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Emmi AG

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Income statement

Operating section

Despite the global turmoil and negative foreign exchange trends, Emmi generated net sales of CHF 3,706.1 million in 2020 (previous year: CHF 3,494.0 million) and growth of 6.1 %. This is comprised of organic growth of 1.9 %, a positive acquisition effect of 8.7 % and a negative foreign currency effect of 4.5 %. The positive organic growth confirms the robustness of Emmi's business model, the well-balanced nature of the product and country portfolio, and the organisation's adaptability. The Swiss business was the main contributor to growth in the first half of 2020. Emmi's home market then saw old consumer behaviour – including consumer tourism – return to a certain extent in the second half of the year. The rise in imported dairy products – particularly cheese – also had a negative impact for Emmi. By contrast, the foreign markets performed well in the second half of the year, while the Emmi Caffè Latte and Kaltbach brand concepts also fared well amid the crisis.

The trends that emerged in the first half of the year as the coronavirus tightened its grip around the world continued in the second half. Globally, retail sales increased, whereas the food service business, convenience products and some branches of the food industry that are relevant for Emmi took a major hit.

Overall, organic sales growth rates were very similar in the first and second halves of the year. However, a detailed examination shows considerable geographical differences. In the first six months of the year, Emmi's Swiss business enjoyed the sales-boosting effects of the coronavirus crisis; in the second half, however, the factors inhibiting sales dominated, and the consistent trend seen in recent years towards imported dairy products intensified disproportionately. Conversely, important growth markets such as Chile and Tunisia rallied and growth in Europe was strong, providing major contributions to the Group's sales growth.

The balancing effect of geographical diversification was not the only testament to the resilience of Emmi's strategy in 2020, however. The years of work on selected brand concepts also bore fruit. Emmi Caffè Latte, for instance, enjoyed continued growth despite the tough conditions, while business with Swiss speciality cheeses – particularly Kaltbach – also supported growth in all business divisions. Last year was also characterised by intensive work on the investment portfolio as part of the implementation of the long-term corporate strategy. The recent acquisitions and divestments will enable us to reap even greater benefits from the dynamics in developing markets, raise the profile of brand products and further consolidate our strong position in the dessert business.

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)
- Merger with Quillayes (Chile, 15 January 2020)
- Acquisition of Chäs Hütte Zollikon GmbH (Switzerland, 29 July 2020)
- Acquisition of Indulge Desserts Group (US, 6 October 2020)

Negative factors:

- Sale of Emmi Frisch-Service AG (Switzerland, 3 April 2019)
- Sale of Lácteos Caprinos S.A. (Spain, 18 December 2020)

The internal shifting of distribution channels for individual customers additionally led to acquisition or divestment effects in the business divisions Americas, Europe and Global Trade. However, these shifts between individual business divisions did not have any impact on sales at Group level.

Sales development Switzerland

Net sales by product group: Switzerland

in CHF million	Sales 2020	Sales 2019	Difference 2020/2019	Acquisition effect	Organic growth
Dairy products	682.9	686.6	-0.5 %	-0.4 %	-0.1 %
Cheese	434.2	427.1	1.7 %	-0.7 %	2.4 %
Fresh products	341.3	336.0	1.6 %	-0.4 %	2.0 %
Fresh cheese	106.3	102.5	3.7 %	-1.9 %	5.6 %
Powder/concentrates	63.2	60.0	5.3 %	-	5.3 %
Other products/services	58.3	62.8	-7.1 %	-5.7 %	-1.4 %
Total Switzerland	1,686.2	1,675.0	0.7 %	-0.7 %	1.4 %

Sales in the business division **Switzerland** were CHF 1,686.2 million in 2020 (previous year: CHF 1,675.0 million). This corresponds to growth of 0.7 %. Adjusted for divestment effects (primarily the sale of Emmi Frisch-Service AG), the organic sales growth of 1.4 % was in line with Emmi's expectations. The only cautiously optimistic guidance issued despite the good results for the first half of 2020 proved realistic in light of the in some cases hugely negative impact of measures to tackle the coronavirus. After a solid summer, sales in the food service and out-of-home consumption businesses, along with sales to certain industrial customers, came under pressure – massively so in some cases. Foreign competition was also clearly perceptible, and Swiss dairy products lost market share in 2020. The additional dairy product consumption in the retail business was largely met through imports, with consumers increasingly turning to imported products due to the temporary suspension of cross-border shopping.

The largest segment, **dairy products** (milk, cream, butter), recorded a small organic fall of 0.1 %. This came despite the segment being well into positive territory in the first half of the year thanks to COVID-related record sales in the retail business and a positive milk price effect. During the second half of the year, not only did retail demand normalise, but the impact of the coronavirus measures also fed through into the food service and industrial customers businesses.

In the **cheese** segment, the pleasing organic growth of 2.4 % was driven by additional sales of Le Gruyère AOP and strong brand concepts such as Kaltbach, Luzerner Rahmkäse, Scharfer Maxx and Le Petit Chevrier. A sizeable increase in cheese imports during the reporting period acted as a drag.

In the **fresh products** segment (organic growth: 2.0 %), Emmi Caffè Latte and Emmi Energy Milk performed particularly well. However, both convenience concepts were held back slightly in the second half of the year by the COVID-related reduction in mobility (e.g. remote teaching). Yogurt and ice cream sales also contributed to the growth.

The encouraging trend in **fresh cheese** (organic growth: 5.6 %) was primarily attributable to the tremendous popularity of mozzarella in home cooking.

The business division Switzerland accounted for 45.5 % of Group sales (previous year: 47.9 %).

Sales development Americas

Net sales by product group: Americas

in CHF million	Sales 2020	Sales 2019	Difference 2020/2019	Acquisition effect	Currency effect	Organic growth
Cheese	527.1	493.7	6.8 %	17.4 %	-9.7 %	-0.9 %
Dairy products	353.4	283.3	24.8 %	26.7 %	-14.2 %	12.3 %
Fresh products	226.1	202.9	11.5 %	20.6 %	-6.4 %	-2.7 %
Fresh cheese	62.3	25.9	139.9 %	203.8 %	-66.6 %	2.7 %
Powder/concentrates	21.1	7.8	172.1 %	194.5 %	-60.8 %	38.4 %
Other products/services	91.8	101.1	-9.1 %	10.9 %	-10.0 %	-10.0 %
Total Americas	1,281.8	1,114.7	15.0 %	25.3 %	-11.9 %	1.6 %

The business division **Americas** includes the Emmi Group companies in the US, Spain (excl. Lácteos Caprinos S.A.), Chile, Brazil, Tunisia, France, Mexico and Canada.

The business division Americas generated sales of CHF 1,281.8 million in 2020 (previous year: CHF 1,114.7 million). This 15.0 % increase was chiefly attributable to acquisition effects. The strongly negative currency effects related mainly to Central and South American currencies, and to a lesser extent to the US dollar and euro. Adjusted for these effects, organic growth was 1.6 %. This meant that sales in the second half recovered strongly in the business division that suffered most at the hands of the coronavirus crisis due to its large share of the food service business.

The acquisition effects primarily relate to the purchase of a blue cheese production site in the US, the increased stake in Brazil, which had an impact on the scope of consolidation, the merger of Surlat with Quillayes in Chile and the acquisition of the Indulge Desserts Group in the US.

In the **cheese** segment, restrictions such as closures of sales outlets, cheese counters and restaurants imposed in response to the pandemic resulted in a fall in sales of 0.9 % in organic terms. Under these circumstances, the increase in cheese exports from Switzerland to the US – including, for example, Kaltbach – was extremely welcome.

As a consequence of the coronavirus, Chile and Tunisia were largely responsible for both a major jump in demand for basic products, with a positive effect on the **dairy products** segment (organic growth: 12.3 %), and for falls in the **fresh products** segment (organic decline: -2.7 %). Positive contributions there, e.g. from Brazil (entry into the yogurt business), could not fully make up for the lower sales in California and Spain. However, Emmi Caffè Latte posted pleasing growth in Spain despite the country being hit hard by the coronavirus.

In the **fresh cheese** segment (organic growth: 2.7 %), the uptick in Brazil and at Redwood Hill in California balanced out the downturn – again linked to the coronavirus pandemic – in Mexideli's wholesale business.

The organic growth in the **powder/concentrates** segment resulted from the stronger sales of goat's milk powder and concentrates in California due to the coronavirus crisis. In the **other products/services** segment, the organic decline is attributable to a decline in the food service business in Spain, Mexico, Chile and California.

The business division Americas accounted for 34.6 % of Group sales (previous year: 31.9 %).

Sales development Europe

Net sales by product group: Europe

in CHF million	Sales 2020	Sales 2019	Difference 2020/2019	Acquisition effect	Currency effect	Organic growth
Fresh products	289.6	271.5	6.7 %	7.7 %	-4.5 %	3.5 %
Cheese	129.2	121.0	6.7 %	1.9 %	-4.2 %	9.0 %
Dairy products	99.0	92.9	6.6 %	2.8 %	-4.2 %	8.0 %
Powder/concentrates	44.4	42.9	3.6 %	0.1 %	-4.0 %	7.5 %
Fresh cheese	40.8	53.4	-23.6 %	-2.7 %	-3.0 %	-17.9 %
Other products/services	27.7	11.1	148.8 %	113.9 %	-9.6 %	44.5 %
Total Europe	630.7	592.8	6.4 %	6.3 %	-4.3 %	4.4 %

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

The business division Europe generated sales of CHF 630.7 million, up 6.4 % on the previous year's figure of CHF 592.8 million. Adjusted for currency and acquisition effects, this resulted in strong organic growth of 4.4 %. Organic growth increased significantly again in the second half of the year.

The overall positive acquisition effects are chiefly attributable to the takeover of Leeb Biomilch GmbH and Hale GmbH in Austria as well as the Pasticceria Quadrifoglio Group in Italy. The sale of Lácteos Caprinos S.A. has been included as a divestment effect in the fresh cheese and dairy products segments.

The decisive growth drivers in the **fresh products** segment – the largest segment in terms of sales – were Emmi Caffè Latte in the UK, Austria and Germany, Italian speciality desserts and Onken yogurts (organic growth: 3.5 %).

Significantly higher sales of Kaltbach, fondue and Swiss cheese varieties in the Netherlands, Germany and the UK produced strong organic growth in the **cheese** segment (organic growth: 9.0 %).

The gains in the **dairy products** segment (organic growth: 8.0 %) were primarily the result of the coronavirus driving up demand for high-quality organic dairy products from Gläserne Molkerei in Germany.

The growth driver in the **powder/concentrates** segment is the trading company AVH dairy in the Netherlands, which was able to achieve high growth with the sale of goat's milk powder, especially in the Asian market. The **fresh cheese** segment suffered declines at Lácteos Caprinos in Spain and Bettinehoeve in the Netherlands due to disruptions in the food service business as a result of the coronavirus. Growth in the **other products/services** segment mainly relates to the vegan products business in Austria.

