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Editorial

Dear Shareholders

Just over a year ago, the first coronavirus infections were detected in Switzerland. Since then, much has been turned upside down. The divides that have opened up in our society are challenging. Economic interests are being set against those of the people. And wrongly so. Because we believe one of the key roles of the economy is the contribution it makes to the prosperity of society.

As a system-relevant company, we do this by, among other things, contributing to the supply of food for the population. The huge commitment and flexibility of our employees have played a decisive part in our products being constantly available. We are proud of this!

Broad-based growth thanks to robust business model

We can look back on a successful year financially. Group sales exceeded CHF 3.7 billion for the first time, of which more than CHF 2.0 billion was generated outside of Switzerland. Encouragingly, this was due to organic growth of 1.9%, which was above our expectations.

The resilience of our strategy was not solely down to geographical diversification. Our differentiated brand and product portfolio also proved particularly robust. In addition, we were impressed by the adaptability of our organisation, which also enabled us to take advantage of opportunities in the crisis.

Margins under control – dividend increase proposed

To ensure sustainable success for Emmi, we tightened our strict cost management last year. We also made targeted value-enhancing investments to strengthen innovation and growth plans over the long term. These include starting construction of a new cheese dairy in Emmen and building a state-of-the-art production facility in Brazil. We likewise consider systematic optimisation of our company portfolio to be an investment in the future. For example, the acquisition of US-based Indulge Desserts not only gave us our own presence in the world's largest dessert market, but also created additional distribution opportunities and economies of scale for our global dessert business. Elsewhere, we sold our majority stake in Lácteos Caprinos to focus on high-growth, high-margin companies.



“There are many aspects to the resilient nature of our strategy.”

Konrad Graber

Our results for financial year 2020 were within the range announced in March 2020. Adjusted for the non-recurring loss from the sale of Lácteos Caprinos, EBIT totalled CHF 271.2 million. The adjusted EBIT margin of 7.3% is a pleasing improvement versus the previous year (7.0%). Net profit was CHF 188.4 million or CHF 202.6 million on an adjusted basis. As expected, the adjusted margin was down slightly at 5.5% (previous year: 5.6%); however, this was slightly higher than our forecast. Based on the good earnings, the Board of Directors therefore proposes a dividend of CHF 13.00 per registered share to the General Meeting, which represents an increase of CHF 1.00 on the previous year.

Sustainable progress

In this crisis year, we have not only worked on our economic success but also forged ahead with our sustainability activities and set ambitious new targets.

For example, we are expanding our commitment to sustainable milk to our worldwide activities. We have also set specific reduction targets for water consumption for the first time and set a target for circular packaging. One pioneering step we are taking is to reduce our carbon footprint further by expanding this commitment across our entire value chain and turning to a net-zero emissions pathway.

Return to normality not expected until 2022

The uncertainties triggered by the coronavirus coupled with fears about economic development in the key markets where Emmi operates will shape the outlook for the current year. Our forecast is based on the assumption that the situation will stabilise in those markets that are important for Emmi from the second quarter of 2021. A return to normality will likely only emerge from 2022. Under these circumstances, organic sales development at Group level is likely to continue at a similar rate in 2021 (1% to 2%).

However, Emmi expects a decline in the Swiss domestic market. With the gradual return to previous consumption patterns, a drop in sales of between 1% and 2% and strong fluctuations in sales over the course of the year must be expected. In business division Europe, similar reasons are likely to result in a slowdown in sales growth (1% to 3%). By contrast, there is reason to expect that business division Americas, which has been hard hit by the coronavirus crisis, will again become a growth driver (4% to 6%). Continuity is also expected regarding EBIT performance (CHF 275 million to 290 million) and net profit margin (5.2% to 5.7%).



“We also invested in future-oriented projects during the crisis.”

Urs Riedener

From a financial perspective, we therefore largely expect 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 will look like going forward. But we can already state one thing with certainty: as Emmi, we will also aim to take advantage of arising opportunities in 2021!

