

Annual Report 2016



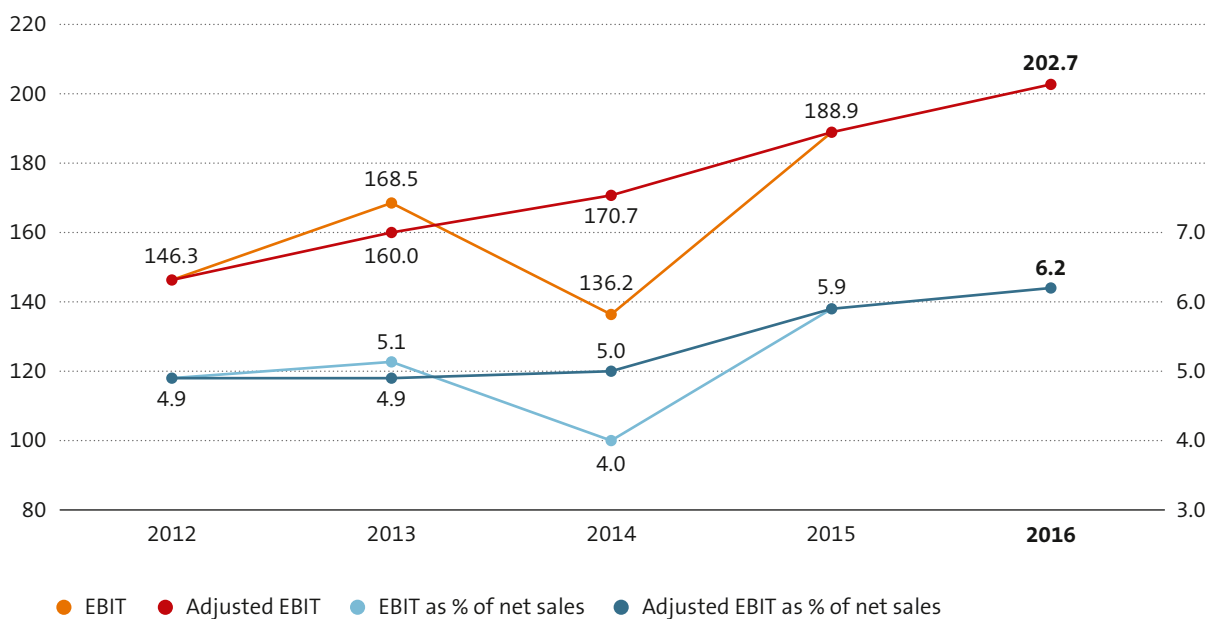
Key figures Emmi Group

Amounts in CHF million	2016	2015
Net sales	3,259	3,214
Sales development in %	1.4	-5.6
Acquisition effect in %	2.3	0.6
Currency effect in %	0.1	-3.2
Net sales increase in organic terms (in local currency) in %	-1.0	-3.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	328.2	314.9
as % of net sales	10.1	9.8
Earnings before interest and taxes (EBIT)	202.7	188.9
as % of net sales	6.2	5.9
Net profit	140.3	120.2
as % of net sales	4.3	3.7
Investment in fixed assets (excl. acquisitions)	104.4	81.2
as % of net sales	3.2	2.5
Headcount (full-time equivalents) as at 31.12.	5,779	5,405
Headcount (full-time equivalents) at yearly average	5,655	5,311
Net sales per employee CHF 000s (average)	576	605
Volume of milk processed in kg million	1,688	1,613
	31.12.2016	31.12.2015
Total assets	2,603	2,551
of which shareholders' equity incl. minority interests	1,506	1,394
as % of total assets	57.9	54.6
Market capitalisation	3,298	2,409

EBIT

in CHF million

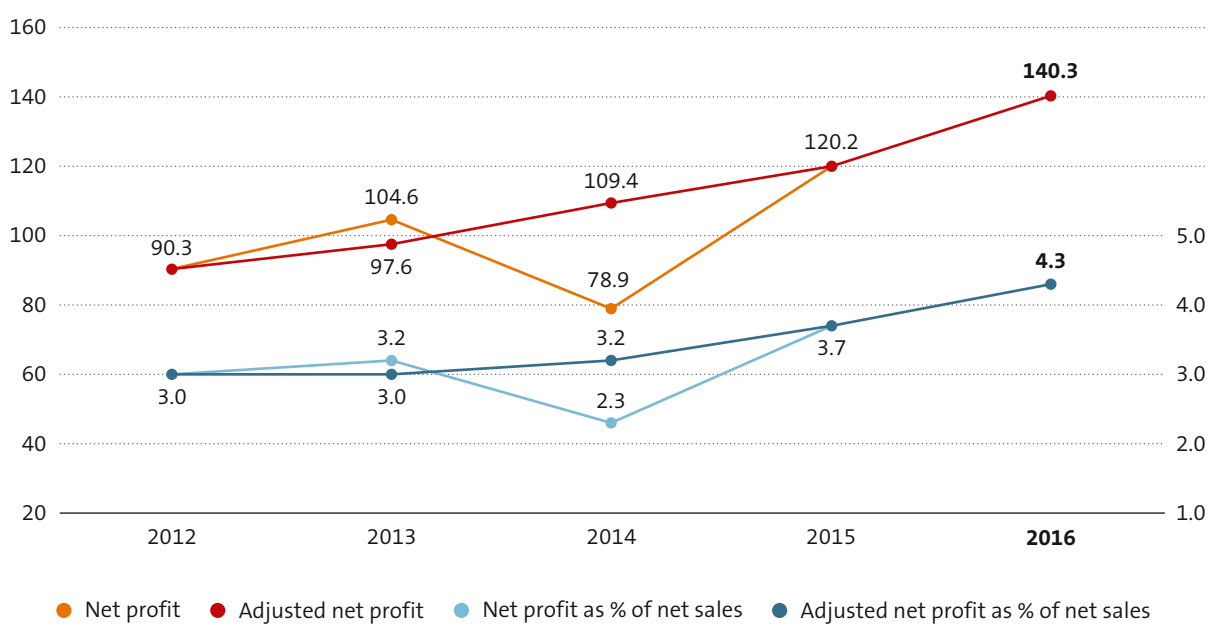
as % of net sales



Net profit

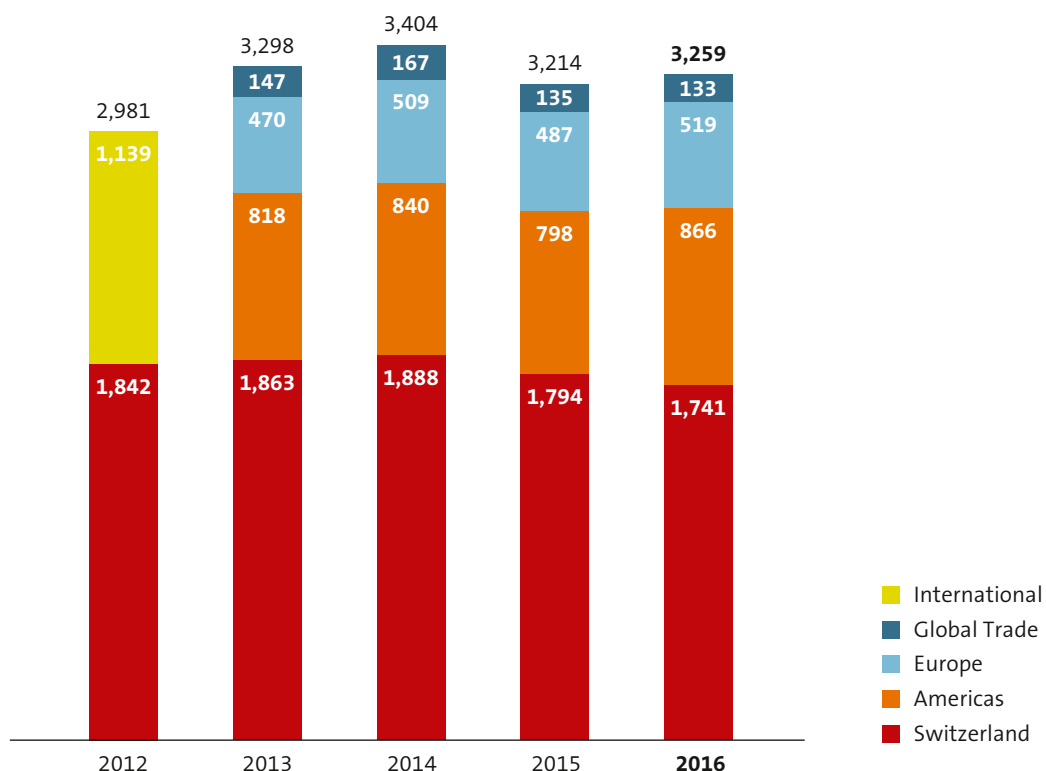
in CHF million

as % of net sales



Net sales

in CHF million



**CHF 328
million**

EBITDA

**CHF 203
million**

EBIT

**CHF 140
million**

Net profit

**CHF 2,603
million**

Total assets

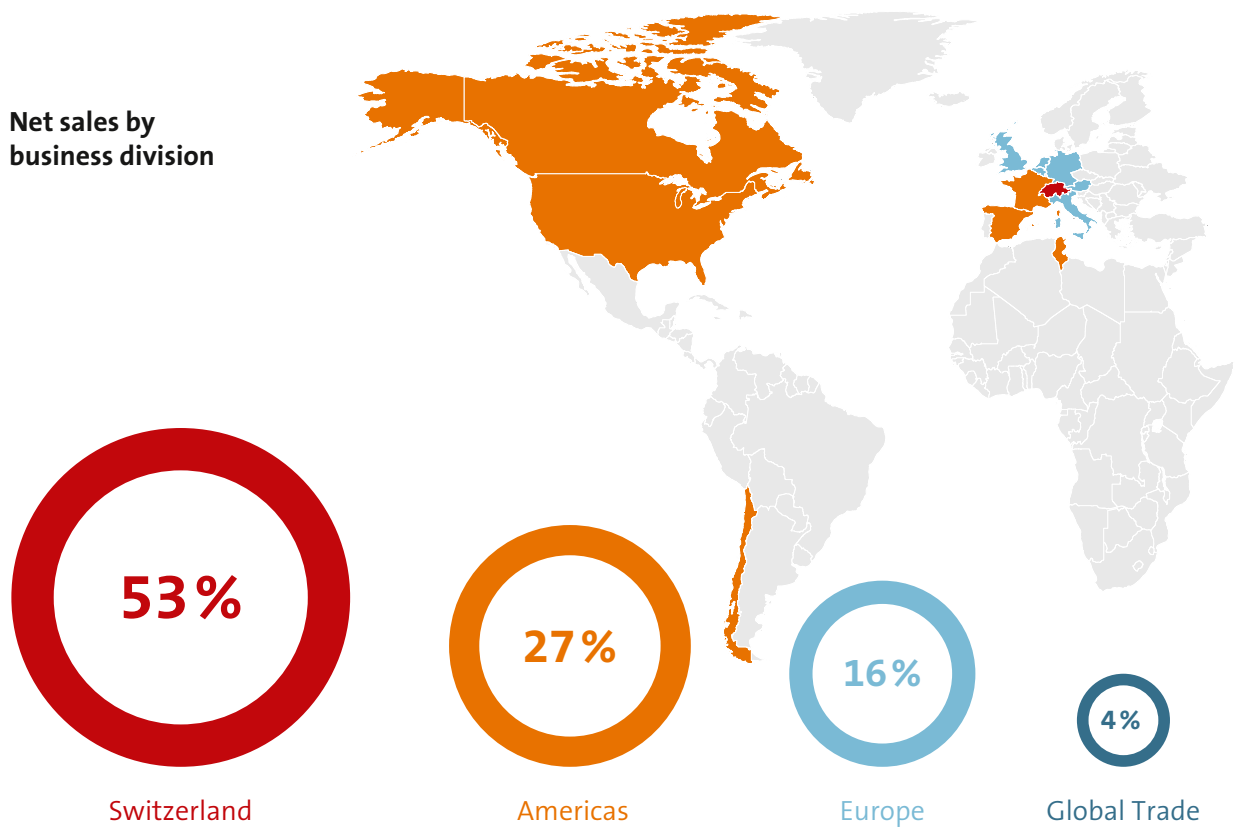
**CHF 1,506
million**

Shareholder's equity

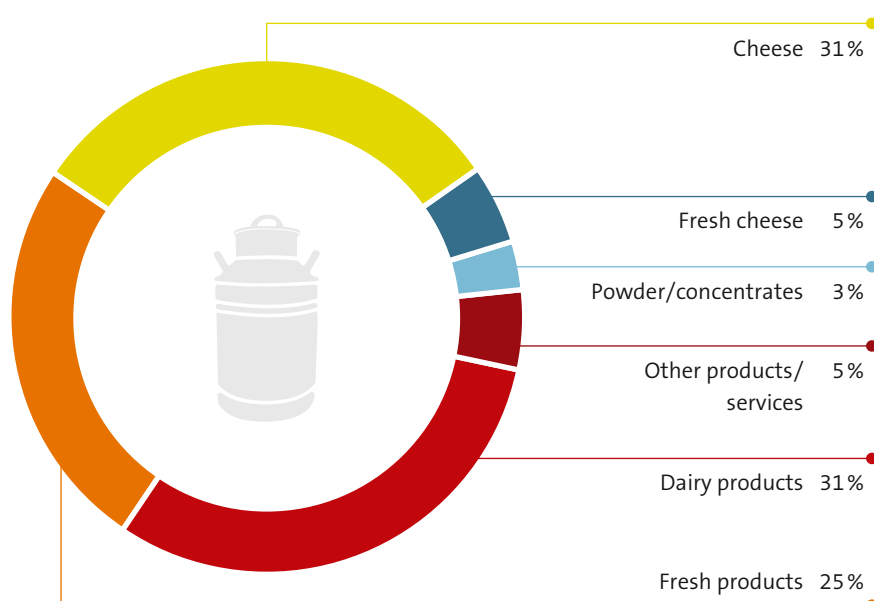
**5,779
full-time**

Headcount

Net sales by business division



Net sales by product group





We are Emmi!

Emmi has increased its sales six-fold over the last 25 years. Today, employees work at many sites in different countries and in a wide range of jobs. In addition to belonging to Emmi, they are connected by something decisive: our corporate values.

The images in this year's Annual Report represent our corporate values. They portray how we apply them in our day-to-day work – for a successful Emmi and with the ambition of delighting our customers with our high-quality products.

We are Emmi!

From polymechanics to goat's milk cheesemakers – Emmi employees span a diverse range of roles. We come from almost 100 countries, work on five continents, and one in five of us has been at the company for 20 years or more.

While our personalities may vary greatly, we have a shared view of ourselves: together, we achieve more. We are conscientious, focused, solution-oriented and entrepreneurial. Everyone pulling in the same direction is not an empty phrase but our reality.

Team spirit, development opportunities, variety, mutual trust, leeway and taking pleasure in our products are all reasons why employees are happy to work at Emmi, as revealed in a recent survey. The comments are a source of pride for us – but also an obligation.

Employee development is a requirement for commercial success and is therefore accorded high priority. We not only want to be a good employer now, but also offer exciting prospects over the long term – because the philosophy “We are Emmi” should also win over the next generation of Emmi employees.





We are
Emmi!

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The foundation has been laid for future growth

Dear Shareholders

Economic conditions were once again challenging in 2016. The Swiss franc remained at a high level against the euro, making exports from Switzerland more difficult and favouring imports from abroad. In addition, the pound sterling fell significantly after the Brexit vote, resulting in a new challenge for us that will be more evident in the current year.

Emmi focused on its strengths: driving innovations, supporting strong brand concepts and keeping costs under control. The aim was to keep the decline in sales low and secure earnings. We achieved this with minor concessions.

Emmi generated net sales of CHF 3,258.8 million in 2016 – an increase of 1.4%. Adjusted for currency and acquisition effects, this resulted in an organic decline of 1.0%. Sales development was therefore at the lower end of Emmi's forecast range. By contrast, earnings were slightly above the expectations published in August 2016, with EBIT amounting to CHF 202.7 million and an EBIT margin of 6.2%.

Increased dividend

The improvement in earnings is pleasing and can be attributed in particular to progress abroad. First, we continued the Operational Excellence programme and expanded this in a number of countries. Second, the product portfolio was further optimised, which not only supported sales but also earnings. Finally, the newly acquired companies contributed to the higher operating profit.

Net earnings per share were CHF 26.23 (previous year: CHF 22.46). A proposal will be made to the General Meeting for a gross dividend of CHF 5.90 per registered share from the capital contribution reserves (previous year: CHF 4.90).

Basis for future growth

Regardless of whether market conditions are difficult or not, a return to growth is our stated aim. Emmi has been working hard to prepare the ground for this in recent months, not only by reacting decisively to the changing market conditions but also by identifying and acquiring promising companies to expand growth niches. Examples from 2016 include Dutch company Bettinehoeve, with its range of goat's cheeses, or Cowgirl Creamery, an American manufacturer of organic specialty cheeses.

Emmi also launched various new products. Two drinks and additional varieties of the yogurt Yoqua were added to the range of protein-rich products, while two varieties of ready-to-eat porridge were launched in September and are already well established.

There were also new products in the international business: a new porridge has been available in the UK under the Onken brand since October. In Tunisia, the dessert range was expanded with a chocolate mousse, and in the US, Emmi Roth USA launched a range of organic cheese.

Of course, existing top performers such as Emmi Caffè Latte and Kaltbach were also promoted – whether with support through marketing campaigns or development of new channels. The latter was the case for Der Scharfe Maxx (ripened cheese), which has been exported to the US since 2016.

The activities of our foreign subsidiaries not only help to sell products from Switzerland; their contribution to our profit, which has again increased, enables us to invest in the future of the company.

“Emmi focused on its strengths.”

Urs Riedener

SAP system successfully introduced

In 2016, Emmi was able to successfully complete a major investment that had kept her busy for four years: the rollout throughout Switzerland of SAP as enterprise resource planning (ERP). Thanks to SAP, we are now able to manage processes throughout the entire business division Switzerland, helping us to achieve uniform procedures as well as greater transparency and planning security. This investment is also evidence of Emmi's continued commitment to Switzerland.

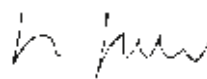
The fact that the rollout was completed according to plan and cost-effectively is extremely gratifying. Emmi employees worked with a high degree of professionalism and incredible commitment to achieve this. We are proud of them.

"The investment in SAP is also evidence of Emmi's continued commitment to Switzerland."

Konrad Graber

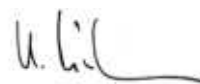
Emmi is now well positioned and diversified. We consider this to be an important requirement for us to be able to continue to hold our own in the market. We owe this to our customers, milk producers, suppliers, shareholders and employees.

Our aim continues to be to remain a progressive employer and innovative manufacturer of high-quality dairy products. We are looking forward to this task.



Konrad Graber

Chairman of the Board of Directors



Urs Riedener

CEO



Urs Riedener, CEO, and Konrad Graber, Chairman of the Board of Directors



Real dairy farmers instead of actors: Toni Camenzind appears in a TV commercial to explain why Luzerner Rahmkäse has such a mild flavour. Toni farms the Brännihof in Weggis and supplies his milk to Emmi.

The Emmi chalet with its Caffè Latte lounge causes a sensation at the ski races in Adelboden.

Tunisian President Beji Caid Essebsi visits Emmi in Ostermundigen.

The new campaign for "Luzerner Rahmkäse" (Lucerne Cream Cheese) starts.

At the General Meeting, all proposals are approved and the dividend is increased from CHF 3.80 to CHF 4.90.

Cypress Grove, a Californian subsidiary, surprises visitors at the Fancy Food Show in San Francisco with wedding cakes made from goat's cheese.

Emmi acquires a 60% stake in Dutch goat's cheese producer Bettinehoeve.

Emmi responds to a global megatrend by launching two protein-rich drinks.

The new Grill Cheese is a meat-free alternative for barbecue fans. This seasonal product will be back in chiller cabinets in spring and summer 2017.



Cypress Grove joined Emmi in 2010. It is the oldest subsidiary in the goat's milk specialties' segment. Last year, this interesting growth area was further strengthened with the participation in the Dutch company Bettinehoeve. Meanwhile Emmi has a strong footprint in the United States and in Europe.



GALA fresh cheese stands for long tradition and reliable quality. The delicious freshness and creamy consistency make it unmistakable.