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

Sales development Global Trade

Net sales by product group: Global Trade

in CHF million	Sales 2020	Sales 2019	Difference 2020/2019	Acquisition effect	Organic growth
Cheese	48.8	51.0	-4.1 %	-4.0 %	-0.1 %
Fresh products	35.9	38.4	-6.6 %	–	-6.6 %
Powder/concentrates	18.5	16.6	11.1 %	–	11.1 %
Dairy products	2.6	3.4	-24.1 %	–	-24.1 %
Fresh cheese	–	0.1	-100.0 %	–	-100.0 %
Other products/services	1.6	2.0	-22.6 %	–	-22.6 %
Total Global Trade	107.4	111.5	-3.7 %	-1.8 %	-1.9 %

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.

Sales in the business division Global Trade were CHF 107.4 million, compared with CHF 111.5 million in 2019. In organic terms, sales were down by 1.9 %. This was principally due to lower hotel and flight capacity utilisation as a consequence of the coronavirus. The restrictions in Asia had a particularly strong impact on **fresh products** (yogurts and yogurt drinks). The **cheese** segment trod water, as growth for Kaltbach almost entirely made up for lower fondue sales. The growth in the **powder/concentrates** segment reflects the rise in exports of surpluses of skimmed-milk powder.

Global Trade accounted for 2.9 % of Group sales (previous year: 3.2 %).

Gross profit

Gross profit increased by CHF 83.1 million to CHF 1,349.7 million in the year under review, compared with CHF 1,266.6 million in the previous year. This increase is chiefly attributable to the acquisition effects, which more than made up for the strongly negative currency effects. In addition, however, organic sales growth and the slight rise from 36.3 % to 36.4 % in the **gross profit margin** contributed to the higher gross profit. We welcome the increase in the gross profit margin despite the trend towards basic products during the coronavirus crisis. The successful implementation of measures to increase rationalisation and productivity are not the only reason for this; the further strengthening and enhanced focus of the product and company portfolio on high-margin businesses also played a role. As a result it was possible to compensate for the sustained high price pressure.

Non-recurring effects in the consolidated financial statements

As part of its realigned focus on an international business with strong growth and margins, Emmi sold its majority stake in Lácteos Caprinos S.A. during the year under review, which had a significant effect on the income statement. The sale resulted in a pre-tax loss of CHF 14.6 million or CHF 14.2 million after taxes. The loss from this sale is included under "Other operating expenses". Adjusted for this non-recurring effect, EBITDA, EBIT and EBT increase by CHF 14.6 million, while profit incl. minority interests and net profit increase by CHF 14.2 million. This transaction had no significant impact on liquid funds or the consolidated cash flow statement.

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

Operating result

Operating expenses rose by CHF 57.3 million or 6.2 % in 2020 to CHF 977.9 million, compared with CHF 920.6 million in the previous year. While the absolute increase is once again attributable to large contributions from acquisitions, the ratio of operating expenses to sales declined slightly from 26.4 % to 26.3 % thanks to rigorous cost management.

Personnel expenses were CHF 493.8 million in the period under review, compared with CHF 462.4 million in 2019. This 6.8 % increase was largely in line with sales development. As a proportion of sales, personnel expenses therefore remained constant at 13.3 %. This shows that salary increases were offset by measures to cut costs and improve efficiency.

Other operating expenses were up CHF 25.7 million or 5.6 % in the period under review to CHF 484.0 million, compared with CHF 458.3 million in the previous year. This means that other operating expenses grew at a slightly slower pace than sales in the period under review. The absolute increase is again attributable to acquisitions. This effect more than offsets the reduction in expenses due to negative currency effects. In organic terms – that is, excluding the loss from the sale of Lácteos Caprinos S.A. (CHF 14.6 million) – other operating expenses fell significantly. Accumulated marketing and sales-related expenses amounted to CHF 127.0 million, compared with CHF 129.9 million in the previous year. This moderate decline is due not only to a more focused approach, but also a shift in the timing of marketing activities. At CHF 8.6 million or 12.6 %, the most significant increase in Other operating expenses was recorded by occupancy, maintenance and repair. In addition to acquisition effects, major maintenance projects in Switzerland that had been planned for a long time contributed to this disproportionate increase. An encouraging development is that all other items under Other operating expenses decreased as a ratio of sales – sometimes significantly. Part of the success of the many projects aimed at optimising the Group-wide supply chain can be seen in the logistic expenses, which recorded a well-below average increase of 2.4 %.

Other operating income was down CHF 2.4 on the previous year to CHF 4.5 million due to higher gains from the sale of fixed assets in 2019.

As a consequence of this development, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** rose year-on-year from CHF 352.9 million to CHF 376.3 million. Adjusted for the above-mentioned non-recurring effect, EBITDA amounted to CHF 390.9 million for the year under review. The adjusted **EBITDA margin** therefore increased from 10.1 % in 2019 to 10.5 %.

Depreciation and amortisation rose by CHF 9.7 million in the period under review, from CHF 110.0 million to CHF 119.7 million. This increase is attributable to higher impairment charges in addition to acquisition effects. The previous year values for amortisation of intangible assets have been restated due to a change in the consolidation and accounting principles for goodwill.

Earnings before interest and taxes (EBIT) were CHF 256.6 million in the period under review. Adjusted for the above-mentioned non-recurring effect, this amounted to CHF 271.2 million, exceeding previous year EBIT by CHF 28.0 million or 11.5 % (2019: CHF 243.2 million). Consequently, the adjusted **EBIT margin** increased from 7.0 % in 2019 to 7.3 % in 2020.

Income from associates, financial result and income taxes

Income from associates and joint ventures recorded a loss CHF 1.0 million in the period under review, compared with a gain of CHF 2.3 million the previous year. The main reason for this was that our operating business in Brazil was considered as an associate for nearly ten months in 2019 before becoming a fully consolidated Group company.

The **financial result** (net financial expenses) was CHF 13.4 million, compared with CHF 6.8 million in the previous year. A worse currency result due to higher hedging costs, lower interest and other financial income, as well as higher bank charges and borrowing costs arising from local financing for recently acquired companies were the main reasons for this expected development.

Income taxes amounted to CHF 40.6 million, versus CHF 34.8 million in the previous year. Adjusted for the sale of Lácteos Caprinos S.A., the tax rate of 16.8 % fell to 16.0 %. The higher adjusted tax rate compared to the previous year (14.6 %) is mainly due to non-recurring effects in 2019.

Net profit

Profit including minority interests was CHF 201.6 million. Adjusted for the above-mentioned non-recurring effect, this amounts to CHF 215.8 million, an increase of CHF 11.8 million on the previous year figure of CHF 204.0 million.

The marked increase in **minority interests** in profit from CHF 9.0 million in the previous year to CHF 13.2 million in the period under review is a positive sign, even if it dented net profit. It shows that companies with minority interests increased their profitability overall in the period under review. The contributions from recently acquired companies with minority interests played a major role here.

Accordingly, **net profit** in the period under review was CHF 188.4 million, with adjusted net profit amounting to CHF 202.6 million versus CHF 195.0 million in 2019. The adjusted **net profit margin** therefore fell slightly from 5.6 % in 2019 to 5.5 % in the reporting period. As expected, the margin gain at EBIT level turned in to a margin erosion at net profit level versus the previous year and is attributable to higher financing expenses, income taxes, minority interests and the proportional loss from associates.

Assets, financing and cash flow

Total assets as at 31 December 2020 were down 1.9 % or CHF 45.2 million compared with 31 December 2019 to CHF 2,337.1 million (previous year: CHF 2,382.3 million). This decrease is mainly attributable to a reduction in cash and cash equivalents as a result of acquisition activity and the associated offsetting of goodwill against shareholders' equity. In addition, the negative development of currencies that are relevant for Emmi versus the Swiss franc resulted in a markedly negative currency effect. While free cash flow generation and acquisition effects had a positive effect on total assets, they were unable to offset the above-mentioned negative effects.

Operating net working capital (consisting of inventories as well as trade receivables and payables) was CHF 542.0 million, up 4.6 % or CHF 23.6 million on the previous year (CHF 518.4 million), despite negative currency effects. Overall, the increase was slightly slower than the growth in sales and is partly due to acquisition activity.

Non-current assets remained practically unchanged versus the previous year at CHF 1,088.3 million (2019: CHF 1,089.1 million). Property, plant and equipment, which account for the major part of non-current assets, rose year-on-year from CHF 976.5 million to CHF 985.7 million. This is due in equal parts to acquisition effects and higher investment activity both versus depreciation and in comparison to the previous year. Currency effects continued to be significantly negative, particularly due to the devaluation of the Brazilian real, which curbed this increase.

With regard to financing, most positions are stable as well. This mainly applies to long-term financial liabilities, which recorded only minor movements versus the previous year. With regard to short-term financial liabilities, the acquisition-related increase and repayments of existing financial liabilities roughly balanced each other out, meaning that negative currency effects were ultimately responsible for the reported decrease. The **equity ratio** fell in particular as a result of acquisition activities and the associated offsetting of goodwill against shareholders' equity from 54.6 % as at 31 December 2019 to 52.8 %. Due primarily again to the acquisition activity and the associated drop in cash and cash equivalents, **net debt** rose from a historical low of CHF 89.0 million in the previous year to CHF 163.1 million as at 31 December 2020. Net debt as a ratio of EBITDA remains low at 0.43 (previous year: 0.25).

Cash inflow from operating activities amounted to CHF 342.6 million in the period under review, a significant increase of CHF 39.3 million on the previous year figure of CHF 303.3 million. While profit including minority interests was slightly lower year-on-year, cash flow before changes in net working capital, interest and taxes amounted to CHF 403.6 million, up CHF 53.2 million versus the previous year (CHF 350.4 million). After taking into account losses from the sale of investments/businesses on top of the substantial deviation in the other non-cash items due to currency losses, this increase reflects the operational improvement. The change in net working capital had an overall negative impact of CHF 15.7 million on cash flow from operating activities in the period under review. In the previous year, this change had a slightly positive effect of CHF 1.8 million on the corresponding cash flow. The impact of interest and taxes on cash flow from operating activities was CHF 3.6 million less than in the previous year.

Cash outflow from investing activities amounted to CHF 326.8 million in the period under review, compared with CHF 226.3 million in the previous year. This corresponds to an additional cash outflow of CHF 100.5 million. Investments in acquisition activity of CHF 198.8 million were the main reason for this, amounting to an additional cash outflow of CHF 66.0 million compared with the previous year (CHF 132.8 million). Net investments in property, plant and equipment were CHF 121.3 million, up significantly from CHF 93.6 million (net) in 2019.

Not including cash flow from acquisition activities, the level of **free cash flow** generated in financial year 2020 thus amounted to CHF 214.6 million. Compared to the previous year (CHF 209.8 million), this corresponds to an increase of CHF 4.8 million, with higher investments offset by growth in cash flow from operating activities.

