872,956	25.0	897,904	26.0
North and South America	740,807	21.2	650,678	18.8
Africa	140,783	4.0	146,617	4.2
Asia/Pacific	64,441	1.9	49,002	1.4
Total	3,493,963	100.0	3,457,412	100.0

Emmi does not publish segment results since this would cause significant competitive disadvantages towards clients as well as 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, Tunisia and – since 24 October 2019 – Brazil. 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

	2019	2018
Company-produced additions	605	–
Gain on disposal of fixed assets	2,479	1,446
Miscellaneous operating income	3,850	3,892
Total	6,934	5,338

3. Other operating expenses

	2019	2018
Marketing and sales related expenses	129,855	127,874
Occupancy expense, maintenance and repair, leasing	68,234	69,525
Insurance, fees and HGV road tax	17,483	17,256
Energy, operating material and supplies	71,867	66,168
Administrative expenses	39,670	37,357
Logistic expenses	112,819	108,001
Other operating expenses	18,340	20,708
Total	458,268	446,889

4. Depreciation and amortisation

	2019	2018
Depreciation of property, plant and equipment	95,372	96,025
Impairment of property, plant and equipment	1,226	948
Amortisation of goodwill	25,378	23,369
Impairment of goodwill	-	610
Amortisation of other intangible assets	13,403	15,477
Total	135,379	136,429

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

In the previous year, income from associates and joint ventures totalling CHF 78.3 million mainly included 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. In the year under review, income from associates and joint ventures also amounted to CHF -1.1 million and is thus practically unchanged to the adjusted previous year. Please refer to note 7 for the tax effect of the "siggi's" transaction.

6. Financial result

	2019	2018
Interest income	3,904	2,899
Other financial income	1,052	786
Total financial income	4,956	3,685
Interest expense	-8,702	-7,723
Bank charges and fees	-791	-791
Total financial expenses	-9,493	-8,514
Total excl. currency result	-4,537	-4,829
Currency result	-2,217	-1,668
Financial result	-6,754	-6,497

7. Income taxes

	2019	2018
Current income taxes	42,348	46,456
Deferred income taxes	-7,564	3,765
Total	34,784	50,221
Average tax rate	16.6 %	17.4 %

In the previous year, the average tax rate was 13.7 % following adjustment for the tax effect from the sale of the minority stake in “siggi’s”.

Net accruals for current income taxes increased from CHF 22.6 million in 2018 to CHF 23.4 million in 2019. Deferred income taxes are calculated for every company using the effective applicable tax rate. As at 31 December 2019, the resulting weighted average tax rate was 17.8 % (previous year: 19.9 % or 18.0 % respectively, adjusted for the non-recurring effect on the sale of the minority stake in “siggi’s”). Deferred income taxes include recognised tax claims from tax loss carryforwards amounting to CHF 7.1 million (previous year: CHF 8.5 million).

Details on change of tax claims from tax loss carryforwards	2019	2018
Recognised tax claims from tax loss carryforwards	7,098	8,518
Unrecognised tax claims from tax loss carryforwards	8,552	9,178
Total tax claims from tax loss carryforwards	15,650	17,696
Recognised tax claims from tax loss carryforwards at 1.1.	8,518	12,969
Change in scope of consolidation	-584	-
Additions	271	331
Utilisation	-2,141	-7,375
Reassessment	1,341	2,868
Other adjustments	-307	-275
Recognised tax claims from tax loss carryforwards at 31.12.	7,098	8,518

The net change of recognised tax claims from tax loss carryforwards increased the income tax expenses of the current period by CHF 1.4 million.

8. Earnings per share

	2019	2018
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	166,242	233,276
Earnings per share (in CHF)	31.07	43.60

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.

In the previous year, earnings per share of CHF 43.60 included the gain on the sale of the minority stake in "siggi's". By excluding this non-recurring effect, earnings per share amounted to CHF 32.80.

9. Trade receivables

	2019	2018
Third parties	449,641	421,790
Associates	6,185	7,461
Shareholders	331	384
Allowance for doubtful accounts	-8,218	-5,523
Total	447,939	424,112

10. Other receivables

	2019	2018
Third parties	32,317	31,187
Associates	5,117	6,488
Total	37,434	37,675

11. Inventories

	2019	2018
Finished products	108,411	99,245
Merchandise	27,980	30,777
Raw materials, semi-finished products and packaging material	252,138	245,946
Other inventories	3,475	2,093
Allowances for inventories	-20,125	-21,055
Total	371,879	357,006

12. Prepayments and accrued income

	2019	2018
Income taxes	9,405	2,604
Other – third parties	50,366	29,497
Other – associates	64	168
Other – shareholders	9	18
Total	59,844	32,287
Thereof current prepayments and accrued income	53,131	26,062
Thereof non-current prepayments and accrued income	6,713	6,225

Other prepayments and accrued income consist mainly of prepayments for VAT and insurance premiums, various refunds, as well as accrued income for advertising costs and milk.

The significant increase in the positions “Income taxes” and “Other – third parties” is largely due to the acquisition in Brazil.

13. Loans and other receivables

	2019	2018
Third parties	7,703	43,240
Associates	3,829	9,126
Total	11,532	52,366

In the US, a financing structure set up in connection with a government grant was reversed in a non-cash transaction. This reduced the amount of loans receivable by CHF 35.1 million. Refer also to the notes 14 and 19.2. The carrying amount of loans and other receivables from third parties includes impaired loans in the amount of CHF 1.6 million (previous year: CHF 1.7 million).

