Annual Report 2013

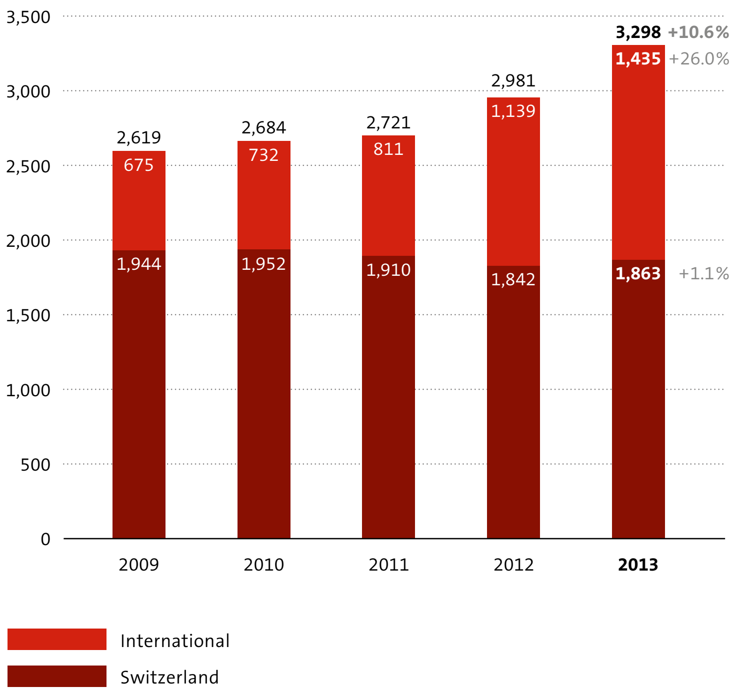
Emmi in brief

Net sales	CHF	3,298	million
EBITDA	CHF	280	million
EBIT	CHF	168	million
Net profit	CHF	105	million
Total assets	CHF	2,500	million
Shareholders' equity incl. minority interests	CHF	1,258	million
Headcount (full-time equivalents)		5,217	

Key figures Emmi Group

Net sales

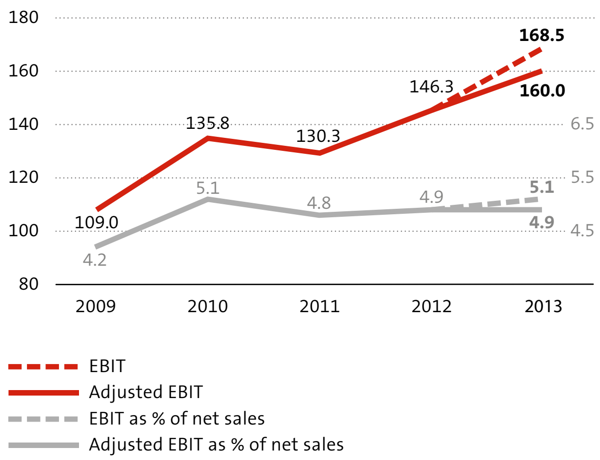
in CHF million



EBIT

in CHF million

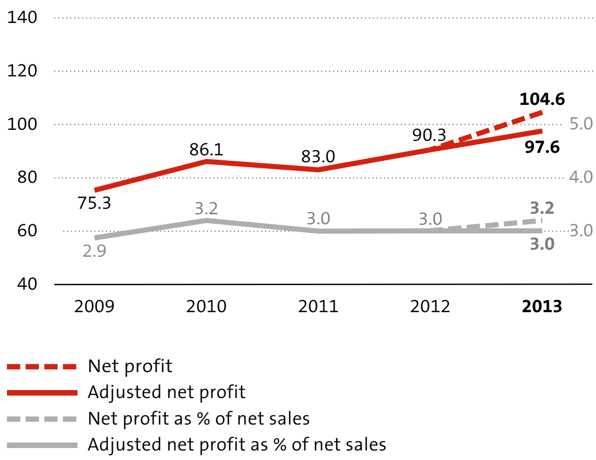
in %



Net profit

in CHF million

in %

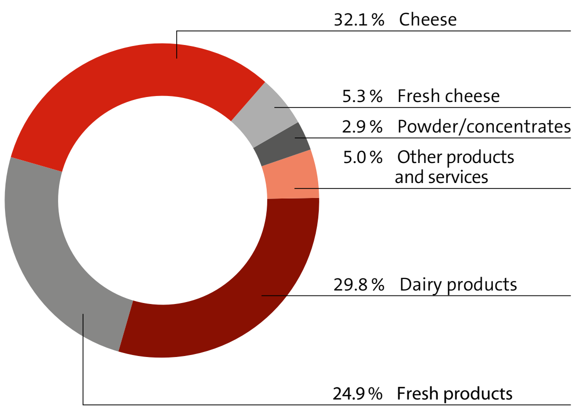


Amounts in CHF million	2013	2013 adjusted*	2012	2012 adjusted*
Net sales	**3,298**		2,981	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**280.1**		271.4	
as % of net sales	**8.5**		9.1	
Earnings before interest and taxes (EBIT)	**168.5**	**160.0**	165.7	146.3
as % of net sales	**5.1**	**4.9**	5.6	4.9
Net profit	**104.6**	**97.6**	106.2	90.3
as % of net sales	**3.2**	**3.0**	3.6	3.0
Investment in fixed assets (excl. acquisitions)	**126.2**		131.3	
as % of net sales	**3.8**		4.4	
Headcount (full-time equivalents) as at 31.12.	**5,217**		5,074	
Net sales per employee CHF 000s (average)	**632**		665	
Volume of milk and cream processed in kg million	**1,465**		1,220	

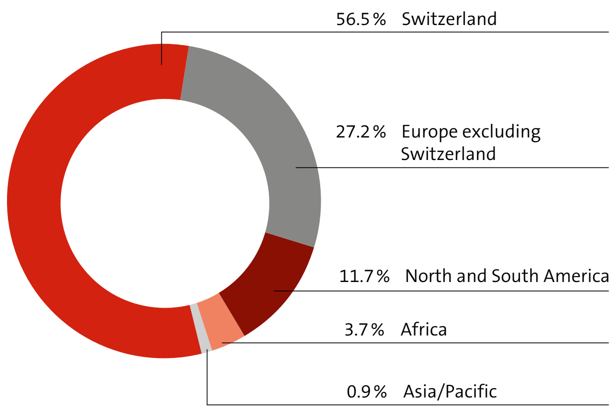
	31.12.2013		31.12.2012	
Total assets	**2,500**		2,323	
of which shareholders' equity incl. minority interests	**1,258**		1,165	
as % of total assets	**50.3**		50.2	

* Adjusted for extraordinary gains from the disposal of property, plant and equipment.
The extraordinary gains had an impact of CHF 8.5 million on EBIT and CHF 7.0 million on net profit (after taxes) (2012: CHF 19.4 million and CHF 15.9 million, respectively).

Net sales by product group 2013



Net sales by country group 2013



Emmi Group
Annual Report 2013

Emmi is the largest Swiss milk processor and one of the most innovative premium dairies in Europe. In Switzerland, the company focuses on the development, production and marketing of a full range of dairy and fresh products as well as the production, ageing and trade of primarily Swiss cheeses. Outside Switzerland, Emmi concentrates on brand concepts and specialities in Europe and North America and increasingly also in emerging markets outside of Europe. The primary focus in fresh products is on lifestyle, convenience and health products. Emmi is also one of the leading companies for Swiss cheese worldwide.

Ensuring that certain something

Emmi can only maintain its position in the market by acting in a targeted and far-sighted way. Over 10,000 hands help the Group to do this on a daily basis: they ensure quality, seal partnerships and unite tradition and innovation. The six pairs of hands belonging to the employees you see below represent all Emmi employees who bring their dedication and enthusiasm to their work every day, thus giving our products that certain something.

As an employee in Development, **Sebastian Riedweg** works on the ongoing development of Pure Swiss Yogurt.

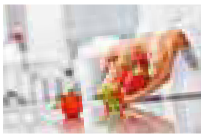
Ueli Suter is a farmer from the Lucerne region. He has been a reliable milk supplier to Emmi for many years.

Lawrence Nwali looks after the cheese specialities in Kaltbach and knows the sandstone caves inside out.

Thomas Arnold is Works Manager in Emmen, Emmi's second-largest and most complex production site.

Key Account Manager **Sophie Tomlinson** is responsible for the online and convenience channels of Emmi in the UK.

Environmental specialist **Rolf Reichlin** keeps Emmi's wastewater treatment plant in Dagmersellen up and running.



Contents

Annual Report

Corporate Governance

Financial Report

Determined pursuit of the goal

“Nothing is impossible”, as the saying goes. Pure Swiss Yogurt is a perfect example of this, being made from only three ingredients: yogurt, fruit and sugar. what makes the yogurt special is that it contains no additives, but is still full of flavour, creamy and has a long shelf life. Development and Production worked tirelessly to achieve this: where do we source fruit that is as ripe as possible? Which varieties have the most intense flavour? What do we do to prevent the fruit pieces from falling apart? How do we ensure that the yogurt is not too runny? After two years in development, we did it. Pure Swiss Yogurt meets the desire of many consumers for natural food. At the same time, Emmi has gained a technological edge with the development of the manufacturing process – and again proven its innovativeness.

Broad-based growth in Switzerland and abroad

Dear Shareholders

A restrained first half, a cost-competitive environment, successful product innovations and a brilliant finish – that would be an accurate summary of the 2013 financial year at Emmi. In Switzerland, Emmi returned to growth after some years that bore witness to slight declines. The international business also saw its sales performance move in the right direction.

The company's sales exceeded CHF 3 billion for the first time ever in the year ended 31 December 2013: it generated net sales of CHF 3,298.2 million, up 10.6 % on the previous year. Adjusted for acquisitions and currency effects, Emmi achieved sales growth of 1.6 %. Adjusted for extraordinary effects, net operating profit increased by 8.1 % to CHF 97.6 million and the net profit margin remained stable at 3.0 %. The reported extraordinary income was made up of gains from the disposal of fixed assets, in particular the frozen foods premises in Kriens and a commercial site in Langenthal, which had a positive impact on EBIT of CHF 8.5 million and on net profit (after tax) of CHF 7.0 million. As a result, net profit including extraordinary income amounted to CHF 104.6 million.

Earnings per share were CHF 19.54 (previous year: CHF 19.86). A proposal will be made to the Annual General Meeting for a gross dividend of CHF 3.80 per registered share from the capital reserves.

Strong domestic market in Switzerland

Emmi has selectively adjusted its product portfolio in recent years. The company has disposed of businesses with low margins and strengthened brand concepts that showed potential. These measures had a positive effect in 2013. Although retail sales of dairy products remained virtually stagnant, Emmi was able to achieve growth and thus slightly increase its market share. It was especially pleasing that well-known Swiss cheese specialities such as Kaltbach, Le Petit Chevrier and Luzerner Rahmkäse saw increased sales and Emmi Caffè Latte continued its success story. New concepts were added to the product portfolio such as good day, a range of lactose-free products. A further innovation was Pure Swiss Yogurt – additive-free yogurts with only three ingredients. Currently available in seven varieties, the brand will surprise its customers with additional varieties in 2014.

Growth abroad in line with planning

In the international business, Emmi's key markets developed well, reaching their sales objectives despite very low milk powder and butter exports. Such exports are used to reduce high milk stocks and disappear when milk levels are low. This had only a marginal effect on earnings, although it had an impact of around CHF 30 million on sales. Adjusted for this effect, organic international growth amounted to 4.8 %.

While consumer sentiment remained constrained in Southern Europe, flourishing markets such as the US, Chile and Tunisia as well as strong sales figures for cheese specialities, desserts and Emmi Caffè Latte allowed Emmi to achieve its growth targets.

Targeted acquisitions

Acquisition-related effects are attributable to the increase in the stakes in the Spanish firm Kaiku and French firm Diprola (both effective 1 July 2012), the acquisition of a majority interest in the Dutch company AVH (goat's and sheep's milk specialities, effective 1 January 2013) and the acquisitions of the Swiss speciality cheese manufacturer Käserei Studer (effective 1 July 2013) and the Italian dessert manufacturer Rachelli (effective 1 August 2013). Effective 31 December 2013, Emmi entered into a joint venture with the Mexican firm Mexideli. The disposal of the stake in Geneva-based Nutrifrais (effective 31 March 2013) resulted in a negative acquisition effect.

"The new structure takes into account market opportunities, the importance of the Swiss domestic market and the increasing internationalisation of the company."

Konrad Graber

Cost-competitive environment

In the Swiss market and various international markets, the pressure on prices remained high – despite generally increasing milk prices. This combination put pressure on earnings, particularly in the first six months of the year. In addition, the increase in the Kaiku and Diprola stakes led to an anticipated dilutive effect. The income situation improved in the autumn and winter, as, for seasonal reasons, the second half of the year always produces stronger income. Furthermore, it was largely possible to effect price increases, even if these had to be delayed somewhat. In some countries, this measure will only achieve the desired impact in 2014.

"Emmi has selectively adjusted its product portfolio in recent years."
Urs Riedener

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

Defining the strategic direction

In autumn 2013, Emmi approved a reorganisation that came into effect on 1 January 2014. The new structure takes into account market opportunities, the importance of the Swiss domestic market and the increasing internationalisation of the company. It focuses on the three divisions of Switzerland, Europe and the Americas and makes a clear distinction between Group and country responsibilities. Furthermore, global product categories were created. Within these categories, brands with high potential are managed by experienced marketing teams across national borders. We hope to achieve more cross-selling activities within the Group and, as a result, stronger synergy effects in sales and marketing. Further synergy potential will be identified and exploited within the expanded Group by means of strategic initiatives.

Sound backdrop for the future

We expect the environment to remain difficult, despite some optimistic forecasts. Import pressure and retail tourism will continue to impact on the Swiss business. While we expect the outlook in Southern Europe to remain subdued, particularly in Italy and France, we take a positive view on the US and the emerging markets in which Emmi is active.

Emmi wants to continue excelling with strong brand concepts, surprising innovations and careful management of its financial resources. We will spare no effort to achieve this and justify the trust of our partners. You – the customers, milk producers, suppliers, shareholders and employees of Emmi – deserve our thanks for your support.

Konrad Graber
Chairman of the Board of Directors

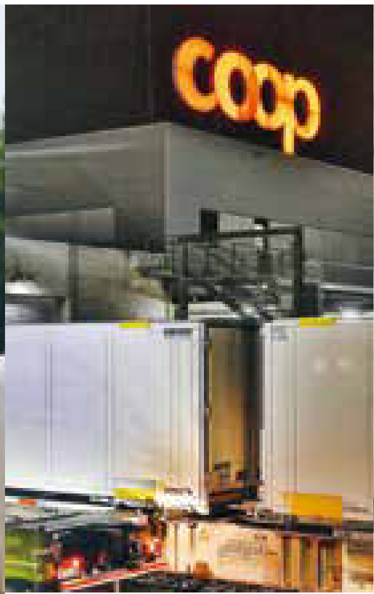
Urs Riedener
CEO

Looking back on an eventful 2013

Innumerable small events shaped the year 2013 at Emmi. The following pages cover a small selection of them. While these examples are very different in nature, they do have one thing in common: they all represent something special; all of them played a role in forging the solid foundations on which Emmi is based; and they are all testament to the innovativeness and diversity of our company.