Cash outflow from financing activities amounted to CHF 91.9 million in the period under review, versus CHF 148.6 million in the previous year. In the previous year, the repayment of a CHF 100 million bond had a corresponding impact on cash outflow. In the year under review, the repayment of financial liabilities in addition to higher dividend payments to the shareholders of Emmi AG led to additional cash outflows compared with the previous year.

As a consequence of these cash flows, **cash and cash equivalents** fell from CHF 378.1 million to CHF 294.7 million in financial year 2020, down CHF 83.4 million.

Outlook 2021

The uncertainties triggered by the coronavirus coupled with fears about economic development in the key markets where Emmi operates shape the outlook for the current year. Our sales and profit forecasts are based on the assumption that the situation will calm down in those markets that are important for Emmi from the second quarter of 2021. However, it is likely to be 2022 before we see a return to normality. From a financial perspective, Emmi therefore largely expects stability again in 2021, albeit with the likelihood of continued adverse effects on growth. Conversely, nobody yet knows exactly what everyday private and working life – and by extension consumer behaviour – will look like going forward.

National and international economic forecasts predict strong growth this year following the major disruption to the economy in 2020. But the timing and extent of this recovery is still unknown. Broad predictions of this nature, however, are not very reliable when it comes to the food industry, as performance within this sector varied greatly in 2020 from one distribution channel to another. While food retail in many countries experienced solid growth due to the coronavirus in 2020, many specialists within the sector expect retail sales to be down in 2021 – sometimes significantly so. At the same time, sales in the food service sector – which has been hit the hardest by the effects of the pandemic – are likely to start improving in 2021, although Emmi is not expecting a return to pre-pandemic levels until 2022 at the earliest. Rising unemployment in most countries as a result of the pandemic is a cause for concern. It is conceivable that lower household incomes will lead to increased demand for cheaper basic-range products. While Emmi is confident that its strong brand concepts will yield long-term success, it is not completely immune to the short-term economic reality.

Markets

In the **business division Switzerland**, conditions remain challenging for Emmi. The environment in which it operates is as competitive as ever: price pressure will persist, and a growing portion of retail sales will be attributable to imports. High Swiss milk prices and the limited supply of milk will give imports a further competitive edge in the coming years. In addition, the continual expansion of new production capacities in Switzerland that want to be used to capacity will put further pressure on prices. In 2021, Emmi expects high volatility in demand and a renewed surge in consumer tourism. Emmi will counter these negative developments with its strong brand concepts, trend-led innovations, a strong focus on customers and consumers, as well as robust production output.

Established brands such as Emmi Caffè Latte and Kaltbach as well as trending concepts – for example, vegan food – are major success factors for the **business division Europe** that should yield organic growth in the current year. However, Emmi also predicts a falling trend for retail sales growth in many European countries. The extent to which the food service business will recover in 2021 remains to be seen. This makes it all the more important for Emmi to further reinforce its strong position in interesting niches such as speciality desserts in addition to brand and trend concepts. With rising milk prices and a strengthening Swiss franc, significant price increases for Swiss export products are a risk worth noting for sales in the business division Europe.

In the **business division Americas**, which was hit the hardest by the pandemic in 2020, Emmi predicts a gradual recovery in the food service business and an associated strengthening of the business in the US. Emmi continues to expect a substantial uptick in the growth markets of Brazil, Chile, Mexico and Tunisia, although the expiration of state programmes to encourage consumption poses a risk. Investments in niche areas and trending concepts will likely help the business division Americas return to its medium-term growth path in the current year. While Emmi is optimistic in this regard, at the same time it is aware that demand and prices are highly volatile, the trend is still towards basic-range products, and macro-economic turmoil could return at any time.

Sales and profit growth

Emmi is robust and well diversified. The defined strategy will continue to be pursued with intent and purpose in the new financial year. Under these circumstances, organic sales development at Group level is likely to continue at a similar rate to 2020 (1 % to 2 %). However, Emmi expects a decline in the Swiss domestic market. With the gradual return to previous consumption patterns, a decline in sales of between 1 % and 2 % in organic terms must be expected. In the business division Europe, similar reasons are likely to result in a slowdown in organic sales growth (1 % to 3 %). By contrast, there is reason to expect that the business division Americas, which has been hit hard by the coronavirus crisis, will again become a growth driver (organic growth of 4 % to 6 %).

To support earnings, Emmi remains committed to its efficiency programme and will continue to step this up in certain areas. The companies Emmi has recently acquired have opened up additional sources of earnings, although in the short term they will also generate integration costs. Emmi expects earnings before interest and taxes (EBIT) to rise overall in 2021 (CHF 275 million to CHF 290 million), with a largely stable net profit margin (5.2 % to 5.7 %). Emmi also confirms the medium-term goals for organic growth and net profit margin.

Consolidated income statement

in CHF 000s

	Notes	2020 ¹⁾	%	2019 (restated)	%
Sales of products		3,677,418		3,464,883	
Sales of services		28,643		29,080	
Net sales	1	3,706,061	100.0	3,493,963	100.0
Change in inventories of semi-finished and finished products		-28,623	0.8	-12,468	0.3
Cost of materials and services		-2,327,750	62.8	-2,214,890	63.4
Gross operating profit		1,349,688	36.4	1,266,605	36.3
Other operating income	2	4,526	0.1	6,934	0.2
Personnel expenses		-493,834	13.3	-462,359	13.3
Other operating expenses	3	-484,041	13.0	-458,268	13.1
Operating expenses		-977,875	26.3	-920,627	26.4
Earnings before interest²⁾, taxes, depreciation and amortisation (EBITDA)		376,339	10.2	352,912	10.1
Depreciation on property, plant and equipment	4	-108,702	3.0	-96,598	2.8
Amortisation on intangible assets	4	-11,030	0.3	-13,403	0.3
Write-back of negative goodwill		-		310	
Earnings before interest²⁾ and taxes (EBIT)		256,607	6.9	243,221	7.0
Income from associates and joint ventures		-966		2,284	
Financial result	5	-13,384		-6,754	
Earnings before taxes (EBT)		242,257	6.5	238,751	6.8
Income taxes	6	-40,637		-34,784	
Profit incl. minority interests		201,620	5.4	203,967	5.8
Minority interests		-13,228		-8,972	
Net profit		188,392	5.1	194,995	5.6
Earnings per share (diluted/basic in CHF)	7	35.21		36.45	

¹⁾ Please refer to page 1 for earnings adjusted for the loss on the sale of Lácteos Caprinos S.A.

²⁾ 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	31.12.2020	%	31.12.2019 (restated)	%
Cash and cash equivalents		294,671		378,112	
Securities		1,362		4,743	
Trade receivables	8	464,794		447,939	
Other receivables	9	57,176		37,434	
Inventories	10	390,126		371,879	
Prepayments and accrued income	11	40,718		53,131	
Current assets		1,248,847	53.4	1,293,238	54.3
Investments in associates and joint ventures	31	15,124		18,515	
Loans and other receivables	12	12,191		11,532	
Securities		7,720		2,408	
Employer contribution reserves	20	2,048		2,048	
Deferred tax assets	6	6,163		10,555	
Total financial assets		43,246		45,058	
Prepayments and accrued income	11	5,018		6,713	
Property, plant and equipment	13	985,663		976,497	
Intangible assets	14	54,351		60,783	
Non-current assets		1,088,278	46.6	1,089,051	45.7
Total assets		2,337,125	100.0	2,382,289	100.0
Liabilities and shareholders' equity					
Bank overdrafts	18	34,761		44,614	
Finance lease liabilities	18	1,431		796	
Loans	18	1,303		1,540	
Trade payables	15	312,946		301,449	
Other payables	16	33,240		24,740	
Accrued liabilities and deferred income	17	189,065		173,963	
Provisions	19	16,399		13,046	
Current liabilities		589,145	25.2	560,148	23.5
Bank overdrafts	18	131,300		132,634	
Finance lease liabilities	18	916		751	
Loans	18	2,116		3,099	
Bonds	18	299,520		300,000	
Accrued liabilities and deferred income	17	10,428		8,167	
Provisions	19	70,634		76,816	
Non-current liabilities		514,914	22.0	521,467	21.9
Liabilities		1,104,059	47.2	1,081,615	45.4
Share capital		53,498		53,498	
Capital reserves		2,088		2,088	
Retained earnings		1,071,451		1,151,207	
Shareholders' equity excl. minority interests		1,127,037	48.2	1,206,793	50.7
Minority interests		106,029	4.6	93,881	3.9
Shareholders' equity incl. minority interests		1,233,066	52.8	1,300,674	54.6
Total liabilities and shareholders' equity		2,337,125	100.0	2,382,289	100.0

Consolidated cash flow statement

in CHF 000s

	2020	2019 (restated)
Profit incl. minority interests	201,620	203,967
Net interest expense	7,483	4,798
Income taxes	40,637	34,784
Result from sale of fixed assets	-175	-2,382
Result from sale of investments/businesses	14,686	643
Depreciation and amortisation	108,837	108,775
Impairment charges	10,895	1,226
Write-back of negative goodwill	-	-310
Change in provisions	-1,044	4,238
Income from associates and joint ventures	826	-1,406
Other non-cash adjustments	19,787	-3,934
Cash flow before changes in net working capital, interest and taxes	403,552	350,399
Change in inventories	-16,367	1,537
Change in trade receivables	-14,122	-4,706
Change in other receivables, prepayments and accrued income	-17,357	-2,950
Change in trade payables	10,321	-5,813
Change in other payables, accrued liabilities and deferred income	21,816	13,698
Interest paid	-9,219	-9,123
Taxes paid	-36,054	-39,742
Cash flow from operating activities	342,570	303,300
Investments in property, plant and equipment	-122,498	-103,994
Proceeds from disposal of property, plant and equipment	1,178	10,378
Purchase of securities	-5,889	-
Investments in intangible assets	-3,659	-3,268
Purchase of shares in associates and joint ventures	-	-727
Proceeds from sale of shares in associates	3,126	879
Acquisition of consolidated companies	-201,067	-138,342
Proceeds from sale of investments/businesses	-901	5,342
Change of loans receivable	1,019	-1,251
Dividend received	15	396
Interest received	1,896	4,270
Cash flow from investing activities	-326,780	-226,317
Change in other current financial liabilities	-26,470	4,618
Change in other non-current financial liabilities	486	-3,270
Repayments of bonds	-	-100,000
Dividend paid to shareholders	-64,198	-48,148
Dividend paid to minority interests	-1,726	-1,845
Cash flow from financing activities	-91,908	-148,645
Currency translation	-7,323	-1,625
Net change in cash and cash equivalents	-83,441	-73,287
Cash and cash equivalents at beginning of period	378,112	451,399
Cash and cash equivalents at end of period	294,671	378,112