Emmi acquires California-based company Cowgirl Creamery Corporation, strengthening its position in the area of sustainably produced speciality cow's milk cheeses in the US.

Happy birthday: Gala cheese celebrates its 80th birthday.

The Caffè Latte line gains a new addition with Espresso Extra Shot in a can. With substantially more caffeine than its cup-based colleagues, it provides an extra kick during the day.

The Visitor Centre in Kaltbach gets a facelift: thanks to new features, the uniqueness of cheese refinement in the cave is made even clearer.

As of spring 2016, all Emmi ice-cream sold in Zurich Zoo is made entirely without palm oil.

Patrik Bühlmann and Michael Schneider, the first two graduates of the "Young professionals abroad" training programme, return to Switzerland with valuable experience.

Mittelland Molkerei in Suhr is a centre of excellence for milk, cream and butter. By acquiring full ownership of the dairy, Emmi reaffirms its commitment to the Swiss market.

Emmi welcomes 40 apprentices in ten professions and congratulates another 33 on completing their final examinations.



Emmi is proud to be Zurich Zoo's exclusive provider of ice-cream. The zoo sells 300,000 ice-creams and cornets every year.



From a poor man's food to a popular snack: Emmi brings the first ready-to-eat porridge to Swiss and British chiller cabinets – the latter under the Onken brand.

The new porridge is launched in two flavours: "Classic" and "Apple".

The new Mousse au Chocolat, sold under the Vitalait brand, delights sweet teeth in Tunisia.

Emmi and its goat's milk suppliers in Switzerland draft a declaration of intent to strengthen domestic goat's milk production.

SAP was successfully introduced at all production sites and units in 2016.

Emmi invests CHF 4 million in Langnau, with the aim of achieving an even more consistent quality in the production of ready-made fondue.

Emmi publishes five sustainability commitments to which the company will adhere in future.

Der Scharfe Maxx wins two gold medals at the World Cheese Awards in San Sebastián, Spain.

Thank you, Robert Muri.



Robert Muri, Executive Vice President Switzerland, heads into well-earned retirement after 37 years of service.





We are
continually
developing!

Investing in the future

Development of successful niche markets

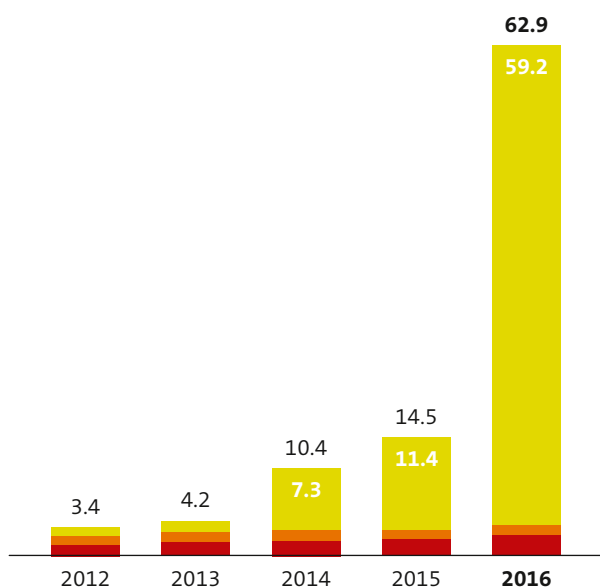
Alongside rigorous cost management, strengthening of the domestic market, Switzerland, and international growth are two important strategic pillars for Emmi. They stand in contrast to highly competitive markets and strong price pressure. Sustainable growth can therefore primarily occur by means of innovations and promising niches.

Organic and goat's milk products are two such niches. Emmi sold its first organic yogurt some 25 years ago. Since then, its organic business has continually expanded. It is now worth around CHF 320 million. Emmi purchased its first goat's cheese manufacturer in 2010 in the shape of Cypress Grove. Further goat's milk specialists have since been added and in 2017, the goat's milk range, including acquisitions that have already been realised, should generate sales in the order of CHF 150 million.

Hereafter Emmi introduces two companies that were acquired in 2016.

Trend in milk volumes: goat's and sheep's milk

in kg millions



It all began with two goats

Bettinehoeve, Etten-Leur, Netherlands



Bettinehoeve is the leading manufacturer of fresh goat's cheese in the Netherlands. Johan Ewijk, father of the current Managing Director Sybren Ewijk, founded the company in 1982. He was one of the pioneers in manufacturing goat's cheese.

The family-run company, in which Emmi has held a 60% stake since early 2016, is headquartered in Etten-Leur, close to the Belgian border. Fresh and matured goat's milk cheese is mainly sold under the company's brand "Bettine". The main market is the Netherlands, where Bettinehoeve generates more than 50% of its sales. Key export markets include the UK, Germany, France, the Nordic countries and Belgium.

Bettinehoeve employs some 100 people and has sales of just under EUR 50 million (around one-third of which are internal sales).

Together with Emmi subsidiary AVH dairy, Bettinehoeve founded Goat Milk Powder (GMP) in 2013. This company manufactures goat's milk powder and whey protein concentrate. Emmi has a 60% stake in GMP.

- International: goat's milk (incl. organic)
- Switzerland: sheep's milk (incl. organic)
- Switzerland: goat's milk (incl. organic)

Passion for the craft of cheesemaking

Cowgirl Creamery, Petaluma, California

Cowgirl Creamery's core business is organic cow's milk cheese. The company, including its distribution firm Tomales Bay Foods Corporation, was founded in 1997 by Sue Conley and Peggy Smith. Both women have many years of experience in famous Californian kitchens and learned the craft of cheesemaking from scratch.

The product portfolio includes cream cheese as well as semi-hard and mature cheeses. All products are made from organic milk, which is sourced exclusively from Marin and Sonoma counties in northern California. The most popular cheese is Mt. Tam, which is named after Mount Tamalpais, the highest mountain in the region.

The company also has two Cowgirl's specialist cheese shops and an online store.

Cowgirl Creamery employs some 100 people and has sales of more than USD 20 million.



Emmi also increased its stake in Chilean company Surlat in 2016, including SDA Chile, which is now also controlled by Emmi.

It also announced the purchase of a 40 % share packet and the associated complete takeover of Mittelland Molkerei AG as well as an 80 % stake in Spanish goat's milk processor Lácteos Caprinos S.A. in 2016. However, closing only took place in early 2017.

We are committed to better dairy products all round

Emmi is the leading milk processor in Switzerland. It currently employs just under 6,000 people worldwide and is a partner to thousands of dairy farmers. This important position comes with great responsibility, which the company assumes throughout the entire value chain. This includes the aim of constantly improving – in line with the Emmi value “We are continually developing!”.

Emmi forged ahead resolutely with the progression of its sustainability commitment in 2016. It named a dedicated sustainability specialist on 1 January 2016, who is not only responsible for the sustainability strategy for the Group as a whole, but also supports operational measures in the four focus areas.

The first milestone was the definition of concrete objectives. These show what Emmi aims to achieve by 2020. Emmi also supports flagship projects in the focus areas that are particularly commendable or innovative.

Above all, it is committed to acting openly and transparently. An important factor in this regard is the dialogue with various stakeholders, including WWF Switzerland, which supports Emmi’s sustainability commitment as a key partner.

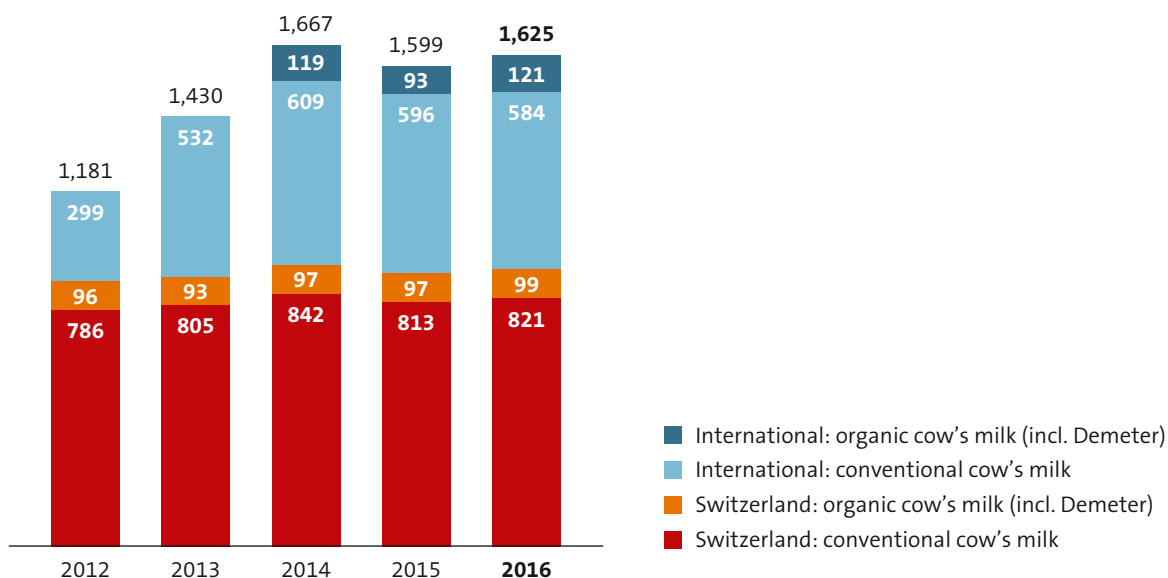
100 % sustainable Swiss milk

The sustainability of dairy products hinges on the production of milk. Not only does agriculture have the greatest impact on the environment, it also affects key social and ethical aspects of sustainability, such as farmers’ economic situations and animal welfare. Emmi therefore aims to advocate sustainable milk production even more consciously in the future. Until 2020, the focus here will be on cow’s milk processed in Switzerland.

Emmi procures one billion kilograms of cow’s milk from some 6,000 Swiss farmers every year. By 2020, they will have to meet a catalogue of sustainability criteria, including, for example, dairy cows being kept in conditions that exceed Swiss animal welfare legislation and being fed mainly on grass and hay. In turn, Emmi pays dairy farmers above-average prices for their milk.

Trend in milk volumes: cow’s milk

in kg millions



25 % less CO₂

Emmi generates 125,000 tonnes of CO₂ emissions every year, around half of which are from production facilities in Switzerland and half abroad.

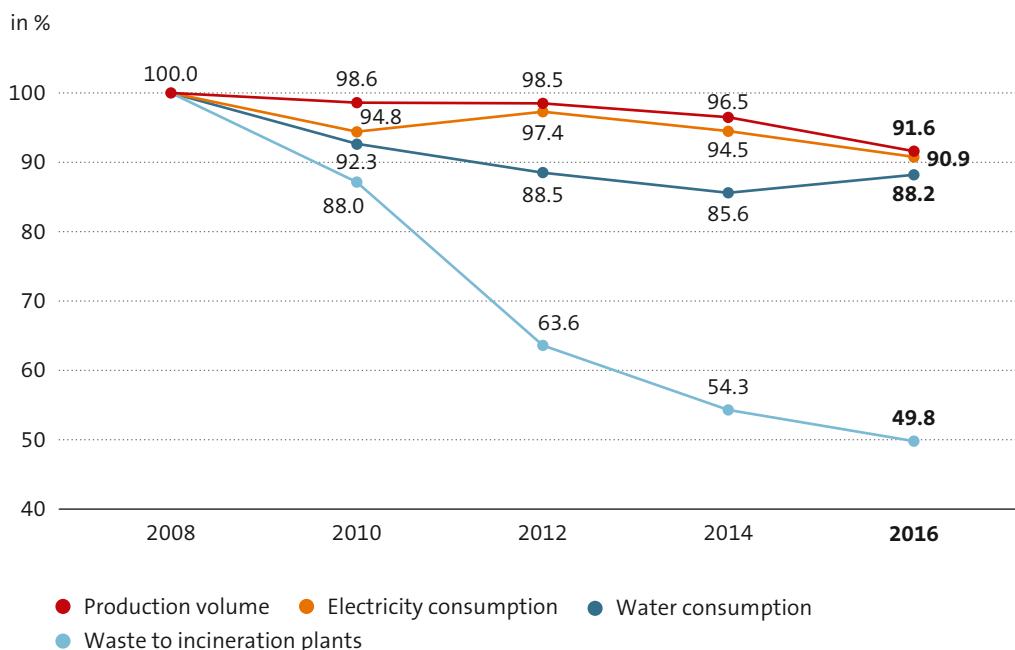
The company is committed to reducing its global CO₂ emissions by 25 % by 2020. To achieve this, the focus will largely be on assessing energy consumption in its own production facilities. First, energy consumption should be reduced – with the relation to product sales being particularly relevant here. Second, Emmi is no longer investing in technologies that require fossil fuels. Third, sustainability will also be a criterion in purchased electricity. For example, the electricity required by Swiss facilities has come solely from hydroelectricity since the start of 2017.

20 % less waste

Avoiding waste is an ongoing task and under “Emmi Operational Excellence” part of day-to-day work at the production facilities in Switzerland and abroad. This savings and efficiency programme brings together countless measures aimed at improving the company’s competitiveness. In terms of sustainability, two issues are receiving special attention: packaging and foods.

Emmi is committed to reducing food and packaging waste by 20 % by 2020. To achieve this, efforts are already being made to reduce the waste of packaging and raw materials in production. By-products such as whey from cheese production should be recycled to as high a degree as possible. A contribution should also be made to reducing food waste among customers and consumers. Packaging materials play a key role here. While the focus in the past was primarily on reducing the materials used, in the coming years, it will shift increasingly to innovative packaging concepts and new materials.

Environmental index Emmi in Switzerland



100 % support for employees

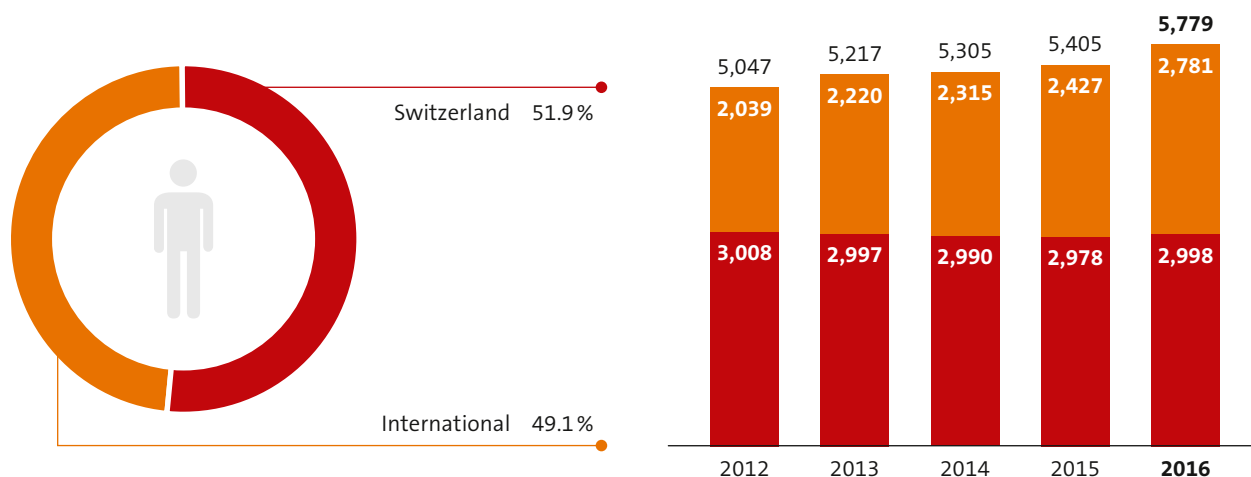
Employees' skills and knowledge are among Emmi's key resources. The company therefore endeavours to constantly develop the competencies of its employees. The aim is that they will be able to meet not only current but also future challenges.

By 2020, all Emmi employees are to be assigned development targets that will help them to gain a better idea of their professional future. In doing so, the company not only wants to combat the global shortage of skilled professionals in the food industry but also to be in a position to fill half of all vacancies for key positions with internal candidates.

Detailed information on Emmi's sustainability commitment can be found in the fourth Emmi Sustainability Report from summer 2017.

Headcount

Number of full-time equivalents (as at 31.12.)



We know how!

The facility in Langnau specialises in fondue production. It is from here that one of the best-known Swiss specialities is exported around the world. In spite of – or perhaps precisely because of – their decades of experience, the employees believed that they could still do better.

Movement rather than stagnation is a basic principle at Emmi, and one of the secrets of the “Futura” line. Employees developed and built the core of this promising machine, which came into operation in summer 2016. For five years, the fondue specialists puzzled over how their product could be made in an even more consistent quality, more productively and with failure costs that were as low as possible.

The greatest difference compared with conventional machines is that the cheese mixture is always moving – from heating to mixing with the other ingredients to filling. This ensures that it always maintains the right consistency. The design of the machine is unique in the world. It makes an important contribution to cheese fans across the globe being able to count on enjoying great fondue from Langnau also in the future.

*We know
how !*





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The following information complies with the Directive on Information Relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange as well as the Articles of Association and Organisational Regulations of the Emmi Group. Unless otherwise indicated, all data relate to the balance sheet as at 31 December 2016.

Articles of Association: <https://group.emmi.com/en/about-emmi/corporate-governance/documents/>

Organisational Regulations: <https://group.emmi.com/en/about-emmi/corporate-governance/documents/>

1. Group structure and shareholders

1.1 Group structure

The Group structure is shown below.

Significant changes since the balance sheet date: Effective 1 January 2017, the role of Chief Supply Chain Officer has been added to the Group structure.

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

Market capitalisation, securities number and ISIN number, see page 110

Consolidated companies, see pages 90 to 92

1.2 Significant shareholders

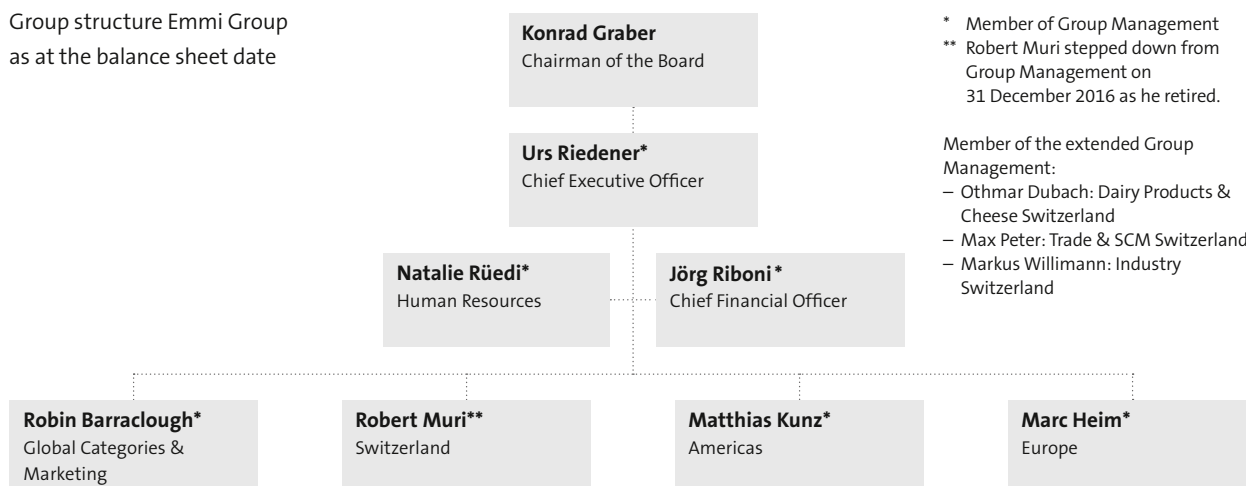
Significant shareholders, see page 105 (“Share capital and significant shareholders”)

ZMP Invest AG, Lucerne, the Zentralschweizerischer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Aesch (BL), form a group in the sense of Art. 121 FinfraG. As at 31 December 2016, the group owned 62.0% (previous year: 62.1%) of the total voting rights. As at 25 January 2016, Capital Group Companies, Inc. reported that it owned 263,500 registered shares of Emmi AG (4.9%). As at 7 June 2016, the same company reported that it now owned 268,500 registered shares (5.0%). No further disclosure notifications were made.

1.3 Cross-shareholdings

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

Group structure Emmi Group
as at the balance sheet date



Group functions:

- Human Resources
- Finance/Legal
- Corporate Development
- Corporate Communications & IR
- International Operations
- Quality/Safety/Environment

2. Capital structure

2.1 Share capital

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

2.2 Authorised and conditional capital

Emmi did not create any conditional or authorised capital in 2016, and there is no conditional or authorised capital from previous years.