Konrad Graber
Chairman of the Board

Urs Riedener
CEO

Our highlights



● Beleaf – vegan addition to Emmi's range of brands

More and more consumers are eating vegetarian or vegan from time to time. In response to this trend, Emmi is launching its own vegan line under the brand Beleaf. The yogurt alternatives, drinks, shakes and desserts based on almonds, oats or rice offer even more variety for all those who value a varied diet.

● Protein boom continues

More and more people are eating a body-conscious, high-protein diet – but they want these foods to taste great as well. Emmi has therefore expanded its range with innovations on three fronts: a new drink containing high-quality whey proteins, a high-protein variant of Emmi Caffè Latte and a protein drink developed in collaboration with the Swiss sports nutrition specialist Sponser Sport Food.

● Appenzeller® from the cave

“Only the best come to Kaltbach”. Because only the highest-quality cheeses are suitable for the long cave ageing and warrant the considerable effort, producing such an extraordinary result. Appenzeller® is the third “big” Swiss cheese speciality to join the exclusive range of Kaltbach cave-aged specialities.

● Desserts with barista flair

Coffee is inextricably linked with Italy. An espresso after a meal is an iconic part of Italian culture. Inspired by this, Emmi Dessert Italia has launched a fitting range. In a glass espresso cup – for the perfect espresso dessert moment!





Emmi's dessert business broadens its horizons

Over the past few years, Emmi has built up an attractive new strategic pillar in Italian speciality desserts. The acquisition of US company Indulge Desserts means Emmi can now become part of the world's largest dessert market, extend its footprint in the United States and open up new distribution opportunities for its Italian dessert specialities.



Emissions-free transport

Since the end of 2020, Emmi has been using two of the world's first hydrogen-powered lorries from Hyundai. Emmi believes this technology has the potential to lead to a more sustainable future for freight transport by road. Sustainable transport and mobility solutions are an important element for Emmi in achieving its new emissions target of reducing its CO₂ emissions by 60 % by 2027. The vehicles are 100 % powered by "renewable" hydrogen, meaning that every hydrogen-powered lorry that replaces a conventional diesel lorry will save around 70 to 80 tonnes of CO₂ per year.

Additive-free Emmi Caffè Latte

Caffè Latte is Emmi's best known and most successful brand. Since it was launched 15 years ago, things have changed in chilled coffee drinks. Caution is therefore needed when it comes to changing recipes. But Emmi has now decided to use a new manufacturing process it has developed itself to simplify recipes: since autumn 2020, the majority of the Emmi Caffè Latte range has contained only natural ingredients – in essence, freshly brewed coffee and Swiss milk.

New cheese dairy in Emmen

Emmi is strengthening its presence in Switzerland and investing CHF 50 million in its traditional location in Emmen. A new building will replace the more than 40-year-old cheese dairy building, providing space for highly professional, resource-saving cheese production. The dairy farmers in Central Switzerland – Emmi's home region – will also be able to share in the growth in cheese production in Emmen. Commissioning is planned for the end of 2022.



Our vision

We are passionately committed to turning the best experiences with dairy products into Emmi moments, and call on all our craftsmanship to make this happen.

Our passion for the best dairy moments is expressed in our delicious, high-quality food and specialities. It is also evident in the way that we develop our legacy, our business, our brands and our portfolio, and take responsibility for our actions over the long term.

Although we operate a wide range, from small-scale artisanal enterprises to state-of-the-art modern production facilities, and have an increasingly international focus, our Swiss roots

remain an integral part of our identity, just like our high quality standards and our entrepreneurial approach.

The close ties with farmers and our regional milk suppliers remain an especially important feature of our business model. They enable us to generate added value in rural regions and stay true to the core of our products by using high-quality milk that is produced in an increasingly sustainable manner.



THE BEST
DAIRY MOMENTS
— ARE EMMI —
MOMENTS

Our strategy

Our long-term economic success and the envisaged expansion of our business are based on a focused, tried and tested corporate strategy.