Consolidated statement of changes in equity

in CHF 000s

	Share capital	Capital reserves (premium)	Retained earnings	Accumulated translation differences	Total profit reserves	Total excl. minority interests	Minority interests	Total incl. minority interests
Shareholders' equity as at 1 January 2019 (reported)	53,498	7,438	1,638,389	-100,674	1,537,715	1,598,651	57,920	1,656,571
Change of goodwill accounting	-	-	-440,260	26,266	-413,994	-413,994	-	-413,994
Shareholders' equity as at 1 January 2019 (restated)	53,498	7,438	1,198,129	-74,408	1,123,721	1,184,657	57,920	1,242,577
Change in scope of consolidation	-	-	-4,578	-	-4,578	-4,578	34,390	29,812
Capital increase of a group company	-	-	-	-	-	-	100	100
Offset goodwill	-	-	-108,245	-	-108,245	-108,245	-	-108,245
Acquisition of minority interests	-	-	-	-	-	-	-746	-746
Profit incl. minority interests	-	-	194,995	-	194,995	194,995	8,972	203,967
Currency translation differences	-	-	-	-11,888	-11,888	-11,888	-4,910	-16,798
Dividend	-	-5,350	-42,798	-	-42,798	-48,148	-1,845	-49,993
Shareholders' equity as at 31 December 2019 (restated)	53,498	2,088	1,237,503	-86,296	1,151,207	1,206,793	93,881	1,300,674
Change in scope of consolidation	-	-	-	-	-	-	19,074	19,074
Capital increase of a group company	-	-	-488	-	-488	-488	488	-
Offset goodwill	-	-	-190,508	-	-190,508	-190,508	-	-190,508
Goodwill recycling from disposal	-	-	9,017	-1	9,016	9,016	-	9,016
Acquisition of minority interests	-	-	-	-	-	-	-5,400	-5,400
Profit incl. minority interests	-	-	188,392	-	188,392	188,392	13,228	201,620
Currency translation differences	-	-	-	-21,970	-21,970	-21,970	-13,516	-35,486
Dividend	-	-	-64,198	-	-64,198	-64,198	-1,726	-65,924
Shareholders' equity as at 31 December 2020	53,498	2,088	1,179,718	-108,267	1,071,451	1,127,037	106,029	1,233,066

As at 31 December 2020, 5,349,810 registered shares with a par value of CHF 10 were issued (unchanged on the previous year). With regard to the rights associated with the shares, we refer to note 2 in the Corporate Governance report.

The accumulated non-distributable reserves amounted to CHF 32.6 million (previous year: CHF 32.5 million).

Notes the consolidated financial statements

Principles of consolidation

General information

The Board of Directors of Emmi AG approved the Group financial statements on 1 March 2021. 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 2020, 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 a 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.

Change to the consolidation and valuation principles

In past years, it had become standard practice for adopters of Swiss GAAP FER to offset goodwill against shareholders’ equity. Therefore, and in order to simplify comparison with other companies, the Board of Directors of Emmi AG has decided that, beginning 1 January 2020, goodwill from acquisitions will be offset directly against shareholders’ equity at the date of acquisition, making use of the accounting policy choice provided in Swiss GAAP FER 30 “Consolidated financial statements”. The impact of theoretical capitalisation and amortisation including any impairments from assessing recoverability are disclosed in the Notes. Until now, goodwill has been capitalised and amortised over the expected useful life of mostly 20 years. Since this is a change to the accounting principles, the previous period has been restated accordingly. The revised consolidation and valuation principles are described below.

Financial effects of the change to the consolidation and valuation principles

The financial effects of the described change to the consolidation and valuation principles are set out below:

	Reported	Restatement	Restated
Balance sheet 1.1.2019			
Intangible assets	484,917	-413,994	70,923
Shareholders' equity incl. minority interests	1,656,571	-413,994	1,242,577
Balance sheet 1.1.2020			
Intangible assets	543,836	-483,053	60,783
Shareholders' equity incl. minority interests	1,783,727	-483,053	1,300,674
Income statement 2019			
Amortisation on intangible assets	-38,781	25,378	-13,403
Earnings before interest and taxes (EBIT)	217,843	25,378	243,221
Income from associates and joint ventures	-1,091	3,375	2,284
Net profit	166,242	28,753	194,995
Earnings per share (diluted/basic in CHF)	31.07	5.38	36.45

Scope of consolidation

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

Changes to the scope of consolidation

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

Consolidated companies		Currency	Capital in thousands	Capital share 31.12.2020	Capital share 31.12.2019
Chevrita S.p.A., Santiago, Chile ¹⁾	Acquired on 15.1.2020	CLP	676,077	38 %	–
Quillayes Peteroa S.p.A., Santiago, Chile ¹⁾	Acquired on 15.1.2020	CLP	12,222,584	38 %	–
Rachelli International B.V., Amsterdam, Netherlands	Liquidated on 28.2.2020	EUR	–	–	100 %
Chäs Hütte Zollikon GmbH, Zollikon, Switzerland ²⁾	Acquired on 29.7.2020	CHF	–	–	–
Indulge Desserts Group					
Emmi Dessert USA LLC, Delaware, US ³⁾	Acquired on 6.10.2020	USD	75,521	88 %	–
Immobiliare Ro.Se S.p.A., Pero, Italy	Acquired on 3.11.2020	EUR	120	100 %	–
Emmi Belux SA, Brussels, Belgium	Liquidated on 2.12.2020	EUR	–	–	100 %
Lácteos Caprinos S.A., Campillo de Arenas, Spain	Sold on 18.12.2020	EUR	–	–	80 %

¹⁾ Part of the Quillayes Group. See note 31.

²⁾ Chäs Hütte Zollikon GmbH was merged into Baumann Käse AG on 15 December 2020. See note 31.

³⁾ Indulge Desserts Group consists of the company mentioned above as well as Emmi Dessert Intermediate Holdings (USA) LLC, Emmi Dessert Participations (USA) Corp., Bello LLC, Classe Foods LLC, Luce Foods LLC, Luna Foods LLC and Vivi Foods LLC. See note 31.

Associates and joint ventures

White Hill Cheese Company LLC, Shullsburg, US	Sold on 3.8.2020	USD	–	–	50 %
Vermo AG, Inwil, Switzerland	Sold on 19.8.2020	CHF	–	–	35 %

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 such intercompany transactions are eliminated.

Companies and businesses acquired during the course of the year are consolidated as from the date of acquisition. Net assets acquired are revalued on the acquisition date at fair value. Non-current assets acquired are recognised on a gross basis. As part of the purchase price allocation, intangible assets are only recognised and revalued at fair value if they were already recognised in the balance sheet at the acquisition date.

Goodwill from the acquisition of companies and businesses is equivalent to the difference between the purchase price and the interest in revalued net assets of the acquired company. This is offset against retained earnings at the date of acquisition. The impact of theoretical capitalisation and amortisation of goodwill are disclosed in the Notes to the consolidated financial statements. In a business acquisition achieved in stages (step acquisition), the goodwill of each separate transaction is determined.

Companies and businesses 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. As a consequence, the difference between purchase price and proportionate equity is offset as goodwill against retained earnings in accordance with Swiss GAAP FER.

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 is offset as goodwill against retained earnings in accordance with Swiss GAAP FER.

Where interests in fully consolidated companies or companies accounted for using the equity method are sold, goodwill acquired at an earlier date and offset against retained earnings is recognised in the income statement at original cost for the purpose of calculating the gain or loss resulting from the sale.

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	
	2020	2019	31.12.2020	31.12.2019
1 BRL	0.18	0.24	0.17	0.24
1 CAD	0.70	0.75	0.70	0.74
100 CLP	0.12	0.14	0.12	0.13
1 EUR	1.07	1.11	1.08	1.09
1 GBP	1.20	1.27	1.21	1.27
1 MXN	0.04	0.05	0.04	0.05
1 TND	0.33	0.34	0.33	0.35
1 USD	0.94	0.99	0.89	0.97

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 and trademarks. 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. Trademarks are amortised over useful lives of 5 to 20 years. 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. Goodwill is not capitalised, but offset against retained earnings at the date of acquisition.

Impairment

The value of non-current assets is assessed on the reporting 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 cash flows for usually the next five years and the extrapolated values thereafter. Since the goodwill is already offset against retained earnings at the date of acquisition, any impairment to goodwill does not lead to a charge to the income statement, but only to disclosure in the notes.

Government grants

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

Liabilities

Group liabilities are recognised at their nominal values.

Leasing

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

Provisions

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

Employee benefit plan liabilities

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

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

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

Deferred income taxes

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

Derivative financial instruments

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

Net sales and revenue recognition

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

Research and development

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

Contingent liabilities

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

Notes to the consolidated financial statements

in CHF 000s

1. Segment reporting

Net sales by product groups and divisions	Switzerland		Americas		Europe		Global Trade		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Natural cheese	381,363	377,281	495,197	470,143	112,121	105,007	43,064	44,688	1,031,745	997,119
Processed cheese	52,850	49,862	31,924	23,588	16,985	16,034	5,788	6,277	107,547	95,761
Cheese	434,213	427,143	527,121	493,731	129,106	121,041	48,852	50,965	1,139,292	1,092,880
As % of net sales	25.8	25.5	41.1	44.3	20.5	20.4	45.5	45.7	30.8	31.3
Milk	269,798	272,902	291,678	240,517	66,285	60,575	2,558	2,864	630,319	576,858
Butter and margarine	243,456	243,205	21,472	12,251	29,263	28,782	-	303	294,191	284,541
Cream	169,608	170,523	40,286	30,522	3,471	3,497	7	211	213,372	204,753
Dairy products	682,862	686,630	353,436	283,290	99,019	92,854	2,565	3,378	1,137,882	1,066,152
As % of net sales	40.5	41.0	27.6	25.4	15.7	15.7	2.4	2.9	30.7	30.5
Fresh products	341,322	335,931	226,115	202,862	289,570	271,473	35,888	38,424	892,895	848,690
As % of net sales	20.2	20.1	17.6	18.2	45.9	45.8	33.4	34.5	24.1	24.3
Fresh cheese	106,278	102,504	62,245	25,941	40,832	53,426	-	64	209,355	181,935
As % of net sales	6.3	6.1	4.9	2.3	6.5	9.0	-	0.1	5.6	5.2
Powder/ concentrates	63,235	60,030	21,076	7,747	44,414	42,880	18,474	16,622	147,199	127,279
As % of net sales	3.7	3.6	1.6	0.7	7.0	7.2	17.2	14.9	4.0	3.6
Other products	35,954	40,562	87,084	95,437	26,542	10,352	1,215	1,596	150,795	147,947
Sales of services	22,328	22,176	4,744	5,639	1,187	795	384	470	28,643	29,080
Other products and services	58,282	62,738	91,828	101,076	27,729	11,147	1,599	2,066	179,438	177,027
As % of net sales	3.5	3.7	7.2	9.1	4.4	1.9	1.5	1.9	4.8	5.1
Net sales	1,686,192	1,674,976	1,281,821	1,114,647	630,670	592,821	107,378	111,519	3,706,061	3,493,963
As % of Group	45.5	47.9	34.6	31.9	17.0	17.0	2.9	3.2	100.0	100.0