14. Property, plant and equipment

	Undeveloped land	Properties/ buildings	Machinery/ equipment	Tangible fixed assets under construction	Other tangible assets	Total
2019						
Purchase value at 1.1.2019	10,910	712,061	1,505,012	39,730	70,260	2,337,973
Change in scope of consolidation	–	43,893	42,592	26,110	4,566	117,161
Additions	3,719	1,086	5,856	90,494	1,499	102,654
Disposals	-5,916	-4,072	-12,934	–	-6,404	-29,326
Government grants	–	-3,974	-4,822	–	–	-8,796
Reclassification	–	6,077	57,541	-69,038	5,937	517
Currency translation differences	156	-4,884	-8,764	-492	-199	-14,183
As at 31 December 2019	8,869	750,187	1,584,481	86,804	75,659	2,506,000
Accumulated depreciation at 1.1.2019	1,060	336,217	1,055,547	–	45,665	1,438,489
Change in scope of consolidation	–	5,932	15,400	–	1,055	22,387
Depreciation	–	16,380	72,715	–	6,277	95,372
Impairment charges	–	–	1,212	–	14	1,226
Disposals	–	-2,418	-12,664	–	-6,248	-21,330
Reclassification	–	–	16	–	501	517
Currency translation differences	-2	-1,785	-5,216	–	-155	-7,158
As at 31 December 2019	1,058	354,326	1,127,010	–	47,109	1,529,503
Net book value at 31 December 2019	7,811	395,861	457,471	86,804	28,550	976,497
Thereof finance leases	–	–	354	–	1,552	1,906
2018						
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

15. Intangible assets

2019	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value at 1.1.2019	78,025	74,026	502,198	94,854	597,052	10,309	759,412
Change in scope of consolidation	11	1,124	108,245	–	108,245	59	109,439
Additions	–	3,345	–	–	–	–	3,345
Disposals	–	-114	–	–	–	-43	-157
Reclassification	-165	-236	70,986	-70,986	–	-396	-797
Currency translation differences	-1,452	-465	-9,078	-4,563	-13,641	-18	-15,576
As at 31 December 2019	76,419	77,680	672,351	19,305	691,656	9,911	855,666
Accumulated amortisation at 1.1.2019	27,991	55,314	163,790	19,268	183,058	8,132	274,495
Change in scope of consolidation	9	548	–	–	–	58	615
Amortisation	4,065	8,922	25,378	3,375	28,753	416	42,156
Disposals	–	-114	–	–	–	-43	-157
Reclassification	-165	-236	7,948	-7,948	–	-396	-797
Currency translation differences	-832	-373	-2,593	-615	-3,208	-69	-4,482
As at 31 December 2019	31,068	64,061	194,523	14,080	208,603	8,098	311,830
Net book value at 31 December 2019	45,351	13,619	477,828	5,225	483,053	1,813	543,836

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.

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

16. Trade payables

	2019	2018
Third parties	279,211	271,703
Associates	5,192	5,265
Shareholders	17,046	17,077
Total	301,449	294,045

17. Other payables

	2019	2018
Third parties	21,701	20,278
Other related parties	3,039	3,098
Total	24,740	23,376

18. Accrued liabilities and deferred income

	2019	2018
Interest	2,330	2,726
Income taxes	32,763	25,163
Liabilities to employees and social security accruals	36,072	33,855
Contractual discounts	48,576	48,724
Other – third parties	61,322	38,930
Other – associates	1,067	1,224
Total	182,130	150,622
Thereof current accrued liabilities and deferred income	173,963	149,293
Thereof non-current accrued liabilities and deferred income	8,167	1,329

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

The increase in the position “Other – third parties” is largely due to the acquisitions in the year under review.

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 was 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. The bond was repaid on 21 June 2019.

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

2019	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	44,614	130,722	1,912	177,248	13,208	0.5 – 10.6
Finance lease liabilities	796	751	–	1,547	–	2.5 – 11.5
Loans from third parties	1,540	2,990	109	4,639	–	0.0 – 2.0
Bonds	–	200,000	100,000	300,000	–	0.0 – 1.6
Total	46,950	334,463	102,021	483,434	13,208	–

Bank loans are usually set at variable interest rates, whereas bonds are set at fixed terms. There are no financing arrangements in place linked to financial covenants.

In the year under review, financial liabilities decreased by CHF 124.6 million. The CHF 100 million bond 2017 –2019 was repaid on 21 June 2019. In the US, a financing structure set up in connection with a government grant was reversed in a non-cash transaction. This transaction reduced the amount of loans on the liabilities side by CHF 47.3 million. See also notes 13 and 14. Bank debt increased by CHF 25.8 million, mainly due to acquisitions. 63.0 % (previous year: 67.0 %) of the financing is denominated in Swiss francs, mainly through two bonds in the amount of CHF 300.0 million. 24.5 % (previous year: 20.1 %) of the financial liabilities is denominated in Euro, the financing in US dollars was fully repaid with the reversal of the above mentioned financing structure in the US (previous year: 7.8%). CHF 60.4 million or 12.5 % (previous year: 5.1 %) of the financing is denominated locally in emerging market currencies such as Brazilian real, Chilean and Mexican peso and Tunisian dinar.

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	–

20. Provisions

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred income taxes	Total provisions
As at 1 January 2019	2,537	310	21,525	63,443	87,815
Change in scope of consolidation	–	–	6,252	240	6,492
Additions	1,500	–	12,439	676	14,615
Utilisation	-1,016	–	-8,154	–	-9,170
Release	-21	-310	-508	-8,718	-9,557
Currency translation differences	–	–	-129	-204	-333
As at 31 December 2019	3,000	–	31,425	55,437	89,862
Thereof current provisions	1,500	–	11,546	–	13,046
Thereof non-current provisions	1,500	–	19,879	55,437	76,816

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 (2019: CHF 6.6 million, 2018: CHF 6.8 million) and provisions for pending legal matters and business disputes (2019: CHF 7.7 million, 2018: CHF 2.9 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 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