January

- Emmi acquires a 70 % stake in Dutch goat's and sheep's milk product distributor AVH dairy trade B.V., enabling Emmi to reinforce its position in a flourishing niche market.
- At the FIS giant slalom in Adelboden, skiing fans enjoy snacks in Emmi's cosy chalet.



February

- From road to rail: Emmi supplies Ticino Coop branches by rail, thus obviating the need for over 700 lorry deliveries per year.
- With its Swiss cheese fondue, Emmi Nederland wins the innovation prize for products that have remained successful for more than five years and act as leaders in their category.

March

- Three ingredients, no additives: the new Pure Swiss Yogurt with only yogurt, fruit and sugar is launched.
- Laiteries Réunies Genève buy back the package of shares in Nutrifrais SA that they sold to Emmi in 2009.

April

- We welcome the cheese dairy Käserei Studer AG, located in eastern Switzerland. This producer of high-quality speciality cheeses becomes a part of the Emmi Group.
- Monique Bourquin-Arnold is elected to the Board of Directors of Emmi.

May

- The first lactose-free good day yogurts, drinks and milks come off the conveyor belts in Ostermundigen and Suhr.

- Motivated, capable employees are key to our success. A fifth of them have been with the company for more than 20 years.

June

- Top-notch cooking: Emmi becomes a sponsor of the Swiss national cooking team.

Cheese exports increased in the first six months of the year, with Germany, the UK and the US as particular growth drivers.

July

- The acquisition of Rachelli makes Emmi a leading European company in the field of Italian speciality desserts.

- As part of the "Fresh City Tour" Emmi Caffè Latte visits 34 towns and cities in Austria, Germany and Switzerland on Segways.

August

- Milk technologist, milk practician, logistician, plant supervisor, commercial specialist, mechanic or IT specialist: 37 young men and women start their training at Emmi.

- Emmi cheese slices ("Chäs Schiibe") achieve success as "Les Tranchettes" in the French part of Switzerland.

September

- A new variety, Classic, is added to the successful Mix-it Müesli range: creamy, slightly sweetened natural yogurt and crunchy cereals with 38 per cent whole grains make a delicious snack.
- A thrust into the next strategy period: Emmi adapts its organisation and defines its strategic priorities up to 2020.

October

- Emmi strengthens its commitment to skiing by sponsoring the new talents Reto Schmidiger, Luana Flütsch and Nils Mani.
- The Emmi cheese dairy in Saignelégier has used solar power for heating for one year. The project won the Swiss Solar Prize in 2013.

November

- The new manufacturing enterprise in Platteville takes the strain off Emmi Roth USA's existing plant in Monroe and will soon offer additional capacity.
- Emmi's cheeses make a great impression at the World Cheese Awards in Birmingham (UK), winning 17 medals.

December

- Emmi's sales break the 3 billion franc barrier.
- The visitor centre in Kaltbach enthrals 10,000 visitors over the year.

The basis for innovative products

Emmi processes high-quality milk into products that make Swiss quality tangible both in Switzerland and abroad. In Switzerland, genetically modified plants cannot be cultivated, and animal feed made from them cannot be used. Long before this ban, Emmi committed to only using raw materials that had been produced without the help of genetic engineering. Other qualities of Swiss milk: it has the lowest bacterial and cell counts in the world; farmers use three times less concentrated feed than in the EU; and unlike in the EU, regular outdoor farming is mandatory. In Switzerland, Emmi only purchases milk with the "Suisse Garantie" label. This comes from farms with environmental practice certification (e.g. well-balanced use of fertilisers, maintenance of ecologically valuable areas).

Genuine Swiss premium taste

Emmi wants to achieve long-term success as an independent company in open markets. A leading position in Switzerland, targeted international growth and strict cost management will be the prerequisites for reaching this goal.

Strategic priorities up to 2020

Emmi's business is based on the vision of achieving long-term success as an independent company in open markets. Since 2009, the company has been pursuing the strategy of establishing an increasingly international orientation and, over the medium term, generating 50 % of its sales in Switzerland and 50 % abroad. In autumn 2013, Emmi's Board of Directors set its strategic priorities up to 2020. In order to enable the long-term orientation to take into account market opportunities, the importance of the Swiss domestic market and increasing internationalisation, the Group was given a new structure that came into force on 1 January 2014.

New Group structure

Emmi makes a clear distinction between Group and country responsibilities. Accordingly, the Swiss business is separated from the parent company. The three regions Switzerland, Europe and Americas have been created. As a result, the international business, which has grown significantly in recent years, is now spread across two regions. The Group's responsibility is to ensure clear strategic management, manage the subsidiaries from a financial point of view and influence their strategic orientation. Areas with interregional and cross-divisional responsibilities, including Human Resources, Finance & Controlling and Corporate Development, were created for this purpose.

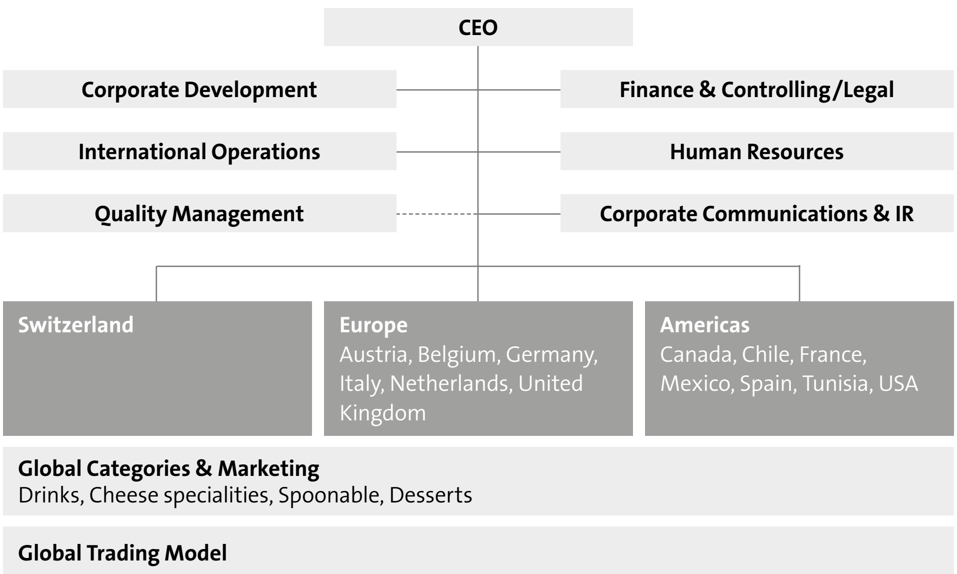
Three business models

Good marketing of products is indispensable if a company wants to prevail against its competitors. Emmi has created three clearly defined business models in order to ensure that money spent on marketing is put to the most effective use possible:

- The **Global Categories** are divided into drinks, cheese specialities, desserts and spoonables (yogurts in particular). The aim is to manage internationally renowned products such as Emmi Caffè Latte, Kaltbach and Bontà Divina desserts at Group level in order to ensure that they can be marketed more strongly in all countries with the corresponding synergy effects.

- The **Global Trading Model** includes products that are sold in countries where Emmi has no subsidiaries such as the Asian market. This business model is also managed at Group level.

- The **Local Model** brings together products that are sold in individual countries only but are very important in these countries, for example Roth cheese in the USA or Luzerner Rahmkäse and Energy Milk in Switzerland. Here, the regions are responsible for marketing the products successfully.



Three strategic pillars

Emmi wants to continue to be Switzerland's largest milk processor and the number one for Swiss cheese in Switzerland and abroad, as well as remaining one of the leading companies in Europe for premium dairy products.

The activities are geared to three strategic pillars: firstly, the **leading market position in Switzerland**. In the next strategy period, Emmi would like not only to defend but also to reinforce this position. This will be achieved through a product portfolio that has been optimised in recent years through the disposal of less profitable businesses and the reinforcement of important brand concepts.

The second pillar continues to be the targeted **international growth**. Emmi is continuing to pursue the geographical expansion it began several years ago. Today, the company is active in 13 markets with subsidiaries or holdings, and the aim is to increase this number to between 15 and 18 over the medium term. In these markets, Emmi will concentrate on exports from Switzerland and well-anchored product ranges. Growth markets outside Europe are becoming increasingly important, and acquisitions will continue to be significant. As organic growth becomes increasingly relevant, however, the pace of acquisitions will be slower as a result.

The third pillar is rigorous and long-term **cost management**. Productivity and efficiency enhancements will continue to facilitate annual savings of several million Swiss francs in the future, with Swiss production facilities serving as a role model for production sites abroad.

The role of the Switzerland region

Measured in terms of sales, Switzerland is the biggest of Emmi's three regions. It will continue to be extremely important as a market and a production location, and will therefore be strengthened and developed further over the coming years. In addition to the Head of the Switzerland region, three further existing members of Group Management who have successfully helped to shape the development of the company in recent years will concentrate on the important domestic market as members of the Executive Board Switzerland. They will continue to perform selected Group-level tasks and will therefore also become members of the extended Group Management in addition to their function in the Executive Board Switzerland. Their central responsibility will be to reinforce Emmi's market position and innovative strength, as well as continuing to consolidate the role model function in initiatives such as operational excellence.

Emmi is convinced that the organisational adjustments will make a significant contribution to driving ongoing international expansion, based on a strong domestic market in Switzerland.

Emmi also pursues a clear strategy in terms of its acquisition activities, targeting companies or products with leading positions in a specific market or niche. Potential new members of the Emmi Group operate primarily within Emmi's core business – i.e. in the area of dairy products, fresh products or cheese – and in Emmi's target markets. The focus is on brand products or product portfolios with the potential to significantly increase market share. In Switzerland, the goal is primarily to achieve synergies on the cost side, while outside Switzerland, growth potential is relevant.

Targeted acquisitions supporting growth

In 2013, Emmi made further targeted additions to its business through acquisitions and holdings. The fully consolidated companies are presented below.

AVH dairy trade B.V.

On 1 January 2013, Emmi acquired a 70% stake in AVH dairy trade B.V., headquartered in Bergen, the Netherlands. The company is a leading international trader of goat's and sheep's milk products, particularly cheese, milk powder and protein concentrates – including in organic quality. AVH's markets are the EU, the USA and Asia, and the company posted sales of around CHF 17 million in 2013. The company will continue to run its business independently. With this acquisition, Emmi is reinforcing its position in a flourishing niche market.

Käserei Studer AG

Käserei Studer in Hefenhofen, Switzerland, has been part of the Emmi Group since 1 July 2013. The family business is now run by the third generation and produces high-quality Swiss semi-hard and hard cheese specialities. These products are an ideal complement to Emmi's range of cheeses. The company's leader product is "Der Scharfe Maxx", a tangy semi-hard cheese matured for six months, with many fans in Switzerland and Germany. In 2013, during the six months in which it belonged to the Group, Käserei Studer AG posted sales of around CHF 11 million. This acquisition will enable Emmi to further reinforce its position as the leading provider of Swiss cheese in the domestic market and at the international level.

Rachelli Group

The dessert producer Rachelli from Pero Milano, Italy, has been part of Emmi since 1 August 2013. Like A-27 (Bontà Divina), which is already owned by Emmi, the company specialises in the production and sale of elaborated Italian desserts. Rachelli's core product portfolio consists primarily of traditional speciality desserts such as tiramisu, panna cotta and profiteroles, which are available in over a dozen countries. In addition to this core product range, Rachelli also manufactures ice creams and sorbets, including some made using organic and biodynamic ingredients. In 2013, Rachelli posted sales of more than CHF 14 million during the five months in which it was owned by the Group. This acquisition will allow Emmi to reinforce its position as one of the leading European companies in Italian speciality desserts and strengthen its expertise in a niche market that is seeing an excellent level of growth.

Sustainability throughout the entire supply chain

Emmi takes its responsibility towards the environment and society seriously by pursuing balanced economic, social and environmental goals throughout the entire supply chain.

The company defines itself in the market primarily through the quality of its products. This depends on a range of factors such as recipes and production processes. The raw materials used, in particular milk, also play an important role.

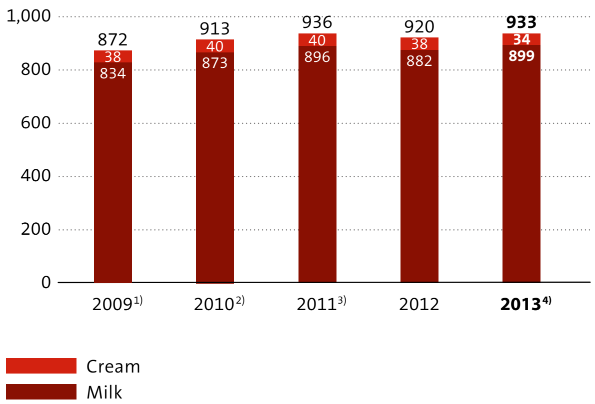
Emmi purchased around 932.7 million kilograms of Swiss milk and cream in 2013 (2012: 919.7 million kilograms). The volume of organic milk processed by Emmi in Switzerland fell slightly in comparison with the previous year by around 2.9 million kilograms to 93.1 million kilograms. It thus accounted for 11.6 % of the total milk volume, and means that Emmi remains the largest processor of organic milk in Switzerland. At its production sites abroad, i.e. A-27, Rachelli and Trentinalatte in Italy, Emmi Roth USA and Emmi Penn Yan LLC in the US as well as Kaiku and its subsidiaries in Spain, Tunisia and South America, Emmi processed a further 532 million kilograms of milk (2012: 300 million kilograms). This corresponds to an increase of 78 %, which is attributable in particular to the increase in Emmi's stake in the Kaiku Group.

The trend for sheep's and in particular goat's milk is also reflected in Emmi's milk balance. Around 20 % more milk was demanded in both areas. Just under 3 million kilograms of goat's milk are now processed within the Emmi Group (previous year: just under 2.4 million kilograms); this volume is divided between Kaltbach and the Biedermann dairy in Switzerland as well as Cypress Grove Chevre in the US and Trentinalatte in Italy. More than 1.25 million kilograms of sheep's milk were processed in 2013 (previous year: over 1 million kilograms) as a speciality of the Biedermann dairy, the majority of which was organic.

Other key raw materials for Emmi are fruit, sugar and coffee. In Switzerland alone, Emmi processed around 10,500 tonnes of fruit, 8,500 tonnes of sugar and 1,100 tonnes of coffee.