Net sales by country group	2020	in %	2019	in %
Switzerland	1,686,192	45.5	1,674,976	47.9
Europe excl. Switzerland	899,869	24.3	872,956	25.0
North and South America	899,787	24.3	740,807	21.2
Africa	150,917	4.0	140,783	4.0
Asia/Pacific	69,296	1.9	64,441	1.9
Total	3,706,061	100.0	3,493,963	100.0

Emmi does not publish segment results since this would cause significant competitive disadvantages towards customers 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, Spain (excl. Lácteos Caprinos S.A.), Chile, Brazil, Tunisia, France, Mexico and Canada. The business division Europe incorporates those in Germany, Italy, the Netherlands, the UK, Austria, Belgium and Lácteos Caprinos S.A. in Spain (sold on 18 December 2020). 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

	2020	2019
Company-produced additions	460	605
Gain on disposal of fixed assets	524	2,479
Miscellaneous operating income	3,542	3,850
Total	4,526	6,934

3. Other operating expenses

	2020	2019
Marketing and sales related expenses	126,998	129,855
Occupancy expense, maintenance and repair, leasing	76,827	68,234
Insurance, fees and HGV road tax	18,156	17,483
Energy, operating material and supplies	75,430	71,867
Administrative expenses	39,595	39,670
Logistic expenses	115,493	112,819
Other operating expenses	31,542	18,340
Total	484,041	458,268

The increase in the position Other operating expenses is primarily due to the loss on the sale of the majority stake in Lácteos Caprinos S.A. in the reporting period.

4. Depreciation and amortisation

	2020	2019 (restated)
Depreciation of property, plant and equipment	98,373	95,372
Impairment of property, plant and equipment	10,329	1,226
Amortisation of intangible assets	10,464	13,403
Impairment of intangible assets	566	–
Total	119,732	110,001

5. Financial result

	2020	2019
Interest income	1,890	3,904
Other financial income	176	1,052
Total financial income	2,066	4,956
Interest expense	-9,373	-8,702
Bank charges and fees	-1,628	-791
Total financial expenses	-11,001	-9,493
Total excl. currency result	-8,935	-4,537
Currency result	-4,449	-2,217
Financial result	-13,384	-6,754

6. Income taxes

	2020	2019 (restated)
Current income taxes	36,681	42,348
Deferred income taxes	3,956	-7,564
Total	40,637	34,784
Average tax rate	16.8 %	14.6 %

Net accruals for current income taxes increased from CHF 23.4 million in 2019 to CHF 29.3 million in 2020. Deferred income taxes are calculated for every company using the effective applicable tax rate. As at 31 December 2020, the resulting weighted average tax rate was 16.8 % (adjusted and unadjusted, previous year: 17.8 %). Deferred income taxes include recognised tax claims from tax loss carryforwards amounting to CHF 3.5 million (previous year: CHF 7.1 million).

The average tax rate adjusted for the tax effect on the sale of the majority stake in Lácteos Caprinos S.A. amounted to 16.0 % in the reporting year.

Details on change of tax claims from tax loss carryforwards	2020	2019
Recognised tax claims from tax loss carryforwards	3,474	7,098
Unrecognised tax claims from tax loss carryforwards	8,297	8,552
Total tax claims from tax loss carryforwards	11,771	15,650
Recognised tax claims from tax loss carryforwards at 1.1.	7,098	8,518
Change in scope of consolidation	-	-584
Additions	-	271
Utilisation	-2,439	-2,141
Reassessment	-1,093	1,341
Other adjustments	-92	-307
Recognised tax claims from tax loss carryforwards at 31.12.	3,474	7,098

The net change of recognised tax claims from tax loss carryforwards increased the income tax expenses of the reporting period by CHF 3.6 million.

7. Earnings per share

	2020	2019 (restated)
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	188,392	194,995
Earnings per share (in CHF)	35.21	36.45

Earnings per share is calculated by dividing the net profit attributable to the shareholders of Emmi AG by the average number of shares outstanding. There are no treasury shares that need to be considered in the calculation of the average number of shares outstanding.

Earnings per share of CHF 35.21 include the loss on the sale of the majority stake in Lácteos Caprinos S.A. By excluding this non-recurring effect, earnings per share amounted to CHF 37.86.

8. Trade receivables

	2020	2019
Third parties	467,027	449,641
Associates	7,024	6,185
Shareholders	413	331
Allowance for doubtful accounts	-9,670	-8,218
Total	464,794	447,939

9. Other receivables

	2020	2019
Value-added tax	29,926	18,903
Income taxes	3,313	1,836
Other – third parties	21,171	11,578
Other – associates	2,766	5,117
Total	57,176	37,434

10. Inventories

	2020	2019
Finished products	111,197	108,411
Merchandise	27,917	27,980
Raw materials, semi-finished products and packaging material	266,592	252,138
Other inventories	4,039	3,475
Allowances for inventories	-19,619	-20,125
Total	390,126	371,879

11. Prepayments and accrued income

	2020	2019
Value-added tax	16,366	17,877
Income taxes	4,620	9,405
Social insurance	1,243	1,606
Other – third parties	23,394	30,883
Other – associates	91	64
Other – shareholders	22	9
Total	45,736	59,844
Thereof current prepayments and accrued income	40,718	53,131
Thereof non-current prepayments and accrued income	5,018	6,713

Other prepayments and accrued income of the year under review and the previous year consist mainly of prepayments, various refunds, as well as accrued income for advertising costs and milk.

12. Loans and other receivables

	2020	2019
Third parties	8,403	7,703
Associates	3,788	3,829
Total	12,191	11,532

The carrying amount of loans and other receivables from third parties includes impaired loans in the amount of CHF 1.6 million (unchanged on the previous year).

14. Intangible assets

2020	Trademarks	Software	Other intangible assets	Total
Purchase value at 1.1.2020	76,419	77,680	9,911	164,010
Change in scope of consolidation	946	242	2,246	3,434
Additions	–	4,509	122	4,631
Disposals	-53	-113	–	-166
Reclassification	208	41	899	1,148
Currency translation differences	-1,979	-928	-323	-3,230
As at 31 December 2020	75,541	81,431	12,855	169,827
Accumulated amortisation at 1.1.2020	31,068	64,061	8,098	103,227
Change in scope of consolidation	194	182	1,499	1,875
Amortisation	3,870	6,240	354	10,464
Impairment charges	–	566	–	566
Disposals	–	-50	–	-50
Reclassification	208	41	899	1,148
Currency translation differences	-770	-780	-204	-1,754
As at 31 December 2020	34,570	70,260	10,646	115,476
Net book value at 31 December 2020	40,971	11,171	2,209	54,351
2019	Trademarks	Software	Other intangible assets	Total
Purchase value at 1.1.2019 (restated)	78,025	74,026	10,309	162,360
Change in scope of consolidation (restated)	11	1,124	59	1,194
Additions	–	3,345	–	3,345
Disposals	–	-114	-43	-157
Reclassification	-165	-236	-396	-797
Currency translation differences (restated)	-1,452	-465	-18	-1,935
As at 31 December 2019 (restated)	76,419	77,680	9,911	164,010
Accumulated amortisation at 1.1.2019 (restated)	27,991	55,314	8,132	91,437
Change in scope of consolidation	9	548	58	615
Amortisation (restated)	4,065	8,922	416	13,403
Disposals	–	-114	-43	-157
Reclassification	-165	-236	-396	-797
Currency translation differences (restated)	-832	-373	-69	-1,274
As at 31 December 2019 (restated)	31,068	64,061	8,098	103,227
Net book value at 31 December 2019 (restated)	45,351	13,619	1,813	60,783

All intangible assets were acquired.

Goodwill from acquisitions

The goodwill from the acquisition of companies and businesses or the purchase of interests in associates or joint ventures is offset against retained earnings at the date of acquisition. The theoretical capitalisation of goodwill and its amortisation over the expected useful life of usually 20 years would have the following effects on the consolidated interim financial statements as at 31 December 2020.

Theoretical movement schedule for goodwill

	Goodwill group companies	Goodwill associated companies	Total
At cost 1.1.2020	672,351	19,305	691,656
Additions	190,508	–	190,508
Disposals	-9,017	–	-9,017
Currency translation differences	-62,211	-50	-62,261
At cost 31.12.2020	791,631	19,255	810,886
Theoretical accumulated amortisation 1.1.2020	194,523	14,080	208,603
Amortisation	32,083	686	32,769
Impairment	7,352	–	7,352
Disposals	-9,017	–	-9,017
Currency translation differences	-7,713	-25	-7,738
Theoretical accumulated amortisation 31.12.2020	217,228	14,741	231,969
Theoretical net book value 31.12.2020	574,403	4,514	578,917

The impairment charge in the reporting year relates to Lácteos Caprinos S.A., which was sold in December 2020.

	Goodwill group companies	Goodwill associated companies	Total
At cost 1.1.2019	502,198	94,854	597,052
Additions	108,245	–	108,245
Reclassification	70,986	-70,986	–
Currency translation differences	-9,078	-4,563	-13,641
At cost 31.12.2019	672,351	19,305	691,656
Theoretical accumulated amortisation 1.1.2019	163,790	19,268	183,058
Amortisation	25,378	3,375	28,753
Reclassification	7,948	-7,948	–
Currency translation differences	-2,593	-615	-3,208
Theoretical accumulated amortisation 31.12.2019	194,523	14,080	208,603
Theoretical net book value 31.12.2019	477,828	5,225	483,053

Theoretical impact on shareholders' equity incl. minority interests

	31.12.2020	31.12.2019
Shareholders' equity per balance sheet	1,233,066	1,300,674
Theoretical capitalisation of net book value of goodwill	633,440	493,486
Currency translation differences	-54,523	-10,433
Theoretical shareholders' equity incl. net book value of goodwill	1,811,983	1,783,727
Theoretical shareholders' equity ratio	62.1 %	62.3 %

Theoretical impact on earnings before interest and taxes (EBIT)

	2020	2019
Earnings before interest and taxes (EBIT) per income statement	256,607	243,221
Theoretically not necessary goodwill recycling	8,979	-
Theoretical amortisation of goodwill	-32,083	-25,378
Theoretical impairment of goodwill	-7,352	-
Theoretical earnings before interest and taxes (EBIT) after goodwill amortisation and impairment	226,151	217,843

Theoretical impact on net profit

	2020	2019
Net profit	188,392	194,995
Theoretically not necessary goodwill recycling	8,979	-
Theoretical amortisation and impairment of goodwill	-40,121	-28,753
Theoretical net profit after goodwill amortisation and impairment	157,250	166,242

15. Trade payables

	2020	2019
Third parties	288,009	279,211
Associates	7,699	5,192
Shareholders	17,238	17,046
Total	312,946	301,449

16. Other payables

	2020	2019
Value-added tax	9,651	5,708
Social insurance	7,064	6,936
Other – third parties	14,601	9,057
Other – related parties	1,924	3,039
Total	33,240	24,740

17. Accrued liabilities and deferred income

	2020	2019
Contractual discounts	47,033	48,576
Vacancy, overtime, bonuses	36,880	34,624
Income taxes	33,900	32,763
Interest	2,698	2,330
Social insurance	1,778	1,448
Other – third parties	76,158	61,322
Other – associates	1,046	1,067
Total	199,493	182,130
Thereof current accrued liabilities and deferred income	189,065	173,963
Thereof non-current accrued liabilities and deferred income	10,428	8,167

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

18. Financial liabilities

18.1 Bonds

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.