21. Employee benefit schemes

Employer contribution reserve (ECR)	Nominal value ECR	Waiver of usage	Other value adjustments	Balance sheet	Balance sheet	Result from ECR in personnel expenses	
	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2018	2019	2018
Pension schemes without excess/insufficient cover (domestic)	1,489	–	–	1,489	1,489	–	–
Pension schemes with excess cover (domestic)	559	–	–	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	Economic benefit/obligation for the company	Change vs. previous year or taken to the income statement in the FY	Contributions limited to the period ¹⁾	Pension expenses in personnel expenses		
					31.12.2019	31.12.2018	2019
Welfare funds	38,500	–	–	–	–	–	–
Pension schemes without excess/insufficient cover (domestic)	–	–	–	–	20,219	20,219	19,784
Pension schemes without excess/insufficient cover (abroad)	–	–	–	–	2,980	2,980	2,586
Pension schemes with excess cover (domestic)	102	–	–	–	87	87	94
Total	38,602	–	–	–	23,286	23,286	22,464

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

Breakdown of pension expenses 2019	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	20,306	2,980	23,286
Contributions to pension plans from employer contribution reserves	–	–	–
Total contributions	20,306	2,980	23,286
Change in ECR due to asset performance, value adjustments, etc.	–	–	–
Contributions and change to employer contribution reserves	20,306	2,980	23,286
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	20,306	2,980	23,286

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

22. Acquisitions

The companies acquired by Emmi in 2019 reported the following main balance sheet items at the date of acquisition:

	2019		
	Leeb Group	Laticínios Porto Alegre Group	Pasticceria Quadrifoglio Group
Cash and securities	715	12,143	7,850
Trade receivables	2,052	22,302	8,019
Inventories	1,815	14,171	1,701
Other current assets	735	20,108	851
Non-current assets	4,583	80,721	9,274
Trade payables	1,051	12,928	2,461
Other current liabilities	4,439	20,719	6,472
Non-current liabilities	53	14,036	2,253
Shareholders' equity	4,357	101,762	16,509
Balance sheet total	9,900	149,445	27,695

On 8 October 2019, Emmi acquired a stake of 66 % in the Leeb Group, based in Wartberg (Austria). The companies are specialised in the production of dairy and fresh products, based on organic goat's milk, organic sheep's milk and organic vegan products.

On 24 October 2019, Emmi increased its stake in the Laticínios Porto Alegre Group, based in Ponte Nova (Brazil) from 40 % to 70 % and does therefore now control these companies. The Group ranks amongst the five largest dairies in its main market of Minas Gerais, with strong positions in the product categories of cheese, fresh cheese, UHT milk, butter and whey powder.

On 31 October 2019, Emmi fully acquired the Pasticceria Quadrifoglio Group, based in Piumazzo (Italy). With this acquisition, Emmi has further strengthened its existing dessert network in Italy.

In the previous year, Emmi did not acquire any companies.

23. Disposal of companies

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

Emmi Frisch-Service AG reported the following main balance sheet items at the date of the sale:

	2019
	Emmi Frisch-Service AG
Cash and securities	4,649
Trade receivables	13,117
Inventories	1,882
Other current assets	409
Non-current assets	4,077
Trade payables	9,441
Other current liabilities	4,401
Non-current liabilities	193
Shareholders' equity	10,099
Balance sheet total	24,134

In the previous year, Emmi did not sell any companies.

24. Unsettled derivative financial instruments

	31.12.2019			31.12.2018		
	Positive value	Negative value	Purpose	Positive value	Negative value	Purpose
Forward currency transactions	4,649	792	Hedging	1,878	31	Hedging
Other forward transactions	29	–	Hedging	–	36	Hedging
Total forward transactions	4,678	792	–	1,878	67	–
Thereof to hedge future cash flows	1,381	792	–	758	67	–
Total recognised in the balance sheet	3,297	–	–	1,120	–	–

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.

25. 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. As at the date of the financial statements, the Group had no major contingent assets.

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

	31.12.2019	31.12.2018
Pledged assets		
Pledges on property, nominal values	247,720	286,426
Pledges on other assets	31,172	–
Thereof used as security for own liabilities	44,380	54,651
Off-balance sheet leasing/rental obligations		
up to 2 years	17,648	18,657
3 to 5 years	16,890	19,195
over 5 years	20,028	24,407
Total	54,566	62,259

27. Investment obligations and other off-balance sheet liabilities

	31.12.2019	31.12.2018
Investment obligations in connection with previously concluded agreements	14,087	18,523
Long-term commodity contracts	658	1,117
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.

28. 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 2019 and 2018, 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	2019	2018
Net sales	25,713	24,188
Cost of materials and services	70,126	67,712
Other expenses	2,515	2,483
Financial income	305	339

Transactions with shareholders	2019	2018
Net sales	6,493	4,613
Cost of materials and services	195,232	190,583
Other expenses	55	30

Transactions with other related parties	2019	2018
Net sales	28	1,048
Cost of materials and services	–	1,288
Other expenses	155	293

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.

Other transactions

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

29. Shareholders

Nominal capital	31.12.2019	%	31.12.2018	%
ZMP Invest AG, Lucerne ¹⁾	28,488	53.2	28,488	53.2
Zentralschweizer Käsermeister Genossenschaft, Sursee ¹⁾	2,200	4.1	2,250	4.2
MIBA Milchverband der Nordwestschweiz, Aesch (BL) ¹⁾	1,790	3.3	1,810	3.4
Other	21,020	39.4	20,950	39.2
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Käsermeister Genossenschaft, Sursee (former Zentralschweizer Milchkäuferverband, Willisau) and the MIBA Milchverband der Nordwestschweiz, Aesch (BL), form a group in the sense of Article 121 FMIA. The Group owns 60.6 % (previous year: 60.8 %) of the total voting rights.

As at 7 June 2016, Capital Group Companies Inc., Los Angeles, US, 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 2019, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares of Emmi AG (unchanged to previous year).

30. 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 liberalisation 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 minimised by strictly focusing on the strategy and its implementation.
- Currency risk: Currency movements – although currently less volatile than in previous years – 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.