Volumes of milk and cream purchased

in Switzerland, in kg million



[1)] incl. Nutrifrais from 8 July 2009 until 31 March 2013
[2)] incl. Fromalp AG as of 1 July 2010
[3)] incl. Rutz Käse Group as of 1 July 2011
[4)] incl. Käserei Studer AG as of 1 July 2013

Conserving resources

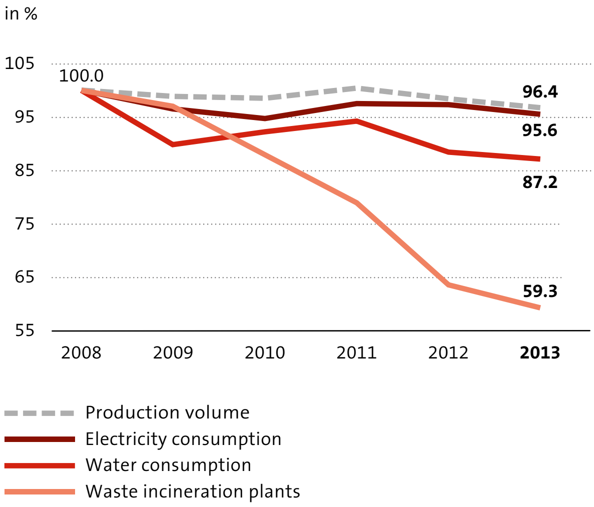
Since the mid-1990s, an environmental organisation integrated in Emmi's production facilities has ensured that guidelines and regulations on environmental protection are complied with and reviewed regularly. The Emmi sites in Switzerland have been certified to the international environmental standard ISO 14001 since 1997. They are audited annually. Environmental management is dealt with centrally by Quality, Safety and Environment (QSE). QSE breaks down the environmental objectives to the individual locations and formulates environmental programmes with individual objectives that can be measured in qualitative and quantitative terms. In addition, all locations set their own environmental objectives every year.

Key aspects for Emmi include efficient handling of resources, reducing waste and active climate protection. In a drive to improve the Group's eco-balance, a wide range of measures to save water and energy as well as to reduce wastewater, waste and consumables have been implemented in recent years.

Energy
In addition to production, ensuring the cold chain during transport and storage as well as warming and cooling raw materials during processing require large amounts of energy. In 2013, Emmi's electricity consumption in Switzerland was 119.1 gigawatt hours (-1.85 %). The most frequently used energy sources at Emmi are electricity, fossil fuels (particularly gas) and vehicle fuels (particularly diesel).

Emmi reviews its energy policy on a regular basis in order to further optimise its energy requirements. In the case of replacement and new investments, for example, this policy serves as a basis for decision-making. One example of this type of investment is the solar array brought online at the Saignelégier cheese dairy (production of Tête de Moine AOP cheese).

Environmental index Emmi in Switzerland 2008–2013



Water consumption
Water is used in cooling and warming processes, to ensure hygiene and, of course, in cleaning. Emmi focuses in particular on improving wastewater quality in its optimisation projects. Furthermore, fresh water consumption and wastewater volumes are increasingly being reduced by reusing water at several levels.

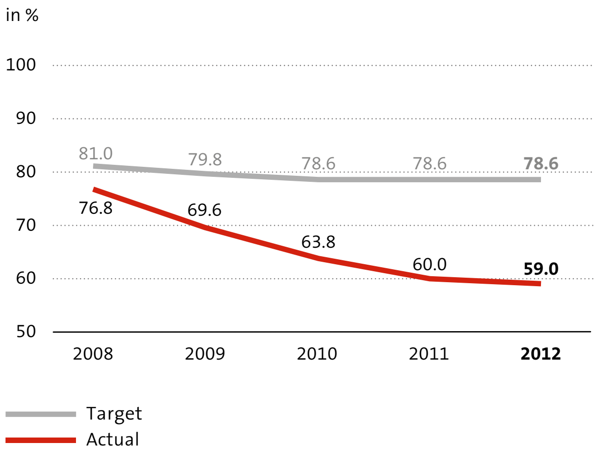
The Emmi sites in Switzerland used a total of 2.8 million m^3 of water in 2013. This is 1.5 % less than in 2012. Among other measures, a project for multiple use of water in Ostermundigen – which at just under 600,000 m^3 of water is one of the largest consumers among the Emmi sites – made a positive contribution. Water is now recovered from five different processes at the site and used as pre-rinsing water. This not only saves 60 million litres of fresh water, but also reduces wastewater costs and service fees.

Waste
The savings in disposal costs are most evident for waste. In addition, by preventing production losses, valuable resources are saved. Waste management follows the principle “avoid, reduce, recycle” and aims to recycle waste as a first priority, or to re-enter it into cycles. Where this is not possible, the waste is converted into energy – mainly at biogas plants or local waste incineration plants.

The change in waste volumes is the most impressive of the environmental figures: they are now about 40 % lower than five years ago and were reduced by 6.7 % in 2013. In Switzerland, 1,900 tonnes of waste were sent to waste incineration plants. The Suhr site was awarded second place in the Emmi Sustainability Prize 2013 for a successful project to increase recycling rates.

CO_2 emissions
Emmi has been a member of the Energy Agency for Industry (EnAW) since 2003 and orients its environmental efforts primarily towards achieving the CO_2 objectives agreed with the federal government. The company has reduced its CO_2 emissions by around 40 % since 2000, thus meeting the requirements of the federal government. In return, Emmi was exempted from the incentive tax on fossil fuels.

CO_2 intensity of all energy sources used at Emmi in Switzerland



Emmi will also do everything it can during the second commitment period (2013 to 2020) to make its contribution to Switzerland's ambitious climate target. The application for exemption from the CO_2 levy was submitted on schedule in June 2013.

In its aim to reduce CO_2 emissions, Emmi focuses on improving energy efficiency and on replacing fossil fuels with lower-emission alternatives.

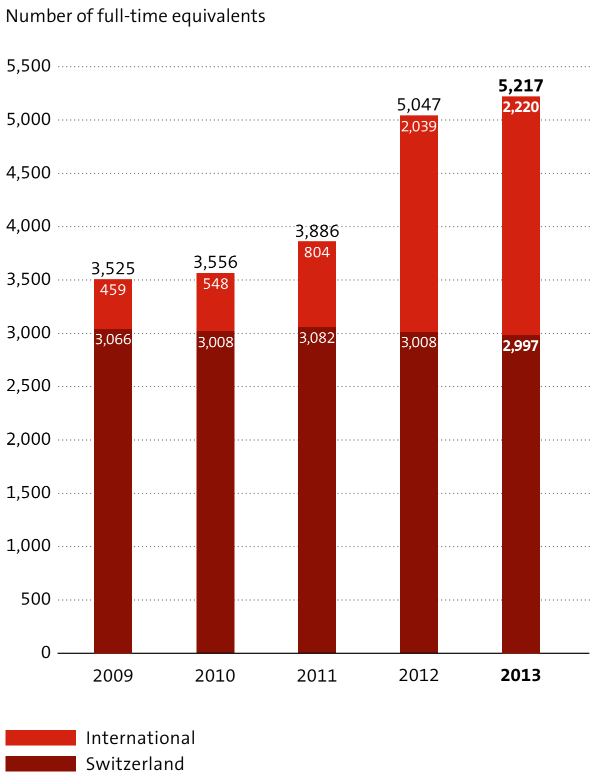
In motion at Emmi

The significant changes under way at Emmi call for a workforce that is prepared to evolve and open up to new developments. This in turn means that the training of those starting out in their careers, the ongoing development of existing employees and support for management are all very important factors.

Learning from scratch

Professional training is a high priority at Emmi in Switzerland. It is important to offer apprenticeship profiles that make it possible for future demands to be met in terms of skills. The most common apprenticeships at Emmi in Switzerland are dairy technologist (38 % of apprentices), logistician (18 %), plant supervisor (16 %) and commercial assistant (12 %).

Headcount



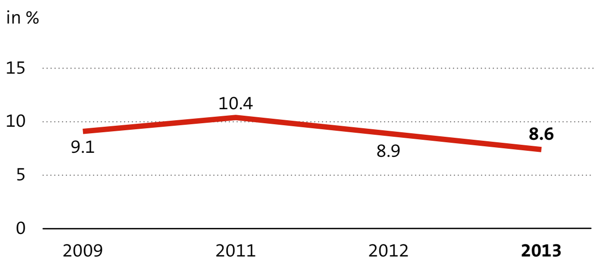
The recruitment of suitable apprentices is a challenging task. In Switzerland, there are around 250 basic professional training programmes available. Of the 20 most commonly chosen professions, only "mechanic" and "logistician" are on offer at Emmi, with other important professions suffering from a low level of recognition or a poor image. On top of this, many applicants have fixed expectations of their profession of choice. Here, it is the role of the companies that train apprentices to encourage willingness among young applicants to be flexible in their choice of profession. Emmi does this not only by highlighting the benefits it has to offer as a responsible, interesting apprenticeship provider, but also through the broad range of perspectives on offer in the food industry.

Emmi trains its apprentices professionally and with a great deal of commitment – with content that extends far beyond the usual level. The company's apprentices have traditionally been among the best in the area of dairy technology, and Emmi was also awarded third place in the ICT Education and Training Award in 2013. This award pays tribute to Swiss apprenticeship providers that demonstrate an above-average commitment to the field of information and communication technologies.

A targeted approach to skills development

A total of 100 professions are needed to secure Emmi's success, and particular importance is attached to employee development as a result. The necessary skills and abilities are developed and perfected on the basis of an assessment of the existing situation in relation to requirements. Alongside an extensive training and education programme and a broad range of external training options, further development opportunities are available with additional areas of responsibility, project tasks and traineeships both within Switzerland and abroad.

Fluctuation rate at Emmi in Switzerland



The long service of many employees and the low fluctuation rate in a sector comparison underline the consistent attractiveness of the company against a backdrop of continuous change. The average length of service is ten years, and around 20 % of employees at Emmi in Switzerland have been with the company for 20 years or longer, mostly however in a range of functions.

In the interests of continuous development and succession planning, positions that become vacant are filled wherever possible with existing company employees. The corporate value "We are continually developing!" is an opportunity for all employees, as well as an invitation to act – primarily from an intellectual perspective.

Calling all globetrotters

Emmi is an international company with a wide range of trading and distribution companies, as well as around 15 production facilities outside Switzerland.

International exchange within the Emmi Group will be intensified and professionalised over the next few years, with a view to improving mutual understanding and international thinking and simplifying processes across national borders. In addition to this, employees also have the opportunity to develop further and gain international experience.

Homemade management staff

For some years now, Emmi has been working to promote key talent, providing development support to employees with potential for taking on important managerial functions. In addition to technical abilities, attention is also paid to improving interpersonal skills. The main aim is to fill vacant positions with our own capable managers, who take an integrated view.

Key positions can be found in all areas of the company, and the skills required at management level in order to ensure the future success of Emmi are correspondingly diverse. The talented employees who benefit from support therefore come from a wide range of areas. Emmi offers its staff interesting prospects, wherever they work – and in more ways than one.

Love of detail

Emmi is big enough to assert itself in the international environment, yet simultaneously small enough to cultivate discoveries. In addition to the AOP cheeses, Emmi offers further specialities for cheese lovers looking for something exceptional. The range includes, among others, the cave-aged Kaltbach specialities, Luzerner Rahmkäse, Walserstolz from Austria and the specialities of Käserei Studer, led by Der Scharfe Maxx. The specialities also include a small but delicious range of goat’s cheeses: Le Petit Chevrier in Switzerland and Cypress Grove Chevre in the US. For us, one thing is certain: love of detail is a question of attitude, not size.

Contents

Corporate Governance

The following information complies with the current directive on corporate governance (DCG) issued by SIX Swiss Exchange. Unless otherwise indicated, all data relate to the balance sheet as at 31 December 2013.

1. Group structure and shareholders

1.1 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 91
Consolidated companies, see page 76

Important changes since balance sheet date

To ensure that Emmi's long-term focus takes account of market opportunities, the importance of its domestic Swiss market and increasing internationalisation, the Group was restructured with effect from 1 January 2014. The new structure with the three regions of Switzerland, Europe and the Americas now differentiates clearly between Group and country responsibilities. Accordingly, the Swiss business is separated from the parent company.

1.2 Significant shareholders

Significant shareholders, see page 86 ("Shareholders")

Lombard Odier Asset Management (Switzerland) SA in Geneva reduced its Emmi stake from 4.6 % to 1.9 % in 2013. ZMP Invest AG, Lucerne, the Zentralschweizerischer Milchkäuferverband, Willisau and the MIBA Milchverband der Nordwestschweiz, Basel, form a group in the sense of Article 20 SESTA. The group owns 62.6 % (previous year 62.6 %) of the total voting rights.

1.3 Cross-shareholdings

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

2. Capital structure

2.1 Share capital

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

2.2 Authorised and conditional capital

Emmi did not create any conditional or authorised capital in 2013, and there is no conditional or authorised capital from previous years.

Group structure
as at 1 January 2014

Konrad Graber
Chairman of the Board

Urs Riedener*
Chief Executive Officer

Natalie Rüedi*
Human Resources

Jörg Riboni*
Chief Financial Officer

Robin Barraclough*
Global Categories & Marketing

Robert Muri*
Switzerland

Matthias Kunz*
Americas

Marc Heim*
Europe

* Member of the Group Management

Member of the Extended Group Management:
- Othmar Dubach: Dairy Products & Cheese Switzerland
- Max Peter: Trade & SCM Switzerland
- Markus Willimann: Industry Switzerland

Group functions:
- Human Resources
- Finance/Legal
- Corporate Development
- Corporate Communications & IR
- International Operations
- Quality/Security/Environment

2.3 Changes in capital

An overview of changes in capital for the years 2010 to 2013 can be found on page 84.

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.

Further information on shares, see page 91

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 their registration with voting rights on a case-by-case basis. No fiduciaries/nominees with voting rights were entered during the year under review, nor did the Board of Directors approve any other exceptions for entry in the share register.

2.7 Convertible bonds and options

Emmi has neither convertible bonds nor options outstanding to acquire ownership interests in Emmi. The same applies to the other Group companies.

3. Board of Directors

All nine members of the Emmi Board of Directors are non-executive members (see table) who were not previously members of Emmi Group Management or the management team of one of the subsidiaries. Monique Bourquin was appointed as a new member of the Board of Directors in 2013 after Joseph Deiss stepped down.

Christian Arnold-Fässler, Hans Herzog and Thomas Oehen-Bühlmann 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, Chairman of Zentralschweizer Milchkäuferverband (ZMKV) until 2012, 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 member of the Board of Directors from 1993 to 2009, as delegate from 1993 to 2003 and Chairman from 2003 to 2009.