2.3 Changes in capital

An overview of changes in capital for the years 2013 to 2016 can be found on page 102.

2.4 Shares and participation certificates

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

For further information on shares, see page 110

2.5 Dividend-right certificates

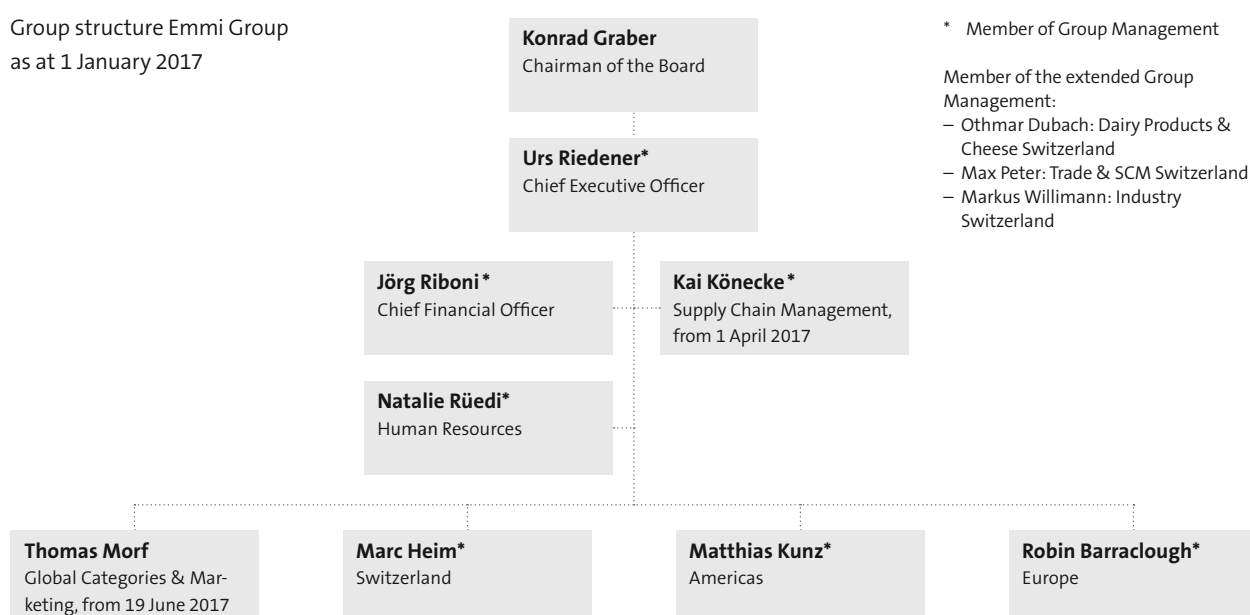
No dividend-right certificates exist.

2.6 Restrictions on transferability and nominee registrations

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

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

Group structure Emmi Group
as at 1 January 2017



* Member of Group Management

Member of the extended Group Management:

- Othmar Dubach: Dairy Products & Cheese Switzerland
- Max Peter: Trade & SCM Switzerland
- Markus Willmann: Industry Switzerland

Group functions:

- Human Resources
- Finance/Legal
- Corporate Development
- Corporate Communications & IR
- International Operations
- Quality/Safety/Environment

2.7 Convertible bonds and options

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

3. Board of Directors

All nine members of the Emmi Board of Directors (see table page 31) are non-executive members who were not previously members of Emmi Group Management or the management team of one of the subsidiaries. The basis for nomination as a member of the Board of Directors is the fulfilment of a specific profile of requirements.

Christian Arnold-Fässler, Thomas Oehen-Bühlmann and Franz Steiger are members of the Board of the Central Switzerland Milk Producers Cooperative (ZMP), which supplies a large proportion of its milk to Emmi. ZMP, via its subsidiary ZMP Invest AG, Lucerne, holds a majority stake in Emmi. Josef Schmidli, former Chairman of the Zentralschweizer Milchkäuferverband (ZMKV), produces a significant proportion of his cheese for Emmi. ZMKV is a minority shareholder in Emmi.

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

3.1 Members of the Board of Directors



Members of the Emmi Board of Directors from right (as at the balance sheet date): Franz Steiger, Christian Arnold-Fässler, Stephan Baer, Monique Bourquin, Konrad Graber, Thomas Oehen-Bühlmann, Niklaus Meier, Diana Strebel, Josef Schmidli and Ingrid Schmid (secretary of the Board of Directors).

3.2 Professional background and other activities and interests

Konrad Graber

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

After completing his studies in business administration and economics, Konrad Graber joined KPMG in 1983, where he worked in the auditing department for both Swiss and international companies prior to becoming Partner and Director. He was President of the examination committee for fiduciaries for eight years. Since 1999, the certified auditor has been a Partner at BDO AG, where he was also member of the Swiss Executive Board from 2005 to 2009. In this capacity he was responsible for management consultancy and IT. He was also a longstanding councillor for the canton of Lucerne, and from 1997 to 2001 he served as Chairman of the CVP (Christian Democratic People's Party), also in the canton of Lucerne. From 2000 to 2012, he was Chairman of the Board of Verkehrsbetriebe Luzern AG (the Lucerne Transport Corporation), and has been a member of the Board of Directors of the health insurer CSS Versicherungen, Lucerne, since 2002 and of BDO AG since 2009. Since 2007, he has been a member of the Council of States and therefore a member of the National Parliament.

Thomas Oehen-Bühlmann

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

Thomas Oehen-Bühlmann is a certified master farmer and runs a dairy and arable farm together with his son. For many years he served as a technical expert for proficiency exams and master farmer exams and was also Chairman of the Supervisory Committee of agricultural training centres in the canton of Lucerne. He was head of a local branch of the CVP (Christian Democratic People's Party) for a number of years, a municipal councillor from 1996 to 2008 and Mayor of Hohenrain from 2008 to August 2012. Thomas Oehen-Bühlmann has been a member of the Board of the Central Switzerland Milk Producers Cooperative (ZMP) in Lucerne since 2009 and Chairman since 2012. He is also a member of the Board of Swiss Milk Producers (SMP) in Berne.

	Year of birth	Nationality	Education	First elected
Konrad Graber Chairman of the Board of Directors	1958	Swiss	Business Administration HWV Certified Auditor	2006 2009 Chairman
Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors	1958	Swiss	Certified Master Farmer	2009
Christian Arnold-Fässler	1977	Swiss	Certified Master Farmer	2012
Stephan Baer	1952	Swiss	Business Economist lic. oec. publ.	1999
Monique Bourquin	1966	Swiss	Business Economist lic. oec. HSG	2013
Niklaus Meier	1955	Swiss	Swiss certified expert in accounting and controlling	2012
Josef Schmidli	1957	Swiss	Federal Commercial Diploma Certified Master Cheesemaker	2003
Franz Steiger	1959	Swiss	Certified Master Farmer	2015
Diana Strebel	1960	Swiss	Business Economist dipl. oec. Master of Science in Marketing GSBA and University of Wales	2012

Christian Arnold-Fässler

Member of the Board of Directors since 2012

Christian Arnold-Fässler is a certified master farmer and works as an independent farmer on his dairy farm. He was deputy mayor of Seedorf from 2006 to 2013, representing the SVP (Swiss People's Party), and has been a member of the Uri cantonal parliament since 2012, of which he was President from June 2015 to June 2016. Christian Arnold-Fässler has also been a member of the Board of the Central Switzerland Milk Producers Cooperative (ZMP) in Lucerne since 2009, a delegate of the Central Switzerland farmers' cooperative in Rothenturm since 2009 and a member of the Board of Swiss Milk Producers (SMP) in Berne since 2012.

Stephan Baer

Member of the Board of Directors since 1999

Following his studies in business administration, Stephan Baer worked at OPM AG as a business analyst from 1979 to 1982 before moving to Baer AG in Küssnacht am Rigi in 1982, where he was appointed Chief Executive Officer one year later and became Chairman of the Board of Directors in 1997. Since the sale of Baer AG in 2008, Stephen Baer has worked as an independent management consultant. He is also Chairman of the Board of Directors of frXsh AG, Küssnacht am Rigi (since 2009) and President of the association "Tischlein deck dich" since 2015. He was a member of the Board of Directors of Bio Partner Schweiz AG, Seon, between 2010 and April 2016, and of Spichtig AG, Steinen, from 2011 to June 2016 (Chairman from 2012 to March 2015).

Monique Bourquin

Member of the Board of Directors since 2013

Following her studies in economics, law and sociology, Monique Bourquin joined management consultants Price-WaterhouseCoopers in 1990. From 1994 to 1997, she worked as Product Manager at Knorr Nahrungsmittel AG, Thayngen; from 1997 to 1999 as National Account Manager at Rivella AG, Rothrist; and from 1999 to 2002 at Mövenpick Foods Switzerland, Cham, latterly as Director Switzerland for the Food division. She then held the position of Customer Development Director for six years at Unilever Switzerland. From 2008 to 2012, she was in charge of Swiss business and was a member of the Executive Management Board of Unilever Germany, Austria and Switzerland (DACH). Monique Bourquin subsequently served as Chief Financial Officer of Unilever DACH until April 2016. She has also been a member of the committee of the Swiss marketing association GfM since 2009.

Niklaus Meier

Member of the Board of Directors since 2012

Niklaus Meier is a Swiss certified expert in accounting and controlling. Between 1976 and 1992, he held various positions at the MIBA Milchverband der Nordwestschweiz (Association of milk producers of northwestern Switzerland) in Basel, latterly Head of Finance and Administration. From 1993 to 1995, he was Head of Finance and HR at ToniLait AG in Berne, and from 1995 to 2009, he worked at Ciba AG in Basel, where he was latterly Chief Financial Officer. After Ciba was acquired by BASF, he worked at BASF Schweiz AG in Basel until 2011, where he supported the integration of the financial organisation of BASF. Since 2011, Niklaus Meier has been Chief Financial Officer at MEGlobal International FZE, Dubai, which is active in the plastics sector. He has also been a member of the examination committee for finance and accounting specialists/Swiss certified experts for controlling and accounting since 2000 and of the Swiss Controlling Standards working group of the Swiss Association of Accounting and Controlling (VEB) since 2010.

Josef Schmidli

Member of the Board of Directors since 2003

After completing his federal commercial diploma, Josef Schmidli qualified as a master cheesemaker. Since qualifying in 1982, he has been proprietor and Managing Director of Käserei Schmidli GmbH, which was founded in 1998. He is also Chairman of a municipal power utility. Until April 2012, he was Chairman of the Central Switzerland Milk Purchasers Association (ZMKV) in Lucerne. Since 2003, Josef Schmidli has been a member of the Board of Fromarte, the Association of Swiss cheese specialists in Berne, where he was Vice Chairman until 2012.

Franz Steiger

Member of the Board of Directors since 2015

Franz Steiger is a certified master farmer and works as an independent farmer and training instructor on his dairy and pig-breeding farm; since 2010 he has run this in the form of a joint business with a partner. He has been a member of the Board of the Central Switzerland Milk Producers Cooperative (ZMP) since 2000, and was its Vice President from 2006 until April 2015. In addition, he has been a delegate of the Swiss Farmers' Union since 2006 and a member of the Board of the Emmentaler milk producers' organisation since 2009. Franz Steiger is also Treasurer of the Schlierbach-Krumbach dairy cooperative and has been Mayor of Schlierbach since 2008.

Diana Strebel

Member of the Board of Directors since 2012

After completing her studies in business administration, Diana Strebel worked at various advertising agencies between 1981 and 2003, including four years as Deputy CEO at Publicis Group and a temporary assignment as CEO and member of the Board of Directors at Wunderman AG. Between 2003 and 2005, she completed studies in marketing and held two Board of Director mandates. From 2005 to 2009, she was Chief Operating Officer at Interbrand Europe and Managing Director at Interbrand Zintzmeyer & Lux, Zurich. Since 2009, Diana Strebel has been Managing Director of Strebel-Birt AG in Männedorf, a consultancy firm for branding, communications and agency management, which she co-founded. She has also been a member of the Board of Directors of Ricola AG in Laufen since 2009 and of Globalance Bank AG in Zurich since 2011.

3.3 Permitted number of activities

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

3.4 Election and term of office

The first election of members can be seen in the table on page 31. The term of office of members of the Emmi Board of Directors is one year and lasts until the 2017 General Meeting accordingly. Re-election is permitted. There is no restriction on the number of terms of office. The members of the Board of Directors and the Personnel and Compensation Committee are elected by the General Meeting, with the period between one Ordinary General Meeting and the end of the next deemed to be one year. The Chairman is elected by the General Meeting from among the members of the Board of Directors. Elections to the Board of Directors are generally carried out as individual elections. All votes and elections are carried out by open ballot unless a majority requests a secret ballot.

3.5 Internal organisation

Allocation of duties within the Board of Directors

The table on this page shows the allocation of duties to all members.

	Audit Committee	Market Committee	Personnel and Compensation Committee	Agricultural Council
Konrad Graber Chairman of the Board of Directors	•	•	• (Chairman)	• (Chairman)
Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors	•		•	•
Christian Arnold-Fässler Member				•
Stephan Baer Member		• (Chairman)	•	
Monique Bourquin Member	•	•		
Niklaus Meier Member	• (Chairman)			
Josef Schmidli Member		•		
Franz Steiger Member				•
Diana Strebel Member		•		

Composition, duties and delimitation of responsibilities of the committees

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

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

The Audit Committee deliberates on and approves:

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

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

- the organisation of accounting, and the organisation and content of financial control including internal auditing
- the effectiveness and independence of the internal auditors
- the selection of the Group auditors
- the effectiveness and independence of the external auditors
- the results of internal and external auditing and the monitoring of action plans by management based on these results
- the Group and holding accounts and the results of subsidiary companies
- the annual and investment budget
- the evaluation of risks and of the measures based on this

- financial and liquidity planning as well as business relations with financial institutions
- financial reporting to shareholders and the public
- legal proceedings and out-of-court settlement of disputes whose outcome may have implications for the financial situation of the Group
- treasury guidelines.

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

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

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

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

The Personnel and Compensation Committee deliberates on and approves:

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

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

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

- the remuneration system for the compensation of the Board of Directors as well as the remuneration of the members of the Board of Directors
- the remuneration system for the compensation of Group Management
- the ceiling amounts for the remuneration of the Board of Directors, the Agricultural Council and Group Management for approval by the General Meeting (for approval model, see compensation report, page 48)
- the total amount of salary adjustments and bonuses for employees and basic changes to the pension fund regulations and other retirement benefit plans
- the composition of Group Management
- succession planning and the evaluation of candidates for the Board of Directors according to the regulations governing election
- succession planning for the Chairman of Group Management and, at the request of the CEO, for members of Group Management
- the regular review of the organisational regulations.

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

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

- general political issues
- the development of the milk and cheese industry and its organisations
- milk volume and price management
- milk and cheese procurement.

Working methods of the Board of Directors and its committees

As a rule, the Emmi Board of Directors and its committees meet as often as business requirements dictate, but at least quarterly. The Personnel and Compensation Committee and the Agricultural Council generally meet twice a year. In 2016, the Board of Directors held eight half-day meetings and one all-day meeting. The Audit Committee met five times for three hours each, and the Market Committee three times for 2.5 hours each plus for one whole day. The Personnel and Compensation Committee met three times for 1.5 hours each, while the Agricultural Council met twice for two hours each (average times).

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

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

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

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

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

- the annual and investment budget
- the annual and half-year results
- Group structure up to and including Group Management
- the salary policy, in particular the remuneration system for the compensation of the members of the Board of Directors, the remuneration system for the compensation of Group Management, the total amount of salary adjustments and bonuses for employees, the pension fund regulations and other retirement benefit plans

- ceiling amounts for remuneration of the Board of Directors, the Agricultural Council and Group Management for approval by the General Meeting (for approval model, see compensation report, page 48)
- the evaluation of the main risks
- multi-year financial and liquidity planning
- strategy-relevant cooperations and agreements, in particular the purchase and sale of participations, companies, etc.
- Group regulations
- the founding and closure of companies
- approval of members of the Board of Directors of consolidated subsidiaries
- the proposal of candidates for the Board of Directors to the General Meeting.

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

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

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

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

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

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

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

Additional information and control systems are:

- Management Information System (MIS): Members of the Board of Directors receive detailed sales statistics on a monthly basis. Consolidated financial statements together with a forecast for the year-end closing statement are prepared on a quarterly basis, and the Board of Directors is informed in detail about the financial situation of the company at the same interval. The members of the Audit Committee receive the Group financial statements on a quarterly basis and are informed in detail in order to assess the financial performance.

- Risk management process: At least once a year, the Board of Directors is informed by the CEO regarding the main risks and their assessment on the basis of relevance and likelihood of occurrence. The Board of Directors approves the risk management measures defined and carried out by Group Management and monitors their implementation (see also page 88 of the Financial Report).
- External and internal auditing: Details of the external auditor are provided in section 8. Internal Auditing is a management tool used by the Board of Directors and Group Management, and as such forms a fundamental part of the internal control system. It is directly associated with the Chairman of the Audit Committee, as well as the Audit Committee as a whole, through participation in its meetings, which are held at least quarterly (five meetings in the year under review). The Audit Committee approves the auditing programme and the annual planning; it also receives all auditors' reports and is kept informed at its meetings of all findings and the resulting measures. In addition, the Head of Internal Auditing regularly meets with the Chairman of the Audit Committee.

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

4. Group Management

4.1 Members of Group Management



Members of Emmi Group Management from right (as at the balance sheet date): Jörg Riboni, Robert Muri, Natalie Rüedi, Urs Riedener (CEO), Robin Barraclough, Marc Heim and Matthias Kunz.

	Year of birth	Nationality	Education	Current function
Urs Riedener	1965	Swiss	Business Economist lic. oec. HSG Stanford Executive Program	Chief Executive Officer
Robert Muri	1950	Swiss	Certified Engineer HTL Dairy Farming MBA HSG	Deputy CEO, Executive Vice President Switzerland
Robin Barraclough	1967	United Kingdom/ Swiss	Economist	Chief Marketing Officer
Marc Heim	1967	Swiss	Economist lic. oec. HSG	Executive Vice President Europe
Matthias Kunz	1960	Swiss	Certified Agronomics Engineer ETH MBA, Stanford Executive Program	Executive Vice President Americas
Jörg Riboni	1957	Swiss	Business Economist lic. oec. HSG Certified Auditor	Chief Financial Officer
Natalie Rüedi	1971	Swiss	Certified Primary School Teacher EMBA, Lucerne University of Applied Science and Arts	Chief Human Resources Officer

4.2 Professional background and other activities and interests

Urs Riedener

CEO and Chairman of Group Management since 2008

Urs Riedener began his career at Kraft Jacobs Suchard, where he held various positions. Between 1995 and 2000, he held various management positions at the Lindt & Sprüngli Group, both in Switzerland and abroad, the most recent of which were National Sales Manager and member of the Board of Management for Switzerland. Until 2008, he was Head of Marketing and member of the Executive Board of the Migros Cooperative (MGB) in Zurich. Urs Riedener became CEO of Emmi in 2008. He also sits on the committees of the Swiss branded goods association Promarca and the Swiss marketing association GfM as well as the Executive Committee of the Institute of Marketing at the University of St. Gallen. He has been a member of the Board of Directors of Conzzeta AG since 2014 and a member of the Executive Committee of SMG (Schweizerische Management Gesellschaft) since 2015.

Robert Muri

Executive Vice President Switzerland and member of Group Management from 1996 to 2016, Deputy CEO until 2016

Robert Muri worked for various companies in the food industry, including International Flavors & Fragrances (IFF) and as Head of Production at the Central Switzerland Milk Association. In 1994, he took over responsibility for marketing and sales at Emmi's Fresh Products Division. He became Head of Fresh Products in 1996 and was appointed a member of Group Management. He also took over responsibility for the Dairy Products Division in 2004. Robert Muri was appointed Deputy CEO of Emmi in 2007 and was Executive Vice President Switzerland from 2014 to 2016. Due to his retirement, Robert Muri stepped down from Emmi Group Management on 31 December 2016.

Robin Barraclough

Chief Marketing Officer until 2016, Executive Vice President Europe since 1 January 2017, member of Group Management since 2009

From 1991 to 2007, Robin Barraclough performed various managerial marketing functions at national and international level at Mars Incorporated, latterly as senior member of the Marketing Leadership Team at the European Masterfoods headquarters in Bremen, Germany. In 2008, he was in charge of the coffee business in German-speaking Europe for Kraft Foods. Robin Barraclough joined the Emmi Group in 2009, becoming Head of Marketing and a member of Emmi Group Management. He was Chief Marketing Officer between 2014 and 2016.