In the reporting year, securities with a nominal value of CHF 0.5 million were repurchased from the stock exchange for investment purposes.

18.2 Maturing structure of financial liabilities

2020	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	34,761	130,360	940	166,061	14,397	0.5 – 10.6
Finance lease liabilities	1,431	916	–	2,347	–	4.0 – 12.5
Loans from third parties	1,303	2,098	18	3,419	–	0.0 – 8.0
Bonds	–	200,000	99,520	299,520	–	0.5 – 1.6
Total	37,495	333,374	100,478	471,347	14,397	–

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 12.1 million. The most significant contribution came from an early amortisation of bank loans in Brazil through intra-Group financing. This effect was partially offset by new bank financing in connection with the acquisition in Chile. 64.4 % (previous year: 63.0 %) of the financing is denominated in Swiss francs, mainly through two bonds. 25.7 % (previous year: 24.5 %) of the financial liabilities are denominated in euro. CHF 46.7 million or 9.9 % (previous year: 12.5 %) of the financing is denominated locally in emerging market currencies such as the Chilean and Mexican peso, Brazilian real and Tunisian dinar.

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	–

19. Provisions

	Ongoing restructuring	Other provisions	Deferred income taxes	Total provisions
As at 1 January 2020	3,000	31,425	55,437	89,862
Change in scope of consolidation	–	–	829	829
Additions	–	15,935	528	16,463
Utilisation	-1,000	-13,569	–	-14,569
Release	–	-763	-2,248	-3,011
Currency translation differences	–	-1,557	-984	-2,541
As at 31 December 2020	2,000	31,471	53,562	87,033
Thereof current provisions	1,000	15,399	–	16,399
Thereof non-current provisions	1,000	16,072	53,562	70,634

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 (2020: CHF 6.3 million, 2019: CHF 6.6 million) and provisions for pending legal matters and business disputes (2020: CHF 2.6 million, 2019: CHF 7.7 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 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

20. Employee benefit schemes

Employer contribution reserve (ECR)	Nominal value ECR	Waiver of usage	Other value adjustments	Balance sheet	Balance sheet	Result from ECR in personnel expenses	
	31.12.2020	31.12.2020	31.12.2020	31.12.2020	31.12.2019	2020	2019
Pension schemes without excess/insufficient cover (domestic)	1,489	–	–	1,489	1,489	–	–
Pension schemes with excess cover (domestic)	559	–	–	559	559	–	–
Total	2,048	–	–	2,048	2,048	–	–

Economic benefit/economic obligation and pension expenses	Excess/insufficient cover as per Swiss GAAP FER 26	Economic benefit/obligation for the company	Change vs. previous year or taken to the income statement in the FY	Contributions limited to the period ¹⁾	Pension expenses in personnel expenses	
	31.12.2020	31.12.2020	31.12.2019		2020	2019
Welfare funds	30,000	–	–	–	–	–
Pension schemes without excess/insufficient cover (domestic)	–	–	–	–	20,269	20,269
Pension schemes without excess/insufficient cover (abroad)	–	–	–	–	3,454	3,454
Pension schemes with excess cover (domestic)	46	–	–	–	95	87
Total	30,046	–	–	–	23,818	23,286

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

Breakdown of pension expenses 2020	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	20,364	3,454	23,818
Contributions to pension plans from employer contribution reserves	–	–	–
Total contributions	20,364	3,454	23,818
Change in ECR due to asset performance, value adjustments, etc.	–	–	–
Contributions and change to employer contribution reserves	20,364	3,454	23,818
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	20,364	3,454	23,818

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

21. Acquisitions

The companies acquired in 2020 and 2019 reported the following main balance sheet items at the date of acquisition and are fully consolidated:

	2020					2019	
	Quillayes Group	Chäs Hütte Zollikon GmbH	Indulge Desserts Group	Immobiliare Ro.Se S.p.A.	Leeb Group	Laticínios Porto Alegre Group	Pasticceria Quadrifoglio Group
Cash and securities	1,926	6	6,175	139	715	12,143	7,850
Trade receivables	8,821	2	10,571	–	2,052	22,302	8,019
Inventories	8,048	41	7,371	–	1,815	14,171	1,701
Other current assets	762	15	287	35	735	20,108	851
Non-current assets	15,140	16	10,487	7,974	4,583	80,721	9,274
Trade payables	7,185	36	3,377	–	1,051	12,928	2,461
Other current liabilities	23,732	24	1,935	199	4,439	20,719	6,472
Non-current liabilities	2,477	–	6,197	–	53	14,036	2,253
Net assets	1,303	20	23,382	7,949	4,357	101,762	16,509

The business combination of the Chilean Emmi group Surlat with its competitor Quillayes announced in 2019 was closed on 15 January 2020. As part of the transaction, both parties contributed their existing Chilean companies into Quillayes Surlat S.p.A., in which Emmi subsidiary Kaiku holds a 51.5 % stake. Quillayes produces cheese, yogurt, butter and cream and has also established itself in the distribution of imported branded products.

Emmi acquired 100 % of the shares of Chäs Hütte Zollikon GmbH on 29 July 2020. The company is active in trading and selling dairy products and other food items.

Emmi acquired 87.71 % of US-based Indulge Desserts Group on 6 October 2020. This acquisition enables Emmi to participate in the American dessert market, which is the largest and fastest-growing in the world, extends Emmi's footprint to the United States and opens up new distribution opportunities for its Italian speciality desserts.

Emmi acquired 100 % of the shares of Immobiliare Ro.Se S.p.A. based in Pero (Italy) on 3 November 2020. Along with the company, a property in Pero that had been rented to that date was also acquired.

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 and 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 therefore now controls this group. 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 the acquisition of the Quadrifoglio Group, Emmi has further strengthened its existing dessert network in Italy.

22. Disposal of companies

The companies sold in 2020 or 2019 reported the following main balance sheet items at the date of disposal:

	2020	2019
	Lácteos Caprinos S.A.	Emmi Frisch- Service AG
Cash and securities	268	4,649
Trade receivables	1,667	13,117
Inventories	1,207	1,882
Other current assets	1,103	409
Non-current assets	2,313	4,077
Trade payables	778	9,441
Other current liabilities	179	4,401
Non-current liabilities	522	193
Net assets	5,079	10,099

On 18 December 2020, Emmi disposed of its majority stake in the Spanish goat's cheese producer Lácteos Caprinos S.A. The company generates annual revenues of EUR 10 million with about 40 full-time equivalents. The loss on this transaction amounted to CHF 14.6 million (pre-tax) or CHF 14.2 million (post-tax) respectively, and is included in other operating expenses and income tax expenses in the income statement.

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.

23. Unsettled derivative financial instruments

	31.12.2020			31.12.2019		
	Positive value	Negative value	Purpose	Positive value	Negative value	Purpose
Forward currency transactions	1,916	3,649	Hedging	4,649	792	Hedging
Other forward transactions	228	–	Hedging	29	–	Hedging
Total forward transactions	2,144	3,649	–	4,678	792	–
Thereof to hedge future cash flows	1,234	452	–	1,381	792	–
Total recognised in the balance sheet	910	3,197	–	3,297	–	–

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 a number of Group companies with minority interests. At the same time, put options have been granted in general to the counterparties. These options are not recognised in the balance sheet as they represent derivatives on equity instruments of the own organisation, which are explicitly excluded from the scope of Swiss GAAP FER 27. The strike price of these options is generally based on the corresponding enterprise value at the exercise date and cannot currently be reliably measured. The exercise date varies depending on the agreement. The maturities range from short-term to unlimited options.

24. Contingent assets and liabilities

Emmi is involved in legal disputes in connection with ordinary operating activities. Although the outcome of the lawsuits currently cannot be predicted with certainty, Emmi assumes that none of the disputes will have any significant negative impact on the operating activities or on the Group's financial situation. Expected outgoing payments are provided for accordingly. As at the date of the financial statements, the Group had no major contingent assets.

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

Pledged assets	31.12.2020	31.12.2019
Pledges on property, nominal values	242,608	247,720
Pledges on other assets	1,470	31,172
Thereof used as security for own liabilities	15,739	44,380
Off-balance sheet leasing/rental obligations		
up to 2 years	17,401	17,648
3 to 5 years	16,835	16,890
over 5 years	23,335	20,028
Total	57,571	54,566

26. Investment obligations and other off-balance sheet liabilities

	31.12.2020	31.12.2019
Investment obligations in connection with previously concluded agreements	33,002	14,087
Long-term commodity contracts	2,030	658
Cooperation agreements with suppliers/customers	p.m.	p.m.

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

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

27. Transactions with related parties

Business transactions with related parties are based on arm's length conditions. All transactions are reported in the consolidated financial statements for 2020 and 2019, 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 8, 9, 11, 12, 15, 16 and 17).

Transactions with associates	2020	2019
Net sales	23,050	25,713
Cost of materials and services	71,708	70,126
Other expenses	2,465	2,515
Financial income	274	305

Transactions with shareholders	2020	2019
Net sales	6,358	6,493
Cost of materials and services	201,449	195,232
Other expenses	7	55

Transactions with other related parties	2020	2019
Net sales	33	28
Other expenses	74	155

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 Central Switzerland Milk Producers Cooperative (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.

28. Shareholders

Nominal capital	31.12.2020	%	31.12.2019	%
ZMP Invest AG, Lucerne ¹⁾	28,488	53.2	28,488	53.2
Zentralschweizer Käsermeister Genossenschaft, Sursee ¹⁾	2,200	4.1	2,200	4.1
MIBA Genossenschaft, Aesch (BL) ¹⁾	1,770	3.3	1,790	3.3
Other	21,040	39.4	21,020	39.4
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Käsermeister Genossenschaft, Sursee and the MIBA Genossenschaft, Aesch (BL), form a group in the sense of Article 121 FinMIA. The Group owns 60.6 % (previous year: 60.6 %) 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 2020, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares of Emmi AG (unchanged versus previous year).