Group structure
as at 31 December 2013

Konrad Graber
Chairman of the Board

Urs Riedener
Chief Executive Officer

Robert Muri
Dairy Products

Othmar Dubach
Cheese

Matthias Kunz
International

Markus Willimann
Industry

Robin Barraclough
Marketing

Marc Heim
Sales

Jörg Riboni
Finance & Controlling
Legal

Max Peter
Trade & Supply Chain Management

Natalie Rüedi
Human Resources

Group functions:
- Agriculture
- Corporate Development
- Coordination Research & Development
- IT
- Group Communications & IR
- Milk Procurement
- Quality Management
- System- & Process Development
- Internal Audit

3.1 Members of the Board of Directors

Members of the Emmi Board of Directors from left: Hans Herzog, Stephan Baer, Diana Strebel, Thomas Oehen-Bühlmann (Vice-Chairman), Christian Arnold-Fässler, Konrad Graber (Chairman), Niklaus Meier, Monique Bourquin, Josef Schmidli and Ingrid Schmid (secretary of the Board of Directors).

Members of the Emmi Board of Directors	Year of birth	Nationality	Education	First elected
Konrad Graber Chairman of the Board of Directors	1958	Switzerland	Business administration HWV Certified Auditor	2006 2009 Chairman
Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors	1958	Switzerland	Certified Master Farmer	2009
Christian Arnold-Fässler	1977	Switzerland	Certified Master Farmer	2012
Stephan Baer	1952	Switzerland	Economics lic. oec. publ.	1999
Monique Bourquin	1966	Switzerland	Business economist lic. oec. HSG	2013
Hans Herzog	1951	Switzerland	Certified Master Farmer	2002
Niklaus Meier	1955	Switzerland	Swiss certified expert in accounting and controlling	2012
Josef Schmidli	1957	Switzerland	Federal Commercial Diploma Certified Master Cheesemaker	2003
Diana Strebel	1960	Switzerland	Business Economist dipl. oec. Master of Science in Marketing GSBA and University of Wales	2012

3.2 Professional background, 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 spent eight years as Chairman of the organisation for professional qualification as a fiduciary. Since 1999, the certified auditor has been a Partner at BDO AG, Lucerne, 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. Until July 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 since 2002 and of BDO AG, Lucerne, 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

Thomas Oehen-Bühlmann is a certified master farmer and runs a dairy and arable farm together with his son. For many years, he acted 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 several 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.

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 is also a delegate of the Central Switzerland farmers' cooperative (ZBB). 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. Christian Arnold-Fässler has also been a member of the Board of the Central Switzerland Milk Producers Cooperative (ZMP) in Lucerne since 2009 and 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 Baer AG was acquired by French company Lactalis in 2008, Stephen Baer has worked as an independent management consultant. He is also member of the Board of Directors of several companies, including frXsh AG, Küssnacht am Rigi (since 2009; Chairman since 2009); Bio Partner Schweiz AG, Seon (since 2010); and Spichtig AG, Steinen (since 2011, Chairman since 2012).

Monique Bourquin

Member of the Board of Directors since 2013

Following her studies in economics, law and sociology, Monique Bourquin joined management consultants PricewaterhouseCoopers in 1990. From 1994 to 1997, she worked as product manager at Knorr Nährmittel 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). Since then, Monique Bourquin has been Chief Financial Officer at Unilever DACH. She has also been a member of the committee of the Swiss marketing association GfM since 2009.

Hans Herzog

Member of the Board of Directors since 2002

Hans Herzog is a certified master farmer and works as an independent farmer and training instructor on his dairy farm. From 1992 to 2004, he was Chairman of the Central Switzerland Association of Producers of Silage-Free Milk, and from 1998 to 2009, a managing member of the Emmentaler Switzerland Organisation, Berne. Hans Herzog has been a member of the Board of the Central Switzerland Milk Producers Cooperative (ZMP), Lucerne, since 1992.

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.

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 and a temporary assignment as CEO and member of the Board of Directors at Wunderman AG. Between 2003 and 2005, she completed a marketing qualification 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 cofounded. She has also been a member of the Board of Directors of Ricola AG in Laufen since 2009 and of Globalance Bank AG, Zurich, since 2011.

3.3 Election and term of office

In accordance with the Ordinance against Excessive Compensation in Listed Companies (VegüV), which came into force on 1 January 2014, the term of office of members of the Emmi Board of Directors has been reduced from three years to one year. All current members of the Board of Directors are therefore now elected until the 2014 General Meeting. Re-election is permitted. There is no restriction on the number of terms of office. The members are elected by the General Meeting, with the period between one General Meeting and the end of the next deemed to be one year. As previously, the Chairman is elected by the General Meeting. Elections to the Board of Directors are now generally carried out as individual elections. All votes and elections are carried out by open ballot unless a majority requests a secret ballot.

First election of members, see table on page 28

3.4 Internal organisation

Allocation of duties within the Board of Directors

The following table shows the names of the Chairman and Vice-Chairman of the Board of Directors and the allocation of other duties of all members in committees.

Allocation of duties within the Emmi Board of Directors	Controlling Committee	Market Committee	Personnel and Compensation Committee	Agricultural Council
Konrad Graber Chairman of the Board of Directors	• (Chairman until 31.12.2013)	•	• (Chairman)	• (Chairman)
Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors	•		•	•
Christian Arnold-Fässler Member				•
Stephan Baer Member		• (Chairman)	•	
Monique Bourquin Member		•		• (from 1.1.2014)
Hans Herzog Member	•			
Niklaus Meier Member	• (Chairman from 1.1.2014)			
Josef Schmidli 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 **Controlling 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, of whom one 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 Controlling 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 choice of auditors for foreign Group companies.

The Controlling 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 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, the outcome of which may have implications for the financial situation of the Group.

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, of whom one 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 and composition of management based on the Group's strategy
– merger and acquisition projects, brand projects and product and market 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. It comprises at least three members of the Board of Directors, of whom one is the Chairman of the Board of Directors. Its meetings are attended by the CEO 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 CEO and other members of Group Management
– the employer representation in the Emmi Pension Foundation and the Emmi Welfare Foundation.
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 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 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 the election of members of the Board of Directors
– 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 Agriculture and the Head of Milk 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. In 2013, the Board of Directors held eight half-day meetings and one all-day meeting. The Controlling 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 twice 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 Controlling 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.

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.

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

The regulations are defined in the organisational regulations and also correspond to the actual organisational structure.

See also organisational regulations: http://group.emmi.com/en/about-emmi/corporate-governance/documents.html

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 Article 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 and compensation
- the evaluation of the main risks
- multi-year financial and liquidity planning
- strategy-relevant cooperations and agreements
- Group regulations
- the founding and closure of companies
- 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 (powers reserved).

The **CEO** is the Chairman of Group Management. He leads, supervises and coordinates the members of Group Management and – for Group tasks – the members of the extended Group Management. He grants them the necessary authority to perform their functions. In particular, he is responsible for the achievement of the strategic objectives, the definition of operational thrusts and priorities and the provision of the necessary material and personnel resources to these ends. 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.

3.6 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 acquisitions, the Market Committee or delegations from the Board of Directors visit the companies concerned to evaluate 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 about business developments and, with the authorisation of the Chairman, about individual transactions from the members of Group Management. 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 a circular letter.

- 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 Controlling Committee receive the Group financial statements as well as the accounts of all subsidiaries on a quarterly basis and are informed in detail in order to assess quarterly 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 75 of the Financial Report).

- External and internal auditing: Details of the external auditor are provided in section 8. The Internal Auditing department 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 Controlling Committee, as well as the Controlling Committee as a whole, through regular participation in its meetings. The Controlling Committee approves the auditing plan and the semi-annual planning, also receives all auditors' reports and is kept informed at its meetings of all findings and resulting measures. In addition, the Head of Internal Auditing regularly meets with the Chairman of the Controlling 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 closely together with the external auditors and carries out special audits at the request of the Controlling Committee. It evaluates the effectiveness of the internal and external control systems, as well as the risk management organisation and processes 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 Group Management from left: Matthias Kunz, Marc Heim, Robin Barraclough, Urs Riedener (CEO), Natalie Rüedi, Robert Muri und Jörg Riboni.

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

4.2 Professional background and other activities and interests

Urs Riedener

CEO and Chairman of Group Management since 2008

Urs Riedener began his career at Kraft Jacobs Suchard, where he held various positions. Between 1995 and 2000, he performed various management responsibilities at 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.

Robert Muri

Executive Vice President Switzerland and member of Group Management since 1996, Deputy CEO (Head of Dairy Products Division until 31 December 2013)

Robert Muri worked for various companies in the food industry, latterly at 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 Production 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 has been Executive Vice President Switzerland since 1 January 2014.

Robin Barraclough

Chief Marketing Officer and member of Group Management since 2009 (Head of Marketing until 31 December 2013)

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 Emmi Group Management and became Head of Marketing in 2009. He has been Chief Marketing Officer since 1 January 2014.

Marc Heim

Executive Vice President Europe and member of Group Management since 2009 (Head of Sales until 31 December 2013)

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 Group in 2009 and, as Head of Sales for Switzerland and internationally, became a member of Group Management. He has been Executive Vice President Europe since 1 January 2014. He is also a member of the marketing committee of the Swiss branded goods association, Promarca, Vice-President of the Swiss Ice Cream Producers Association and President of the federal examination commission for senior marketing management.

Matthias Kunz

Executive Vice President Americas and member of Group Management since 2002 (Head of the International Division until 31 December 2013)

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 Group in 2002, where he became a member of Group Management as Head of the International Cheese Division. He took over as Head of the International Division in 2009. He has been Executive Vice President Americas since 1 January 2014.

Jörg Riboni

CFO and member of Group Management since 1 January 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 2005 and 2012 and at the Forbo Group from 2005 to 2012. He joined Emmi as Chief Financial Officer and member of Group Management at the beginning of 2013.

Natalie Rüedi

Chief Human Resources Officer and member of Group Management since 2011 (Head of Human Resources until 31 December 2013)

Natalie Rüedi taught at a primary school before becoming its headmistress between 1992 and 2000. She joined 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 extended Group Management in 2009. Natalie Rüedi has been a member of Group Management since 2011 and Chief Human Resources Officer since 1 January 2014.

Othmar Dubach, Max Peter and Markus Willimann were members of Group Management until 31 December 2013. As part of the restructuring of the Emmi Group (see section 1), they became members of the Executive Board Switzerland. As they continue to perform selective Group Management duties, they were also appointed members of the Extended Group Management with effect from 1 January 2014:

Othmar Dubach

Head of Cheese and Dairy Products Switzerland, member of the Executive Board Switzerland and of Extended Group Management (Head of the Cheese Division and member of Group Management until 31 December 2013)

Othmar Dubach (Certified Food Engineer ETH) 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 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 Extended Group Management (Head of Retail & Supply Chain Management and member of Group Management until 31 December 2013)

After graduating as a Certified Engineer HTL, 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 since 2005. This division focuses on the transport and logistics of goods to and from Switzerland. He was therefore appointed a member of Extended Group Management and of the Executive Board Switzerland in 2014 as part of the Group restructuring. Max Peter is also a member of the Board of Directors of GS 1 Switzerland and President of the Swiss Sport Aid foundation.

Markus Willimann

Head of Industrial Business Switzerland, member of the Executive Board Switzerland and of Extended Group Management (Head of Industrial Business and member of Group Management until 31 December 2013)

Dr Markus Willimann (Certified Food Engineer ETH) 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. He assumed responsibility for industrial business, development coordination and agricultural policy in 2004. He was appointed a member of 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).

4.3 Management contracts

No management contracts exist.

5. Compensation, participations and loans

5.1 Content and definition process for compensation and share ownership programmes

The remuneration system for the Board of Directors and – with the exception of the Chairman – the remuneration of members of the Board of Directors are determined every three years by the Board of Directors at the recommendation of the Personnel and Compensation Committee. The remuneration system for Group Management is deliberated on and determined by the Personnel and Compensation Committee. This Committee deliberates on and determines remuneration for the Chairman of the Board of Directors, the CEO and other members of Group Management annually. The Chairman of the Board of Directors and the CEO are not involved in determining their own remuneration.

The Personnel and Compensation Committee assesses remuneration in connection with the general Group pay round (fixed component) and the company result (variable component). The Board of Directors is informed at its next meeting as well as by means of the minutes of the Committee meeting convened to discuss the definition and process implementation of remuneration.

There are no share or option plans or other share ownership programmes for members of the Board of Directors, members of Group Management or elsewhere in the Emmi Group. Furthermore, no loans are granted as a rule.

Remuneration of the Board of Directors: The remuneration paid to the Board of Directors comprises a fixed basic salary only and is thus not related to performance. It is defined primarily by means of a cross-comparison with the 200 largest listed and private Swiss companies, with particular attention being paid to companies from the consumer goods industry and with a similar level of internationalisation, together with firms based in the region. No change in the remuneration system occurred in 2013.

Remuneration of Group Management: External experts are only called upon during the determination of the remuneration system for Group Management in the event of a fundamental change to the system. In financial year 2013, changes were made with regard to the variable component of the total remuneration and its weighting. Function-specific benchmarks are generally applied. The reference market is taken as companies from the “fast-moving consumer goods” industry within Switzerland, to which Emmi Group also belongs.

The remuneration paid to the members of Group Management comprises a fixed component and a variable component based on business performance and achievement of individual performance targets, as well as payments in kind (company car). Variable remuneration can account for up to one-quarter (previously one-third) of total remuneration and consists of the following three components:

1. Group performance (weighting 50 %, previously 40 %)
2. Business area performance (weighting 30 %, previously 40 %)
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 the ongoing development of the appropriate area with a view to providing the core business with even better support. An individual objective can, for example, be the launch of a product in a key market, the implementation of a project aimed at enhancing earnings in a particular product area or the implementation of improvement measures in the area of corporate culture.

Compensation, see Notes to the Financial Statements, page 87

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, an officer of the company, an independent proxy designated by the company or a proxy for shares held in safe-keeping.

The Articles of Association can be downloaded from the Group website at: http://group.emmi.com/en/about-emmi/corporate-governance/documents.html.

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 27) 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 http://group.emmi.com/en/media-ir/dates.html.

7. Change of control/defensive measures

7.1 Obligatory offer

Emmi's Articles of Association do not include any "opting up" or "opting out" clauses pursuant to Article 22 of the Federal Stock Exchange and Securities Trading Act (SESTA) regarding the legal obligation to make a takeover bid.

7.2 Change-of-control clauses

No contractual agreements exist either for members of the Board of Directors or for members of Group Management 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

PricewaterhouseCoopers, Werftestrasse 3, Lucerne, have acted as the statutory auditors for the consolidated financial statements of the Emmi Group and the annual financial statements of Emmi AG since its incorporation in 1993. At the General Meeting on 25 April 2013, PricewaterhouseCoopers, Lucerne, was reappointed for a further period of one year. Matthias von Moos has been the auditor in charge since the General Meeting convened in 2009.

8.2 Audit fees

The auditors charged total fees of KCHF 1,134 for the 2013 reporting year for the performance of their mandate as statutory auditors (including audit of the consolidated financial statements).

8.3 Additional fees

During the year under review, PricewaterhouseCoopers charged a total of KCHF 1,246 for additional services beyond the scope of their statutory mandate, i.e. tax- and transaction-related advice. This fee includes KCHF 386 for tax advice and KCHF 860 for advice related to transactions.