Marc Heim

Executive Vice President Europe until 31 December 2016, Executive Vice President Switzerland and Deputy CEO since 1 January 2017, member of Group Management since 2009

Marc Heim held various management positions with the former Effems AG (now Mars Schweiz AG) and at Kambly SA between 1992 and 1999. In 2004, he became Managing Director of Halter Bonbons AG. He joined Emmi in 2009 and, as Head of Sales, became a member of Group Management. He was Executive Vice President Europe from 2014 to 2016.

Kai Könecke

Chief Supply Chain Officer and member of Group Management from 1 April 2017

Kai Könecke started his career at Mars (Effems), Germany, in 1993, where his roles included heading up logistics in Germany, the development of supply chain management in Europe, and latterly Plant Director at a facility with 300 employees in Viersen, Germany. After a brief stint at online retailer Amazon, he was appointed Vice President Supply Chain at Unilever Germany, Austria and Switzerland in 2012. Kai Könecke was elected a member of Group Management with effect from 1 April 2017.

Matthias Kunz

Executive Vice President Americas and member of Group Management since 2002

Matthias Kunz held various positions within the dairy industry, including Managing Director of Toni International AG from 1997 as well as Head of the Cheese Division and member of Group Management of Swiss Dairy Food from 1999. He joined Emmi in 2002, where he became a member of Group Management as Head of the International Cheese Division. In 2009, he took over as Head of the International Division. He has been Executive Vice President Americas since 2014.

Thomas Morf

Chief Marketing Officer and member of Group Management from June 2017

Thomas Morf held various marketing and management roles at Procter & Gamble in Belgium for seven years from 2000. Between 2007 and 2017, he worked at Danone in Munich, Paris and Johannesburg, including as Global Marketing Director Innovations at Danone's headquarters in France and as Marketing Director South Africa. He was most recently Managing Director of Mayo Dairy, one of three Danone business units in Southern Africa. Thomas Morf was elected a member of Emmi Group Management with effect from 19 June 2017.

Jörg Riboni

CFO and member of Group Management since 2013

Jörg Riboni worked as an auditor at two US consultancy firms from 1985 to 1991, and from 1991 to 1995 as Chief Financial and Administrative Officer at the Lacoray Group (Cosa Liebermann). He was then Chief Financial Officer at Jelmoli, and held the same position at the Sarna Group between 1997 and 2005 and at the Forbo Group from 2005 to 2012. He joined Emmi as Chief Financial Officer and member of Group Management in 2013. Jörg Riboni is Chairman or member of the Board at several privately held companies. He has also been a member of the Expert Committee of Sika AG since November 2016.

Natalie Rüedi

Chief Human Resources Officer and member of Group Management since 2011

Natalie Rüedi taught at a primary school before becoming its headmistress between 1992 and 2000. She joined the Emmi Group as a Human Resources specialist in 2000, taking over responsibility for developing and heading up staff development in 2004. She became Head of Human Resources and a member of the extended Group Management in 2009. Natalie Rüedi has been a member of Group Management since 2011 and Chief Human Resources Officer since 2014.

Members of the extended Group Management

Othmar Dubach

Head of Cheese and Dairy Products Switzerland, member of the Executive Board Switzerland and of the extended Group Management

Othmar Dubach joined the Emmi Group as Head of Marketing in 1992 after holding positions at the Swiss Federal Institute of Technology (ETH) and the Central Switzerland Milk Association. In 1993, he became a member of Group Management and took on the role of Head of the Cheese Division with responsibility for production, packaging and maturation both in Switzerland and internationally. He was appointed a member of the extended Group Management and of the Executive Board Switzerland in 2014 as part of the Group restructuring.

Max Peter

Head of Retail & Supply Chain Management Switzerland, member of the Executive Board Switzerland and of the extended Group Management

Max Peter held various management positions at Nestlé, Coop and Bon Appétit Group AG before joining Emmi in 2002 as Head of Corporate Development and a member of Group Management. He has been responsible for Retail & Supply Chain Management Switzerland since 2005, comprising purchasing as well as quality, safety and environmental management, and the transport and logistics of goods within and outside of Switzerland. Sustainability was added to his remit in 2014. He was also appointed a member of the extended Group Management and of the Executive Board Switzerland in the same year as part of the Group restructuring. Max Peter is also a member of the Board of Directors of GS1 Switzerland and President of the Swiss Sport Aid foundation.

Markus Willimann

Head of Industrial Business Switzerland, member of the Executive Board Switzerland and of the extended Group Management

Dr Markus Willimann previously worked at Jacobs Suchard and was a member of the Executive Board of UFAG AG. He joined Emmi in 1998 as a member of Group Management with responsibility for the Dairy Products Division. In 2004, he assumed responsibility for industrial business, development coordination and agricultural policy. He was appointed a member of the extended Group Management and of the Executive Board Switzerland in 2014 as part of the Group restructuring. Markus Willimann is also Chairman of the Swiss Dairy Industry Association (VMI) and a member of the Board of Directors of the Swiss Milk Sector Organisation (BOM), the Swiss Butter Sector Organisation (BOB) and the Federation of Swiss Food Industries (fial). In addition, he is a member of the Advisory Committee for Agriculture and the Agriculture Research Council of the Swiss Confederation.

4.3 Permitted number of activities

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

4.4 Management contracts

No management contracts exist.

5. Compensation, participations and loans

Information on remuneration, the definition process for compensation, statutory rules, participations, and loans and credits to members of the Board of Directors, Agricultural Council and Group Management can be found in the compensation report on pages 46 to 52.

6. Shareholders' rights of co-determination

6.1 Restrictions on voting rights and proxies

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

6.2 Statutory quorum

Unless the law stipulates otherwise, the General Meeting passes its resolutions and performs its elections by an absolute majority of the voting rights represented, not taking into account blank and invalid votes. In addition to the legal exceptions, the resolution concerning the amendment of the provision of the Articles of Association relating to the restrictions on registration (see "Nominees", page 29) also requires at least two-thirds of voting rights represented and the absolute majority of shares represented.

6.3 Convening of the General Meeting

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

6.4 Agenda

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

6.5 Entries in the share register

The share register is usually closed ten days prior to the General Meeting. The Board of Directors may approve exceptional subsequent entries on request. The effective closing date is published in the invitation to the General Meeting and in good time in the financial calendar on the Emmi website at: <https://group.emmi.com/en/media-ir/dates/>

7. Change of control/defensive measures

7.1 Obligatory offer

Emmi's Articles of Association do not include any "opting up" clauses pursuant to Art 135(1) FinfraG and no "opting out" clauses pursuant to Art. 125(4) FinfraG regarding the legal obligation to make a takeover bid.

7.2 Change-of-control clauses

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

8. Auditors

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

At the 2014 General Meeting, KPMG, Lucerne, were appointed the new statutory auditors for the financial year. They were reappointed in 2015 and 2016. According to the Articles of Association, their term ends with the approval of the financial statements for the relevant financial year. The Auditor in Charge, Thomas Affolter, has been in office since 2014. According to the provisions of the Swiss Code of Obligations, he may execute this mandate for a maximum of seven years. Thomas Affolter will therefore be responsible for the audit of the Emmi Group until the end of the 2020 financial year at the latest.

8.2 Audit fees

For the 2016 reporting year, the agreed audit fee for the performance of their mandate as statutory auditors (including the audit of the consolidated financial statements) amounted to KCHF 1,414.

8.3 Additional fees

During the year under review, KPMG charged a total of KCHF 308 for additional services beyond the scope of their statutory mandate. This fee includes KCHF 273 for tax advice and KCHF 35 for other consulting and audit-related services.

8.4 Information tools used by the external auditors

The supervision and monitoring of the auditors is exercised by the full Board of Directors. The Board of Directors' Audit Committee assesses the performance, invoicing and independence of the external auditors and provides the Board of Directors with corresponding recommendations. It also annually reviews the scope of the audit, the audit plans and the relevant procedures, and discusses the audit reports with the Auditor in Charge. Details of the term of the Auditor in Charge can be found in section 8.1. The report on the final audit of the annual accounts is also sent to all members of the Board of Directors for the final approval of the Annual Report. The Auditor in Charge attended three meetings of the Audit Committee in 2016. Details on Internal Auditing are provided in section 3.7.

9. Information policy

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

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

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

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

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

🔗 <https://group.emmi.com/en/media-ir/news-service/>

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

🔗 <https://group.emmi.com/en/media-ir/media-releases/>

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

🔗 <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

Contact for Investor Relations:

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Phone +41 58 227 50 69, E-mail ir@emmi.com,
www.emmi.com

The General Meeting will take place on 20 April 2017.

All registered shareholders will receive an invitation to the General Meeting by post.

The next business results (2017 half-year results) will be published on 23 August 2017.

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1. Guidelines

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

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

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

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

2. Remuneration system

2.1 Remuneration components

The remuneration of the Board of Directors and the Agricultural Council is fixed remuneration. The remuneration of Group Management comprises a fixed and a variable component. Variable means: depending on success and performance in the previous financial year in connection with defined objectives ("bonus"). The variable remuneration of a member of Group Management should amount to a maximum of 50% of his/her fixed remuneration. No long-term variable component has been implemented. For further information on this topic see section 2.3.

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

2.2 Remuneration of the Board of Directors and the Agricultural Council

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

Once a year, the Personnel and Compensation Committee assesses the remuneration of the Board of Directors compared to listed (small cap) and private Swiss companies. In doing so, it takes into account companies from the consumer goods sector with a similar level of internationalisation, together with firms based in the region from various sectors and of different sizes. Approximately 20 companies meeting the criteria given above, primarily from the food, machinery, plastics and retail industries, served as the comparison group. In addition, the Committee has access to a benchmark study from 2014 which compared the compensation of the Emmi Board of Directors to external salaries and analysed whether the current remuneration and remuneration structure were in line with the market. In the year under review, no external advisor was consulted regarding the remuneration structure.

The basic remuneration, social security contributions and expenses are components of the fixed remuneration according to the table "Remuneration for the year under review" on page 50. The General Meeting approves this fixed remuneration as a maximum ceiling amount for the current financial year.

2.3 Remuneration of Group Management

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

The basic remuneration reflects the experience, knowledge and continuing performance of members of Group Management as well as the competitiveness in external market comparisons based on function-related salary benchmarks. The Personnel and Compensation Committee has available to it a study from 2014 for the purpose of comparing the adequacy and competitiveness of the total remuneration. The same comparison group is used for the function-related salary benchmark and for the assessment of the remuneration of the Board of Directors. In the year under review, no external advisor was consulted regarding the remuneration structure.

The basic remuneration, non-cash benefits (company car), expense allowance and the relevant social security contributions and benefits are part of the fixed remuneration according to the table on page 50. The General Meeting approves this fixed remuneration prospectively as a maximum ceiling amount for the coming financial year.

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

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

1. Group performance (weighting 50%)
2. Business area performance (weighting 30%)
3. Achievement of individual performance targets (weighting 20%).

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

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

3. Responsibilities and definition process

3.1 Approval model of the General Meeting

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

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

The following **approval model** clarifies which remuneration components and for which period the shareholders will vote on at the 2017 Ordinary General Meeting.

3.2 Decision-making process

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

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

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

3.3 Personnel and Compensation Committee

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

Composition of the Personnel and Compensation Committee

Election by the 2016 General Meeting until the 2017 General Meeting.

Konrad Graber Chairman	Independent member and Chairman of the Board of Directors
Stephan Baer Member	Independent member of the Board of Directors
Thomas Oehen-Bühlmann Member	Independent member and Vice-Chairman of the Board of Directors

Approval model for the General Meeting 2017



4. Loans and credits

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

5. Proposals to the General Meeting

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

All amounts mentioned under point 5 are in KCHF.

5.1 Board of Directors

Approval of the total amount of fixed remuneration of the Board of Directors up to a maximum of KCHF 870 for financial year 2017.

Proposal to GM 2017 for full year 2017	Remuneration paid 2016 (see next page)	Proposal to GM 2016 for full year 2016
870 (ceiling amount)	789	810 (ceiling amount)

5.2 Agricultural Council

Approval of the total amount of fixed remuneration of the Agricultural Council up to a maximum of KCHF 32 for financial year 2017.

Proposal to GM 2017 for full year 2017	Remuneration paid 2016 (see next page)	Proposal to GM 2016 for full year 2016
32 (ceiling amount)	24	29 (ceiling amount)

5.3 Group Management fixed remuneration

Approval of the total amount of fixed remuneration of Group Management up to a maximum of KCHF 4,980 for financial year 2018.

Proposal to GM 2017 for full year 2018	Proposal to GM 2016 for full year 2017	Remuneration paid 2016 (see next page)	Proposal to GM 2015 for full year 2016
4,980 (ceiling amount)	4,570 (ceiling amount)	3,786	4,638 (ceiling amount)

5.4 Group Management variable remuneration

Approval of the total amount of variable remuneration of Group Management of KCHF 865 for financial year 2016.

Proposal to GM 2017 for full year 2016 (see next page)	Remuneration paid 2015	Proposal to GM 2016 for full year 2015
865	839	839

6. Remuneration for the year under review

in CHF 000s

Board of Directors	Fixed remuneration			Variable remuneration			Total fixed and variable	Total previous year
	Basic remuneration ¹⁾	Non-cash benefits	Other remuneration ²⁾	Total fixed ³⁾	Bonus ¹⁾	Total variable		
Konrad Graber Chairman	255	—	—	255	—	—	255	246
Thomas Oehen-Bühlmann Vice-Chairman	74	—	19	93	—	—	93	88
Christian Arnold Member	48	—	13	61	—	—	61	61
Stephan Baer Member	68	—	1	69	—	—	69	69
Monique Bourquin Member	52	—	16	68	—	—	68	65
Hans Herzog Member (until 22.04.2015)	—	—	—	—	—	—	—	25
Niklaus Meier Member	56	—	17	73	—	—	73	71
Josef Schmidli Member	44	—	13	57	—	—	57	55
Franz Steiger Member (since 22.04.2015)	43	—	12	55	—	—	55	35
Diana Strebel Member	44	—	14	58	—	—	58	56
Total Board of Directors	684	—	105	789	—	—	789	771
Agricultural Council								
Christophe Eggenschwiler	5	—	1	6	—	—	6	6
Pirmin Furrer	5	—	1	6	—	—	6	6
Kurt Nüesch	6	—	—	6	—	—	6	6
Markus Zemp	5	—	1	6	—	—	6	6
Total Agricultural Council	21	—	3	24	—	—	24	24
Group Management								
Urs Riedener, CEO	843	3	212	1,058	307	307	1,365	1,363
Other Members	2,037	21	670	2,728	558	558	3,286	3,243
Total Group Management	2,880	24	882	3,786	865	865 ⁴⁾	4,651	4,606

¹⁾ Basic remuneration and bonuses comprise payments and social security and pension contributions made by the employee.

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

³⁾ The remuneration of the Board of Directors also includes work in the committees, in the Agricultural Council (allocation of duties, see page 33 of this Annual Report), in a subsidiary as well as in the two pension fund foundations. Emmi Group employees who are members of the Agricultural Council do not receive any compensation for their work on the Agricultural Council.

⁴⁾ Subject to approval by the General Meeting.

Loans and credits in the year under review

No loans or credits were granted or made to members of the Board of Directors, Agricultural Council or Group Management in the year under review, and none were outstanding as at 31 December 2016. In addition, no loans or credits have been made to former members of the Board of Directors, Agricultural Council or Group Management, or related parties of current or former members of the Board of Directors, Agricultural Council or Group Management, and none were outstanding as at 31 December 2016.

7. Auditors' report



Report of the Statutory Auditor

To the General Meeting of Shareholders of Emmi AG, Lucerne

We have audited the accompanying remuneration report of Emmi AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the section 6 on page 50 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2016 of Emmi AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Sandro Masciarucci
Licensed Audit Expert

Lucerne, 24 February 2017


We are market-oriented!

What do customers need? What delights consumers? What trends can we make use of to outperform? How can we keep on improving?

Being market-oriented is the result of perfect cooperation between Development, Production, Logistics, Procurement and Marketing. The ultimate goal is always for the customer to find the right product at the right time in the right place – with impeccable quality and at competitive prices. Although this sounds easy, it is tricky. The best ideas are of no use if they cannot be implemented in production. The highest quality yogurt will fail if it does not appeal to consumers. The most attractive packaging cannot conceal average quality. This is why we considered 25 different varieties of apricot before finding the best one for Jogurtpur. And it is why we analyse whether we can utilise lorries even better with cleverer loading for our shipments, potentially saving a delivery run and reducing CO₂ emissions.

Being market-oriented has many aspects. Recognising these is our aim and our passion.



A man and a woman are standing in front of a modern building with a grid of windows. A sign on a stand between them reads "We are market-oriented!". The woman is in the foreground, smiling, wearing a dark blazer and black pants. The man is standing behind her to the right, also smiling, wearing a blue blazer and jeans. The building in the background has a distinctive white facade with many rectangular windows.

*We are
market-oriented!*

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Income statement

Operating section

Emmi achieved net sales of CHF 3,258.8 million in 2016, a rise of 1.4% compared with the previous year. In organic terms, i.e. adjusted for currency and acquisition effects, Group sales fell by 1.0%.

This performance was at the lower end of expectations, with Emmi having forecasted growth of -1% to 1%. The cheese and fresh cheese segments in the business division Switzerland in particular suffered due to price pressure, curbing growth. Other factors included low international milk prices as well as difficult conditions in markets such as Spain, Chile and the UK (Brexit). By contrast, brands including Emmi Caffè Latte, Yoqua, Kaltbach, Vitalait and Rachelli saw increased sales.

Acquisition effects are attributable to the following factors:

- Purchase of cheese business of J.L. Freeman (Canada, 15 April 2015)
- Acquisition of Redwood Hill (USA, 31 December 2015)
- 60% stake in Bettinehoeve (Netherlands, 2 February 2016)
- Increased stake in SDA Chile (Chile, 19 May 2016)
- Acquisition of Cowgirl Creamery (USA, 31 May 2016)

Sales development Switzerland

The business division Switzerland generated sales of CHF 1,741.3 million, compared with CHF 1,793.3 million in the previous year. The resulting decline of 2.9% (-1.6% volume effect and -1.3% price effect) is therefore within the expected range of -4% to -2%.

The performance is attributable, among other factors, to the constant high import and price pressure, which primarily affected the cheese and fresh cheese segments. Some 4.9% more cheese was imported in 2016 than in the previous year (source: TSM Treuhand).

Lower milk prices and slightly smaller volumes had a negative impact on dairy products (milk, cream, butter).

In the cheese segment, AOP cheeses and Italian cheese processed and packaged in Switzerland declined. Italian cheese now has to be packaged in Italy. By contrast, Kaltbach remained virtually unchanged. Luzerner Rahmkäse and Le Petit Chevrier saw growth.

In fresh products, Emmi Caffè Latte and the protein-rich yogurt Yoqua posted increasing sales while private labels fell.

The business division Switzerland accounted for 53% of Group sales (previous year: 56%).

Sales by product group: Switzerland

in CHF million	Sales 2016	Sales 2015	Organic growth
Dairy products	663.4	678.5	-2.2 %
Cheese	480.5	503.5	-4.6 %
Fresh products	346.2	350.5	-1.2 %
Fresh cheese	111.5	116.6	-4.4 %
Powder/concentrates	59.8	61.9	-3.5 %
Other products/services	79.9	82.3	-2.9 %
Total Switzerland	1,741.3	1,793.3	-2.9 %

Sales development Americas

The business division Americas achieved sales of CHF 865.6 million, compared with CHF 798.1 million in the previous year, which corresponds to an increase of 8.5%. In organic terms, i.e. adjusted for currency and acquisition effects, sales rose by 2.8% – the same as in the previous year. Growth was within the forecast range of 2% to 4%. The Tunisian and US markets performed well. In the largest foreign market, the US, cheese exports from Switzerland (especially Kaltbach) and locally produced cow's and goat's milk cheese thrived.

Dairy and fresh products were stimulated by the Tunisian market, where yogurts, milk and desserts marketed under the Vitalait brand again saw strong growth. However, both segments were also negatively impacted by the decline in the Spanish market, which was primarily due to the loss of the largest Caffè Latte customer and lower milk sales (quantity and price factors).

The Chilean and French markets also disappointed as a result of tough economic conditions. In Chile, sales stabilised towards the end of the year and there were signs of a gradual market recovery.

