Contents

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 interest[1], 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 interest[1] 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

	Notes	31.12.2019	%	31.12.2018	%
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 %**	–

Consolidation method

Capital is consolidated using the purchase method.

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

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

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

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

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

Translation of foreign currencies

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 particulary by the long-term oriented expansion of the international business. The expected useful life of other intangible assets is determined on a case-by-case basis. The useful life is usually 5 years and in justified cases up to 20 years.

Impairment

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

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

Government grants

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

Liabilities

Group liabilities are recognised at their nominal values.

Leasing

Leasing transactions are divided into finance leases and operating leases. A lease is classified as a finance lease if it essentially transfers all the risks and rewards of an asset incidental to ownership. The assets and liabilities arising out of finance leases are recognised in the balance sheet. Leasing liabilities arising out of operating leases that cannot be cancelled within one year are disclosed in note 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 2019	Switzerland 2018	Americas 2019	Americas 2018	Europe 2019	Europe 2018	Global Trade 2019	Global Trade 2018	Group 2019	Group 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

2019	Undeveloped land	Properties/ buildings	Machinery/ equipment	Tangible fixed assets under construction	Other tangible assets	Total
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	Undeveloped land	Properties/ buildings	Machinery/ equipment	Tangible fixed assets under construction	Other tangible assets	Total
Purchase value at 1.1.2018	5,018	704,798	1,510,985	49,099	67,406	**2,337,306**
Additions	4,094	8,847	12,976	55,078	2,595	**83,590**
Disposals	–	-1,423	-53,386	–	-2,802	**-57,611**
Reclassification	1,921	5,883	52,249	-63,535	4,652	**1,170**
Currency translation differences	-123	-6,044	-17,812	-912	-1,591	**-26,482**
As at 31 December 2018	10,910	712,061	1,505,012	39,730	70,260	**2,337,973**
Accumulated depreciation at 1.1.2018	1,062	323,275	1,039,951	–	42,579	**1,406,867**
Depreciation	–	16,129	73,450	–	6,446	**96,025**
Impairment charges	–	389	544	–	15	**948**
Disposals	–	-1,051	-48,825	–	-2,570	**-52,446**
Reclassification	–	-238	1,190	–	218	**1,170**
Currency translation differences	-2	-2,287	-10,763	–	-1,023	**-14,075**
As at 31 December 2018	1,060	336,217	1,055,547	–	45,665	**1,438,489**
Net book value at 31 December 2018	9,850	375,844	449,465	39,730	24,595	**899,484**
Thereof finance leases	–	–	604	–	1,800	**2,404**

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 31.12.2019	Waiver of usage 31.12.2019	Other value adjustments 31.12.2019	Balance sheet 31.12.2019	Balance sheet 31.12.2018	Result from ECR in personnel expenses 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 31.12.2019	Economic benefit/obligation for the company 31.12.2019	31.12.2018	Change vs. previous year or taken to the income statement in the FY	Contributions limited to the period[1]	Pension expenses in personnel expenses 2019	2018
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

Pledged assets	**31.12.2019**	31.12.2018
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 %
Lesa 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 Logisticos 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, Qroo	MXN	100	**40 %**	38 %
Comalca 2000, S.A. de C.V.	Cancun, Qroo	MXN	14,960	**40 %**	38 %
Comalca Gourmet, S.A. de C.V.	Cancun, Qroo	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 %
Tecnologias 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.	Pitrufquen	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

KPMG

Statutory Auditor's Report

To the General Meeting of Emmi AG, Lucerne

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Emmi AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 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.

KPMG

Valuation of goodwill

Key Audit Matter	Our response
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.	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.

For further information on goodwill refer to the following:

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

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

Key Audit Matter	Our response
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.	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.