While we continue to strengthen our leading position in the Swiss domestic market – optimising our brand and product portfolio and driving innovation and strong brand concepts – we are also stepping up our international growth. Our focused international presence gives us geographical diversification, enabling us to exploit synergies and economies of scale and participate in growth, especially in emerging markets. We also practise rigorous cost management throughout the en-

tire Group, which allows us to invest in sustainable growth and innovation. Furthermore, we optimise our processes on a continuous basis, thereby boosting our productivity and ensuring that we constantly improve the way we do things. To complement these three main pillars of our strategy, we additionally invest in the development of attractive niches such as organic and goat's milk products and desserts.



Taking care also for future generations

Our long-term success is tied to sustainable growth. We are raising our CO₂ reduction targets across our entire value chain and switching to a net-zero path.

In keeping with our more than 100-year heritage, our passion is the mindful manufacture of dairy products in a way that takes our planet's natural resources and the needs of people and communities where we operate into account.

We believe that the key to this is a responsible business model geared to sustainable growth, which will enable us to generate added value over the long term – particularly in rural regions – and ensure that future generations also get to experience the unique nature of dairy products.

Our approach

We will continue to focus on sustainable dairy, and close co-operation with our milk suppliers is an important aspect of this. It will help us secure long-term access to high-quality and increasingly sustainable milk, allowing us to respond to a growing consumer need. We want to use our influence and our close ties with our farmers and milk suppliers to drive positive change in the complex dairy ecosystem in association with other companies, social groups and other stakeholders.

On the basis of fixed plans and partnerships, we focus our efforts in those areas where we can achieve the biggest impact: sustainable milk production, conservation of resources, reduction of greenhouse gas emissions and employee development.

What have we achieved

We believe we are on track to achieve our ambition of switching to sustainably produced milk. In Switzerland, 93% of the milk we process is now produced according to the swissmilk green standard. There is still more to do, however, and we are working with our milk producers to close the gap by 2023. At the same time, we are committed to helping the industry further develop and extend the current standard, particularly with regard to climate protection.

We are satisfied with our efforts to reduce greenhouse gas emissions throughout the Group and are optimistic about achieving our goal of a 25% reduction compared with the base year 2014 in the year under review.

We are not satisfied with our waste reduction results, however. Although we were able to reduce our food waste by more than 10%, we are still falling short of our expectations overall. The discovery that the sludge generated by wastewater treatment at our site in Tunisia could not be recycled as planned, meaning that we need to adopt a new approach, had a hugely negative impact on this. We also still have to step up as regards development plans for our employees across all business units and countries. The glass is currently two-thirds full, and further action is required.

Looking ahead

The pandemic has sharpened our awareness of our planet's health. We are placing such a heavy burden on our earth, however, that both its climate and its people are suffering as a result. As such, we believe we have a shared responsibility to contribute towards overcoming these challenges. We have set ambitious new targets for our focus areas. We are expanding our commitment to sustainable milk to include our international business, and working with our milk suppliers and partners to bring about systemic change within the industry.

We have now also set specific reduction targets for water consumption and are stepping up our commitment to more environmentally friendly packaging and the circular economy. Other key developments include the switch to science-based, independently validated CO₂ reduction targets under the Science Based Targets initiative and the extension of our obligations to cover our entire value chain.

Ultimately, however, we are well aware that we will only achieve our targets by working closely with our employees, farmers and milk suppliers and also engaging our consumers and partners.

Sustainable milk

Emmi is a pioneer of the swissmilk green sustainability standard. 93% of the some 950 million kilograms of milk that we process in Switzerland each year comply with this standard. This gives Swiss dairy products a competitive edge in terms of animal welfare in particular. We are now expanding our commitment to sustainable milk to include our activities outside of Switzerland, with the aim of further improving animal welfare and environmental protection and securing a better future for farmers.

93%

sustainable milk

Net-zero path through the Science Based Targets initiative (SBTi)

The SBT initiative is a partnership between the United Nations Global Compact (UNGC) and NGOs such as the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Science-based targets validated by the SBTi help companies like Emmi set net-zero targets for their carbon footprint, an important step in the efforts to limit global warming to 1.5 °C as agreed at the UN Climate Change Conference in Paris.

Extending our sphere of influence

Emmi is extending its CO₂ reduction obligations beyond its own sphere of influence in 2021. We now measure our emissions along the entire supply chain (scope 3), because around 90 % of all emissions are linked to the production of raw materials, primarily milk production. We want to work with milk suppliers, researchers and authorities to develop and promote more sustainable practices in this area and drive systemic change.