The business division Americas accounted for 27% of Group sales (previous year: 25%).

Sales by product group: Americas

in CHF million	Sales 2016	Sales 2015	Difference 2016/2015	Acquisition effect	Currency effect	Organic growth
Cheese	361.9	329.5	9.8%	4.3%	1.9%	3.6%
Dairy products	237.1	239.1	-0.8%	0.8%	-1.9%	0.3%
Fresh products	200.5	175.5	14.2%	13.1%	-0.6%	1.7%
Fresh cheese	0.8	–	n. a.	n. a.	n. a.	n. a.
Powder/concentrates	0.2	1.1	-78.9%	–	0.5%	-79.4%
Other products/services	65.1	52.9	23.0%	7.1%	1.8%	14.1%
Total Americas	865.6	798.1	8.5%	5.5%	0.2%	2.8%

Sales development Europe

The business division Europe generated sales of CHF 519.0 million, compared with CHF 487.3 million in the previous year, an increase of 6.5%. In organic terms, however, there was a decline of 0.2%, meaning that Emmi's expectations were not met (growth of 1% to 3%).

In fresh products, Emmi Caffè Latte, Onken in the UK and Italian speciality desserts from Rachelli saw growth. Contrasted with this were negative effects caused by the weaker pound sterling, which put pressure on the dessert sales of A-27 in particular.

In the cheese segment, the Kaltbach specialties and Der Scharfe Maxx performed well, especially in Germany and Austria, while AOP cheeses suffered declining volumes.

Dairy products benefited from sales growth at Gläserne Molkerei. The low milk price had less impact on this business division as organic milk prices are more stable.

Fresh cheese was subject to positive effects from acquisition growth due to Bettinehoeve and negative effects from falling volumes and prices in Italy.

The business division Europe accounted for 16% of Group sales (previous year: 15%).

Sales by product group: Europe

in CHF million	Sales 2016	Sales 2015	Difference 2016/2015	Acquisition effect	Currency effect	Organic growth
Fresh products	206.9	212.2	-2.5 %	—	-1.9 %	-0.6 %
Cheese	124.4	122.6	1.5 %	—	1.4 %	0.1 %
Dairy products	98.2	91.1	7.7 %	1.4 %	2.2 %	4.1 %
Fresh cheese	64.7	39.9	62.1 %	75.1 %	3.3 %	-16.3 %
Powder/concentrates	18.5	14.9	24.8 %	0.1 %	2.5 %	22.2 %
Other products/services	6.3	6.6	-4.2 %	0.2 %	1.9 %	-6.3 %
Total Europe	519.0	487.3	6.5 %	6.4 %	0.3 %	-0.2 %

Sales development Global Trade

The business division Global Trade comprises direct sales from Switzerland to clients mainly 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 stood at CHF 132.9 million, compared with CHF 135.2 million in the previous year. This corresponds to a decline of 1.7%, or 1.0% in organic terms.

The negative performance is due, among other factors, to the economic slowdown and weak currencies in emerging markets such as Russia and Brazil, as well as lower sales in China. However, milk and yogurt sales rose slightly overall in Asia. Contract manufacturing in fresh products saw a slight decline.

Global Trade accounted for 4% of total Group sales (previous year: 4%).

Sales by product group: Global Trade

in CHF million	Sales 2016	Sales 2015	Difference 2016/2015	Acquisition effect	Organic growth
Cheese	48.5	54.3	-10.6 %	-1.8 %	-8.8 %
Fresh products	45.9	46.5	-1.4 %	—	-1.4 %
Powder/concentrates	18.0	13.2	36.6 %	—	36.6 %
Dairy products	12.5	9.3	34.2 %	—	34.2 %
Fresh cheese	0.4	0.4	—	—	—
Other products/services	7.6	11.5	-34.4 %	—	-34.4 %
Total Global Trade	132.9	135.2	-1.7 %	-0.7 %	-1.0 %

Gross profit

Gross profit increased by CHF 61.8 million to CHF 1,179.5 million in the year under review, compared with CHF 1,117.7 million in the previous year. This is due to a lesser extent to acquisition activities and mainly to the development of the gross profit margin, which amounted to 36.2 %, versus 34.8 % in the previous year. The business divisions Switzerland, Americas and Europe were able to increase their gross profit margins. Among other factors, this pleasing improvement is the result of the successful implementation of further rationalisation and productivity-raising measures. Brands are also gaining in importance in the product portfolio, and are accordingly also having a positive impact on the gross profit margin.

Non-recurring effects in the consolidated financial statements

No significant non-recurring effects were recorded in either the year under review or the previous year.

Operating result

Operating expenses rose by CHF 46.7 million or 5.8 % in 2016 to CHF 856.1 million, compared with CHF 809.4 million in the previous year. As operating expenses grew more strongly than sales, they increased slightly in comparison to sales, from 25.2 % to 26.2 %. As a result, the margin gain at gross profit level was reduced by one percentage point compared with the previous year.

Personnel expenses in the period under review amounted to CHF 424.5 million, compared with CHF 402.3 million in 2015. Since the increase of 5.5 % is disproportionately high in comparison with the development in sales, the ratio of personnel expenses to sales rose from 12.5 % to 13.0 % in the period under review. This development is attributable to more labour-intensive new Group companies as well as companies with lower sales than in the previous year not managing to reduce personnel costs proportionally.

Other operating expenses increased by CHF 24.5 million or 6.0 % in the period under review to CHF 431.6 million, compared with CHF 407.1 million in the previous year. Accumulated marketing and sales-related expenses amounted to CHF 129.3 million, compared to CHF 119.4 million in 2015, which corresponds to an increase of 8.3 %. More intensive marketing activities focused largely on the high-margin Global Categories, which translated into a corresponding positive impact on the gross profit margin. IT expenditure as part of administrative expenses was also a major factor in the increase in operating expenses, and was incurred in connection with the rollout of SAP in Switzerland, which has now been successfully completed. Expenditure on logistics and energy developed largely in line with sales.

Other operating income registered a year-on-year decline of CHF 1.9 million to CHF 4.7 million.

As a consequence of this development, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** increased by CHF 13.3 million to CHF 328.2 million, from CHF 314.9 million in the previous year. This led to an improvement in the **EBITDA margin**, which rose from 9.8 % to 10.1 %. Depreciation and amortisation remained largely stable at CHF 125.8 million, compared to CHF 126.7 million in the previous year.

Depreciation on property, plant and equipment fell by CHF 2.9 million, while **amortisation** on intangible assets increased by CHF 2.0 million due to acquisitions and the rollout of SAP in Switzerland.

Earnings before interest and taxes (EBIT) amounted to CHF 202.7 million in the period under review, which was CHF 13.8 million higher than the previous year's EBIT of CHF 188.9 million. The **EBIT margin** therefore increased from 5.9 % to 6.2 %.

Financial result

Net financial expenses decreased significantly by CHF 7.4 million versus the previous year to CHF 14.6 million, mainly due to the strong Swiss franc and the resulting currency losses in 2015. The currency result therefore improved by CHF 7.5 million year-on-year. The interest result remained at the same level as in the previous year.

Income taxes

In the period under review, **income taxes** increased by CHF 1.9 million to CHF 33.7 million. By contrast, the tax rate decreased from 19.0% to 17.6%.

Net profit

Net profit including minority interests amounted to CHF 158.3 million, up CHF 22.3 million from the previous year's level of CHF 136.0 million. After deduction of minority interests of CHF 18.0 million, **net profit** amounted to CHF 140.3 million. This represents an increase of CHF 20.1 million on the previous year. Accordingly, the **net profit margin** improved significantly to 4.3% in the year under review (previous year: 3.7%).

Assets, financing and cash flow

Total assets increased by CHF 51.8 million, or 2.0%, year-on-year as a consequence of operating activities and the acquisitions made.

Property, plant and equipment rose by CHF 11.0 million in the period under review due to acquisitions. While currency effects were low, depreciation totalled CHF 95.6 million and therefore slightly exceeded the investment volume in the period under review (CHF 92.4 million). Investments increased significantly year-on-year, however, by CHF 26.1 million. Intangible assets rose by CHF 18.4 million. Adjusted for currency effects, an increase of CHF 23.2 million would have been recorded. This is due primarily to the acquisitions made in the period under review, which led to an increase of CHF 42.7 million in intangible assets. An additional CHF 12.0 million was invested almost exclusively in software during the period under review. Amortisation on intangible assets amounted to CHF 31.4 million in total. Financial assets remained relatively stable overall.

With respect to trade receivables, inventories and trade payables, operating net working capital remained stable at CHF 444.1 million, compared with CHF 444.2 million in the previous year. While trade receivables were almost unchanged year-on-year, inventories fell by CHF 20.2 million and trade payables by CHF 20.7 million. The reduction in inventories is largely due to the lower stocks of butter and powder.

With regard to financing, financial liabilities of a net total of CHF 31.8 million were repaid in financial year 2016. The **equity ratio** was notably strengthened in the period under review and was 57.9% at the end of 2016, compared with 54.6% in the previous year.

Further growth can be funded on the basis of this very solid financing. This is also underpinned by the fact that, at CHF 71.4 million (previous year: CHF 111.6 million), **net debt** to EBITDA decreased further, from 0.35 to 0.22. Cash and cash equivalents increased by CHF 18.1 million from CHF 388.8 million to CHF 406.9 million in 2016.

Cash inflow from operating activities amounted to CHF 271.9 million in the period under review and was therefore almost the same as in 2015 (CHF 272.8 million). Cash flow before changes in net working capital, interest and taxes increased by CHF 17.6 million versus the previous year, essentially reflecting the operational improvement achieved at EBITDA level. This increase was compensated by higher tax payments in financial year 2016 compared to 2015. By contrast, operating net working capital remained largely unchanged.

Cash outflow from investing activities amounted to CHF 190.3 million (2015: CHF 122.0 million), with acquisitions as the main reason behind this increase. A total of CHF 93.2 million was used for the acquisition of new companies, the purchase of minority interests and corresponding advance payments in the year under review, compared with CHF 47.9 million in 2015. CHF 92.4 million was invested in property, plant and equipment in financial year 2016, which represents a significant increase on the previous year's figure of CHF 66.2 million. CHF 12.1 million was invested in intangible assets (previous year: CHF 14.9 million).

Not including the outflow of funds resulting from acquisition activities, the level of **free cash flow** generated in 2016 amounted to CHF 174.7 million, compared with CHF 198.6 million in 2015.

Cash outflow from financing activities amounted to CHF 63.2 million (2015: CHF 65.3 million). Financial liabilities totalling net CHF 31.8 million were paid back in 2016. A further CHF 32.2 million was paid out as dividends, CHF 26.2 million of which went to the shareholders of Emmi AG.

Outlook 2017

The conditions in the dairy industry remain challenging and the competitive environment will persist. Milk prices are likely to continue the upward trend begun in the second half of 2016. Emmi also expects a slight increase in prices of non-milk raw materials (e.g. coffee and sugar) and a significant rise for individual ingredients (e.g. vanilla).

Markets

Massive import pressure will continue in Switzerland and retail tourism is likely to settle at a high level. This will continue to put pressure on sales in the **business division Switzerland**, while strong existing brands and innovations will have a positive impact on sales.

The strong competition will also affect the **business division Europe**. The impact of Brexit will have an additional negative effect. Emmi expects that the pound sterling will be weak. This will not only decrease sales of our company in the UK when converted into Swiss francs but also local sales for our Italian dessert companies, for which the UK is a very important export market. A weak pound sterling will also mean higher purchasing costs for Onken yogurts, which are made in Germany, for our British company. However, the goat's cheese business and speciality cheese exports from Switzerland will buoy sales figures.

In the **business division Americas**, we expect growing demand in Tunisia (milk, fresh products) and in the US (cheese, goat's milk specialities). While the Chilean market is showing signs of recovery, foreign currency effects will remain an issue. The situation in Spain and France is, however, likely to remain difficult. It is currently not possible to report on any possible impacts of the change of government in the US.

Sales and profit development

Despite the challenging environment, Emmi is aiming for modest organic sales growth in 2017. The company believes proven brand concepts, growth in the niches of organic products and goat's milk specialities, and good performances in individual markets will drive growth.

Operational Excellence, the programme to improve efficiency, will play an important role in supporting earnings. The programme will be continued in Switzerland and the international markets. In the current financial year, it will be expanded to Italian subsidiaries Rachelli and A-27. At our international subsidiaries, we are aiming for further increases in earnings, which will contribute to the performance of the Group as a whole. Emmi therefore expects profitability in 2017 to remain at the high level of financial year 2016 despite the challenging conditions.

We are slightly more conservative than in the past with regard to the medium-term sales growth forecast for the business division Americas due to the sluggish French and Spanish markets, which play an important role in the business division. Our sales forecast at Group level and for the other business divisions, however, remains unchanged:

– Group	2% to 3%
– Switzerland	0% to 1%
– Americas	4% to 6%
– Europe	1% to 3%

Consolidated income statement

in CHF 000s

	Notes	2016	%	2015	%
Sales of products		3,233,952		3,188,315	
Sales of services		24,873		25,585	
Net sales	1	3,258,825	100.0	3,213,900	100.0
Change in inventories of semi-finished and finished products		-21,017	0.6	586	
Cost of materials and services		-2,058,296	63.2	-2,096,786	65.2
Gross operating profit		1,179,512	36.2	1,117,700	34.8
Other operating income	2	4,736	0.1	6,660	0.2
Personnel expenses		-424,494	13.0	-402,272	12.5
Other operating expenses	3	-431,602	13.2	-407,141	12.7
Operating expenses		-856,096	26.2	-809,413	25.2
Earnings before interest ¹⁾, taxes, depreciation and amortisation (EBITDA)		328,152	10.1	314,947	9.8
Depreciation on property, plant and equipment	4	-95,563	3.0	-98,440	3.0
Amortisation on intangible assets	4	-30,222	0.9	-28,275	0.9
Write-back of negative goodwill		310		630	
Earnings before interest ¹⁾ and taxes (EBIT)		202,677	6.2	188,862	5.9
Income from associates and joint ventures		3,936		1,058	
Financial result	5	-14,618		-22,053	
Earnings before taxes (EBT)		191,995	5.9	167,867	5.2
Income taxes	6	-33,700		-31,848	
Profit incl. minority interests		158,295	4.9	136,019	4.2
Minority interests		-17,974		-15,838	
Net profit		140,321	4.3	120,181	3.7
Earnings per share (diluted/basic in CHF)	7	26.23		22.46	

¹⁾ Incl. income from associates and joint ventures and other financial positions that are reported in the financial result.

Consolidated balance sheet

in CHF 000s

Assets	Notes	31.12.2016	%	31.12.2015	%
Cash and cash equivalents		406,882		388,822	
Securities		3,318		2,236	
Trade receivables	8	386,523		387,199	
Other receivables	9	32,192		31,962	
Inventories	10	347,021		367,202	
Prepayments and accrued income	11	56,245		28,634	
Current assets		1,232,181	47.3	1,206,055	47.3
Investments in associates and joint ventures	30	28,880		24,785	
Loans and other receivables	12	59,912		64,812	
Securities		1,429		1,543	
Employer contribution reserves	20	2,048		2,045	
Deferred tax assets	6	8,011		9,969	
Total financial assets		100,280		103,154	
Prepayments and accrued income	11	6,242		7,071	
Property, plant and equipment	13	920,018		909,024	
Intangible assets	14	344,359		325,967	
Non-current assets		1,370,899	52.7	1,345,216	52.7
Total assets		2,603,080	100.0	2,551,271	100.0

Liabilities and shareholders' equity

Bank overdrafts	18	14,865		39,640	
Finance lease liabilities	18	1,226		2,851	
Bonds	18	250,000		–	
Loans	18	598		4,092	
Trade payables	15	289,486		310,204	
Other payables	16	17,944		16,548	
Accrued liabilities and deferred income	17	149,896		162,911	
Provisions	19	6,760		4,980	
Current liabilities		730,775	28.1	541,226	21.2
Bank overdrafts	18	15,051		12,808	
Finance lease liabilities	18	1,911		2,189	
Loans	18	57,899		56,213	
Bonds	18	200,000		450,000	
Accrued liabilities and deferred income	17	7,462		4,887	
Provisions	19	83,963		90,221	
Non-current liabilities		366,286	14.0	616,318	24.2
Liabilities		1,097,061	42.1	1,157,544	45.4
Share capital		53,498		53,498	
Capital reserves		76,451		102,665	
Retained earnings		1,191,605		1,051,605	
Shareholders' equity excl. minority interests		1,321,554	50.8	1,207,768	47.3
Minority interests		184,465	7.1	185,959	7.3
Shareholders' equity incl. minority interests		1,506,019	57.9	1,393,727	54.6
Total liabilities and shareholders' equity		2,603,080	100.0	2,551,271	100.0

Consolidated cash flow statement

in CHF 000s

	2016	2015
Profit incl. minority interests	158,295	136,019
Net interest expense	11,687	11,725
Income taxes	33,700	31,848
Loss/gain on disposal of fixed assets	313	-694
Depreciation and amortisation	123,519	116,817
Impairment charges	2,266	9,898
Write-back of negative goodwill	-310	-630
Change in provisions	3,665	3,596
Income from associates and joint ventures	-3,936	-1,058
Other non-cash adjustments	-196	3,879
Cash flow before changes in net working capital, interest and taxes	329,003	311,400
Change in inventories	25,656	-11,673
Change in trade receivables	12,512	20,590
Change in other receivables, prepayments and accrued income	8,541	-12,192
Change in trade payables	-34,125	-19,056
Change in other payables, accrued liabilities and deferred income	-16,524	27,813
Interest paid	-13,965	-14,229
Taxes paid	-39,223	-29,899
Cash flow from operating activities	271,875	272,754
Investments in property, plant and equipment	-92,369	-66,238
Proceeds from disposal of property, plant and equipment	1,235	1,895
Purchase of securities	-471	—
Sale of securities	—	4,142
Investments in intangible assets	-12,051	-14,937
Proceeds from sale of shares in associates	—	488
Acquisition of consolidated companies	-93,162	-48,390
Repayment/grant of loans receivable	3,824	-1,676
Dividend received	687	574
Interest received	2,004	2,112
Cash flow from investing activities	-190,303	-122,030
Change in other current financial liabilities	-34,316	-26,679
Change in other non-current financial liabilities	2,534	-20,562
Share of minority interests in capital increase of a group company	749	6,350
Dividend paid to shareholders	-26,214	-20,329
Dividend paid to minority interests	-5,960	-4,037
Cash flow from financing activities	-63,207	-65,257
Currency translation	-305	-6,952
Net change in cash and cash equivalents	18,060	78,515
Cash and cash equivalents at beginning of period	388,822	310,307
Cash and cash equivalents at end of period	406,882	388,822

Consolidated statement of changes in equity

in CHF 000s

	Share capital	Capital reserves (premium)	Retained earnings	Accumulated translation differences	Total profit reserves	Total excl. minority interests	Minority interests	Total incl. minority interests
Shareholders' equity as at 1 Jan. 2015	53,498	122,994	999,773	-37,906	961,867	1,138,359	174,446	1,312,805
Change in ownership structure of a group company	—	—	-687	—	-687	-687	7,059	6,372
Profit incl. minority interests	—	—	120,181	—	120,181	120,181	15,838	136,019
Currency translation differences	—	—	—	-29,756	-29,756	-29,756	-7,347	-37,103
Dividend	—	-20,329	—	—	—	-20,329	-4,037	-24,366
Shareholders' equity as at 31 Dec. 2015	53,498	102,665	1,119,267	-67,662	1,051,605	1,207,768	185,959	1,393,727
Change in scope of consolidation	—	—	—	—	—	—	1,686	1,686
Capital increase of a group company	—	—	—	—	—	—	1,358	1,358
Acquisition of minority interests	—	—	—	—	—	—	-14,394	-14,394
Profit incl. minority interests	—	—	140,321	—	140,321	140,321	17,974	158,295
Currency translation differences	—	—	—	-321	-321	-321	-2,158	-2,479
Dividend	—	-26,214	—	—	—	-26,214	-5,960	-32,174
Shareholders' equity as at 31 Dec. 2016	53,498	76,451	1,259,588	-67,983	1,191,605	1,321,554	184,465	1,506,019

As at 31 December 2016, 5,349,810 registered shares with a par value of CHF 10 were issued (as at 31 December 2015: 5,349,810). With regard to the rights associated with the shares, we refer to note 2 in the Corporate Governance report.

As of 31 December 2016, the accumulated non-distributable reserves amounted to CHF 34.7 million (previous year CHF 34.8 million).