8.4 Auditor supervision and control mechanisms in respect of the auditors

The Board of Directors' Controlling Committee assesses the performance, invoicing and independence of the external auditors and provides the Board of Directors with corresponding recommendations. The auditors provide Group Management and the Committee with regular reports that set out the results of their work and recommendations. The Committee annually reviews the scope of the external audit, the audit plans and the relevant procedures, and discusses the audit reports with the external auditors. The chief auditor attended three meetings of the Controlling Committee in 2013.

9. Information policy

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

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

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

Emmi meets during the course of the year with institutional investors both in Switzerland and abroad, presents its 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, and they 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:
http://group.emmi.com/en/media-ir/news-service.html

Media releases and investor information can be accessed via the following link:
http://group.emmi.com/nc/en/media-ir/media-releases.html

Notifications to SIX Exchange Regulation of participations exceeding the level at which notification becomes obligatory can be found via the following link:
http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

Contact for Investor Relations:
Emmi Schweiz AG, Investor Relations, Habsburgerstrasse 12
CH-6002 Lucerne, tel. 041 227 27 86, e-mail ir@emmi.com

The General Meeting will take place on 24 April 2014. All registered shareholders receive an invitation to the General Meeting by post.

The next business results (2014 half-year results) will be published on 27 August 2014.

Growing with Emmi

Emmi not only strives for high quality in its products, but also as an employer. Nobody knows our company, our products and the needs of our customers better than our own employees. Offering them long-term prospects and keeping their valuable expertise within the Group is therefore of great importance to us. The corporate value “We are continually developing!” is an opportunity, as well as an invitation to act. Our main aim is to fill vacant positions within the organisation, including those at management level, with our own capable employees, who take an integrated view. The career path from apprentice to manager of a 600-person site is therefore not a pipe dream, but a reality.

Contents

Income Statement

Operating section

Emmi generated net sales of CHF 3,298.2 million in 2013, an increase of 10.6 % on the previous year (CHF 2,981.2 million). Adjusted for acquisitions and foreign currency effects, organic sales growth at Group level amounted to 1.6 %.

This result is attributable to the strengthening of international business and the encouraging performance in the Swiss market, which saw organic growth for the first time since 2008. Important success factors included the reinforcement of tried-and-tested brand concepts, the introduction of innovations and the recent acquisitions.

Sales development in Switzerland

In Switzerland, sales increased by 1.1 % to CHF 1,863.1 million in 2013 (2012: CHF 1,842.1 million). Adjusted for acquisitions, sales grew by 1.4 %. In organic terms, all segments of core business posted a rise in sales.

Growth was broadly based. It is particularly encouraging to note that this was achieved despite a negative acquisition effect overall (negative effect through the sale of the shares in Nutrifrais, positive effect from the acquisition of Käserei Studer) and the transfer of the frozen goods logistics business to third parties. Swiss business accounted for 56 % of total Group sales (previous year 62 %).

In **dairy products** (milk, cream, butter), sales increased by 1.3 % to CHF 698.0 million from CHF 688.9 million in the previous year. Higher sales volumes and increased milk prices had a favourable effect.

In the **cheese** segment, Emmi generated sales of CHF 541.7 million, compared with CHF 529.5 million in the previous year, a rise of 2.3 %. Organic growth amounted to 1.1 %. The acquisition effect is attributable to the acquisition of Käserei Studer. Raclette cheese, Kaltbach, Le Petit Chevrier and Luzerner Rahmkäse performed well, as did Emmi cheese slices ("Chäs Schiibe"). In contrast, Emmentaler AOP and trade in cheeses not produced or matured by Emmi witnessed declines.

Fresh products posted sales growth of 1.0 % to CHF 345.9 million, compared with CHF 342.6 million in the previous year. Organic growth amounted to a strong 4.5 %. The divestment effect is attributable to the disposal of the shares in Nutrifrais. The impact from continuing growth in Emmi Caffè Latte, the newly launched Pure Swiss Yogurt and the good day lactose-free range was positive, while the other milk-based drinks witnessed declines.

At CHF 121.5 million, sales of **fresh cheese** were virtually unchanged versus the previous year (CHF 121.6 million). In organic terms, adjusted for the Nutrifrais divestment, sales increased marginally by 0.4 %. Strong import pressure on mozzarella had a negative impact on prices, while volumes increased slightly.

Sales of **powder/concentrates** were up 19.9 % to CHF 72.4 million from CHF 60.4 million in the previous year, a result of the growth in the industrial business.

As expected, sales of **other products/services** fell by 15.6 % to CHF 83.6 million, compared with CHF 99.1 million in 2012. In organic terms, the decline was 15.8 %. The reason was the termination of the low-margin frozen goods logistics business in Ostermundigen and Kriens. Trade business also contracted.

Net sales performance by product group: Switzerland

in CHF million	Net sales 2013	Net sales 2012	Net Sales 2011	Difference 2013/2012	Acquisition effect	Organic growth
Dairy products	698.0	688.9	708.4	1.3 %	–	1.3 %
Cheese	541.7	529.5	534.8	2.3 %	1.2 %	1.1 %
Fresh products	345.9	342.6	370.5	1.0 %	-3.5 %	4.5 %
Fresh cheese	121.5	121.6	131.8	-0.1 %	-0.5 %	0.4 %
Powder/concentrates	72.4	60.4	62.4	19.9 %	–	19.9 %
Other products/services	83.6	99.1	102.0	-15.6 %	0.2 %	-15.8 %
Total Switzerland	**1,863.1**	**1,842.1**	**1,909.9**	**1.1 %**	**-0.3 %**	**1.4 %**

International sales development

In the international business, net sales 2013 grew by 26.0 % to CHF 1,435.1 million (previous year: CHF 1,139.1 million). In local currency and adjusted for acquisitions, organic growth amounted to 2.0 %. The acquisition effect is attributable to the increase of the investment in the Spanish firm Kaiku and the French Diprola SAS (both effective 1 July 2012), the acquisition of a majority interest in AVH dairy trade B.V. (effective 1 January 2013) and the acquisitions of Käserei Studer (effective 1 July 2013) and Rachelli (effective 1 August 2013).

Other factors played a key role in international business, too. Exports of Emmi Caffè Latte and different cheese specialities increased. Locally produced cheeses in the US and local brands in Chile and Tunisia performed well. In contrast, the low level of butter and milk powder exports resulted in declining sales, with a contraction of around CHF 30 million compared with 2012. These exports are used to reduce high milk volumes in Switzerland and, accordingly, do not occur on a regular basis. Adjusted for this business, organic growth amounted to 4.8 %. International business accounted for 44 % of total Group sales (previous year 38 %).

In 2013, sales of **cheese** were up 10.7 % at CHF 517.0 million, compared with CHF 466.8 million in 2012. In organic terms, i.e. adjusted for currency effects and acquisitions, the increase was 2.3 %. The acquisition effect comes from the purchases of Kaiku, Diprola and Käserei Studer. Exports of Le Gruyère AOP and Kaltbach cheese performed well, contrasting with declines in the Emmentaler business. In the US, Emmi's largest foreign market for cheese, sales of locally produced cheeses from Emmi Roth USA and Cypress Grove Chevre recorded double-digit increases, while exports from Switzerland saw single-digit growth.

Sales of **fresh products** grew by 22.1 % to CHF 474.7 million from CHF 388.9 million in the previous year. In organic terms, net sales increased by 1.9 %. The acquisition effect is attributable to the increase in the stake in Kaiku and the acquisition of Rachelli. The Italian desserts from A-27 and Emmi Caffè Latte made a positive contribution, while Onken yogurts and Trentinalatte's business in Italy declined.

Dairy products posted net sales of CHF 283.8 million, up from CHF 154.0 million in the previous year. The result in organic terms was a decline of 2.7 %, given that the increase of 84.3 % is primarily attributable to the acquisition effect from Kaiku. As mentioned previously, butter exports to take pressure off the Swiss market declined substantially. This had a negative impact on sales.

Sales of **fresh cheese** rose by 14.7 % to CHF 53.2 million from CHF 46.4 million in the previous year. The increase in organic terms was 12.3 %. This is attributable to the collaboration with Venchiaredo in Italy.

Net sales of **powder/concentrates** increased by 0.8 % to CHF 25.2 million, from CHF 25.1 million in 2012. In organic terms, the result was a decline of 32.2 %. The decrease in milk powder exports to reduce high milk volumes in Switzerland led to negative organic sales effects, whereas the stake in Dutch company AVH generated a positive acquisition-related contribution.

In **other products/services**, net sales rose by 40.1 % to CHF 81.2 million (2012: CHF 57.9 million). Organic growth amounted to 18.3 %. Acquisition-related effects were mainly generated by Kaiku.

Net sales by product group: International

in CHF million	Net sales 2013	Net sales 2012	Net sales 2011	Difference 2013/2012	Acquisition effect	Currency effect	Organic growth
Cheese	517.0	466.8	389.8	10.7 %	8.4 %	–	2.3 %
Fresh products	474.7	388.9	270.5	22.1 %	19.0 %	1.2 %	1.9 %
Dairy products	283.8	154.0	24.6	84.3 %	83.6 %	3.4 %	-2.7 %
Fresh cheese	53.2	46.4	43.7	14.7 %	–	2.4 %	12.3 %
Powder/concentrates	25.2	25.1	26.3	0.8 %	32.8 %	0.2 %	-32.2 %
Other products/services	81.2	57.9	56.5	40.1 %	21.1 %	0.7 %	18.3 %
Total International	**1,435.1**	**1,139.1**	**811.4**	**26.0 %**	**23.0 %**	**1.0 %**	**2.0 %**

Gross profit

In the year under review, **gross profit** increased by CHF 61.0 million to CHF 1,089.2 million, compared with CHF 1,028.2 million in the previous year. The gross profit margin amounted to 33.0 %, versus 34.5 % in 2012. One of the factors to which this decrease can be attributed is the rising share of international business, where the gross profit margin is currently still lower than that of the Group, in spite of an increase over the past year. In Switzerland, the margin fell just short of the previous year. The reasons for this are price pressures in retail trade and import pressures, as well as the fact that increases in the price of milk, and in the B milk segment in particular, can only be passed on to our clients with a certain time lag.

Operating result

Operating expenses increased due to the acquisitions carried out in 2013, with a rise of 5.4 % to CHF 818.7 million from CHF 776.9 million in the previous year. This disproportionally low increase in operating expenses compared with sales growth of 10.6 % impacted the EBIT margin positively and offset the effect of the lower gross profit margin.

In the period under review, **personnel expenses** amounted to CHF 398.3 million, compared with CHF 374.9 million in 2012. Since the increase of 6.2 % is likewise disproportionally low in comparison with the development in sales, the ratio of personnel expenses to net sales decreased from 12.6 % in 2012 to 12.1 % in the period under review.

Another item to witness a clear decrease in relation to net sales was **other operating expenses**, which amounted to 12.7 % compared with 13.5 % in the previous year. This development, which underpins the operating result, was possible primarily due to savings and synergies in the marketing area. Marketing and sales related expenses remained at the previous-year level despite the clear growth in sales. But also in other key areas of operating expense, such as occupancy expense, maintenance and repair, a more efficient use of resources made it possible for sustainable savings to be secured. In contrast, adjusted for the effect of acquisitions, logistics expenses increased, in both absolute and relative terms. Other operating expenses totalled CHF 420.4 million, compared with CHF 402.0 million in the previous year.

Other operating income decreased by CHF 10.5 million compared to previous year, from CHF 20.1 million to CHF 9.6 million. This is attributable to a lower level of gains on the disposal of fixed assets. The high amount from the previous year mainly related to the sale of the former Butterzentrale in Lucerne.

As a consequence of this development, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** increased by CHF 8.7 million to CHF 280.1 million, from CHF 271.4 million in the previous year. The EBITDA margin decreased from 9.1 % in the previous year to 8.5 %. Here, too, the change is attributable in particular to the lower gain on the disposal of fixed assets.

Depreciation and amortisation increased by CHF 5.9 million to a total of CHF 112.4 million. Without the goodwill impairment in the previous year, the increase would have amounted to CHF 7.9 million. This increase can be attributed in particular to the higher level of depreciation on property, plant and equipment resulting from the acquisitions carried out.

Earnings before interest and taxes (EBIT) amounted to CHF 168.5 million. EBIT increased by CHF 2.8 million from the previous year level of CHF 165.7 million. The EBITDA margin decreased from 5.6 % in the previous year to 5.1 % in the year under review. This was due solely, however, to disposals of fixed assets no longer required for operations. Taking the extraordinary net gain from these disposals out of the calculation for both years, EBIT in the period under review would have increased by CHF 13.7 million or 9.4 % compared with the previous year. Adjusted for this effect, EBIT amounted to CHF 160.0 million in 2013, versus CHF 146.3 million in 2012. It is therefore the highest adjusted EBIT in Emmi's history. At 4.9 %, the adjusted EBIT margin was unchanged versus the previous year.

Financial result

Compared with the previous year, **net financial expenditure** decreased by CHF 0.8 million to CHF 15.7 million. Higher acquisition-related interest expenses year on year were more than offset by a neutral foreign currency result in the period under review, given the currency loss of CHF 3.6 million in the previous year.

Income taxes

In the period under review, **income taxes** increased by CHF 2.1 million to CHF 30.3 million. This includes CHF 1.5 million relating to the disposal of fixed assets. The tax rate increased from 18.5 % to 19.7 %. This rise was due to two factors: tax increases in Swiss cantons relevant to the Emmi Group and the fact that the growing share of international business tends to increase the tax rate.

Net profit

At CHF 123.6 million, **net profit including minority interests** remained stable at the previous-year level (CHF 123.9 million). After deduction of minority interests of CHF 19.0 million, **net profit** amounted to CHF 104.6 million. This represents a decrease of CHF 1.7 million on the previous year. **Adjusted** for the effect of disposals of fixed assets no longer required for operations, **net profit** amounted to CHF 97.6 million in 2013, a year-on-year increase of CHF 7.3 million, or 8.1 %. As in 2012, the adjusted net profit margin was 3.0 %.

Assets, financing and cash flow

Assets increased by CHF 177.7 million, or 7.7 %, compared to the previous year. This was due to the acquisitions carried out in the financial year and was also a consequence of the increase of CHF 112.3 million in holdings of cash and cash equivalents as well as further significant investments in fixed assets, which rose by CHF 86.6 million in net terms.

The rise in tangible fixed assets by CHF 37.0 million is due to acquisitions, but is also the result of further targeted investments. The investment volume of CHF 116.7 million exceeded depreciation by CHF 25.6 million. The situation is similar with regard to intangible assets, which increased by CHF 37.3 million in 2013. Alongside the rise in goodwill as a consequence of acquisitions and investments in associates and joint ventures, 2013 saw important investments in IT projects. The increase in financial assets of CHF 6.5 million is essentially attributable to the acquisition of interests in associates and joint ventures as well as slightly higher loans and other receivables.