31. Subsequent events

Quillayes Surlat S.p.A., Santiago, Chile

The merger of the Chilean Emmi group Surlat with the competitor Quillayes that was announced on 30 August 2019 was closed, on 15 January 2020. At closing, both parties contributed their existing companies into Quillayes Surlat S.p.A., which was founded in 2019 but not yet operating and which is held by the Emmi subsidiary Kaiku with 51.5 %. Emmi in turn owns 73 % of Kaiku. Quillayes produces cheese, yogurt, butter and cream and in addition is established in selling imported brand products. Important segments of Surlat are UHT milk and other dairy products, particularly in the lactose-free segment. Quillayes generated sales of some CLP 50,000 million (approx. CHF 70 million) in 2018.

Adjustment of principles of consolidation and valuation for goodwill

On 28 February 2020, the Board of Directors decided to change the method and offset goodwill with equity, effective from financial year 2020.

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 28 February 2020, no other major events occurred which could have adversely affected the validity of the financial statements for 2019 or which would have to be disclosed.

32. Summary of consolidated companies, associates and joint ventures

Consolidated companies	Head office	Currency	Capital in 000s 31.12.2019	Capital share 31.12.2019	Capital share 31.12.2018
Switzerland					
Emmi AG	Lucerne	CHF	53,498	100 %	100 %
Baumann Käse AG	Zollikofen	CHF	100	100 %	100 %
Emmi Finanz AG	Lucerne	CHF	100	100 %	100 %
Emmi Fondue AG	Langnau i.E.	CHF	3,000	100 %	100 %
Emmi Frisch-Service AG ¹⁾	Schlieren	CHF	n.a.	-	100 %
Emmi International AG	Lucerne	CHF	5,000	100 %	100 %
Emmi Management AG	Lucerne	CHF	500	100 %	100 %
Emmi Schweiz AG	Lucerne	CHF	5,700	100 %	100 %
FDS Fromagerie de Saignelégier SA	Saignelégier	CHF	1,050	86 %	86 %
Fromco S.A. Moudon	Moudon	CHF	2,100	60 %	60 %
Holding der Schweizerischen Milchproduzenten AG in liquidation	Münchenbuchsee	CHF	100	100 %	100 %
Käserei Studer AG	Hefenhofen	CHF	720	100 %	100 %
Lesà Lataria Engiadinaisa SA	Bever	CHF	2,000	80 %	80 %
Mittelland Molkerei AG	Suhr	CHF	20,000	100 %	100 %
Molkerei Biedermann AG	Bischofszell	CHF	1,010	100 %	100 %
MOPRO Luzern AG	Lucerne	CHF	120	100 %	100 %
Regio Molkerei beider Basel AG	Frenkendorf	CHF	3,000	80 %	80 %
Emmi Dessert International SA ²⁾	Lugano	CHF	250	100 %	100 %
Swissexport, Aktiengesellschaft Schweizerischer Käseexporteure	Berne	CHF	100	79 %	79 %
Spain					
Admilac Servicios Profesionales, S.L.	San Sebastian	EUR	3	73 %	73 %
Altamira Alimentaria, S.L.	Renedo	EUR	3	73 %	73 %
Kaiku Corporación Alimentaria, S.L.	San Sebastian	EUR	82,110	73 %	73 %
Kaiku Internacional, S.L.	San Sebastian	EUR	61,632	73 %	73 %
Lácteos Caprinos S.A.	Campillo de Arenas	EUR	600	80 %	80 %
Lácteos de Navarra, S.L.	Pamplona	EUR	9,647	73 %	73 %
Llet Nostra Alimentaria, S.L.	Barcelona	EUR	2,764	33 %	33 %
SDA Bilbao, S.L.	Bilbao	EUR	3	73 %	73 %
SDA Catalunya	Barcelona	EUR	3	53 %	53 %
SDA Guipuzcoa, S.L.	Bilbao	EUR	3	73 %	73 %
Servicios Logísticos Jundiz, S.L.	Vitoria	EUR	102	73 %	73 %
Kaiku Km0, S.L.	Bilbao	EUR	625	73 %	73 %
Soc. Servicios Logísticos SDA Central, S.L.	Bilbao	EUR	3	73 %	73 %
Tecnología y Calidad Láctea, S.L.	San Sebastian	EUR	3	73 %	73 %

¹⁾ Emmi Frisch-Service AG was sold on 3 April 2019.

²⁾ Sweet Port Services SA was renamed Emmi Dessert International SA on 30 October 2019.