Notes to the financial statements

Principles of consolidation

General information

The Board of Directors of Emmi AG approved the Group financial statements on 24 February 2017. 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 2016, 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. Pages 71 to 73 refer to the valuation principles of specific balance sheet items. The income statement is presented using the classification of expenses based on their nature. The consolidated financial statements are based on economic values and present a true and fair view of the company's assets, financial position and results of operations. They are prepared under the assumption of going concern.

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

Scope of consolidation

The consolidated financial statements include the annual accounts of Emmi AG as well as the Group companies in which Emmi AG directly or indirectly holds more than 50 % of the voting rights or where Emmi has a controlling influence over the financial and business policy of a company by contractual agreement. Investments in joint ventures and investments in associates where Emmi has significant influence (this is usually assumed when the Group owns 20 % to 50 % of the voting rights in the company) are accounted for using the equity method. Accounts based on or reconciliations to Swiss GAAP FER are used to calculate Emmi's proportionate share in shareholders' equity. Participations of less than 20 % 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 30).

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 30.

Consolidated companies		Currency	Capital in thousands	Capital share 31.12.2016	Capital share 31.12.2015
Bettinehoeve Groep B.V., Etten-Leur, Netherlands ¹⁾	Acquired on 2.2.2016	EUR	297	60 %	—
Goat Milk Powder B.V., Etten-Leur, Netherlands ²⁾	Partially acquired on 2.2.2016	EUR	1	45 %	35 %
SDA Chile, S.A., Santiago, Chile	Partially acquired on 19.5.2016	CLP	798,271	72 %	33 %
Cowgirl Creamery Corporation, Petaluma, United States	Acquired on 31.5.2016	USD	339	100 %	—
Tomales Bay Foods, Inc., Petaluma, United States	Acquired on 31.5.2016	USD	555	100 %	—
Emmi Lácteos España, S.L.U. in liq., Pamplona, Spain	Liquidated on 30.6.2016	EUR	—	—	100 %
Surlat Corporación, S.A., Santiago, Chile	Founded on 14.7.2016	CLP	28,624,995	72 %	—
Emmental S.r.l. in liq., Milano, Italy	Liquidated on 3.8.2016	EUR	—	—	100 %

¹⁾ Bettinehoeve Group consists, apart from the mother company mentioned above, of three further subsidiary companies. See note 30.

²⁾ Due to the increase of the capital share in Goat Milk Powder B.V., Emmi has fully consolidated this company effective 2 February 2016.

Consolidation method

Capital is consolidated using the purchase method.

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

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

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

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

Translation of foreign currencies¹⁾

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. 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 in foreign currencies that are part of the net investment in a subsidiary are recognised in equity.

Exchange differences resulting from the revaluation of proportionate 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 are derecognised upon sale of the company and repatriated in the income statement as part of the gain or loss resulting from the sale.

¹⁾ Currency exchange rates in CHF

	Annual average rates		Year-end rates	
	2016	2015	31.12.2016	31.12.2015
1 EUR	1.09	1.07	1.07	1.08
1 GBP	1.34	1.47	1.26	1.47
1 USD	0.99	0.96	1.02	0.99
1 CAD	0.74	0.75	0.76	0.72
1 TND	0.46	0.49	0.44	0.49
100 CLP	0.15	0.15	0.15	0.14

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 securities held as long-term investments, long-term loans, employer contribution reserves and deferred tax assets. Securities held as long-term investments and long-term loans are valued at cost less any necessary impairment. Employer contribution reserves are recognised at nominal value. For a description of valuation principles of long-term investments, refer to the consolidation principles, whereas for the valuation principles of deferred taxes, refer to the specific section "Deferred income taxes".

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 plant	10 to 15 years
Business infrastructure	5 to 10 years
Vehicles	4 to 7 years
Company-produced additions to plant and equipment	5 years

Intangible assets

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

Impairment

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

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

Government grants

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

Liabilities

Group liabilities are recognised at their nominal values.

Leasing

Leasing transactions are divided into finance leases and operating leases. A lease is classified as a finance lease if it essentially transfers all the risks and rewards 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 24.

Provisions

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

Negative goodwill

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

Employee benefit plan liabilities

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

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

The economic impact of existing pension schemes on Emmi Group is reviewed each year. An economical benefit is recognised if it is permitted and intended to use the surplus to decrease the future pension expenses of the company. An economical 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 economical benefits or economical 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 22.

Net sales and revenue recognition

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

Research and development

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

Contingent liabilities

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

Notes to the consolidated financial statements

in CHF 000s

1 Segment reporting

By product groups and divisions	2016	Switzerland 2015	2016	Americas 2015
Milk	256,823	262,080	206,792	208,693
Butter and margarine	234,266	236,444	143	–
Cream	172,313	179,917	30,126	30,399
Dairy products	663,402	678,441	237,061	239,092
As % of net sales	38.1	37.8	27.4	30.0
Fresh products	346,248	350,508	200,538	175,540
As % of net sales	19.9	19.5	23.2	22.0
Natural cheese	424,939	446,323	344,758	314,841
Processed cheese	55,541	57,178	17,101	14,626
Cheese	480,480	503,501	361,859	329,467
As % of net sales	27.6	28.1	41.8	41.3
Fresh cheese	111,511	116,611	844	–
As % of net sales	6.4	6.5	0.1	–
Powder/concentrates	59,766	61,932	223	1,059
As % of net sales	3.4	3.5	–	0.1
Other products	59,773	61,654	62,394	49,990
Sales of services	20,136	20,641	2,716	2,946
Other products and services	79,909	82,295	65,110	52,936
As % of net sales	4.6	4.6	7.5	6.6
Net sales	1,741,316	1,793,288	865,635	798,094
As % of Group net sales	53.4	55.8	26.6	24.8
By country group	2016	in %	2015	in %
Switzerland	1,741,316	53.4	1,793,288	55.8
Europe excl. Switzerland	872,934	26.8	839,196	26.1
North and South America	462,345	14.2	405,830	12.6
Africa	142,492	4.4	136,836	4.3
Asia/Pacific	39,738	1.2	38,750	1.2
Total	3,258,825	100.0	3,213,900	100.0

Emmi does not publish segment results since this would cause significant competitive disadvantages towards stakeholders, non-listed and larger listed competitors both in Switzerland and abroad.

The business divisions are not defined strictly according to geographical considerations. The business division Americas includes the Emmi Group companies in the US, Canada, Chile, Spain, France and Tunisia. The business division Europe incorporates those in Italy, Germany, Austria, Belgium, the Netherlands and the UK. 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.

	2016	Europe 2015	2016	Global Trade 2015	2016	Group 2015
	76,489	71,612	2,988	3,738	543,092	546,123
	18,171	15,891	8,781	5,546	261,361	257,881
	3,512	3,633	728	27	206,679	213,976
	98,172	91,136	12,497	9,311	1,011,132	1,017,980
	18.9	18.7	9.4	6.9	31.0	31.7
	206,880	212,204	45,902	46,538	799,568	784,790
	39.8	43.5	34.6	34.4	24.5	24.4
	107,232	106,013	40,488	43,744	917,417	910,921
	17,143	16,570	8,064	10,558	97,849	98,932
	124,375	122,583	48,552	54,302	1,015,266	1,009,853
	24.0	25.2	36.5	40.2	31.2	31.4
	64,690	39,919	408	390	177,453	156,920
	12.5	8.2	0.3	0.3	5.4	4.9
	18,552	14,868	17,981	13,163	96,522	91,022
	3.6	3.1	13.5	9.7	3.0	2.8
	4,652	4,917	7,192	11,189	134,011	127,750
	1,631	1,645	390	353	24,873	25,585
	6,283	6,562	7,582	11,542	158,884	153,335
	1.2	1.3	5.7	8.5	4.9	4.8
	518,952	487,272	132,922	135,246	3,258,825	3,213,900
	15.9	15.2	4.1	4.2	100.0	100.0

2 Other operating income

	2016	2015
Company-produced additions to plant and equipment	1,128	958
Gain on disposal of fixed assets	372	694
Miscellaneous operating income	3,236	5,008
Total	4,736	6,660

3 Other operating expenses

	2016	2015
Marketing and sales related expenses	129,283	119,381
Occupancy expense, maintenance and repair, leasing	67,452	64,422
Insurance, fees and HGV road tax	16,207	15,250
Energy, operating material and supplies	62,766	61,343
Administrative expenses	42,766	35,641
Logistic expenses	92,711	91,575
Other operating expenses	20,417	19,529
Total	431,602	407,141

4 Depreciation and amortisation

	2016	2015
Depreciation of property, plant and equipment	93,297	90,774
Impairment of property, plant and equipment	2,266	7,666
Amortisation of goodwill	15,337	12,742
Impairment of goodwill	–	1,270
Amortisation of other intangible assets	14,885	13,301
Impairment of other intangible assets	–	962
Total	125,785	126,715

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

5 Financial result

	2016	2015
Interest income	2,009	2,316
Other financial income	418	1,041
Total financial income	2,427	3,357
Interest expense	-13,696	-14,041
Bank charges and fees	-1,077	-1,570
Total financial expenses	-14,773	-15,611
Total excl. currency result	-12,346	-12,254
Currency result	-2,272	-9,799
Financial result	-14,618	-22,053

6 Income taxes

	2016	2015
Current income taxes	38,747	33,358
Deferred income taxes	-5,047	-1,510
Total	33,700	31,848
Average tax rate	17.6 %	19.0 %

Net accruals for current income taxes decreased from CHF 24.0 million in 2015 to CHF 22.4 million in 2016. Deferred income taxes are calculated for every company using the effective applicable tax rate. As at 31 December 2016, the resulting weighted average tax rate was 18.7 % (previous year 19.5 %). Deferred income tax assets include recognised tax claims from tax loss carryforwards amounting to CHF 6.0 million (previous year CHF 5.9 million) and deferred income taxes on temporary differences in the amount of CHF 2.0 million (previous year CHF 4.1 million).

Details on change of tax claims from tax loss carryforwards	2016	2015
Recognised tax claims from tax loss carryforwards	6,010	5,914
Unrecognised tax claims from tax loss carryforwards	21,710	23,206
Total tax claims from tax loss carryforwards	27,720	29,120
Recognised tax claims from loss carryforwards at 1.1.	5,914	11,749
Additions	254	69
Reductions	-3,396	-2,803
Reassessment	2,752	-1,956
Other adjustments	486	-1,145
Recognised tax claims from loss carryforwards at 31.12.	6,010	5,914

The net change of tax claims from tax loss carryforwards decreased the income taxes of the current period by CHF 0.1 million.

7 Earnings per share

	2016	2015
Number of shares on 1.1.	5,349,810	5,349,810
Number of shares on 31.12.	5,349,810	5,349,810
Average number of shares	5,349,810	5,349,810
Net profit in CHF 000s	140,321	120,181
Earnings per share (in CHF)	26.23	22.46

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

8 Trade receivables

	2016	2015
Third parties	375,604	373,279
Associates	14,500	17,214
Shareholders	252	581
Allowance for doubtful accounts	-3,833	-3,875
Total	386,523	387,199

9 Other receivables

	2016	2015
Third parties	29,255	28,555
Associates	2,890	3,407
Other related parties	47	–
Total	32,192	31,962

10 Inventories

	2016	2015
Finished products	82,941	118,569
Merchandise	22,953	19,546
Raw materials, semi-finished products and packaging material	248,405	244,733
Other inventories	1,645	1,612
Allowance for market price adjustments	-8,923	-17,258
Total	347,021	367,202

The inventory allowance decreased by CHF 8.3 million. This is mainly because of lower allowances required for export butter and natural cheese compared to the previous year.

11 Prepayments and accrued income

	2016	2015
Income taxes	8,623	5,056
Other – third parties	53,268	30,484
Other – associates	596	165
Total	62,487	35,705
Thereof current prepayments and accrued income	56,245	28,634
Thereof non-current prepayments and accrued income	6,242	7,071

Other prepayments and accrued income consist mainly of various refunds, accrued promotion costs, VAT and prepayments of insurance premiums, as well as in the current period a prepayment in relation with the acquisition activity.

12 Loans and other receivables

	2016	2015
Third parties	47,147	46,729
Associates	12,765	18,083
Total	59,912	64,812

The carrying amount of loans and other receivables from third parties includes impaired loans in the amount of CHF 4.2 million (previous year CHF 7.1 million). Due to payments received for loans which were already impaired, the total impairment on loans has been reduced by CHF 2.9 million in comparison with the previous year.

13 Property, plant and equipment

2016	Undeveloped land	Properties/ Buildings	Plant/ Equipment	Tangible fixed assets under construction	Other tangible assets	Total
Purchase value at 1.1.2016	4,505	684,503	1,349,224	42,700	55,897	2,136,829
Change in scope of consolidation	—	8,050	22,618	113	710	31,491
Additions	—	1,997	8,390	79,719	2,263	92,369
Disposals	—	-376	-26,645	—	-2,735	-29,756
Reclassification	—	7,167	58,961	-71,309	5,181	—
Currency translation differences	—	361	-718	-59	-248	-664
As at 31 December 2016	4,505	701,702	1,411,830	51,164	61,068	2,230,269
Accumulated depreciation at 1.1.2016	1,058	297,457	889,682	—	39,608	1,227,805
Change in scope of consolidation	—	2,966	12,896	—	532	16,394
Depreciation	—	16,183	71,685	—	5,429	93,297
Impairment charges	—	197	1,916	—	153	2,266
Disposals	—	-371	-25,410	—	-2,427	-28,208
Currency translation differences	—	-154	-868	—	-281	-1,303
As at 31 December 2016	1,058	316,278	949,901	—	43,014	1,310,251
Net book value at 31 December 2016	3,447	385,424	461,929	51,164	18,054	920,018
Thereof finance lease	—	—	3,429	—	—	3,429

2015	Undeveloped land	Properties/ Buildings	Plant/ Equipment	Tangible fixed assets under construction	Other tangible assets	Total
Purchase value at 1.1.2015	4,518	713,571	1,367,119	56,597	59,780	2,201,585
Change in scope of consolidation	—	—	14,900	86	243	15,229
Additions	—	874	7,190	56,334	1,840	66,238
Disposals	—	-25,736	-76,966	—	-7,260	-109,962
Reclassification	—	8,167	59,111	-69,785	2,507	—
Currency translation differences	-13	-12,373	-22,130	-532	-1,213	-36,261
As at 31 December 2015	4,505	684,503	1,349,224	42,700	55,897	2,136,829
Accumulated depreciation at 1.1.2015	1,063	303,629	901,893	—	43,476	1,250,061
Change in scope of consolidation	—	—	4,943	—	136	5,079
Depreciation	—	16,576	68,952	—	5,246	90,774
Impairment charges	—	5,041	2,552	—	73	7,666
Disposals	—	-24,702	-76,700	—	-7,196	-108,598
Currency translation differences	-5	-3,087	-11,958	—	-2,127	-17,177
As at 31 December 2015	1,058	297,457	889,682	—	39,608	1,227,805
Net book value at 31 December 2015	3,447	387,046	459,542	42,700	16,289	909,024
Thereof finance lease	—	—	4,064	—	—	4,064

14 Intangible assets

2016	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value at 1.1.2016	92,935	64,657	311,801	28,086	339,887	9,113	506,592
Change in scope of consolidation	10	536	42,419	—	42,419	—	42,965
Additions	—	11,373	—	—	—	678	12,051
Disposals	—	-8,200	—	—	—	-28	-8,228
Currency translation differences	-3,926	72	-3,326	—	-3,326	252	-6,928
As at 31 December 2016	89,019	68,438	350,894	28,086	378,980	10,015	546,452
Accumulated amortisation 1.1.2016	26,649	32,817	102,356	12,447	114,803	6,356	180,625
Change in scope of consolidation	8	244	—	—	—	—	252
Amortisation	4,189	10,225	15,337	1,186	16,523	471	31,408
Disposals	—	-8,091	—	—	—	—	-8,091
Currency translation differences	-813	73	-1,568	—	-1,568	207	-2,101
As at 31 December 2016	30,033	35,268	116,125	13,633	129,758	7,034	202,093
Net book value at 31 December 2016	58,986	33,170	234,769	14,453	249,222	2,981	344,359

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

2015	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value at 1.1.2015	104,899	42,025	286,649	28,086	314,735	4,775	466,434
Change in scope of consolidation	—	7,926	40,783	—	40,783	1,584	50,293
Additions	—	14,801	—	—	—	136	14,937
Disposals	-11	-265	—	—	—	-124	-400
Reclassification	-4,062	879	—	—	—	3,183	—
Currency translation differences	-7,891	-709	-15,631	—	-15,631	-441	-24,672
As at 31 December 2015	92,935	64,657	311,801	28,086	339,887	9,113	506,592
Accumulated amortisation 1.1.2015	26,235	16,606	90,741	11,270	102,011	2,619	147,471
Change in scope of consolidation	—	7,877	—	—	—	—	7,877
Amortisation	4,460	7,936	12,742	1,177	13,919	905	27,220
Impairment charges	—	962	1,270	—	1,270	—	2,232
Disposals	-11	-265	—	—	—	-124	-400
Reclassification	-3,138	109	—	—	—	3,029	—
Currency translation differences	-897	-408	-2,397	—	-2,397	-73	-3,775
As at 31 December 2015	26,649	32,817	102,356	12,447	114,803	6,356	180,625
Net book value at 31 December 2015	66,286	31,840	209,445	15,639	225,084	2,757	325,967

15 Trade payables

	2016	2015
Third parties	265,250	278,917
Associates	9,052	9,448
Shareholders	15,044	21,429
Other related parties	140	410
Total	289,486	310,204

16 Other payables

	2016	2015
Third parties	15,098	13,763
Associates	–	128
Other related parties	2,846	2,657
Total	17,944	16,548

17 Accrued liabilities and deferred income

	2016	2015
Interest	4,488	4,757
Income taxes	31,055	29,045
Liabilities to employees and social security accruals	31,197	29,114
Contractual discounts	45,825	57,728
Other – third parties	43,462	45,388
Other – associates	1,296	1,766
Other – shareholders	35	–
Total	157,358	167,798
Thereof current accrued liabilities and deferred income	149,896	162,911
Thereof non-current accrued liabilities and deferred income	7,462	4,887

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

18 Financial liabilities

18.1 Bonds

Bond type	Bond with reopening option
Nominal amount	CHF 250 million
Securities number	13194685/ISIN CH0131946854
Interest rate	2.125 %
Term	30 June 2011 to 30 June 2017
Maturity	30 June 2017 at par value

The CHF 2.4 million expenses incurred in connection with the issuance of the bond were capitalised under Prepayments and accrued income on 30 June 2011. This accrual will be released over the term of the bond. The actual interest rate on the bond is thereby increased from 2.125 % to 2.285 % per year.

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.

18.2 Maturing structure of financial liabilities

2016	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	14,865	13,164	1,887	29,916	6,819	0.7–9.0
Finance lease liabilities	1,226	1,911	–	3,137	–	3.0–8.3
Bonds	250,000	–	200,000	450,000	–	1.6–2.1
Loans from third parties	598	9,143	44,504	54,245	49,627	0.0–5.4
Loans from associates	–	4,252	–	4,252	–	2.0–4.0
Total	266,689	28,470	246,391	541,550	56,446	–

Bank loans with residual terms up to one year are usually set at variable interest rates. Bonds and the major part of the long-term financial debts are set at fixed terms. In accordance with the terms of the credit agreement, some bank loans are linked to financial covenants such as net equity ratio and net debt to EBITDA ratio. In the current year as well as in the previous year, Emmi Group clearly complied with all financial covenants.

In the year under review, financial liabilities were reduced by CHF 26.2 million due to agreed repayments. 83.5 % (previous year 80.2 %) of the financing is denominated in Swiss Francs, mainly through the two bonds in the amount of CHF 450.0 million. 9.9 % (previous year 9.3 %) of the financial liabilities is denominated in US Dollar, 3.6 % (previous year 6.1 %) in Euro and 3.0 % (previous year 4.4 %) in other currencies such as Chilean Peso or Tunisian Dinar.