In respect of trade receivables as well as inventories and trade payables, net working capital decreased by CHF 20.8 million, or 4.9 %. This is a positive development, particularly in light of the growth in sales of 10.6 %, and confirms the success of efforts with regard to net working capital.

With regard to financing, a bond of CHF 125 million was repaid in 2013 and a new bond issued for CHF 200 million. The fact that the **equity ratio** remained stable at 50.3 % is thanks to self-financing through retained earnings. Further growth can be funded on the basis of this very solid financing. This is also supported by the fact that, at CHF 294.9 million, **net debt** to EBITDA decreased significantly year on year, from 1.32 to 1.05. Cash and cash equivalents increased by CHF 112.3 million in 2013, from CHF 171.6 million to CHF 283.9 million.

Cash inflow from operating activities rose CHF 24.5 million to CHF 264.2 million with a constant level of profit before minority interests. This is attributable to higher cash-relevant income and higher non-cash-relevant expenditure than in the previous year. It is also due to the fact that, unlike in 2012, net working capital decreased significantly, which had a positive impact on cash and cash equivalents.

In the period under review, **cash outflow from investing activities** increased slightly by CHF 3.1 million to CHF 178.0 million. In 2013, CHF 116.7 million was invested in property, plant and equipment on a cash-relevant basis. In addition, cash and cash equivalents increased by CHF 14.0 million as a result of the disposal of plant, property and equipment. In net terms, CHF 65.1 million of cash and cash equivalents were invested for the acquisition of companies and businesses. The other investments in intangible assets amounted to approximately CHF 9.5 million.

Not including the outflow of funds resulting from acquisition activities, the level of **free cash flow** generated in 2013 amounted to CHF 151.3 million, compared with CHF 96.5 million in 2012.

Cash inflow from financing activities totalled CHF 26.7 million in the period under review, compared with an outflow of CHF 10.4 million in the previous year. The cash inflow was essentially the result of the increase in bonds by a net CHF 73.5 million, while dividend payments resulted in an outflow of CHF 24.0 million and the repayment of financial liabilities, in particular bank overdrafts and loans, produced an outflow of CHF 22.8 million.

Outlook 2014

Emmi states in its strategy that it wants to strengthen its position in Switzerland and grow further in the international business. Alongside the already defined key markets in North America and Europe, the focus will be increasingly on Chile, Tunisia as well as other emerging markets outside Europe.

Emmi expects the prices of raw materials to either remain stable or rise slightly in a few cases in the first half of 2014. Price levels are also expected to be slightly higher in packaging. In Switzerland, retail tourism will stagnate or even drop off slightly. In contrast, import pressures are expected to remain high. In Emmi's most important foreign market, the US, a slight improvement in consumer behaviour is realistic, and the emerging markets of Chile and Tunisia are set to see more strong growth, albeit in volatile local currencies. Consumer sentiment in southern Europe, Italy and France especially, will remain subdued, while Spain is showing signs of a recovery. Emmi does not anticipate any major changes in the central European countries and expects the currency situation to be stable overall.

Strong brand concepts in and from Switzerland, specialities produced locally abroad, and the continued development of the recent acquisitions will help growth targets be achieved. Innovations in fresh products and cheese will supplement the product portfolio in the domestic market and at the international level. Ongoing strict cost management, including in the foreign markets, will be necessary in order to underpin earnings in markets that will remain competitive.

In the medium to long term, Emmi is seeking organic growth of 6 % to 8 % per year outside Switzerland. In Switzerland, the target is slightly higher sales. The company anticipates organic growth of 2 % to 3 % at Group level. Using organic growth and further acquisitions, Emmi's goal is to increase the share of international sales to approximately 50 % within two years.

Swiss ambassadors

Advising our retail clients is a service to which our company attaches great importance. Our foreign subsidiaries play a key role here. Through their contact with retailers, they make Swissness palpable by explaining the products, illustrating the quality of Caffè Latte made from Swiss milk, describing the character of a raw-milk cheese and training counter staff. They can only communicate the fundamental characteristics and their enjoyment of Emmi products if they also know farming businesses, cheese dairies and our production sites from the inside. Regular training sessions are therefore held, also in Switzerland. To us, the good partnership with retailers is worth it.

Consolidated Income Statement

CHF 000s

	Notes	2013	%	2012	%
Sales of products		**3,270,643**		2,945,091	
Sales of services		**27,539**		36,098	
Net sales	1	**3,298,182**	**100.0**	2,981,189	100.0
Change in inventories of semi-finished and finished products		**-10,587**	**0.3**	-34,478	1.1
Cost of materials and services		**-2,198,420**	**66.7**	-1,918,527	64.4
Gross operating profit		**1,089,175**	**33.0**	1,028,184	34.5
Company-produced additions to plant and equipment		**1,028**	**–**	677	–
Gain on disposal of fixed assets		**8,617**	**0.3**	19,414	0.7
Other operating income		**9,645**	**0.3**	20,091	0.7
Personnel expenses		**-398,338**	**12.1**	-374,900	12.6
Other operating expenses	2	**-420,379**	**12.7**	-401,982	13.5
Operating expenses		**-818,717**	**24.8**	-776,882	26.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**280,103**	**8.5**	271,393	9.1
Depreciation on property, plant and equipment	3	**-91,103**	**2.8**	-85,868	2.9
Amortisation on intangible assets	3	**-21,269**	**0.6**	-20,633	0.7
Write-back of negative goodwill		**728**	**–**	807	–
Earnings before interest and taxes (EBIT)		**168,459**	**5.1**	165,699	5.6
Income from associates and joint ventures		**1,079**		2,849	
Financial result	4	**-15,680**		-16,437	
Earnings before taxes (EBT)		**153,858**	**4.7**	152,111	5.1
Income taxes	5	**-30,308**		-28,206	
Profit incl. minority interests		**123,550**	**3.7**	123,905	4.2
Minority interests		**-18,990**		-17,669	
Net profit		**104,560**	**3.2**	106,236	3.6
Earnings per share (in CHF)	6	**19.54**		19.86	

Consolidated Balance Sheet

in CHF 000s

Assets

Assets	Notes	31.12.2013	%	31.12.2012	%
Cash and cash equivalents		**283,894**		171,641	
Securities		**13,018**		11,185	
Trade receivables	7	**414,254**		434,640	
Other receivables	8	**37,066**		52,364	
Inventories	9	**315,264**		298,957	
Prepayments and accrued income	10	**13,914**		17,540	
Current assets		**1,077,410**	**43.1**	986,327	42.5
Investments in associates and joint ventures	29	**35,523**		30,853	
Loans and other receivables	11	**57,593**		56,736	
Securities		**4,159**		5,662	
Employer contribution reserves	19	**2,045**		1,489	
Deferred tax assets	5	**17,087**		15,206	
Total financial assets		**116,407**		109,946	
Prepayments and accrued income	10	**8,525**		2,657	
Property, plant and equipment	12	**975,867**		938,906	
Intangible assets	13	**322,067**		284,721	
Non-current assets		**1,422,866**	**56.9**	1,336,230	57.5
Total assets		**2,500,276**	**100.0**	2,322,557	100.0

Liabilities and shareholders' equity

Liabilities and shareholders' equity	Notes	31.12.2013	%	31.12.2012	%
Bank overdrafts	17	**52,970**		62,353	
Finance lease liabilities	17	**1,135**		1,162	
Bonds	17	**–**		125,000	
Trade payables	14	**328,368**		311,674	
Other payables	15	**33,056**		19,095	
Accrued liabilities and deferred income	16	**119,938**		124,195	
Provisions	18	**4,414**		10,209	
Current liabilities		**539,881**	**21.6**	653,688	28.1
Bank overdrafts	17	**86,025**		90,927	
Finance lease liabilities	17	**6,001**		5,334	
Loans	17	**53,974**		64,245	
Bonds	17	**450,000**		250,000	
Accrued liabilities and deferred income	16	**3,236**		–	
Provisions	18	**102,867**		93,247	
Non-current liabilities		**702,103**	**28.1**	503,753	21.7
Liabilities		**1,241,984**	**49.7**	1,157,441	49.8
Share capital		**53,498**		53,498	
Capital reserves		**143,323**		162,582	
Retained earnings		**871,509**		771,740	
Shareholders' equity excl. minority interests		**1,068,330**	**42.7**	987,820	42.5
Minority interests		**189,962**	**7.6**	177,296	7.7
Shareholders' equity incl. minority interests		**1,258,292**	**50.3**	1,165,116	50.2
Total liabilities and shareholders' equity		**2,500,276**	**100.0**	2,322,557	100.0

Consolidated Cash Flow Statement

in CHF 000s

	2013	2012
Profit incl. minority interests	**123,550**	123,905
Net interest expense	**15,682**	12,569
Income taxes	**30,308**	28,206
Gain on disposal of fixed assets	**-8,617**	-19,414
Depreciation and amortisation	**111,027**	103,793
Impairment charges	**1,345**	2,708
Write-back of negative goodwill	**-728**	-807
Change in provisions	**-2,950**	2,412
Income from associates and joint ventures	**-1,079**	-2,849
Other non-cash adjustments	**3,229**	-2,169
Cash flow before changes in net working capital, interest and taxes	**271,767**	248,354
Change in inventories	**-9,499**	31,368
Change in trade receivables	**30,677**	-1,634
Change in other receivables, prepayments and accrued income	**17,382**	-13,265
Change in trade payables	**8,915**	1,619
Change in other payables, accrued liabilities and deferred income	**-6,631**	12,080
Interest paid	**-18,346**	-15,131
Taxes paid	**-30,048**	-23,686
Cash flow from operating activities	**264,217**	239,705
Investments in tangible assets	**-116,667**	-125,090
Proceeds from disposal of tangible assets	**13,979**	19,482
Purchase of securities	**-1,824**	-3,365
Investments in intangible assets	**-9,494**	-6,226
Proceeds from disposal of intangible assets	**–**	950
Purchase of shares in/Capital increase of associates and joint ventures	**-9,302**	-10,236
Proceeds from sale of shares in/Capital reduction of associates	**111**	–
Acquisition of consolidated companies	**-56,506**	-21,683
Proceeds from sale of investments/businesses	**581**	–
Grant of loans receivable	**-1,838**	-31,445
Dividends received	**789**	751
Interest received	**2,198**	1,971
Cash flow from investing activities	**-177,973**	-174,891
Change in other current financial liabilities	**-15,064**	-15,503
Change in other non-current financial liabilities	**-7,793**	26,941
Proceeds from bond-issuance	**198,524**	–
Repayments of bonds	**-125,000**	–
Dividend paid to shareholders	**-19,259**	-18,189
Dividend paid to minority interests	**-4,736**	-3,676
Cash flow from financing activities	**26,672**	-10,427
Currency translation	**-663**	-231
Net change in cash and cash equivalents	**112,253**	54,156
Cash and cash equivalents at beginning of period	**171,641**	117,485
Cash and cash equivalents at end of period	**283,894**	171,641

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 31 Dec. 2011	53,498	180,771	710,079	-43,487	666,592	**900,861**	121,933	**1,022,794**
Change in scope of consolidation	–	–	–	–	–	**–**	42,697	**42,697**
Acquisition of minority interests	–	–	–	–	–	**–**	-559	**-559**
Profit incl. minority interests	–	–	106,236	–	106,236	**106,236**	17,669	**123,905**
Currency translation differences	–	–	–	-1,088	-1,088	**-1,088**	-768	**-1,856**
Dividend	–	-18,189	–	–	–	**-18,189**	-3,676	**-21,865**
Shareholders' equity as at 31 Dec. 2012	53,498	162,582	816,315	-44,575	771,740	**987,820**	177,296	**1,165,116**
Change in scope of consolidation	–	–	–	–	–	**–**	-940	**-940**
Profit incl. minority interests	–	–	104,560	–	104,560	**104,560**	18,990	**123,550**
Currency translation differences	–	–	–	-4,791	-4,791	**-4,791**	-648	**-5,439**
Dividend	–	-19,259	–	–	–	**-19,259**	-4,736	**-23,995**
Shareholders' equity as at 31 Dec. 2013	53,498	143,323	920,875	-49,366	871,509	**1,068,330**	189,962	**1,258,292**

As at 31 December 2013, 5,349,810 registered shares with a par value of CHF 10 were issued (as at 31 December 2012 5,349,810). With regard to the rights associated with the shares, we refer to note 6 in the Corporate Governance report.

As of 31 December 2013, the accumulated non-distributable reserves amount to CHF 45.5 million (previous year CHF 48.8 million). There was no transaction with own shares in 2013. In the previous year, Emmi purchased 186 own shares and disposed of them later in the year at the same price. For further details with regard to these transactions, we refer to note 7 of the Notes to the Financial Statements of Emmi AG (page 86).

Notes to the Consolidated Financial Statements

Principles of consolidation

General information

The Board of Directors of Emmi AG approved the Group financial statements on 28 February 2014. They are subject to the approval of the Annual General Meeting of shareholders.

Accounting principles

The consolidated financial statements are based on the annual accounts of the Group companies for the year ending 31 December 2013, 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 60 to 62 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 of 50 % without sole management control (joint ventures) and investments with 20 % to 49 % of the voting rights where Emmi has significant influence (associates) are accounted for using the equity method. Accounts based on or reconciliations to Swiss GAAP FER are used to calculate Emmi's proportionate share on 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 29).

Changes to the scope of consolidation

The following changes to the scope of consolidation took place in the year under review.

Consolidated companies		Currency	Capital in thousands	**Capital share 31.12.2013**	Capital share 31.12.2012
AVH dairy trade B.V., Bergen, Netherlands	Partially acquired on 1.1.2013	EUR	18	**70 %**	–
Studer Group					
– Studer Holding AG, Hefenhofen, Switzerland [1]	Acquisition on 1.7.2013	CHF	720	**100 %**	–
Rachelli Group					
– Rachelli Italia S.r.l., Pero, Italy [1]	Acquisition on 1.8.2013	EUR	52	**100 %**	–
Emmi Finance Netherlands B.V., Tiel, Netherlands	Established on 16.7.2013	EUR	p.m.	**95 %**	–
Emmi Management AG, Lucerne, Switzerland	Established on 12.12.2013	CHF	500	**100 %**	–
Société tunisienne d'engraissement des veaux S.A.R.L., Mahdia, Tunisia	Established on 30.7.2013	TND	70	**31 %**	–
Nutrifrais SA, Plan-les-Ouates, Switzerland	Sale on 1.4.2013	CHF	–	**–**	60 %
SCI Helios, Avignon, France	Liquidation on 31.10.2013	EUR	–	**–**	63 %

[1] Studer and Rachelli Groups consist, apart from the mother companies mentioned above, of several subsidiary companies. See note 29.

Associates and joint ventures					
The Icelandic Milk and Skyr Corporation, New York, United States	Partially acquired on 19.12.2013	USD	p.m.	**24 %**	11 %
Mexideli 2000 Holding SA de CV.,Mexico-City, Mexico	Partially acquired on 31.12.2013	MXN	101,759	**50 %**	–
Goat Milk Powder B.V., Etten-Leur, Netherlands	Established on 11.6.2013	EUR	1	**35 %**	–

Consolidation method

Capital is consolidated using the purchase method.