KPMG

- 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

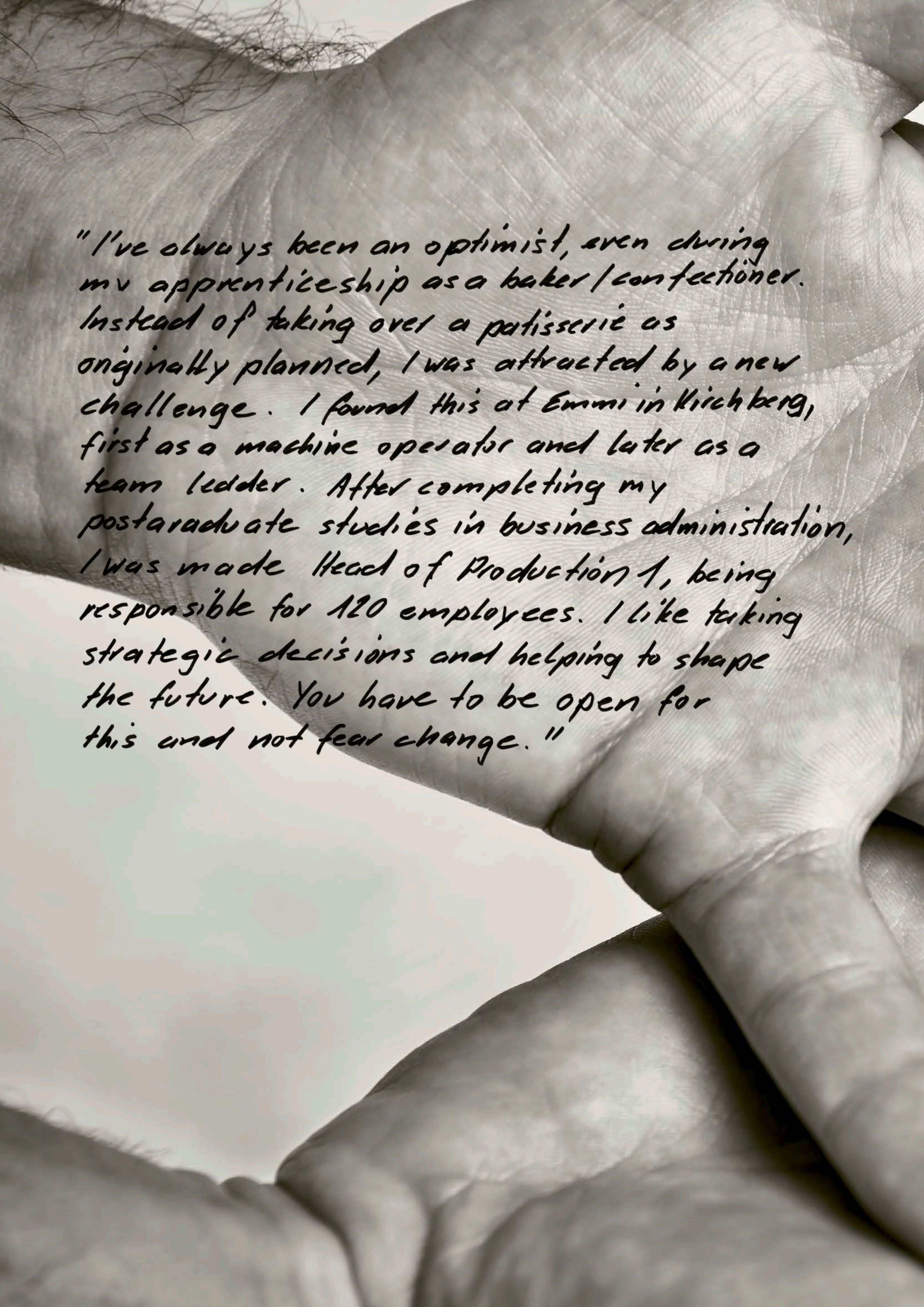
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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 mv 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 ledder. After completing my postaraduate 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

Contents

Financial statements of Emmi AG

Share information of Emmi AG

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

	Notes	31.12.2019	%	31.12.2018	%
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 (imparity principle).

1.4 Non-current interest-bearing debts

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

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

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

2. Information on balance sheet and income statement items

2.1 Income from investments

This position includes dividend income from investments.

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 %
Holding 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, Bischofszell	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:

Board of Directors	**No. of shares 31.12.2019**	No. of shares 31.12.2018
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

KPMG

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.

KPMG

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

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

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

Share price 2019