Environmentally friendly yogurt pot

The Emmi sustainability competition is an established part of the company's corporate and change agenda. In 2020, the winning project selected by the jury, made up of representatives from WWF Switzerland, the Energy Agency of the Swiss Private Sector (EnAW) and Emmi Group Management, was a yogurt pot made out of paper that produces around 60 % less CO₂ emissions than a conventional pot. With Emmi's Swiss facilities alone getting through 600 million pots every year, this makes a marked difference.

60%

less CO₂

From food waste to footprint

Emmi held its first-ever Emmi Sustainability Day in 2020, timed to coincide with the United Nations World Environment Day. As well as raising awareness of relevant topics such as food waste, CO₂ consumption and biodiversity, employees in 20 locations worldwide engaged in local sustainability activations. At the headquarters in Lucerne, for example, staff measured both their personal environmental footprint and that of the site as a whole with the help of WWF Switzerland.

The value of water

Emmi has committed to reducing its water consumption by 15% by 2027, and by half in water-scarce regions. External audits will be carried out to provide information on necessary measures and progress made. We have already implemented some initial measures in Tunisia, which have reduced water consumption by around 10%. We are planning major projects at our subsidiaries in California in 2021, and are also working with our raw materials suppliers on a range of initiatives including sustainable water use in almond cultivation.

15%
less water by 2027

Supporting farmers and regional milk production

A foundation established by our subsidiary Vitalait in 2019 aims to secure a better future for dairy farmers and promote sustainable regional milk production in Tunisia. To date, around 1,800 farmers have taken advantage of the guidance and advice offered by dairy experts to gain a better understanding of topics relating to animal feeding, husbandry and care, environmentally friendly soil management and water usage. The foundation also contributes up to 30% towards the cost of labour-saving tools such as milking equipment.

1,800
farmers trained in Tunisia

Looking to the future

Engaged employees, attractive prospects and a culture built on respect and entrepreneurial commitment are key to our sustainable success, both now and in the future.

In what was the most unusual of years, the special commitment, flexibility and entrepreneurial approach shown by our employees ensured that our products remained available at all times.

Emmi's combination of a strong culture and clear values has really come to the fore during the crisis. The willingness to be proactive, work hard and support each other has been as valuable as it has been palpable in the difficult working conditions that have shaped recent months.

Focus on employees

We have been investing for years in the quality of our leadership and hence in the importance of a high level of appreciation. Here, too, the crisis demonstrated to us the fundamental role that satisfaction plays in motivation and commitment. We have now implemented a supporting management tool to help us gain even better insights into satisfaction levels among our employees and the key factors driving their engagement.

We have also taken a closer look at the health and resilience of our workforce, with a particular focus on absence trends across the Group.

Offering prospects

Our experiences within the Group also reinforce our conviction that flexible, mixed teams achieve better and more innovative results. With this in mind, we are taking even greater care to assemble heterogeneous project teams and are also looking to appoint more women to management positions.

As an innovative company, we want to create good prospects for our employees. We achieve this by offering individual training and development opportunities and making increasing use of programmes that encompass a range of business units and countries. This enables employees to expand their know-how and skills on a modular basis, shape their individual development and thus realise their full potential.

Our approach allows us to attract high-quality people, retain them for longer and constantly fill key positions with our own emerging talents – the key to our sustainable success both now and in the future.

Future Leaders

Emmi Dessert Italia has launched a new three-year talent programme for university graduates. The programme gives young people the opportunity to get an insight into various functional and business areas, assume responsibility in interdisciplinary projects and gain some initial international experience.

Connected in the crisis

As well as ensuring the provision of basic supplies, our teams have also supported hospitals, nursing homes and aid organisations worldwide during the pandemic with free products and donations. Emmi Dessert Italia received the Charity Award 2020 from Banco Alimentare for its efforts.