Assets and liabilities as well as expenses and income of the fully consolidated companies are included in their entirety. Minority interests in consolidated shareholders' equity and in the 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 revalued on their acquisition date on the basis of uniform Group principles and consolidated as from that date. Any goodwill remaining after this revaluation (difference between the purchase price and the interest in revalued shareholders' equity) is recognised in the balance sheet and amortised in the income statement over its useful life of generally 5 to 20 years. Any negative goodwill is recognised as a provision and is released in the income statement over a maximum of 5 years. In a business acquisition achieved in stages (step acquisition) the goodwill of each separate transaction is determined at the acquisition date. 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 currencies [1)]

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, 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.

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.

[1)] **Currency exchange rates in CHF**

	Annual average rates		Year-end rates	
	2013	2012	**31.12.2013**	31.12.2012
1 EUR	**1.23**	1.21	**1.23**	1.21
1 GBP	**1.45**	1.49	**1.47**	1.48
1 USD	**0.93**	0.94	**0.89**	0.91
1 CAD	**0.90**	0.94	**0.83**	0.92
1 TND	**0.57**	0.60	**0.54**	0.59
100 CLP	**0.19**	0.20	**0.17**	0.19

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

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 accounts receivables

Trade accounts 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 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. Intangible assets with an indefinite useful life are amortised over a period of 5 to 20 years. The useful life of EDP software is 2 to 5 years. Goodwill from acquisitions and trademarks are amortised over 5 to 20 years. The expected useful life of other intangible assets is determined on a case-by-case basis and is usually between 5 and 10 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 realisable value is calculated (impairment test). If the book value exceeds the realisable value, the difference is recognised in the income statement as 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 distinguished between finance leases and operating leases. A lease is classified as a finance lease if it transfers substantially 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 the Notes (note 23).

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 maximum of five years. 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. Changes in employer contribution reserves and changes in valuation of balance sheet items arising from excess/insufficient cover of pension schemes are recognised in the income statement under personnel expenses.

For further details with regard to the application of Swiss GAAP FER 16 "Employee benefit obligations", we refer readers to note 19 of the consolidated financial statements.

Deferred 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 the Notes (note 21).

Net sales and revenue recognition

Revenue represents amounts received and receivable for goods supplied and for services rendered to the customers. Revenue from the sales 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 have been 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

CHF 000s

1 Breakdown of net sales

By product group and Swiss/International market	Switzerland 2013	2012	International 2013	2012	Group 2013	2012
Milk	**262,102**	255,749	**243,879**	113,095	**505,981**	368,844
Butter and margarine	**253,667**	244,764	**2,944**	23,074	**256,611**	267,838
Cream	**182,249**	188,438	**37,016**	17,837	**219,265**	206,275
Dairy products	**698,018**	688,951	**283,839**	154,006	**981,857**	842,957
As % of net sales	**37.4**	37.4	**19.8**	13.5	**29.8**	28.3
Fresh products	**345,851**	342,562	**474,659**	388,888	**820,510**	731,450
As % of net sales	**18.6**	18.6	**33.0**	34.1	**24.9**	24.5
Natural cheese	**479,599**	464,785	**469,129**	417,617	**948,728**	882,402
Processed cheese	**62,083**	64,694	**47,874**	49,218	**109,957**	113,912
Cheese	**541,682**	529,479	**517,003**	466,835	**1,058,685**	996,314
As % of net sales	**29.1**	28.7	**36.0**	41.0	**32.1**	33.4
Fresh cheese	**121,492**	121,630	**53,195**	46,370	**174,687**	168,000
As % of net sales	**6.5**	6.6	**3.7**	4.1	**5.3**	5.6
Powder/concentrates	**72,369**	60,377	**25,244**	25,054	**97,613**	85,431
As % of net sales	**3.9**	3.3	**1.8**	2.2	**2.9**	2.9
Other products	**61,334**	70,889	**75,957**	50,050	**137,291**	120,939
Sales of services	**22,296**	28,175	**5,243**	7,923	**27,539**	36,098
Other products and services	**83,630**	99,064	**81,200**	57,973	**164,830**	157,037
As % of net sales	**4.5**	5.4	**5.7**	5.1	**5.0**	5.3
Net sales	**1,863,042**	1,842,063	**1,435,140**	1,139,126	**3,298,182**	2,981,189
As % of Group net sales	**56.5**	61.8	**43.5**	38.2	**100.0**	100.0

By country group	2013	in %	2012	in %
Switzerland	**1,863,042**	**56.5**	1,842,063	61.8
Europe excl. Switzerland	**898,053**	**27.2**	746,397	25.0
North and South America	**384,020**	**11.7**	311,955	10.5
Africa	**123,242**	**3.7**	59,888	2.0
Asia/Pacific	**29,825**	**0.9**	20,886	0.7
Total	**3,298,182**	**100.0**	2,981,189	100.0

2 Other operating expenses

	2013	2012
Marketing and sales related expenses	**123,632**	125,077
Occupancy expense, maintenance and repair, leasing	**68,012**	72,609
Insurance, fees and HGV road tax	**14,451**	14,278
Energy, operating material and supplies	**66,721**	62,155
Administrative expenses	**34,797**	32,906
Logistic expenses	**95,042**	82,339
Other operating expenses	**17,724**	12,618
Total	**420,379**	401,982

3 Depreciation and amortisation

	2013	2012
Depreciation of property, plant and equipment	**89,758**	85,209
Impairment of property, plant and equipment	**1,345**	659
Amortisation of goodwill	**12,558**	11,537
Impairment of goodwill	**–**	2,049
Amortisation of other intangible assets	**8,711**	7,047
Total	**112,372**	106,501

Amortisation of goodwill related to associates is included in the position “Income from associates and joint ventures” of the income statement.

Impairment of goodwill recognised in the previous year resulted from the significant loss of sales and related restructuring of the trading business.

4 Financial result

	2013	2012
Interest income	**2,207**	1,864
Other financial income	**1,132**	849
Total financial income	**3,339**	2,713
Interest expense	**-17,889**	-14,433
Bank charges and fees	**-1,080**	-1,092
Total financial expenses	**-18,969**	-15,525
Total excl. currency result	**-15,630**	-12,812
Currency result	**-50**	-3,625
Financial result	**-15,680**	-16,437

5 Income taxes

	2013	2012
Current income taxes	**28,833**	30,536
Deferred income taxes	**1,475**	-2,330
Total	**30,308**	28,206
Average tax rate	**19.7 %**	18.5 %

Deferred income taxes are calculated for every company using the effective applicable tax rate. As at 31 December 2013, the resulting weighted average tax rate was 19.2 % (previous year 19.0 %). In 2013, non-recognised tax claims from tax losses carried forward increased from CHF 13.4 million to CHF 14.2 million. Deferred income tax assets include recognised tax losses carried forward amounting to CHF 5.3 million (previous year CHF 5.5 million) and deferred income taxes on temporary differences in the amount of CHF 11.8 million (previous year CHF 9.7 million). Net accruals for current income taxes decreased from CHF 19.3 million in 2012 to CHF 18.0 million in 2013.

6 Earnings per share

	2013	2012
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	**104,559,827**	106,235,594
Earnings per share (in CHF)	**19.54**	19.86

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

7 Trade receivables

	2013	2012
Third parties	**398,432**	433,423
Associates	**22,847**	11,832
Shareholders	**770**	1,023
Related parties	**14**	29
Allowance for doubtful accounts	**-7,809**	-11,667
Total	**414,254**	434,640

8 Other receivables

	2013	2012
Third parties	**33,495**	49,234
Associates	**3,571**	3,130
Total	**37,066**	52,364

9 Inventories

	2013	2012
Finished products	**90,580**	93,139
Merchandise	**15,514**	6,703
Raw materials, semi-finished products and packaging material	**219,486**	207,740
Other inventories	**1,939**	2,638
Allowance for market price adjustments	**-12,255**	-11,263
Total	**315,264**	298,957

10 Prepayments and accrued income

	2013	2012
Income taxes	**4,412**	2,771
Other - third parties	**17,824**	15,180
Other - associates	**203**	2,246
Total	**22,439**	20,197
Thereof current prepayments and accrued income	**13,914**	17,540
Non-current prepayments and accrued income	**8,525**	2,657

Other prepayments and accrued income consist mainly of refunds of CO_2 tax, accrued promotion costs, VAT and prepayments of insurance premiums.

11 Loans and other receivables

	2013	2012
Third parties	**46,150**	46,067
Associates	**13,270**	11,734
Allowance	**-1,827**	-1,065
Total	**57,593**	56,736

12 Property, plant and equipment

2013	Vacant land	Land/ Property	Plant/ Equipment	Tangible fixed assets under construction	Other tangible assets	**Total**
Purchase value at 1.1.2013	4,132	714,824	1,285,630	58,080	57,414	**2,120,080**
Change in scope of consolidation	–	12,234	7,493	60	14	**19,801**
Additions	–	10,970	29,551	74,697	1,449	**116,667**
Disposals	-1,450	-10,142	-28,552	–	-2,395	**-42,539**
Reclassification	–	15,849	55,145	-73,560	2,566	**–**
Currency translation differences	2	-2,172	-6,028	-377	-359	**-8,934**
As at 31 December 2013	2,684	741,563	1,343,239	58,900	58,689	**2,205,075**
Accumulated depreciation at 1.1.2013	1,327	301,846	836,663	–	41,338	**1,181,174**
Change in scope of consolidation	–	1,956	-5,255	–	-303	**-3,602**
Depreciation	–	15,799	69,019	–	4,940	**89,758**
Impairment charges	–	–	1,345	–	–	**1,345**
Disposals	-290	-6,700	-27,963	–	-2,224	**-37,177**
Reclassification	–	-796	766	–	30	**–**
Currency translation differences	1	-240	-1,869	–	-182	**-2,290**
As at 31 December 2013	1,038	311,865	872,706	–	43,599	**1,229,208**
Net book value at 31 December 2013	1,646	429,698	470,533	58,900	15,090	**975,867**
Thereof finance lease	–	–	5,697	–	–	**5,697**

2012	Vacant land	Land/ Property	Plant/ Equipment	Tangible fixed assets under construction	Other tangible assets	Total
Purchase value at 1.1.2012	4,133	641,477	1,116,370	35,666	49,930	**1,847,576**
Change in scope of consolidation	–	51,140	120,463	2,937	6,112	**180,652**
Additions	–	22,606	5,125	96,598	761	**125,090**
Disposals	–	-9,496	-17,017	–	-2,478	**-28,991**
Reclassification	–	10,500	62,871	-76,712	3,341	**–**
Currency translation differences	-1	-1,403	-2,182	-409	-252	**-4,247**
As at 31 December 2012	4,132	714,824	1,285,630	58,080	57,414	**2,120,080**
Accumulated depreciation at 1.1.2012	1,328	273,743	721,418	–	35,826	**1,032,315**
Change in scope of consolidation	–	16,659	65,906	–	3,146	**85,711**
Depreciation	–	15,170	65,381	–	4,658	**85,209**
Impairment charges	–	–	637	–	22	**659**
Disposals	–	-2,809	-15,919	–	-1,994	**-20,722**
Reclassification	–	-496	384	–	112	**–**
Currency translation differences	-1	-421	-1,144	–	-432	**-1,998**
As at 31 December 2012	1,327	301,846	836,663	–	41,338	**1,181,174**
Net book value at 31 December 2012	2,805	412,978	448,967	58,080	16,076	**938,906**
Thereof finance lease	–	–	6,795	–	–	**6,795**

	2013	2012
Fire insurance values	**2,282,662**	2,251,340

13 Intangible assets

2013	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value at 1.1.2013	105,441	44,155	247,004	25,009	272,013	6,697	**428,306**
Change in scope of consolidation	30	25	42,720	8,088	50,808	108	**50,971**
Additions	2	9,349	–	–	–	143	**9,494**
Currency translation differences	-374	-207	-495	–	-495	-110	**-1,186**
As at 31 December 2013	105,099	53,322	289,229	33,097	322,326	6,838	**487,585**
Accumulated amortisation at 1.1.2013	17,196	34,785	79,572	8,813	88,385	3,219	**143,585**
Change in scope of consolidation	–	–	–	–	–	–	**–**
Amortisation	4,442	3,176	12,558	1,073	13,631	1,093	**22,342**
Currency translation differences	-145	-91	-145	–	-145	-28	**-409**
As at 31 December 2013	21,493	37,870	91,985	9,886	101,871	4,284	**165,518**
Net book value at 31 December 2013	83,606	15,452	197,244	23,211	220,455	2,554	**322,067**

All intangible assets were acquired. Amortisation of goodwill related to associates is included in the position “Income from associates and joint ventures” of the income statement.

2012	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value at 1.1.2012	42,675	34,607	213,781	25,309	239,090	2,925	**319,297**
Change in scope of consolidation	62,326	4,933	27,216	5,520	32,736	3,331	**103,326**
Additions	2	5,722	–	–	–	502	**6,226**
Disposals	–	-1,020	–	–	–	–	**-1,020**
Reclassification	–	–	5,820	-5,820	–	–	**–**
Currency translation differences	438	-87	187	–	187	-61	**477**
As at 31 December 2012	105,441	44,155	247,004	25,009	272,013	6,697	**428,306**
Accumulated amortisation at 1.1.2012	13,224	29,982	67,283	7,649	74,932	776	**118,914**
Change in scope of consolidation	276	2,883	–	–	–	1,645	**4,804**
Amortisation	3,459	2,761	10,373	1,164	11,537	827	**18,584**
Impairment charges	–	–	2,049	–	2,049	–	**2,049**
Disposals	–	-780	–	–	–	–	**-780**
Reclassification	–	–	–	–	–	–	**–**
Currency translation differences	237	-61	-133	–	-133	-29	**14**
As at 31 December 2012	17,196	34,785	79,572	8,813	88,385	3,219	**143,585**
Net book value at 31 December 2012	88,245	9,370	167,432	16,196	183,628	3,478	**284,721**

14 Trade payables

	2013	2012
Third parties	**296,139**	277,375
Associates	**9,787**	10,618
Shareholders	**22,438**	21,144
Related parties	**4**	2,537
Total	**328,368**	311,674

15 Other payables

	2013	2012
Third parties	**30,440**	16,543
Related parties	**2,616**	2,552
Total	**33,056**	19,095

16 Accrued liabilities and deferred income

	2013	2012
Interest	**5,762**	6,219
Income taxes	**22,451**	22,025
Liabilities to employees and social security accruals	**29,428**	28,819
Contractual discounts	**30,930**	26,262
Other – third parties	**32,542**	37,679
Other – associates	**2,061**	3,191
Total	**123,174**	124,195
Thereof current accrued liabilities and deferred income	**119,938**	124,195
Non-current accrued liabilities and deferred income	**3,236**	–

Other accrued liabilities and deferred income of the current and previous period comprise in particular contributions to cheese brand organisations, energy, sales refunds and various services.