Consolidated companies	Head office	Currency	Capital in 000s 31.12.2019	Capital share 31.12.2019	Capital share 31.12.2018
Italy					
A-27 S.p.A.	Rancio Valcuvia	EUR	1,000	100 %	100 %
Emmi Dessert Italia S.p.A.	Milan	EUR	1,000	100 %	100 %
Emmi Holding Italia S.r.l.	Milan	EUR	1,714	100 %	100 %
Emmi Italia S.p.A.	Milan	EUR	500	100 %	100 %
Gelostar S.r.l. ³⁾	Campogalliano	EUR	70	100 %	–
Immobiliare 5 S.r.l. ³⁾	Modena	EUR	10	100 %	–
Italian Fresh Foods S.p.A.	Lasnigo	EUR	202	100 %	100 %
Pasticceria Quadrifoglio S.r.l. ³⁾	Piumazzo	EUR	104	100 %	–
Rachelli Italia S.r.l.	Pero	EUR	52	100 %	100 %
Netherlands					
AVH dairy trade B.V.	Bergen	EUR	18	90 %	90 %
Bettinehoeve B.V.	Etten-Leur	EUR	18	60 %	60 %
Emmi Benelux B.V.	Tiel	EUR	523	100 %	100 %
Emmi Finance Netherlands B.V.	Tiel	EUR	p.m.	100 %	100 %
Emmi Javelin B.V. ⁴⁾	Tiel	EUR	1	100 %	–
Goat Milk Powder B.V.	Etten-Leur	EUR	1	54 %	54 %
Rachelli International B.V.	Amsterdam	EUR	18	100 %	100 %
Germany					
Emmi Deutschland GmbH	Essen	EUR	75	100 %	100 %
Gläserne Molkerei GmbH	Dechow	EUR	375	100 %	100 %
Gläserne Molkerei Münchehofe GmbH	Münchehofe	EUR	100	100 %	100 %
Hofmolkerei Münchehofe GmbH	Münchehofe	EUR	25	100 %	100 %
Molkerei Biedermann GmbH	Constance	EUR	25	100 %	100 %
Rutz Käse GmbH in liquidation	Constance	EUR	25	100 %	100 %
France					
Distribution Frais Disfrais SAS	Avignon	EUR	192	85 %	85 %
EAF Immo 84 SCI	Nice	EUR	270	85 %	85 %
Emmi France SAS ⁵⁾	Rungis	EUR	–	–	100 %
Ets Schoepfer SAS	Avignon	EUR	1,252	85 %	85 %
SAS Emmi Ambrosi France E.A.F.	Nice	EUR	3,927	85 %	85 %
Austria					
Emmi Österreich GmbH	Nüziders	EUR	2,800	100 %	100 %
Hale GmbH ⁶⁾	Wartberg	EUR	18	66 %	–
Leeb Biomilch GmbH ⁶⁾	Wartberg	EUR	70	66 %	–
Belgium					
Emmi Belux SA	Brussels	EUR	62	100 %	100 %
United Kingdom					
Emmi UK Limited	London	GBP	4,717	100 %	100 %
Tunisia					
Centrale Laitière de Mahdia, S.A.	Mahdia	TND	36,000	40 %	40 %
Société tunisienne d'engraissement des veaux S.A.R.L.	Mahdia	TND	140	36 %	36 %

³⁾ Part of Pasticceria Quadrifoglio Group. Pasticceria Quadrifoglio Group was acquired on 31 October 2019.

⁴⁾ Emmi Javelin B.V. was founded on 16 December 2019.

⁵⁾ Emmi France SAS was liquidated.

⁶⁾ Part of Leeb Group. Leeb Group was acquired on 8 October 2019.

Consolidated companies	Head office	Currency	Capital in 000s 31.12.2019	Capital share 31.12.2019	Capital share 31.12.2018
United States					
Cypress Grove Chèvre, Inc.	Arcata	USD	202	100 %	100 %
Emmental Cheese Corp.	Orangeburg	USD	6	100 %	100 %
Emmi Holding (USA), Inc.	Orangeburg	USD	1	100 %	100 %
Emmi Penn Yan LLC ⁷⁾	Penn Yan	USD	–	–	100 %
Emmi Platteville, Inc.	Delaware	USD	p.m.	100 %	100 %
Emmi Resume LLC	Delaware	USD	p.m.	100 %	100 %
Emmi Roth USA, Inc.	Monroe	USD	2	100 %	100 %
Emmi USA Inc.	Orangeburg	USD	800	100 %	100 %
Jackson-Mitchell, Inc.	Turlock	USD	50	100 %	100 %
Redwood Hill Farm & Creamery, Inc.	Sebastopol	USD	p.m.	100 %	100 %
Switzerland Cheese Marketing (USA) Inc.	Orangeburg	USD	1	79 %	79 %
Tomales Bay Foods, Inc.	Petaluma	USD	p.m.	100 %	100 %
Zingg + Co. Inc.	Orangeburg	USD	1	100 %	100 %
Mexico					
Alimentos Finos del Sureste, S.A. de C.V.	Cancun, Groo	MXN	100	40 %	38 %
Comalca 2000, S.A. de C.V.	Cancun, Groo	MXN	14,960	40 %	38 %
Comalca Gourmet, S.A. de C.V.	Cancun, Groo	MXN	12,623	40 %	38 %
Distribuidora Internacional de Lacteos, S.A. de C.V.	Mexico City	MXN	50	40 %	38 %
Distribuidora Mexideli, S.A. de C.V.	Mexico City	MXN	100	51 %	51 %
Mexideli 2000 Holding S.A. de C.V.	Mexico City	MXN	101,759	51 %	51 %
Mexideli, S.A. de C.V.	Mexico City	MXN	68,350	51 %	51 %
Tecnologías Narcisco, S.A. de C.V.	Mexico City	MXN	60	51 %	51 %
Chile					
Eurolac Chile, S.A.	Santiago	CLP	29,020,654	73 %	73 %
SDA Chile, S.A.	Santiago	CLP	798,271	73 %	72 %
Surlat Comercial, S.A.	Santiago	CLP	7,934,483	73 %	72 %
Surlat Corporación, S.A.	Santiago	CLP	28,624,995	73 %	72 %
Surlat Industrial, S.A.	Pitrufrquen	CLP	20,310,389	73 %	72 %
Quillayes Surlat S.p.A. ⁸⁾	Santiago	CLP	1,000	37 %	–
Brazil					
Emmi do Brasil Holding Ltda.	Sao Paulo	BRL	825,000	100 %	100 %
Laticínios Porto Alegre Indústria e Comércio S.A. ⁹⁾	Ponte Nova	BRL	460,369	70 %	40 %
Transportadora Porto Alegre S.A. ⁹⁾	Ponte Nova	BRL	–	–	40 %
Canada					
Emmi Canada Inc.	Saint-Laurent	CAD	24,152	100 %	100 %
Switzerland Cheese Marketing Inc.	Saint-Laurent	CAD	1	79 %	79 %
9314 – 8591 Québec Inc.	Boucherville	CAD	3,137	100 %	100 %

⁷⁾ Emmi Penn Yan LLC was liquidated.

⁸⁾ Quillayes Surlat S.p.A. was founded on 23 Dezember 2019.

⁹⁾ The investment in Laticínios Porto Alegre Indústria e Comércio S.A. was increased from 40 % to 70 % on 24 October 2019. Ever since, the parent company and its subsidiary Transportadora Porto Alegre S.A. have been fully consolidated and classified as consolidated companies. Transportadora Porto Alegre S.A. was merged into Laticínios Porto Alegre Indústria e Comércio S.A. on 30 December 2019.