29. Risk management and internal controls

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

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

- Milk price difference internationally: The milk price difference between Switzerland and other countries continues to have a negative impact on the sales of domestically produced products both in Switzerland, as the volume of imported milk products increases, and abroad. Although full 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 represent a significant risk for the Emmi Group, which has a tendency to increase based on the continuing internationalisation of business activities. 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 products made from 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 with 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.

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. Accounting and valuation include estimates and assumptions regarding the future. These are based on the knowledge possessed by the respective employees and are regularly examined with a critical eye. Where a financial position includes a major valuation uncertainty that could lead to a significant change in the carrying amount, this uncertainty is disclosed accordingly in the Notes. However, no risks that could lead to a significant correction to the company's assets, financial position or results of operations as reported in the annual accounts were identified as at the balance sheet date.

30. Subsequent events

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 1 March 2021, no other major events occurred which could have adversely affected the validity of the consolidated financial statements for 2020 or which would have to be disclosed.

31. Summary of consolidated companies, associates and joint ventures

Consolidated companies	Head office	Currency	Capital in 000s 31.12.2020	Capital share 31.12.2020	Capital share 31.12.2019
Switzerland					
Emmi AG	Lucerne	CHF	53,498	100 %	100 %
Baumann Käse AG	Münchenbuchsee	CHF	100	100 %	100 %
Chäs Hütte Zollikon GmbH ¹⁾	Zollikon	CHF	-	-	-
Emmi Dessert International SA	Lugano	CHF	250	100 %	100 %
Emmi Finanz AG	Lucerne	CHF	100	100 %	100 %
Emmi Fondue AG	Langnau i.E.	CHF	3,000	100 %	100 %
Emmi International AG	Lucerne	CHF	5,000	100 %	100 %
Emmi Management AG	Lucerne	CHF	500	100 %	100 %
Emmi Schweiz AG	Lucerne	CHF	5,700	100 %	100 %
FDS Fromagerie de Saignelégier SA	Saignelégier	CHF	1,050	86 %	86 %
Fromco S.A. Moudon	Moudon	CHF	2,100	60 %	60 %
Holding der Schweizerischen Milchproduzenten AG in liquidation	Münchenbuchsee	CHF	100	100 %	100 %
Käserei Studer AG	Hefenhofen	CHF	720	100 %	100 %
Lesà Lataria Engiadinaisa SA	Bever	CHF	2,000	80 %	80 %
Mittelland Molkerei AG	Suhr	CHF	20,000	100 %	100 %
Molkerei Biedermann AG	Bischofszell	CHF	1,010	100 %	100 %
MOPRO Luzern AG	Lucerne	CHF	120	100 %	100 %
Regio Molkerei beider Basel AG	Frenkendorf	CHF	3,000	80 %	80 %
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	77,877	73 %	73 %
Kaiku Km0, S.L.	Bilbao	EUR	625	73 %	73 %
Lácteos Caprinos S.A. ²⁾	Campillo de Arenas	EUR	-	-	80 %
Lácteos de Navarra, S.L.	Pamplona	EUR	9,647	73 %	73 %
Llet Nostra Alimentaria, S.L.	Barcelona	EUR	2,764	33 %	33 %
SDA Bilbao, S.L.	Bilbao	EUR	3	73 %	73 %
SDA Catalunya	Barcelona	EUR	3	53 %	53 %
SDA Guipuzcoa, S.L.	Bilbao	EUR	3	73 %	73 %
Servicios Logísticos Jundiz, S.L.	Vitoria	EUR	102	73 %	73 %
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⁾ Chäs Hütte Zollikon GmbH was acquired on 29 July 2020 and thereafter merged into Baumann Käse AG on 15 December 2020.

²⁾ Lácteos Caprinos S.A. was sold on 18 December 2020.

Consolidated companies	Head office	Currency	Capital in 000s 31.12.2020	Capital share 31.12.2020	Capital share 31.12.2019
Italy					
A-27 S.p.A. ³⁾	Rancio Valcuvia	EUR	–	–	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.	Campogalliano	EUR	70	100 %	100 %
Immobiliare 5 S.r.l.	Modena	EUR	10	100 %	100 %
Immobiliare Ro.Se S.p.A. ⁴⁾	Pero	EUR	120	100 %	–
Italian Fresh Foods S.p.A. ³⁾	Lasnigo	EUR	–	–	100 %
Pasticceria Quadrifoglio S.r.l.	Piumazzo	EUR	104	100 %	100 %
Rachelli Italia S.r.l. ³⁾	Pero	EUR	–	–	100 %
Netherlands					
AVH dairy trade B.V.	Bergen	EUR	18	90 %	90 %
Bettinehoeve B.V.	Etten-Leur	EUR	18	90 %	60 %
Emmi Benelux B.V.	Tiel	EUR	525	100 %	100 %
Emmi Finance Netherlands B.V.	Tiel	EUR	p.m.	100 %	100 %
Emmi Javelin B.V.	Tiel	EUR	1	100 %	100 %
Goat Milk Powder B.V.	Etten-Leur	EUR	1	81 %	54 %
Rachelli International B.V. ⁵⁾	Amsterdam	EUR	–	–	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 %
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	Wartberg	EUR	18	66 %	66 %
Leeb Biomilch GmbH	Wartberg	EUR	70	66 %	66 %
Belgium					
Emmi Belux SA ⁶⁾	Brussels	EUR	–	–	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⁾ A-27 S.p.A., Italian Fresh Foods S.p.A. and Rachelli Italia S.r.l. were merged into Emmi Dessert Italia S.p.A. on 31 December 2020.

⁴⁾ Immobiliare Ro.Se S.p.A. was acquired on 3 November 2020.

⁵⁾ Rachelli International B.V. was liquidated on 28 February 2020.

⁶⁾ Emmi Belux SA was liquidated on 2 December 2020.

Consolidated companies	Head office	Currency	Capital	Capital	Capital
			in 000s	share	share
			31.12.2020	31.12.2020	31.12.2019
United States					
Bello LLC ⁷⁾	Delaware	USD	6,948	88 %	–
Classe Foods LLC ⁷⁾	Delaware	USD	p.m.	88 %	–
Cypress Grove Chèvre, Inc.	Arcata	USD	202	100 %	100 %
Emmental Cheese Corp.	Orangeburg	USD	6	100 %	100 %
Emmi Dessert Intermediate Holdings (USA) LLC ⁷⁾	New York	USD	7,988	100 %	–
Emmi Dessert Participations (USA) Corp. ⁷⁾	Delaware	USD	18,195	100 %	–
Emmi Dessert USA LLC ⁷⁾	Delaware	USD	75,521	88 %	–
Emmi Holding (USA), Inc.	Orangeburg	USD	1	100 %	100 %
Emmi Platteville, Inc. ⁸⁾	Delaware	USD	–	–	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	27	100 %	100 %
Luce Foods LLC ⁷⁾	New Jersey	USD	22,214	88 %	–
Luna Foods LLC ⁷⁾	Delaware	USD	4,903	88 %	–
Redwood Hill Farm & Creamery, Inc.	Sebastopol	USD	835	100 %	100 %
Switzerland Cheese Marketing (USA) Inc.	Orangeburg	USD	1	79 %	79 %
Tomales Bay Foods, Inc.	Petaluma	USD	895	100 %	100 %
Vivi Foods LLC ⁷⁾	New York	USD	11,411	88 %	–
Zingg + Co. Inc.	Orangeburg	USD	1	100 %	100 %
Mexico					
Alimentos Finos del Sureste, S.A. de C.V.	Cancun, Groo	MXN	100	41 %	40 %
Comalca 2000, S.A. de C.V.	Cancun, Groo	MXN	14,960	41 %	40 %
Comalca Gourmet, S.A. de C.V.	Cancun, Groo	MXN	12,623	41 %	40 %
Distribuidora Internacional de Lacteos, S.A. de C.V.	Mexico City	MXN	50	38 %	40 %
Distribuidora Mexideli, S.A. de C.V.	Mexico City	MXN	100	51 %	51 %
Mexideli 2000 Holding S.A. de C.V.	Mexico City	MXN	101,759	51 %	51 %
Mexideli, S.A. de C.V.	Mexico City	MXN	68,350	51 %	51 %
Tecnologías Narcisco, S.A. de C.V.	Mexico City	MXN	60	51 %	51 %
Chile					
Chevrita S.p.A. ⁹⁾	Santiago	CLP	676,077	38 %	–
Distribuidora de Alimentos Chile, S.p.A.	Santiago	CLP	798,271	38 %	73 %
Eurolac Chile, S.p.A.	Santiago	CLP	42,503,206	73 %	73 %
Surlat Comercial, S.p.A.	Santiago	CLP	7,934,483	38 %	73 %
Surlat Corporación, S.A.	Santiago	CLP	41,467,422	73 %	73 %
Surlat Industrial, S.p.A.	Pitrufrquen	CLP	20,310,389	38 %	73 %
Quillayes Peteroa S.p.A. ⁹⁾	Santiago	CLP	12,222,584	38 %	–
Quillayes Surlat S.A.	Santiago	CLP	43,392,884	38 %	37 %
Canada					
Emmi Canada Inc.	Saint-Hubert	CAD	21,152	100 %	100 %
Switzerland Cheese Marketing Inc.	Saint-Hubert	CAD	1	79 %	79 %
9314 – 8591 Québec Inc.	Saint-Hubert	CAD	3,137	100 %	100 %
Brazil					
Emmi do Brasil Holding Ltda.	Sao Paulo	BRL	825,000	100 %	100 %
Laticínios Porto Alegre Indústria e Comércio S.A.	Ponte Nova	BRL	463,312	70 %	70 %

⁷⁾ Part of Indulge Desserts Group, which was acquired on 6 October 2020.

⁸⁾ Emmi Platteville, Inc. was merged into Emmi Roth USA, Inc. on 31 May 2020.

⁹⁾ Part of the Quillayes Group, which was acquired on 15 January 2020.

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 31.12.2020	Capital share 31.12.2020	Capital share 31.12.2019
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 AG ¹⁾	Lucerne	CHF	-	-	35 %
Spain					
Batiovo I.A.E.	Madrid	EUR	12	37 %	37 %
NaturAll BBVV-2018, S.L.	Corella	EUR	2,617	18 %	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 ²⁾	Shullsburg	USD	-	-	50 %

¹⁾ The investment in Vermo AG (formerly Vermo Tiefkühl Pool AG) was sold on 19 August 2020.

²⁾ The investment in White Hill Cheese Company LLC was sold on 3 August 2020.

Auditors' report



Statutory Auditor's Report

To the General Meeting of Emmi AG, Lucerne

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Emmi AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 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 74 to 112) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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



Acquisitions

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.