2015	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	39,640	12,415	393	52,448	27,715	0.7–7.2
Finance lease liabilities	2,851	2,100	89	5,040	–	3.0–8.0
Bonds	–	250,000	200,000	450,000	–	1.6–2.1
Loans from third parties	4,092	4,997	46,742	55,831	46,910	1.7–5.4
Loans from associates	–	4,474	–	4,474	–	2.0
Total	46,583	273,986	247,224	567,793	74,625	–

19 Provisions

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred income taxes	Total provisions
As at 1 January 2016	3,084	1,241	17,501	73,375	95,201
Change in scope of consolidation	–	–	–	620	620
Additions	116	–	13,638	1,329	15,083
Utilisation	-49	–	-4,194	–	-4,243
Release	-250	-310	-5,562	-9,193	-15,315
Currency translation differences	–	–	-382	-241	-623
As at 31 December 2016	2,901	931	21,001	65,890	90,723
Thereof current provisions	401	310	6,049	–	6,760
Thereof non-current provisions	2,500	621	14,952	65,890	83,963

The restructuring provisions recognised as at 31 December 2016 relate in particular to costs in connection with the decision to merge production sites.

Other provisions include in particular provisions for pending legal matters and business disputes (2016: CHF 6.6 million, 2015: CHF 8.0 million), and liabilities for staff expenses in foreign countries as required by law (2016: CHF 4.7 million, 2015: CHF 4.0 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 2015	1,135	1,898	16,897	82,209	102,139
Change in scope of consolidation	—	—	337	212	549
Additions	2,515	—	7,460	3,102	13,077
Utilisation	-76	—	-3,995	—	-4,071
Release	-490	-657	-2,157	-11,601	-14,905
Currency translation differences	—	—	-1,041	-547	-1,588
As at 31 December 2015	3,084	1,241	17,501	73,375	95,201
Thereof current provisions	563	310	4,107	—	4,980
Thereof non-current provisions	2,521	931	13,394	73,375	90,221

20 Employee benefit schemes

	Nominal value ECR	Waiver of usage	Other value adjustments	Balance sheet	Balance sheet	Result from ECR in personnel expenses	
Employer contribution reserve (ECR)	31.12.2016	31.12.2016	31.12.2016	31.12.2016	31.12.2015	2016	2015
Pension schemes without excess/insufficient cover (domestic)	1,489	—	—	1,489	1,489	—	—
Pension schemes with excess cover (domestic)	559	—	—	559	556	3	—
Total	2,048	—	—	2,048	2,045	3	—

	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	
Economic benefit/economic obligation and pension expenses	31.12.2016	31.12.2016	31.12.2015			2016	2015
Welfare funds	40,180	—	—	—	—	—	—
Pension schemes without excess/insufficient cover (domestic)	—	—	—	—	19,157	19,157	19,525
Pension schemes without excess/insufficient cover (abroad)	—	—	—	—	1,374	1,374	934
Pension schemes with excess cover (domestic)	17	—	—	—	99	99	155
Total	40,197	—	—	—	20,630	20,630	20,614

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

Breakdown of pension expenses 2016

	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	19,253	1,374	20,627
Contributions to pension plans from employer contribution reserves	—	—	—
Total contributions	19,253	1,374	20,627
Change in ECR due to asset performance, value adjustments, etc.	3	—	3
Contributions and change to employer contribution reserves	19,256	1,374	20,630
Increase in economic benefit to the company due to excess cover	—	—	—
Reduction in economic obligations of the company due to insufficient cover	—	—	—
Total change in economic impact arising from excess/insufficient cover	—	—	—
Pension expenses in personnel expenses for the period	19,256	1,374	20,630

Breakdown of pension expenses 2015

	Domestic	Foreign	Total
Contributions to pension plans at cost to the companies	19,680	934	20,614
Contributions to pension plans from employer contribution reserves	—	—	—
Total contributions	19,680	934	20,614
Change in ECR due to asset performance, value adjustments, etc.	—	—	—
Contributions and change to employer contribution reserves	19,680	934	20,614
Increase in economic benefit to the company due to excess cover	—	—	—
Reduction in economic obligations of the company due to insufficient cover	—	—	—
Total change in economic impact arising from excess/insufficient cover	—	—	—
Pension expenses in personnel expenses for the period	19,680	934	20,614

21 Acquisitions

The companies acquired by Emmi in 2016 and 2015, respectively, reported the following main balance sheet items at the date of acquisition:

	2016				2015	
	Bettinehoeve Group	Goat Milk Powder B.V.	SDA Chile, S.A.	Cowgirl	Redwood Hill Farm & Creamery, Inc.	9314 — 8591 Québec Inc.
Cash	1,396	105	448	2,506	482	—
Trade receivables	5,133	524	5,948	1,343	1,661	1,913
Inventories	2,288	144	1,373	993	2,194	1,797
Other current assets	1,361	127	71	523	71	1,462
Non-current assets	8,261	5,237	653	1,739	10,092	1,691
Trade payables	4,857	1,131	6,628	1,257	772	3,298
Other current liabilities	7,594	6,366	548	644	9,564	259
Non-current liabilities	1,151	—	55	363	359	190
Shareholders' equity	4,837	-1,360	1,262	4,840	3,805	3,116
Balance sheet total	18,439	6,137	8,493	7,104	14,500	6,863

On 2 February 2016, Emmi acquired a stake of 60% in the Dutch Bettinehoeve Group, based in Etten-Leur, the Netherlands. In connection with this transaction, Emmi Group company AVH dairy trade B.V. increased its stake in Goat Milk Powder B.V. from 50% to 60% and therefore obtained control over it.

On 19 May 2016, Emmi Group company Kaiku Corporación Alimentaria increased its stake in Chilean Surlat Group from 45% to 98% and as such obtained control over it.

On 31 May 2016, Emmi fully took over the cheese company Cowgirl Creamery Corporation and the associated company Tomales Bay Foods, Inc., based in Petaluma, California, USA. The company is specialised in the production of organic speciality cheeses.

On 15 April 2015, Emmi acquired through its acquisition of the company 9314 — 8591 Québec Inc. based in Boucherville, Canada, the cheese business of J.L. Freeman.

On 31 December 2015, Emmi acquired all shares of Redwood Hill Farm & Creamery, Inc. based in Sebastopol, USA.

22 Unsettled derivative financial instruments

	31.12.2016			31.12.2015		
	Positive value	Negative value	Purpose	Positive value	Negative value	Purpose
Forward currency transactions	1,121	1,169	Hedging	1,633	600	Hedging
Other forward transactions	305	–	Hedging	–	781	Hedging
Total forward transactions	1,426	1,169	–	1,633	1,381	–
of which to hedge future cash flows	967	968	–	1,451	1,086	–
Total recognised in the balance sheet	459	201	–	182	295	–

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. Corresponding changes in value are recognised in the income statement (financial result).

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

23 Contingent assets and liabilities

Emmi is involved in legal disputes in connection with ordinary operating activities. Although the outcome of the lawsuits currently cannot be predicted with certainty, Emmi assumes that none of the disputes will have any significant negative impact on the operating activities or on the Group's financial situation. Expected outgoing payments are provided for accordingly. Emmi is committed, in relation to the application for a government grant, to indemnify a third-party investor for damages up to CHF 19.1 million (2015: CHF 18.6 million) in case Emmi does not comply with the conditions attached to the grant. As at the date of the financial statements, the Group had no major contingent assets.

24 Pledged assets and off-balance sheet leasing/rental obligations

Pledged assets	31.12.2016	31.12.2015
Pledges on property, nominal values	309,219	288,102
Pledges on other assets	3,248	12,881
Thereof used as security for own liabilities	56,446	74,625
Off-balance sheet leasing/rental obligations		
1 to 2 years	21,152	23,258
3 to 5 years	19,998	22,705
over 5 years	29,460	34,596
Total	70,610	80,559

25 Investment obligations and off-balance sheet liabilities

	31.12.2016	31.12.2015
Investment obligations in connection with previously concluded agreements	22,170	16,710
Long-term commodity contracts	600	745
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.

26 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 2016 and 2015, 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 the financial statements (see notes 8, 9, 11, 12, 15, 16, 17 und 18).

Transactions with associates	2016	2015
Net sales	57,443	72,426
Cost of materials and services	68,934	80,561
Other expenses	3,131	10,276
Financial income	3,360	541
Financial expense	84	87

Transactions with shareholders	2016	2015
Net sales	5,459	5,840
Cost of materials and services	194,299	221,488
Other expenses	23	12
Financial income	–	200

Transactions with other related parties	2016	2015
Net sales	2,500	2,965
Cost of materials and services	2,758	3,546
Other expenses	72	77

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 for the VAT liabilities of the Genossenschaft Zentralschweizer Milchproduzenten ZMP and ZMP Invest AG.

Other transactions

The compensation paid to members of the Board of Directors and Group Management is disclosed in the compensation report of Emmi AG on page 50.

27 Shareholders

Nominal capital	31.12.2016	%	31.12.2015	%
ZMP Invest AG , Lucerne ¹⁾	29,087	54.4	29,077	54.3
Zentralschweizer Milchkäuferverband, Willisau ¹⁾	2,250	4.2	2,250	4.2
MIBA Milchverband der Nordwestschweiz, Aesch (BL) ¹⁾	1,811	3.4	1,906	3.6
Other	20,350	38.0	20,265	37.9
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG , Lucerne, the Zentralschweizer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Aesch (BL), form a group in the sense of Article 121 of the FinfraG. The Group owns 62.0 % (previous year 62.1 %) of the total voting rights.

As at 27 January 2015, Capital Group Companies, Inc. informed us that it owned 271,591 shares of Emmi AG (5.1 %). As at 25 January 2016, Capital Group Companies, Inc. reported that it owned 263,500 shares of Emmi AG (4.9 %) and as at 7 June 2016, Capital Group Companies Inc. reported that it owned 268,500 shares of Emmi AG (5.019 %). These disclosure notifications were filed with Emmi AG and the SIX Swiss Exchange according to the applicable disclosure requirements (since 1 January 2016 Article 124 FinfraG, previously Article 21 of the SESTA).

As at 31 December 2016, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares (unchanged to previous year) of Emmi AG.

28 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 is monitoring the implementation of the defined measures 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 reached new highs in 2016. This has a negative impact on the sales of products from Swiss production both in Switzerland and abroad. Although full liberalisation of the Swiss milk market remains a long-term risk, this is absorbed through targeted and sustainable growth abroad. The risks related to the international growth of the Emmi Group are minimised by consistent focus on the strategy and its implementation.
- Currency risk: The political environment and currencies are becoming more volatile. By making purchases in foreign currencies a natural hedge is ensured. Furthermore, under 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 are threatening 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.

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 EUR, USD and GBP.

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

29 Subsequent events

Acquisition of Jackson-Mitchell, Inc.

On 4 January 2017, Emmi acquired 100 % of the American family company Jackson-Mitchell, Inc.. This firm is a leading supplier of goat's milk and evaporated and powdered goat's milk in the US. The company employs 30 employees working at two production sites in California and Arkansas and generates annual sales of almost USD 30 million.

Complete take over of Mittelland Molkerei AG

On 9 January 2017, Emmi fully took over the Mittelland Molkerei AG by increasing its stake from 60 % to 100 %.

Acquisition of Lácteos Caprinos S.A.

On 12 January 2017, Emmi acquired a stake of 80 % in Lácteos Caprinos S.A. in Campillo de Arenas (Spain). This firm is specialised in the manufacture of semi-finished products (curd) for goat's cheese manufacturers both in Spain and abroad. With 30 employees, Lácteos Caprinos S.A. generates annual sales of around EUR 13 million.

Acquisition of Italian Fresh Foods S.p.A.

On 18 January 2017, Emmi signed an agreement to buy the Italian desserts specialist Italian Fresh Foods S.p.A. in Lasnigo/Como (Italy). The closing should take place in March 2017. Italian Fresh Foods S.p.A. generates annual sales of about EUR 20 million and employs 70 employees.

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 24 February 2017, no other major events occurred which could adversely affect the validity of the annual financial statements for 2016 or which would have to be disclosed.

30 Summary of consolidated companies, associates and joint ventures

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2016	Capital share 31.12.2016	Capital share 31.12.2015
Switzerland						
Emmi AG	Lucerne	Holding	CHF	53,498	100%	100%
Baumann Käse AG	Zollikofen	Trade	CHF	100	100%	100%
Emmi Finanz AG	Lucerne	Service	CHF	100	100%	100%
Emmi Fondue AG	Langnau i.E.	Production	CHF	15,000	100%	99%
Emmi Frisch-Service AG	Schlieren	Trade	CHF	1,000	100%	100%
Emmi International AG	Lucerne	Service	CHF	5,000	100%	100%
Emmi Management AG	Lucerne	Service	CHF	500	100%	100%
Emmi Schweiz AG	Lucerne	Prod. and trade	CHF	5,700	100%	100%
FDS Fromagerie de Saignelégier SA	Saignelégier	Production	CHF	1,050	86%	86%
Fromco S.A. Moudon	Moudon	Production	CHF	2,100	60%	60%
Holding der Schweizerischen Milchproduzenten	Münchenbuchsee	Service	CHF	100	100%	100%
Käseri Studer AG	Hefenhofen	Prod. and trade	CHF	240	100%	100%
Lesa Lataria Engiadinaisa SA	Bever	Prod. and trade	CHF	1,500	80%	80%
Mittelland Molkerei AG	Suhr	Production	CHF	20,000	60%	60%
Molkerei Biedermann AG	Bischofszell	Prod. and trade	CHF	1,010	100%	100%
MOPRO Luzern AG	Lucerne	Service	CHF	120	100%	100%
Regio Molkerei beider Basel AG	Frenkendorf	Production	CHF	3,000	80%	80%
Studer Holding AG	Hefenhofen	Service	CHF	720	100%	100%
Studer Käsemarketing AG	Hefenhofen	Service	CHF	100	100%	100%
SWEET PORT SERVICES SA	Lugano	Trade	CHF	250	100%	100%
Swissexport, Aktiengesellschaft Schweizerischer Käseexporteure	Berne	Service	CHF	100	79%	79%
Spain						
Admilac Servicios Profesionales, S.L.	San Sebastián	Service	EUR	3	73%	73%
Altamira Alimentaria, S.L.	Renedo	Trade	EUR	3	73%	73%
Emmi Lácteos España, S.L.U. in liq. ¹⁾	Pamplona	Trade	EUR	—	—	100%
Kaiku Corporación Alimentaria, S.L.	San Sebastián	Service and Trade	EUR	82,110	73%	73%
Kaiku Internacional, S.L.	San Sebastián	Service and Trade	EUR	61,632	73%	73%
Lácteos de Navarra, S.L.	Pamplona	Production	EUR	9,647	73%	73%
Llet Nostra Alimentaria, S.L.	Barcelona	Trade	EUR	3	36%	33%
SDA Bilbao, S.L.	Bilbao	Service	EUR	3	73%	73%
SDA Catalunya	Barcelona	Trade	EUR	3	55%	53%
SDA Gipuzkoa, S.L.	Bilbao	Service	EUR	3	73%	73%
Sociedad Distribuidora Alimentaria, S.L.	Bilbao	Service and Trade	EUR	625	73%	73%
Soc. Servicios Logísticos SDA Central, S.L.	Bilbao	Service	EUR	3	73%	73%
Tecnología y Calidad Láctea, S.L.	San Sebastián	Service	EUR	3	73%	73%

¹⁾ Emmi Lácteos España, S.L.U. in liq. was liquidated on 30 June 2016.

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2016	Capital share 31.12.2016	Capital share 31.12.2015
Netherlands						
AVH dairy trade B.V.	Bergen	Prod. and trade	EUR	18	75 %	70 %
Bettinehoeve B.V. ²⁾	Etten-Leur	Prod. and trade	EUR	18	60 %	—
Bettinehoeve Groep B.V. ²⁾	Etten-Leur	Service	EUR	297	60 %	—
Bettinehoeve Holding B.V. ²⁾	Etten-Leur	Service	EUR	18	60 %	—
Bettinehoeve Onroerend Goed B.V. ²⁾	Etten-Leur	Service	EUR	18	60 %	—
Emmi Benelux B.V.	Tiel	Trade	EUR	523	100 %	100 %
Emmi Finance Netherlands B.V.	Tiel	Service	EUR	p.m.	95 %	95 %
Goat Milk Powder B.V.	Etten-Leur	Production	EUR	1	45 %	35 %
Rachelli International B.V.	Amsterdam	Trade	EUR	18	100 %	100 %
Germany						
Emmi Deutschland GmbH	Essen	Trade	EUR	75	100 %	100 %
Gläserne Meierei GmbH	Dechow	Prod. and trade	EUR	375	100 %	76 %
Gläserne Molkerei GmbH	Münchehofe	Prod. and trade	EUR	100	100 %	76 %
Hofmolkerei Münchehofe GmbH	Münchehofe	Trade	EUR	25	100 %	76 %
Meierei Mecklenburg GmbH	Dechow	Trade	EUR	25	100 %	76 %
Molkerei Biedermann GmbH	Constance	Trade	EUR	25	100 %	100 %
Rutz Käse GmbH	Constance	Trade	EUR	25	100 %	100 %
Italy						
A-27 S.p.A.	Rancio Valcuvia	Prod. and trade	EUR	1,000	100 %	100 %
Emmental S.r.l. in liq. ³⁾	Milan	Trade	EUR	—	—	100 %
Emmi Holding Italia S.r.l.	Milan	Service	EUR	1,714	100 %	100 %
Emmi Italia S.p.A.	Milan	Trade	EUR	500	100 %	100 %
Eurogel S.r.l.	Pero	Trade	EUR	40	100 %	100 %
Rachelli Italia S.r.l.	Pero	Production	EUR	52	100 %	100 %
France						
Distribution Frais Disfrais SAS	Avignon	Trade	EUR	192	66 %	66 %
EAF Immo 84 SCI	Nice	Service	EUR	270	66 %	66 %
Emmi France SAS	Rungis	Trade	EUR	40	100 %	100 %
Ets Schoepfer SAS	Avignon	Trade	EUR	1,252	66 %	66 %
SAS Emmi Ambrosi France E.A.F.	Nice	Service	EUR	100	66 %	66 %
Belgium						
Emmi Belux SA	Brussels	Trade	EUR	62	100 %	100 %
United Kingdom						
Emmi UK Limited	London	Trade	GBP	4,717	100 %	100 %
Austria						
Emmi Österreich GmbH	Nüziders	Trade	EUR	2,800	100 %	100 %
Tunisia						
Centrale Laitière de Mahdia, S.A.	Mahdia	Production	TND	30,000	33 %	33 %
Société tunisienne d'engraissement des veaux S.A.R.L.	Mahdia	Production	TND	140	30 %	30 %

²⁾ Part of Bettinehoeve Group. Bettinehoeve Group was acquired on 2 February 2016.

³⁾ Emmental S.r.l. in liq. was liquidated on 3 August 2016.

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2016	Capital share 31.12.2016	Capital share 31.12.2015
United States						
Cowgirl Creamery Corporation ⁴⁾	Petaluma	Prod. and trade	USD	339	100%	—
Cypress Grove Chèvre, Inc.	Arcata	Prod. and trade	USD	202	100%	100%
Emmental Cheese Corp.	Orangeburg	Trade	USD	6	100%	100%
Emmi Holding (USA), Inc.	Orangeburg	Service	USD	1	100%	100%
Emmi Penn Yan LLC	Penn Yan	Production	USD	2,390	100%	100%
Emmi Platteville, Inc.	Delaware	Service	USD	p.m.	100%	100%
Emmi Roth USA, Inc.	Monroe	Prod. and trade	USD	2	100%	100%
Emmi USA Inc.	Orangeburg	Trade	USD	800	100%	100%
Redwood Hill Farm & Creamery, Inc.	Sebastopol	Prod. and trade	USD	835	100%	100%
Switzerland Cheese Marketing (USA) Inc.	Orangeburg	Trade	USD	1	79%	79%
Tomales Bay Foods, Inc. ⁵⁾	Petaluma	Prod. and trade	USD	555	100%	—
Zingg + Co. Inc.	Orangeburg	Trade	USD	1	100%	100%
Chile						
Eurolac Chile, S.A.	Santiago	Service	CLP	29,020,654	73%	73%
Kaiku Internacional, S.L. Agencia en Chile	Santiago	Service	CLP	55,203	73%	73%
SDA Chile, S.A.	Santiago	Trade	CLP	798,271	72%	33%
Surlat Comercial, S.A.	Santiago	Trade	CLP	7,934,483	72%	44%
Surlat Corporación, S.A. ⁶⁾	Santiago	Service	CLP	28,624,995	72%	—
Surlat Industrial, S.A.	Pitrufrquen	Production	CLP	20,310,389	72%	44%
Canada						
Emmi Canada Inc.	Saint-Laurent	Trade	CAD	33,152	100%	100%
Switzerland Cheese Marketing Inc.	Saint-Laurent	Trade	CAD	1	79%	79%
9314 — 8591 Québec Inc.	Boucherville	Trade	CAD	3,137	100%	100%

⁴⁾ Cowgirl Creamery Corporation was acquired on 31 May 2016.