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	Currency	Capital in 000s 31.12.2019	Capital share 31.12.2019	Capital share 31.12.2018
Switzerland					
BO Butter GmbH	Berne	CHF	500	33 %	33 %
Cetra Holding SA	Lugano	CHF	250	34 %	34 %
FDC Fromagerie de Courgenay SA	Courgenay	CHF	990	25 %	25 %
Sbrinz Käse GmbH	Sursee	CHF	180	24 %	24 %
Switzerland Cheese Marketing AG	Berne	CHF	290	23 %	23 %
Thurgauische Käse-Reifungs AG	Weinfelden	CHF	2,000	25 %	25 %
Vermo Tiefkühl Pool AG	Lucerne	CHF	2,500	35 %	35 %
Spain					
Batiovo I.A.E.	Madrid	EUR	12	37 %	37 %
Natur-All BBVV-2018, S.L. ¹⁾	Corella	EUR	2,600	18 %	–
Serkolat Bide, S.L.	San Sebastian	EUR	8	37 %	37 %
Italy					
Ambrosi S.p.A.	Brescia	EUR	10,000	25 %	25 %
Sepa S.r.l.	Pieve Porto Morone	EUR	100	40 %	40 %
Germany					
Carl Fr. Scheer GmbH + Co. KG	Willstätt	EUR	500	25 %	25 %
Scheer Verwaltungs u. Beteiligungs GmbH	Willstätt	EUR	26	25 %	25 %
United States					
Big Red Cheese Company LLC	Monroe	USD	p.m.	50 %	50 %
EB Snacks LLC	Delaware	USD	2	50 %	50 %
Emmi Meister LLC	Fitchburg	USD	2	50 %	50 %
Kindred Creamery LLC	Fitchburg	USD	1	30 %	30 %
White Hill Cheese Company LLC	Shullsburg	USD	7,000	50 %	50 %
Brazil					
Laticínios Porto Alegre Indústria e Comércio S.A. ²⁾	Ponte Nova	BRL	–	–	40 %

¹⁾ The investment in Natur-All BBVV-2018, S.L. was acquired on 17 June 2019.

²⁾ The investment in Laticínios Porto Alegre Indústria e Comércio S.A. was increased from 40 % to 70 % on 24 October 2019. Ever since, the parent company and its subsidiary Transportadora Porto Alegre S.A. have been fully consolidated and classified as consolidated companies. Transportadora Porto Alegre S.A. was merged into Laticínios Porto Alegre Indústria e Comércio S.A. on 30 December 2019.

Auditors' report



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 2019 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 82 to 117) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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



Increase in stake in Laticínios Porto Alegre Indústria e Comércio S.A. with acquisition of control

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.



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.

For further information on goodwill refer to the following:

- Principles of valuation, page 91
- Note 15 Intangible assets

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 behaviour, 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.



Increase in stake in Laticínios Porto Alegre Indústria e Comércio S.A. with acquisition of control

Key Audit Matter

In 2019, Emmi Group increased its stake in Laticínios Porto Alegre Indústria e Comércio S.A. from 40% to 70%. This is a significant acquisition, resulting in owning the majority of shares and first-time full consolidation. The accounting for this acquisition is based on judgments such as:

- The fair value measurement of assets and liabilities acquired at the date of acquisition
- The accounting treatment of the step-acquisition with regard to total goodwill from the different transactions and acquisition costs

On these grounds, we consider the acquisition as a key audit matter.

Our response

We mainly performed the following audit procedures:

We obtained an understanding of the acquisition process and assessed whether the transaction-related amounts are completely and accurately reflected in the consolidated financial statements. We have also analyzed the purchase agreement to identify any conditions impacting the purchase price allocation.

We audited the opening balance sheet of the acquired business and assessed the appropriateness of the fair values. With the support of our valuation specialists, we challenged the assumptions applied by management to identify and measure the fair values of assets and liabilities.



Additionally, we evaluated the appropriateness of the accounting for the step-acquisition and of the disclosure in the consolidated financial statements.

For further information on the step-acquisition of Laticínios Porto Alegre Indústria e Comércio S.A. refer to the following:

- Principles of valuation, page 87
- Note 22 Acquisitions

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.
- 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 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, 28 February 2020

"I've always been an optimist, even during my apprenticeship as a baker / confectioner. Instead of taking over a patisserie as originally planned, I was attracted by a new challenge. I found this at Emmi in Kirchberg, first as a machine operator and later as a team leader. After completing my postgraduate studies in business administration, I was made Head of Production 1, being responsible for 120 employees. I like taking strategic decisions and helping to shape the future. You have to be open for this and not fear change."



Simon Brunner,
Production Manager Kirchberg, 37

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Income statement

in CHF 000s

	Notes	2019	2018
Income from investments	2.1	101,526	87,675
Other financial income	2.2	7,035	20,300
Other operating income		8,430	6,379
Total income		116,991	114,354
Financial expenses	2.3	-9,057	-19,988
Personnel expenses		-1,060	-1,035
Other operating expenses		-6,930	-6,384
Direct taxes		-178	-341
Total expenses		-17,225	-27,748
Net profit		99,766	86,606