Acquisitions

Key Audit Matter

In 2020, the Emmi Group completed the business combination with Quillayes. Both parties contributed their existing Chilean companies into Quillayes Surlat S.p.A., in which Emmi's subsidiary Kaiku holds a 51.5% stake. Emmi Group also acquired 87.71% of the shares of the US-based Indulge Desserts Group. These are two significant acquisitions. The accounting for these acquisitions is influenced, among other things, by:

- The valuation of the assets and liabilities acquired at fair value at the date of acquisition
- The fair value measurement of contingent payments
- The accounting treatment of goodwill and acquisition costs.

On these grounds, we consider these two acquisitions as a key audit matter.

For further information on acquisitions refer to the following:

- Changes to the scope of consolidation, page 80
- Note 14 Intangible assets
- Note 21 Acquisitions

Our response

We mainly performed the following audit procedures:

We obtained an understanding of the processes of the two acquisitions. Further, we analyzed the purchase agreements to identify conditions affecting the purchase price allocation.

We audited the opening balance sheets of the acquired businesses and assessed the appropriateness of the fair values for assets, liabilities and contingent payments. With the support of our own 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 these acquisitions, of the resulting goodwill positions and of the disclosures in the consolidated financial statements.

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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



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

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

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

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

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

A handwritten signature in blue ink, appearing to read 'T. Affolter', written over a horizontal line.

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'M. Odoni', written over a horizontal line.

Manuel Odoni
Licensed Audit Expert

Lucerne, 1 March 2021

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Income statement

in CHF 000s

	Notes	2020	2019
Income from investments	2.1	115,585	101,526
Other financial income	2.2	6,385	7,035
Other operating income		6,829	8,430
Total income		128,799	116,991
Financial expenses	2.3	-5,623	-9,057
Personnel expenses		-1,130	-1,060
Other operating expenses	2.4	-22,649	-6,930
Direct taxes		1,651	-178
Total expenses		-27,751	-17,225
Net profit		101,048	99,766

Balance sheet

in CHF 000s

Assets	Notes	31.12.2020	%	31.12.2019	%
Cash and cash equivalents		5,715		6,420	
Other short-term receivables from third parties		87		43	
Other short-term receivables from companies in which the entity holds an investment		168,960		118,659	
Prepayments and accrued income		336		209	
Current assets		175,098	12.3	125,331	9.0
Loans to companies in which the entity holds an investment		108,143		108,536	
Investments in subsidiaries and associates	25	1,140,083		1,155,828	
Financial assets		1,248,226		1,264,364	
Prepayments and accrued income		45		84	
Non-current assets		1,248,271	87.7	1,264,448	91.0
Total assets		1,423,369	100.0	1,389,779	100.0
Liabilities and shareholders' equity					
Other current payables due to third parties		106		152	
Other current payables due to companies in which the entity holds an investment		–		3	
Accrued liabilities and deferred income		1,374		4,975	
Provisions		135		–	
Current liabilities		1,615	0.1	5,130	0.4
Non-current interest-bearing debts due to third parties		108,143		108,536	
Provisions		648		–	
Non-current liabilities		108,791	7.7	108,536	7.8
Liabilities		110,406	7.8	113,666	8.2
Share capital	26	53,498		53,498	
Legal capital reserves					
– Reserves from capital contributions	27	8,294		8,294	
Legal retained earnings		2,886		2,886	
Voluntary retained earnings					
– Free reserves		1,145,000		1,105,000	
– Available earnings					
– Profit brought forward		2,237		6,669	
– Net profit		101,048		99,766	
Shareholders' equity		1,312,963	92.2	1,276,113	91.8
Total liabilities and shareholders' equity		1,423,369	100.0	1,389,779	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 2017	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	89,457	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
Allocation	-	-	-	40,000	-40,000	-
Dividend	-	-	-	-	-64,198	-64,198
Net profit for the year	-	-	-	-	101,048	101,048
Shareholders' equity as at 31 December 2020	53,498	8,294	2,886	1,145,000	103,285	1,312,963

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 (impairment 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 Other operating expenses

The increase in Other operating expenses is due to the loss on the sale of the majority stake in Lácteos Caprinos S.A. in the reporting period.

2.5 Investments

	Currency	Capital in 000s 31.12.2020	Capital share 31.12.2020	Capital share 31.12.2019
Switzerland				
Baumann Käse AG, Münchenbuchsee	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 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, Bischofzell	CHF	1,010	100 %	100 %
MOPRO Luzern AG, Lucerne	CHF	120	100 %	100 %
Switzerland Cheese Marketing AG, Berne	CHF	290	23 %	23 %
Vermo AG, Lucerne ¹⁾	CHF	–	–	35 %
Austria				
Hale GmbH, Wartberg	EUR	18	66 %	66 %
Leeb Biomilch GmbH, Wartberg	EUR	70	66 %	66 %
Spain				
Kaiku Corporación Alimentaria, S.L., San Sebastián	EUR	82,110	73 %	73 %
Lácteos Caprinos S.A., Campillo de Arenas ²⁾	EUR	–	–	80 %
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-Hubert	CAD	21,152	100 %	100 %
United States				
Emmi Holding (USA), Inc., Orangeburg	USD	1	100 %	100 %

¹⁾ The investment in Vermo AG (formerly: Vermo Tiefkühl Pool AG) was sold on 19 August 2020.

²⁾ Lácteos Caprinos S.A. was sold on 18 December 2020.

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

2.6 Share capital and significant shareholders

The share capital of KCHF 53,498 as at 31 December 2020 consists of 5,349,810 registered shares with a nominal value of CHF 10 (unchanged on the previous year).

1,045,887 shares or 19.5 % were not registered as at 31 December 2020 (previous year: 1,027,106 shares not registered or 19.2 %).

The following significant shareholders with more than three percent of voting rights are known to the company:

Nominal capital	31.12.2020	%	31.12.2019	%
ZMP Invest AG, Lucerne ¹⁾	28,488	53.2	28,488	53.2
Zentralschweizer Käsermeister Genossenschaft, Sursee ¹⁾	2,200	4.1	2,200	4.1
MIBA Genossenschaft, Aesch (BL) ¹⁾	1,770	3.3	1,790	3.3
Other	21,040	39.4	21,020	39.4
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Käsermeister Genossenschaft, Sursee, and the MIBA Genossenschaft, Aesch (BL), form a Group in the sense of Article 121 FinMIA. The Group owns 60.6 % (previous year: 60.6 %) 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 2020, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares of Emmi AG (unchanged on the previous year).

2.7 Capital contribution reserve

	31.12.2020	31.12.2019
Confirmed by the tax authorities	2,522	2,522
Not confirmed by the tax authorities	5,772	5,772
Total	8,294	8,294

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 2020 and in the previous year, Emmi AG employed fewer than 10 employees on average.

3.2 Collateral provided for liabilities of third parties

	31.12.2020	31.12.2019
Guarantees and joint liability for loans of Group companies	467,732	413,314
Of which used by Group companies	320,353	320,925
Other guarantees for Group companies	1,200	1,350

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 Central Switzerland Milk Producers Cooperative (ZMP) and ZMP Invest AG.

3.4 Net release of hidden reserves

In the year under review, hidden reserves in the amount of KCHF 41 were released (previous year: KCHF 0).

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

As at 31 December 2020, individual members of the Board of Directors, the Agricultural Council and Group Management (including affiliated persons) held the following number of shares in the company:

	No. of shares 31.12.2020	No. of shares 31.12.2019
Board of Directors		
Konrad Graber, Chairman	950	950
Thomas Oehen-Bühlmann, Vice-Chairman	615	615
Christian Arnold-Fässler, Member	30	30
Monique Bourquin, Member	-	-
Christina Johansson, Member	-	-
Niklaus Meier, Member	200	200
Alexandra Post Quillet, Member	-	-
Franz Steiger, Member	400	400
Diana Strebel, Member	-	-
Agricultural Council		
Pirmin Furrer	-	-
Stephan Hagenbuch	50	50
Peter Hegglin	-	-
Andreas Hitz	50	50
René Schwager	-	-
Group Management		
Urs Riedener, CEO	-	-
Marc Heim, Deputy CEO	150	150
Robin Barraclough, Member	20	20
Ricarda Demarmels, Member	-	-
Kai Könecke, Member	-	-
Matthias Kunz, Member	27	27
Thomas Morf, Member	-	-
Natalie Rüedi, Member	-	-

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

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 1 March 2021, no other major events occurred which could have adversely affected the validity of the financial statements for 2020 or which would have to be disclosed.

Proposed appropriation of available earnings

in CHF 000s

Available earnings	31.12.2020	31.12.2019
Retained earnings carried forward	2,237	6,669
Net profit	101,048	99,766
Available for distribution by the General Meeting	103,285	106,435

Appropriation of available earnings

The Board of Directors proposes that the General Meeting approve the distribution of a dividend of CHF 13.00 (previous year: CHF 12.00) gross per registered share for the 2020 financial year, to be paid out of retained earnings (subject to withholding tax).

Earnings available for distribution by the General Meeting	103,285	106,435
Dividend	-69,548	-64,198
Allocation to free reserves	-30,000	-40,000
Carried forward to new account	3,737	2,237
Total distribution	69,548	64,198
Of which from other available earnings	-69,548	-64,198

Auditors' report



Statutory Auditor's Report

To the General Meeting of Emmi AG, Lucerne

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Emmi AG, which comprise the balance sheet as at 31 December 2020, 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 119 to 128) for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 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 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

A handwritten signature in blue ink, appearing to read 'T. Affolter', written over a faint grid background.

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'M. Odoni', written over a faint grid background.

Manuel Odoni
Licensed Audit Expert

Lucerne, 1 March 2021

Share information of Emmi AG

Stock exchange information		2020	2019 (restated)	2018 (restated)	2017 (restated)	2016 (restated)
Share price at 31.12.	in CHF	911.50	842.50	681.50	701.50	616.50
Year's high (end-of-day position)	in CHF	949.50	967.50	868.00	764.00	677.50
Year's low (end-of-day position)	in CHF	732.50	680.00	671.00	608.00	429.25
Market capitalisation at 31.12.	in CHF million	4,876	4,507	3,646	3,753	3,298
Average trading volume	Units	5,454	5,693	4,842	5,377	4,355

Key share data						
Earnings per share	in CHF	35.21	36.45	48.79	34.98	29.32
Adjusted earnings per share	in CHF	37.86	36.45	38.16	34.98	29.32
Shareholders' equity per share	in CHF	210.67	225.58	221.44	186.38	200.44
Return on shareholders' equity ¹⁾	in %	9.61	24.94	-1.43	14.74	38.01
Distribution	in CHF	13.00	12.00	9.00	10.00	5.90
Distribution rate ²⁾	in %	36.92	32.92	18.45	28.59	20.12
Adjusted distribution rate ³⁾	in %	34.34	32.92	23.58	20.01 ⁴⁾	20.12
Dividend return ⁵⁾	in %	1.43	1.42	1.32	1.43	0.96

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 "siggi's" special dividend and anniversary dividend)

5) Distribution per share/year-end closing price

Capital structure at 31.12.

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

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

Share price 2020