⁵⁾ Tomales Bay Foods, Inc. was acquired on 31 May 2016.

⁶⁾ Surlat Corporación, S.A. was founded on 14 July 2016.

The percentage of voting rights controlled by Emmi Group in subsidiaries of Kaiku Corporación Alimentaria, S.L. and subsidiaries of SAS Emmi Ambrosi France E.A.F. differs from the capital share since Emmi controls these subsidiaries through its control of the parent companies.

Associates and joint ventures	Head Office	Function	Currency	Capital in 000s 31.12.2016	Capital share 31.12.2016	Capital share 31.12.2015
Switzerland						
BO Butter GmbH	Berne	Service	CHF	500	20%	20%
Cetra Alimentari SA	Lugano	Trade	CHF	250	34%	34%
Emmentaler Schaukäserei AG	Affoltern i.E.	Prod. and trade	CHF	4,954	37%	36%
FDC Fromagerie de Courgenay SA	Courgenay	Service	CHF	990	25%	25%
Sbrinz Käse GmbH	Sursee	Service	CHF	180	24%	24%
Switzerland Cheese Marketing AG	Berne	Service	CHF	290	23%	23%
Thurgauische Käse-Reifungs AG	Weinfelden	Service	CHF	2,000	25%	25%
Vermo Tiefkühl Pool AG	Lucerne	Trade	CHF	2,500	35%	35%
Italy						
Ambrosi S.p.A.	Brescia	Prod. and trade	EUR	10,000	25%	25%
Sepa S.r.l.	Pieve Porto Morone	Prod. and trade	EUR	100	40%	40%
Venchiaredo S.p.A.	Ramuscello	Prod. and trade	EUR	5,158	24%	24%
Germany						
Carl Fr. Scheer GmbH + Co. KG	Willstätt	Trade	EUR	500	25%	25%
Scheer Verwaltungs u. Beteiligungs GmbH	Willstätt	Service	EUR	26	25%	25%
Spain						
Batiovo I.A.E.	Madrid	Trade	EUR	12	37%	37%
Serkolat Bide, S.L.	San Sebastián	Service	EUR	8	37%	37%
Netherlands						
Goat Milk Powder B.V. ¹⁾	Etten-Leur	Production	EUR	–	–	35%
United States						
Big Red Cheese Company LLC	Monroe	Trade	USD	p.m.	50%	50%
Emmi Meister LLC ²⁾	Fitchburg	Production	USD	1	50%	–
Kindred Creamery LLC ³⁾	Fitchburg	Trade	USD	1	30%	–
The Icelandic Milk and Skyr Corporation	New York	Production	USD	p.m.	22%	22%
White Hill Cheese Company LLC	Shullsburg	Production	USD	7,000	50%	50%
Chile						
SDA Chile, S.A. ⁴⁾	Santiago	Trade	CLP	–	–	33%
Mexico						
Mexideli 2000 Holding S.A. de C.V.	Mexico-City	Trade	MXN	102,935	50%	50%

¹⁾ As a result of additional share acquisitions in the reporting period, Goat Milk Powder B.V. was fully consolidated in 2016 and is therefore classified under consolidated companies.

²⁾ Emmi Meister LLC was founded on 1 June 2016.

³⁾ Kindred Creamery LLC was founded on 1 June 2016.

⁴⁾ As a result of additional share acquisitions in the reporting period, SDA Chile, S.A. was fully consolidated in 2016 and is therefore classified under consolidated companies.

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 2016 and the consolidated statement of income, consolidated statement of changes in equity and consolidated cash flow statement 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 65 to 93) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

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

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

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



Valuation of goodwill



Valuation of inventories, in particular the cheese inventory

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



Valuation of goodwill

Key Audit Matter

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

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

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

Our response

We mainly performed the following audit procedures:

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

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

For further information on goodwill refer to the following:

- Principles of valuation, pages 71 and 72
- Note 14 Intangible assets



Valuation of inventories, in particular the cheese inventory

Key Audit Matter

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

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

Our response

We mainly performed the following audit procedures:

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

We analyzed the consistency of the valuation method used for cheese inventories by a prior year comparison. We assessed the appropriateness of the cheese inventory valuation by testing acquisition costs and the



cheese handling as well as the expected sales volumes and prices.

calculation of manufacturing costs on a sample basis. To test the valuation at lower of cost or net realizable value, we compared costs and sales prices by reference to a sample.

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

- Principles of valuation, page 71
- Note 10 Inventories

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Sandro Masciarucci
Licensed Audit Expert

Lucerne, 24 February 2017

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Income statement

in CHF 000s

	Notes	2016	2015
Income from investments	2.1	61,282	56,938
Other financial income	2.2	4,062	15,832
Other operating income		6,456	6,617
Total income		71,800	79,387
Financial expenses	2.3	-1,147	-23,145
Personnel expenses		-899	-875
Other operating expenses		-1,149	-1,259
Amortisation		—	-503
Direct taxes		-945	—
Total expenses		-4,140	-25,782
Net profit		67,660	53,605

Balance sheet

in CHF 000s

Assets	Notes	31.12.2016	%	31.12.2015	%
Cash and cash equivalents		4,776		3,691	
Other short-term receivables from third parties		8		592	
Other short-term receivables from companies in which the entity holds an investment		121,015		135,946	
Prepayments and accrued income		1,413		425	
Current assets		127,212	15.9	140,654	18.1
Loans to companies in which the entity holds an investment	2.4	248,508		248,614	
Investments in subsidiaries and associates	2.5	424,900		386,222	
Financial assets		673,408		634,836	
Prepayments and accrued income		9		21	
Non-current assets		673,417	84.1	634,857	81.9
Total assets		800,629	100.0	775,511	100.0
Liabilities and shareholders' equity					
Other current payables due to third parties		144		171	
Accrued liabilities and deferred income		2,527		4,459	
Current liabilities		2,671	0.3	4,630	0.6
Non-current interest-bearing debts due to third parties		10,720		24,360	
Provisions		774		1,503	
Non-current liabilities		11,494	1.5	25,863	3.3
Liabilities		14,165	1.8	30,493	3.9
Share capital	2.6	53,498		53,498	
Legal capital reserves					
– Reserves from capital contributions	2.7	82,657		108,871	
Legal retained earnings reserve		2,886		2,886	
Voluntary retained earnings					
– Free reserves		575,000		525,000	
– Available earnings					
– Profit brought forward		4,763		1,158	
– Net profit		67,660		53,605	
Shareholders' equity		786,464	98.2	745,018	96.1
Total liabilities and shareholders' equity		800,629	100.0	775,511	100.0

Statement of changes in equity

in CHF 000s

	Share capital	Legal capital reserves	Legal retained earnings reserve	Free reserves	Available earnings	Total
Shareholders' equity as at 1 January 2013	53,498	168,788	2,886	295,000	69,167	589,339
Allocation	–	–	–	65,000	-65,000	–
Dividend	–	-19,259	–	–	–	-19,259
Net profit for the year	–	–	–	–	83,690	83,690
Shareholders' equity as at 31 December 2013	53,498	149,529	2,886	360,000	87,857	653,770
Allocation	–	–	–	85,000	-85,000	–
Dividend	–	-20,329	–	–	–	-20,329
Net profit for the year	–	–	–	–	78,301	78,301
Shareholders' equity as at 31 December 2014	53,498	129,200	2,886	445,000	81,158	711,742
Allocation	–	–	–	80,000	-80,000	–
Dividend	–	-20,329	–	–	–	-20,329
Net profit for the year	–	–	–	–	53,605	53,605
Shareholders' equity as at 31 December 2015	53,498	108,871	2,886	525,000	54,763	745,018
Allocation	–	–	–	50,000	-50,000	–
Dividend	–	-26,214	–	–	–	-26,214
Net profit for the year	–	–	–	–	67,660	67,660
Shareholders' equity as at 31 December 2016	53,498	82,657	2,886	575,000	72,423	786,464

Notes to the financial statements

in CHF 000s

1. Principles

1.1 General aspects

These financial statements were for the first time 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. 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 recognized 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 interest income on loans granted to companies in which the entity holds an investment.

2.3 Financial expenses

Financial expenses mainly comprise interest expenses and foreign currency losses.

2.4 Loans to companies in which the entity holds an investment

Loans to companies in which the entity holds an investment include subordinated loans in the amount of CHF 40.0 million (previous year CHF 40.0 million).

2.5 Investments

	Function	Currency	Capital in 000s 31.12.2016	Capital share 31.12.2016	Capital share 31.12.2015
Switzerland					
Baumann Käse AG , Zollikofen	Trade	CHF	100	100 %	100 %
Cetra Alimentari SA , Lugano	Trade	CHF	250	34 %	34 %
Emmi Finanz AG, Lucerne	Service	CHF	100	100 %	100 %
Emmi Fondue AG , Langnau i.E.	Production	CHF	15,000	100 %	99 %
Emmi Frisch-Service AG, Schlieren	Trade	CHF	1,000	100 %	100 %
Emmi International AG , Lucerne	Service	CHF	5,000	100 %	100 %
Emmi Management AG, Lucerne	Service	CHF	500	100 %	100 %
Emmi Schweiz AG , Lucerne	Production and trade	CHF	5,700	100 %	100 %
Fromco S.A. Moudon, Moudon	Production	CHF	2,100	60 %	60 %
Holding der Schweizerischen Milchproduzenten, Münchenbuchsee	Service	CHF	100	100 %	100 %
Mittelland Molkerei AG , Suhr	Production	CHF	20,000	60 %	60 %
Molkerei Biedermann AG , Bischofszell	Production and trade	CHF	1,010	100 %	100 %
MOPRO Luzern AG , Lucerne	Service	CHF	120	100 %	100 %
Studer Holding AG, Hefenhofen	Service	CHF	720	100 %	100 %
Switzerland Cheese Marketing AG, Berne	Service	CHF	290	23 %	23 %
Vermo Tiefkühl Pool AG , Lucerne	Trade	CHF	2,500	35 %	35 %
Italy					
Emmi Holding Italia S.r.l., Milan	Service	EUR	1,714	70 %	70 %
Netherlands					
Emmi Finance Netherlands B.V., Tiel	Service	EUR	p.m.	80 %	80 %
Spain					
Kaiku Corporación Alimentaria, S.L., San Sebastián	Service and Trade	EUR	82,110	73 %	73 %
United Kingdom					
Emmi UK Limited, London	Trade	GBP	4,717	100 %	100 %

The above-mentioned investments are directly held by Emmi AG. Investments which are indirectly held by Emmi AG are mentioned in note 30 of the consolidated financial statements.

2.6 Share capital and significant shareholders

The share capital of KCHF 53,498 as at 31 December 2016 consists of 5,349,810 registered shares with a nominal value of CHF 10 (31 December 2015: 5,349,810 registered shares with a nominal value of CHF 10).

Nominal capital	31.12.2016	%	31.12.2015	%
ZMP Invest AG, Lucerne ¹⁾	29,087	54.4	29,077	54.3
Zentralschweizer Milchkäuferverband, Willisau ¹⁾	2,250	4.2	2,250	4.2
MIBA Milchverband der Nordwestschweiz, Aesch (BL) ¹⁾	1,811	3.4	1,906	3.6
Other	20,350	38.0	20,265	37.9
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Aesch (BL), from a Group in the sense of Article 121 of the FinfraG. The Group owns 62.0% (previous year 62.1%) of the total voting rights.

As at 27 January 2015, Capital Group Companies, Inc. informed us that it owned 271,591 shares of Emmi AG (5.1%). As at 25 January 2016, Capital Group Companies, Inc. reported that it owned 263,500 shares of Emmi AG (4.9%) and as at 7 June 2016, Capital Group Companies Inc. reported that it owned 268,500 shares of Emmi AG (5.019%). These disclosure notifications were filed with Emmi AG and the SIX Swiss Exchange according to the applicable disclosure requirements (since 1 January 2016 Article 124 FinfraG, previously Article 21 of the SESTA).

As at 31 December 2016, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares (unchanged to previous year) of Emmi AG.

2.7 Capital contribution reserve

	31.12.2016	31.12.2015
Confirmed by the tax authorities	76,885	103,099
Not confirmed by the tax authorities	5,772	5,772
Total	82,657	108,871

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

3. Other disclosures

3.1 Full-time equivalents

In 2016 and in the previous year, Emmi AG employed fewer than 10 employees on average.

3.2 Collateral provided for liabilities of third parties

	31.12.2016	31.12.2015
Guarantees and joint liability for loans of Group companies	584,185	604,185
Of which used by Group companies	450,759	450,765
Other guarantees for Group companies	76,350	1,050

3.3 Contingent liabilities

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

3.4 Net release of hidden reserves

In the period under review, there was no net release of hidden reserves (previous year KCHF 2,700).

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

As at 31 December 2016, 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 31.12.2016	No of shares 31.12.2015
Board of Directors		
Konrad Graber, Chairman	950	950
Thomas Oehen, Vice-Chairman	610	610
Christian Arnold, member	30	30
Stephan Baer, member	34,500	34,500
Monique Bourquin, member	–	–
Niklaus Meier, member	200	200
Josef Schmidli, member	74	74
Franz Steiger, member	400	400
Diana Strebel, member	–	–
Agricultural Council		
Christophe Eggenschwiler	–	–
Pirmin Furrer	–	–
Kurt Nüesch	–	–
Markus Zemp	–	–
Group Management		
Urs Riedener, CEO	–	–
Robert Muri, Deputy CEO	100	100
Robin Barraclough, member	20	20
Marc Heim, member	150	150
Matthias Kunz, member	27	27
Jörg Riboni, member	–	–
Natalie Rüedi, member	–	–

The members of the Board of Directors, the Agricultural Council and Group Management own a total of 37,061 shares (previous year 37,061 shares) and thus hold 0.7 % of the voting rights (previous year 0.7 %).

3.6 Significant events after the balance sheet date

Complete take over of Mittelland Molkerei AG

On 9 January 2017, Emmi fully took over the Mittelland Molkerei AG by increasing its stake from 60 % to 100 %.

Acquisition of Lácteos Caprinos S.A.

On 12 January 2017, Emmi acquired a stake of 80 % in Lácteos Caprinos S.A. in Campillo de Arenas (Spain).

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

Proposed appropriation of available earnings

in CHF 000s

Available earnings	31.12.2016	31.12.2015
Retained earnings carried forward	4,763	1,158
Net profit	67,660	53,605
Available for distribution by the Annual General Meeting	72,423	54,763

Appropriation of available earnings

The Board of Directors proposes that the Annual General Meeting approve the distribution of a dividend of CHF 5.90 (previous year CHF 4.90) gross per registered share for the 2016 financial year on 5,349,810 shares entitled to dividends. The Board of Directors likewise proposes that the distribution of CHF 5.90 per share be paid, in its entirety, out of the capital contribution reserve.

Earnings available for distribution by the Annual General Meeting	72,423	54,763
Allocation from confirmed capital contribution reserve	31,564	26,214
Dividend	-31,564	-26,214
Allocation to free reserves	-70,000	-50,000
Carried forward to new account	2,423	4,763
Total distribution	31,564	26,214
Of which from confirmed capital contribution reserve (exempt from withholding tax)	-31,564	-26,214
Share other available earnings	—	—

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 2016, 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 100 to 106) for the year ended 31 December 2016 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

We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a 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

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Sandro Mascarucci
Licensed Audit Expert

Lucerne, 24 February 2017

Share information Emmi AG

Stock exchange information		2016	2015	2014	2013	2012
Share price on 31.12.	in CHF	616.50	450.25	351.00	273.50	230.00
Year's high (end-of-day position)	in CHF	677.50	452.25	375.00	297.00	238.50
Year's low (end-of-day position)	in CHF	429.25	288.75	271.00	230.00	176.60
Market capitalisation on 31.12.	in CHF million	3,298	2,409	1,878	1,463	1,230
Average trading volume	Units	4,355	5,518	3,286	3,290	1,795

Key share data

Net income per share	in CHF	26.23	22.46	14.75	19.54	19.86
Shareholders' equity per share	in CHF	247.03	225.76	212.78	199.69	184.65
Return on shareholders' equity ¹⁾	in %	4.25	4.99	4.20	7.15	8.63
Distribution	in CHF	5.90	4.90	3.80	3.80	3.60
Distribution rate ²⁾	in %	22.49	21.81	18.58	20.83	21.33
Dividend return ³⁾	in %	0.96	1.09	1.08	1.39	1.57

¹⁾ Profit per share/year-end closing price

²⁾ Distribution per share/adjusted net profit per share

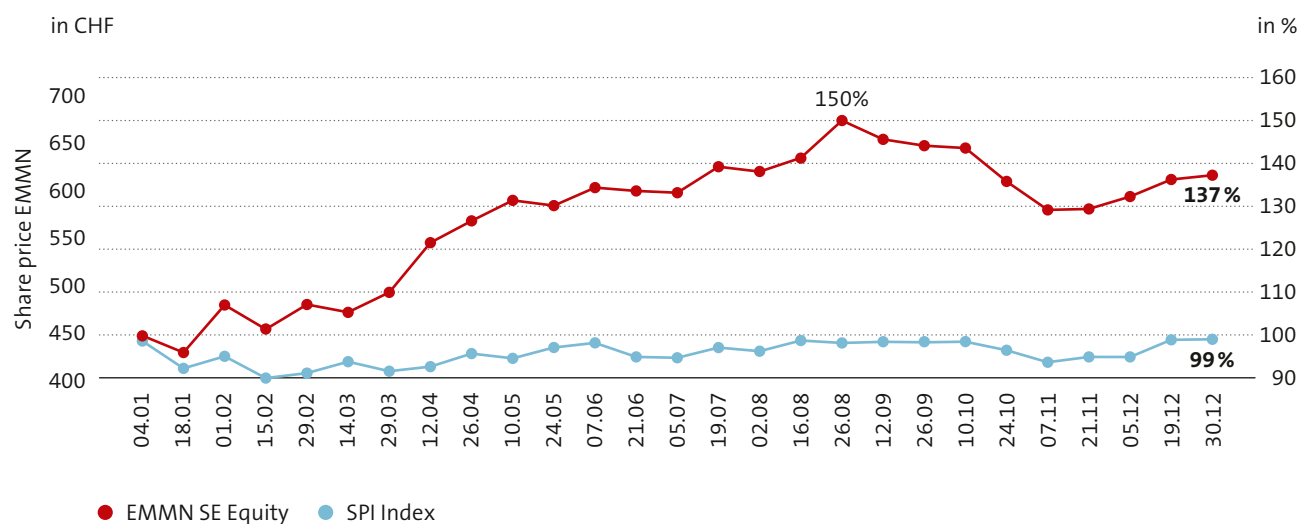
³⁾ Distribution per share/year-end closing price

Capital structure on 31.12.

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

Share ranking for dividends	All
Voting rights	All registered shareholders have full voting rights
Securities number	1.282.989
ISIN code	CH0012829898
Ticker	EMMN
Common code	20592664
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 2016



We are proactive, and not afraid of hard work!

The spare parts warehouse in Emmen stores 22,000 items and is worth CHF 7 million. Every day, dozens of items are taken from or newly stored there. When a piece of equipment or a machine malfunctions, it has to be repaired right away. Every minute counts.

Despite the impressive size of the warehouse, it was quite chaotic until a few months ago: the mechanic or electrician noted the defective item in a piece of equipment on a sheet of paper, searched for it on the numerous shelves – and eventually found it. The item was then booked manually in the system.

This was tedious, took a lot of time, and could also be frustrating. Instead of just grinning and bearing the situation, the warehouse employees rolled up their sleeves and got to work. They checked every individual item, amended inventory levels and storage locations, standardised the storage containers and gave everything a barcode. Today, the items are entered or signed out using a barcode scanner, meaning they are automatically registered.

The new system saves five working hours per employee per week – which is time that can be used to come up with other good ideas.

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





Editing

Emmi Corporate Communications & IR, Lucerne

Concept, design and production

Farner Consulting AG, Zurich

Photography

Matthias Studer: page 9

Scanderbeg Sauer: frontpage,

pages 6, 7, 16, 17, 24, 25, 54, 55, 112, 113

Translation

CLS Communication AG, Basel

Printing

Multicolor Print AG, Baar

This Annual Report is available
in German and English.

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

© Emmi, Lucerne, March 2017





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