Balance sheet

in CHF 000s

Assets	Notes	31.12.2019	%	31.12.2018	%
Cash and cash equivalents		6,420		8,365	
Other short-term receivables from third parties		43		32	
Other short-term receivables from companies in which the entity holds an investment		118,659		72,395	
Prepayments and accrued income		209		64	
Current assets		125,331	9.0	80,856	6.0
Loans to companies in which the entity holds an investment		108,536		182,556	
Investments in subsidiaries and associates	2.4	1,155,828		1,076,437	
Financial assets		1,264,364		1,258,993	
Prepayments and accrued income		84		122	
Non-current assets		1,264,448	91.0	1,259,115	94.0
Total assets		1,389,779	100.0	1,339,971	100.0
Liabilities and shareholders' equity					
Other current payables due to third parties		152		145	
Other current payables due to companies in which the entity holds an investment		3		–	
Accrued liabilities and deferred income		4,975		2,775	
Current liabilities		5,130	0.4	2,920	0.2
Non-current interest-bearing debts due to third parties		108,536		112,556	
Non-current liabilities		108,536	7.8	112,556	8.4
Liabilities		113,666	8.2	115,476	8.6
Share capital	2.5	53,498		53,498	
Legal capital reserves					
– Reserves from capital contributions	2.6	8,294		13,644	
Legal retained earnings		2,886		2,886	
Voluntary retained earnings					
– Free reserves		1,105,000		1,065,000	
– Available earnings					
– Profit brought forward		6,669		2,861	
– Net profit		99,766		86,606	
Shareholders' equity		1,276,113	91.8	1,224,495	91.4
Total liabilities and shareholders' equity		1,389,779	100.0	1,339,971	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 2016	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
Allocation	-	-	-	40,000	-40,000	-
Dividend	-	-5,350	-	-	-42,798	-48,148
Net profit for the year	-	-	-	-	99,766	99,766
Shareholders' equity as at 31 December 2019	53,498	8,294	2,886	1,105,000	106,435	1,276,113

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 (impairity 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.

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 Investments

	Currency	Capital in 000s 31.12.2019	Capital share 31.12.2019	Capital share 31.12.2018
Switzerland				
Baumann Käse AG, Zollikofen	CHF	100	100 %	100 %
Cetra Holding SA, Lugano	CHF	250	34 %	34 %
Emmi Finanz AG, Lucerne	CHF	100	100 %	100 %
Emmi Fondue AG, Langnau i.E.	CHF	3,000	100 %	100 %
Emmi Frisch-Service AG, Schlieren ¹⁾	CHF	–	–	100 %
Emmi International AG, Lucerne	CHF	5,000	100 %	100 %
Emmi Management AG, Lucerne	CHF	500	100 %	100 %
Emmi Schweiz AG, Lucerne	CHF	5,700	100 %	100 %
Fromco S.A. Moudon, Moudon	CHF	2,100	60 %	60 %
Holdings der Schweizerischen Milchproduzenten AG in liquidation, Münchenbuchsee	CHF	100	100 %	100 %
Käserei Studer AG, Hefenhofen	CHF	720	100 %	100 %
Mittelland Molkerei AG, Suhr	CHF	20,000	100 %	100 %
Molkerei Biedermann AG, Bischofzell	CHF	1,010	100 %	100 %
MOPRO Luzern AG, Lucerne	CHF	120	100 %	100 %
Switzerland Cheese Marketing AG, Berne	CHF	290	23 %	23 %
Vermo Tiefkühl Pool AG, Lucerne	CHF	2,500	35 %	35 %
Spain				
Kaiku Corporación Alimentaria, S.L., San Sebastián	EUR	82,110	73 %	73 %
Lácteos Caprinos S.A., Campillo de Arenas	EUR	600	80 %	80 %
Austria				
Hale GmbH, Wartberg ²⁾	EUR	18	66 %	–
Leeb Biomilch GmbH, Wartberg ²⁾	EUR	70	66 %	–
Germany				
Emmi Deutschland GmbH, Essen	EUR	75	100 %	100 %
Netherlands				
Emmi Finance Netherlands B.V., Tiel	EUR	p.m.	100 %	100 %
Italy				
Emmi Holding Italia S.r.l., Milan	EUR	1,714	70 %	70 %
United Kingdom				
Emmi UK Limited, London	GBP	4,717	100 %	100 %
Canada				
Emmi Canada Inc., Saint-Laurent	CAD	24,152	100 %	100 %
United States				
Emmi Holding (USA), Inc., Orangeburg	USD	1	100 %	100 %

¹⁾ Emmi Frisch-Service AG was sold on 3 April 2019.

²⁾ Hale GmbH and Leeb Biomilch GmbH (Leeb Group) were acquired on 8 October 2019.

The above-mentioned investments are directly held by Emmi AG. Investments which are indirectly held by Emmi AG are mentioned in note 32 of the consolidated financial statements.

2.5 Share capital and significant shareholders

The share capital of KCHF 53,498 as at 31 December 2019 consists of 5,349,810 registered shares with a nominal value of CHF 10 (unchanged on the previous year).

Nominal capital	31.12.2019	%	31.12.2018	%
ZMP Invest AG, Lucerne ¹⁾	28,488	53.2	28,488	53.2
Zentralschweizer Käsermeister Genossenschaft, Sursee ¹⁾	2,200	4.1	2,250	4.2
MIBA Milchverband der Nordwestschweiz, Aesch (BL) ¹⁾	1,790	3.3	1,810	3.4
Other	21,020	39.4	20,950	39.2
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Käsermeister Genossenschaft, Sursee, and the MIBA Milchverband der Nordwestschweiz, Aesch (BL), form a Group in the sense of Article 121 FMIA. The Group owns 60.6 % (previous year: 60.8 %) of the total voting rights.

As at 7 June 2016, Capital Group Companies Inc., Los Angeles, US, 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 2019, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares of Emmi AG (unchanged on the previous year).

2.6 Capital contribution reserve

	31.12.2019	31.12.2018
Confirmed by the tax authorities	2,522	7,872
Not confirmed by the tax authorities	5,772	5,772
Total	8,294	13,644

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 2019 and in the previous year, Emmi AG employed fewer than 10 employees on average.