Charity Award 2020



USA

“Emmi Roth has given me countless opportunities for professional development, even during the coronavirus pandemic. As the manager of our trade show activities, I had very little work to do during the lockdown. Then I was offered the chance to get involved with sustainability. I grabbed this unique opportunity with both hands and am now focusing wholeheartedly on what is also a key issue for us here at Emmi Roth.”

Emily King, Marketing & Sustainability Ambassador at Emmi Roth

Our values  form the basis of our strong corporate culture.



Chile



“My parents founded Quillayes in 1958 and gradually focused its operations on the production and marketing of high value added dairy products. At the beginning of 2020, we joined forces with the Emmi subsidiary Surlat. We now have over 900 employees and are number four in the Chilean dairy market. Being part of the Emmi Group affords us some fantastic opportunities in areas such as procurement and marketing that will help us with the ongoing development of our business.”

Eugenio Tagle, Managing Director of Quillayes Surlat

 We are market-oriented!

Switzerland



“I received constant support and encouragement during my apprenticeship at Emmi, culminating in my qualification for the first SwissSkills professional championships for dairy technologists. I also spent a few months working in French-speaking Switzerland, giving me the chance to improve my language skills. I am now a line manager at Emmi Kaltbach and passionate about producing the finest cheeses.”

Matthias Roth, Line Manager at Emmi Kaltbach

 We know how!



Switzerland

"I joined Emmi as a trainee in 2017 after graduating in food science. This allowed me to gain insights into areas such as development and operational excellence, and also took me to our subsidiary Redwood Hill in the US. I learnt a lot, particularly about understanding the bigger picture. At the age of 30, I recently took over as head of a UHT/PAST department with responsibility for a team of almost 50 men."

Susanne Frey, departmental head in Ostermundigen

 **We are continually developing ourselves!**

Tunisia



"After starting as a machine operator, I was soon able to attend training courses and get involved in an optimisation project. Unfortunately, however, an allergy meant I was no longer able to carry out my work. Changes like this create uncertainty, but they also present opportunities. I am now working happily in an administrative role and excited about where my development journey may take me."

Mohammed Ben Abdelmalek, administrative employee at Vitalait

 **We are proactive and we are not afraid of hard work!**

Emmi Group



"My Emmi development journey began with an apprenticeship as a dairy technologist. I have been with the company since 1999 in a variety of roles both in Switzerland and abroad, most recently as Managing Director in Chile. With this wide-ranging experience behind me, I am now looking forward to being back in Switzerland and tackling the next challenge within the business division Americas."

Jonas Leu, Deputy Executive Vice President Business Division Americas

 **We are Emmi!**

Strengthening trust and reinforcing the portfolio

We continue to focus on innovations, strong brand concepts and quality without compromise, while steadily expanding trust in our brands and expanding our portfolio in a targeted manner.

Emmi Caffè Latte on the winner's podium



We released a special edition of our number one brand to celebrate the successes of Swiss ski star Wendy Holdener, while in the 20/21 winter season Emmi Caffè Latte Double Zero offers great taste and an extra kick of concentration at the start gate.

emmi-caffelatte.com

Artisanal specialities from goat's milk

Our Californian subsidiary Redwood Hill Farm produces and markets artisanal goat's milk specialities that are as utterly delicious as its new brand identity is beautiful.

redwoodhill.com



The importance of strong brands and innovations, and of credibility based on considerate practices and uncompromising quality, has been further accentuated by the uncertainties of recent months.

With this in mind, we view the positive performance of our internationally successful brands such as Emmi Caffè Latte or Kaltbach cave-aged cheese as clear proof of the trust placed in our products. It also demonstrates our ability to set market trends, respond quickly to change and implement scalable concepts.

Robust, agile and increasingly digital

Our differentiated brand and broad product portfolio proved particularly robust in the year under review.

The combination of our international presence built on strong local roots and our teams' agile working methods enabled us to respond quickly to what were in some cases massive shifts in purchasing and consumer behaviour. We introduced new concepts and formats, adapted our distribution channels and accelerated the expansion of our digital ecosystem. Our Kaltbach specialities, for example, are now available to order online.

Converting trends into growth

Our efforts to develop new concepts and innovations and achieve targeted, profitable expansion of our portfolio continued to focus on defined megatrends and the growth areas associated with them.