3.2 Collateral provided for liabilities of third parties

	31.12.2019	31.12.2018
Guarantees and joint liability for loans of Group companies	413,314	521,758
Of which used by Group companies	320,925	419,548
Other guarantees for Group companies	1,350	293,891

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 2018, 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 2019, 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:

	No. of shares 31.12.2019	No. of shares 31.12.2018
Board of Directors		
Konrad Graber, Chairman	950	950
Thomas Oehen-Bühlmann, Vice-Chairman	615	615
Christian Arnold-Fässler, Member	30	30
Monique Bourquin, Member	-	-
Christina Johansson, Member	-	-
Niklaus Meier, Member	200	200
Alexandra Post Quillet, Member	-	-
Franz Steiger, Member	400	400
Diana Strebel, Member	-	-
Agricultural Council		
Pirmin Furrer	-	-
Stephan Hagenbuch	50	50
Peter Hegglin	-	-
Andreas Hitz	50	n.a.
René Schwager	-	n.a.
Group Management		
Urs Riedener, CEO	-	-
Marc Heim, Deputy CEO	150	150
Robin Barraclough, Member	20	20
Ricarda Demarmels, Member	-	n.a.
Kai Könecke, Member	-	-
Matthias Kunz, Member	27	27
Thomas Morf, Member	-	-
Jörg Riboni, Member (until 30.4.2019)	n.a.	-
Natalie Rüedi, Member	-	-

The members of the Board of Directors, the Agricultural Council and Group Management own a total of 2,492 shares (previous year: 2,442 shares) and thus hold 0.05 % of the voting rights (previous year: 0.05 %).

3.6 Significant events after the balance sheet date

From the balance sheet date until the financial statements were approved by the Board of Directors on 28 February 2020, no other major events occurred which could have adversely affected the validity of the financial statements for 2019 or which would have to be disclosed.

Proposed appropriation of available earnings

in CHF 000s

Available earnings	31.12.2019	31.12.2018
Retained earnings carried forward	6,669	2,861
Net profit	99,766	86,606
Available for distribution by the General Meeting	106,435	89,467

Appropriation of available earnings

The Board of Directors proposes that the General Meeting approve the distribution of a dividend of CHF 12.00 (previous year: CHF 9.00) gross per registered share for the 2019 financial year, to be paid out of retained earnings (subject to withholding tax).

Earnings available for distribution by the General Meeting	106,435	89,467
Allocation from confirmed capital contribution reserve	-	5,350
Dividend	-64,198	-48,148
Allocation to free reserves	-40,000	-40,000
Carried forward to new account	2,237	6,669
Total distribution	64,198	48,148
Of which from confirmed capital contribution reserve (exempt from withholding tax)	-	-5,350
Of which from other available earnings	-64,198	-42,798

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 2019, 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 126 to 135) for the year ended 31 December 2019 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, 28 February 2020

KPMG AG, Pilatusstrasse 41, CH-6003 Lucerne

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Share information of Emmi AG

Stock exchange information		2019	2018	2017	2016	2015
Share price at 31.12.	in CHF	842.50	681.50	701.50	616.50	450.25
Year's high (end-of-day position)	in CHF	967.50	868.00	764.00	677.50	452.25
Year's low (end-of-day position)	in CHF	680.00	671.00	608.00	429.25	288.75
Market capitalisation at 31.12.	in CHF million	4,507	3,646	3,753	3,298	2,409
Average trading volume	Units	5,693	4,842	5,377	4,355	5,518
Key share data						
Earnings per share	in CHF	31.07	43.60	30.20	26.23	22.46
Adjusted earnings per share	in CHF	31.07	32.80	30.20	26.23	22.46
Shareholders' equity per share	in CHF	315.87	298.82	272.20	247.03	225.76
Return on shareholders' equity ¹⁾	in %	24.94	-1.43	14.74	38.01	29.36
Distribution	in CHF	12.00	9.00	10.00	5.90	4.90
Distribution rate ²⁾	in %	38.62	20.64	33.11	22.49	21.81
Adjusted distribution rate ³⁾	in %	38.62	27.44	23.18 ⁴⁾	22.49	21.81
Dividend return ⁵⁾	in %	1.42	1.32	1.43	0.96	1.09

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)

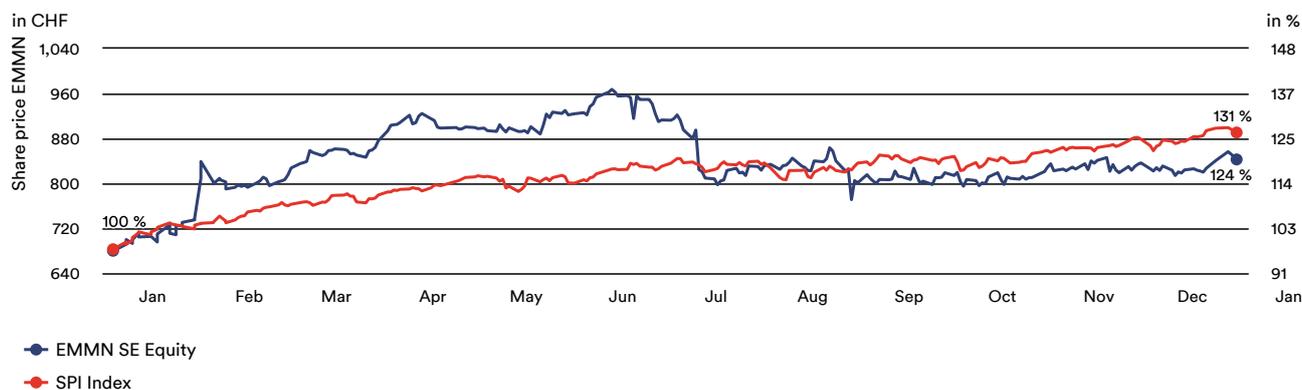
5) Distribution per share/year-end closing price

Capital structure at 31.12.

	CHF 000s	53,498	53,498	53,498	53,498	53,498
Share capital						
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 2019



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in German and English.

The information within our Annual Report is originally published in German. Discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes. If any questions arise related to the accuracy of the information contained in the translation, please refer to the German version of our Annual Report, which is the official and only binding version.

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