Chilled coffee drinks remain one such growth area, and we were able to generate further impetus here with Emmi Caffè Latte through measures such as exclusive special editions and the expansion of the low-calorie and lactose-free range.

The three magic ingredients

Emmi Jogurtpur offers 100 % great yogurt taste made from Swiss milk, carefully selected fruit and a little sugar, and is now also available without granulated sugar.



emmi-pur.ch

Colourful, vegan, beleaf.

With dairy-free yogurts and drinks and desserts based on almonds, oats or rice, our newest brand offers alternatives for a varied diet. It also has colourful ambitions for the future.

beleaf.eu



From the cave direct to your home

The cheese masterpieces matured in the Kaltbach cave are now available to order as a gift set via the online boutique:

emmi-kaltbach.com



With more and more consumers looking to eat a varied diet and increasingly switching to vegan products, we also launched our own range of dairy alternatives under the beleaf brand. We also expanded our range with products such as Emmi Energy Milk that contain high-quality proteins.

From basic to premium and artisanal specialities

In addition to maintaining our successful position in the basic products segment thanks to local brand concepts, particularly in growth markets such as Brazil, Chile, Mexico or Tunisia, we also achieved targeted expansion of our premium and speciality business in our established markets. Examples include Kaltbach in Switzerland, premium desserts from Rachelli in Italy, organic goat's and sheep's milk specialities from Leeb in Austria and high-quality organic products from Gläserne Molkerei in Germany.

Our artisanal expertise, meanwhile, is clearly evident in products such as the speciality yogurts and cheeses made from Engadine mountain milk at Lätaria Engiadinaisa, one of the highest dairies in Europe.

To ensure that we remain agile and in tune with our consumers going forward in a radically and rapidly changing world, we also continued to invest in developing our teams' skills and fostering cooperation across countries and functions.

The pandemic has left us in no doubt that the future will be more fragmented and more digital, and that trust in our brands and a differentiated product portfolio remain absolutely vital.

Mastering the entire supply chain

We create added value for our business, our milk suppliers and the environment by maintaining a regional focus within a Group-wide supply chain.

procureNet 2.0

This strategic initiative is the cornerstone of our new interdisciplinary, Group-wide procurement process and enabled us to achieve further significant savings in 2020 through improved efficiency and transparency.

1 team across the entire Group

New dairy in Brazil

Our subsidiary Laticínios Porto Alegre built a state-of-the-art dairy for the production of yogurt, milk-based drinks and fresh cheese and a milk powder plant in record time.

100% quality also at our newest plant

New production facility and warehouse in Mexico

The production and warehousing activities of our subsidiary Mexideli, which were previously split between various different locations, have now been brought together under one roof at a new, modern site housing around 400 employees.

1 location for 400 employees

We operate around 50 production sites of all sizes across eight countries, ranging from artisanal specialists to facilities producing basic and premium products. To ensure that our products always reach store shelves in a fresh, safe and top-quality condition, and that our processes are efficient and as environmentally friendly as possible, we manage and optimise our entire supply chain – from milk suppliers to transport and production, and right through to supermarket shelves or our food service and industrial customers.

Regional approach

Our regional focus and close ties with our farmers and milk suppliers offer numerous advantages. Alongside quality aspects and short transport routes, they also enable us to help generate added value in rural regions in particular.

In Switzerland, more than nine out of every ten litres of the milk we process already comes from sustainable production. In terms of sustainability we also made progress with other raw materials, further reducing the amount of packaging materials we use and switching increasingly to more environmentally friendly and recyclable materials.

Group-wide know-how

We also made further improvements to production methods at numerous locations, allowing us to eliminate redundant inventories and avoid unnecessary journeys by strengthening cross-border cooperation and bundling different activities within our Group-wide supply chain organisation. Our transport operators were also selected for the first time via global and national tender processes.

Other milestones included the introduction of Group-wide procurement guidelines governed by binding standards and a harmonised planning process applicable throughout our entire supply chain. These measures and the commitment shown by our employees played a key role in helping us respond flexibly to the enormous challenges we faced in 2020 and ensured that we were able to maintain our ability to supply at all times.