17 Financial liabilities

17.1 Bonds

Bond type	Bond with reopening option
Nominal amount	CHF 125 million
Securities number	2673417/ISIN CH0026734175
Interest rate	3.00 %
Term	13 September 2006 to 13 September 2013
Maturity	13 September 2013 at par value

Due to the market situation, Emmi decided to settle an existing interest rate swap in June 2009. The swap was used as a hedging instrument for the coupon from a bond issue and, accordingly, was concluded concurrently with the issue of the bond on 13 September 2006, with the same maturity (until 13 September 2013). The actual interest rate on the bond was thereby reduced from 3.0 % to 2.1 % per year. This bond was repaid on 13 September 2013.

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 to 1.72 % per year.

17.2 Maturing structure of financial liabilities

2013	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	Total	Thereof secured by pledge of real property	Interest rate in %
Bank overdrafts	52,970	86,025	–	**138,995**	20,322	
Finance lease liabilities	1,135	5,512	489	**7,136**	–	
Bonds	–	250,000	200,000	**450,000**	–	
Loans from third parties	–	2,307	45,768	**48,075**	43,115	
Loans from associates	–	4859	–	**4,859**	–	
Loans from shareholders	–	1,040	–	**1,040**	–	
Total	**54,105**	**349,743**	**246,257**	**650,105**	**63,437**	**0.6–8.3**

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, the 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.

2012	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	Total	Thereof secured by pledge of real property	Interest rate in %
Bank overdrafts	62,353	87,063	3,864	153,280	–	
Finance lease liabilities	1,162	4,645	689	6,496	–	
Bonds	125,000	250,000	–	375,000	–	
Loans from third parties	–	13,709	44,796	58,505	44,863	
Loans from associates	–	4,700	–	4,700	–	
Loans from shareholders	–	1,040	–	1,040	–	
Total	**188,515**	**361,157**	**49,349**	**599,021**	**44,863**	**0.6–8.0**

18 Provisions

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred taxes	**Total provisions**
As at 1 January 2013	4,027	1,592	16,727	81,110	**103,456**
Change in scope of consolidation	–	–	1,275	2,487	**3,762**
Additions	–	–	7,483	8,574	**16,057**
Usage	-783	–	-7,164	-4,808	**-12,755**
Reversals	–	-728	-2,207	–	**-2,935**
Currency translation differences	–	–	-93	-211	**-304**
As at 31 December 2013	3,244	864	16,021	87,152	**107,281**
Thereof current provisions	2,744	427	1,243	–	**4,414**
Non-current provisions	500	437	14,778	87,152	**102,867**

The restructuring provisions recognised as at 31 December 2013 relate in particular to costs in connection with the discontinuance of the frozen products distribution business (2013: CHF 2.3 million, 2012: CHF 3.2 million).

Other provisions include in particular accruals for pending legal matters and business disputes (2013: CHF 8.0 million; 2012: CHF 8.2 million), and liabilities for staff expenses in foreign countries as required by law (2013: CHF 5.5 million; 2012 : CHF 3.9 million). In all cases, the likelihood of such events occurring has been assessed at above 50 %.

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred taxes	**Total provisions**
As at 1 January 2012	4,824	2,277	9,460	77,063	**93,624**
Change in scope of consolidation	–	–	4,004	7,584	**11,588**
Additions	531	122	9,240	5,809	**15,702**
Usage	-1,078	–	-4,926	-9,280	**-15,284**
Reversals	-250	-807	-1,092	–	**-2,149**
Currency translation differences	–	–	41	-66	**-25**
As at 31 December 2012	4,027	1,592	16,727	81,110	**103,456**
Thereof current provisions	2,503	726	6,980	–	**10,209**
Non-current provisions	1,524	866	9,747	81,110	**93,247**

19 Employee benefit schemes

Employer contribution reserve (ECR)	Nominal value ECR **31.12.2013**	Waiver of usage **31.12.2013**	Other value adjustments **31.12.2013**	Balance sheet **31.12.2013**	Balance sheet 31.12.2012	Result from ECR in personnel expenses **2013**	Result from ECR in personnel expenses 2012	Change in scope of consolidation **2013**
Pension schemes without excess/ insufficient cover (domestic)	1,489	–	–	1,489	1,489	**–**	-100	–
Pension schemes with excess cover (domestic)	556	–	–	556	–	**–**	–	556
Total	**2,045**	**–**	**–**	**2,045**	1,489	**–**	-100	**556**

Economic benefit/economic obligation and pension expenses	Excess/insufficient cover as per Swiss GAAP FER 26 **31.12.2013**	Economic benefit/obligation for the company **31.12.2013**	Economic benefit/obligation for the company 31.12.2012	Change vs. previous year or taken to the income statement in the FY	Contributions limited to the period [1]	Pension expenses in personnel expenses **2013**	Pension expenses in personnel expenses 2012
Welfare funds (domestic)	38,987	–	–	–	28	**28**	28
Pension schemes without excess/insufficient cover (domestic)	–	–	–	–	17,966	**17,966**	17,382
Pension schemes without excess/insufficient cover (abroad)	–	–	–	–	924	**924**	724
Pension schemes with excess cover (domestic)	51	–	–	–	50	**50**	–
Total	**39,038**	**–**	–	–	18,968	**18,968**	18,134

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

Breakdown of pension expenses 2013	Domestic	Abroad	**Total**
Contributions to pension plans at cost to the companies	18,044	924	**18,968**
Contributions to pension plans from employer contribution reserves	–	–	**–**
Total contributions	18,044	924	**18,968**
Change in ECR due to asset performance, value adjustments, etc.	–	–	**–**
Contributions and change to employer contribution reserves	18,044	924	**18,968**
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	18,044	924	**18,968**

Breakdown of pension expenses 2012	Domestic	Abroad	**Total**
Contributions to pension plans at cost to the companies	17,310	724	**18,034**
Contributions to pension plans from employer contribution reserves	–	–	**–**
Total contributions	17,310	724	**18,034**
Change in ECR due to asset performance, value adjustments, etc.	100	–	**100**
Contributions and change to employer contribution reserves	17,410	724	**18,134**
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	17,410	724	**18,134**

20 Acquisitions

The companies acquired by Emmi in 2013 respectively 2012 reported the following main balance sheet items at the time of acquisition:

	2013			2012	
	AVH dairy trade B.V.	**Studer Group**	**Rachelli Group**	Kaiku Group	Diprola Group
Cash	308	5,023	10,208	16,104	3,405
Trade receivables	1,083	2,230	6,037	53,619	9,146
Inventories	–	5,620	2,786	29,163	2,852
Other current assets	119	312	5,241	12,424	1,762
Non-current assets	47	18,914	7,495	175,921	6,618
Trade payables	1,127	1,330	6,295	61,704	14,541
Other current liabilities	228	5,156	9,096	73,760	3,041
Non-current liabilities	–	4,138	1,750	69,008	1,679
Shareholders' equity	202	21,475	14,626	82,759	4,522
Balance sheet total	**1,557**	**32,099**	**31,767**	287,231	23,783

On 1 January 2013 Emmi Nederland B.V. purchased a 70 % stake in the Dutch goat's and sheep's dairy products trader AVH dairy trade B.V., based in Bergen (NL). With this acquisition Emmi strengthens its position in the international goat's and sheep's dairy market.

On 1 July 2013 Emmi AG acquired all shares of Käserei Studer Group based in Hefenhofen (CH). Käserei Studer produces and distributes a selected range of semi-hard and hard cheese specialties of which the most well-known is "Der Scharfe Maxx". Through this acquisition Emmi expands its offering in the specialty cheese segment.

On 1 August 2013 Emmi Holding Italia S.r.l. fully acquired the Rachelli Group, based in Pero Milano (IT). Rachelli is an internationally operating group which produces and markets top-quality dessert specialties. The products consist mainly of traditional dessert specialties, namely Tiramisu, Panna Cotta and Profiteroles. Through this acquisition Emmi strengthens its position in the growing niche market of Italian dessert specialties.

On 1 April 2013 Emmi AG sold its 60 % stake in Nutrifrais SA. This transaction has no significant impact on the consolidated financial statements of Emmi Group.

21 Unsettled derivative financial instruments

	2013			2012		
	Positive value	Negative value	Purpose	Positive value	Negative value	Purpose
Forward currency transactions	1,203	12	Hedging	879	5	Hedging
Other forward transactions	613	–	Hedging	–	–	–
Total forward transactions	**1,816**	**12**	**–**	879	5	–
of which to hedge future cash flows	1,143	–	–	100	–	–
Total recognised in the balance sheet	**673**	**12**	**–**	779	5	–

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 financial 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 group companies, 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.

22 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 fundamental 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 with the application for a government grant, to indemnify a third-party investor for damages up to CHF 16.7 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.

23 Pledged assets and off-balance sheet leasing/rental liabilities

Pledged assets	**2013**	2012
Pledges on property, nominal values	**293,391**	278,431
Thereof used as security for own liabilities	**63,437**	44,863
Off-balance sheet leasing/rental obligations		
1 to 2 years	**20,544**	21,754
3 to 5 years	**22,876**	23,382
over 5 years	**26,408**	26,073
Total	**69,828**	71,209

24 Investment obligations and off-balance sheet liabilities

	2013	2012
Investment obligations in connection with previously concluded agreements	**35,257**	35,580
Long-term commodity contracts	**878**	–
Cooperation agreements with suppliers/customers	**p.m.**	p.m.

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

25 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 2013 and 2012, 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 7, 8, 10, 11, 14, 15, 16 and 17).

Transactions with associates	2013	2012
Net sales	84,885	54,748
Cost of materials and services	94,525	43,519
Other expenses	13,058	1,771
Financial income	509	1,075
Financial expenses	168	125

Transactions with shareholders	2013	2012
Net sales	7,090	8,578
Cost of materials and services	238,156	213,408
Other expenses	354	337
Financial income	–	2
Financial expenses	26	25

Transactions with other related parties	2013	2012
Net sales	4,365	4,683
Cost of materials and services	643	3,678
Other expenses	457	607

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 Notes to the Financial Statements of Emmi AG, in compliance with article 663b bis of the Swiss Code of Obligations.

26 Shareholders

Nominal capital	2013	%	2012	%
ZMP Invest AG , Lucerne [1]	29,031	54.3	29,038	54.3
Zentralschweizer Milchkäuferverband, Willisau [1]	2,500	4.7	2,500	4.7
MIBA Milchverband der Nordwestschweiz, Basel [1]	1,931	3.6	1,931	3.6
Other	20,036	37.4	20,029	37.4
Total	53,498	100.0	53,498	100.0

[1] ZMP Invest AG , Lucerne, the Zentralschweizer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Basel, form a group in the sense of Article 20 of the SESTA. The group owns 62.6 % (previous year 62.6 %) of the total voting rights.

As per 31 December 2013 as well as per 31 December 2012 Emmi Wohlfahrtsfonds (welfare fund) owned a total number of 16,000 shares of Emmi AG.

27 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 subprocesses: risk analysis and definition of measures. The first subprocess includes risk identification, assessment and classification. Risks are classified according to whether they are strategic, operational, financial or compliance related. The second subprocess, 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 Emmi Group:

- Liberalisation of the milk market: Continued deregulation in Switzerland could lead to new pricing relationships, with foreign competition increasing in the medium term and reducing Emmi Group's market shares. At the same time, increasing national and international requests for proposals could lead to a price erosion for generic products. There is also a risk that, with the deregulation, Emmi cannot purchase milk at the same favourable conditions as the Swiss competitors. Emmi Group's strategic objectives are designed to prepare the company for the full liberalisation of the milk market. The Group's associated international expansion was also identified as a further key risk. A consistent focus on the strategy, its implementation and restrictive cost management will minimise this risk for Emmi Group.

- Currency risk: Emmi Group is, through its international expansion, exposed to currency fluctuations. The exchange rates EUR/CHF, USD/CHF and GBP/CHF could change to Emmi's disadvantage. If prices for Emmi products in foreign currencies remain the same, margins drop; if prices are changed, market share may be reduced. Short-term exchange rate fluctuations are offset based on the hedging concept applied within Emmi Group. In addition, purchases are increasingly made in foreign currencies in order to establish a natural hedging. Furthermore, as part of Emmi's strategy, expenditure and production in foreign currency areas are to be expanded through investments and acquisitions.

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 Emmi Group are EUR, USD and GBP.

To ensure that the consolidated financial statements are in accordance with the applicable accounting standards and reported accurately, Emmi Group has set up effective internal control and management systems, which are reviewed regularly. The accounting and valuation includes 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 significant valuation risk, the risk 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 for the financial year under review.

28 Subsequent events

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 28 February 2014, no major events occurred which could adversely affect the validity of the annual financial statements for 2013 or which would have to be disclosed.

29 Summary of consolidated companies, associates and joint ventures

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2013	**Capital share 31.12.2013**	Capital share 31.12.2012
Switzerland						
Emmi AG	Lucerne	Holding	CHF	53,498	**100%**	100%
Baumann Käse AG	Zollikofen	Trade	CHF	100	**100%**	100%
Burra AG [1]	Zurich	Trade	CHF	–	**–**	100%
Emmi Finanz AG	Lucerne	Service	CHF	100	**100%**	100%
Emmi Fondue AG	Langnau i.E.	Production	CHF	15,000	**65%**	65%
Emmi Frischprodukte AG	Lucerne	Production	CHF	6,000	**100%**	100%
Emmi Frisch-Service AG	Schlieren	Trade	CHF	1,000	**100%**	100%
Emmi International AG	Lucerne	Service	CHF	5,000	**100%**	100%
Emmi Käse AG	Lucerne	Prod. and trade	CHF	11,400	**100%**	100%
Emmi Logistik AG	Lucerne	Service	CHF	2,000	**100%**	100%
Emmi Management AG [2]	Lucerne	Service	CHF	500	**100%**	–
Emmi Milch AG	Lucerne	Production	CHF	4,000	**100%**	100%
Emmi Schweiz AG	Lucerne	Service	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%
Käserei Studer AG [3]	Hefenhofen	Prod. and trade	CHF	240	**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%
Nutrifrais SA [4]	Plan-les-Ouates	Prod. and trade	CHF	–	**–**	60%
Regio Molkerei beider Basel AG	Frenkendorf	Production	CHF	3,000	**80%**	80%
Rutz Käse AG [5]	Wittenbach	Prod. and trade	CHF	–	**–**	100%
Studer Holding AG [3]	Hefenhofen	Service	CHF	720	**100%**	–
Studer Käsemarketing AG [3]	Hefenhofen	Service	CHF	100	**100%**	–
SWEET PORT SERVICES SA	Lugano	Trade	CHF	250	**100%**	100%
Swissexport, Aktiengesellschaft Schweizerischer Käseexporteure	Berne	Service	CHF	100	**79%**	79%
Walter Schmitt AG	Märwil	Trade	CHF	150	**100%**	100%
Spain						
Admilac Servicios Profesionales, S.L.	San Sebastian	Service	EUR	3	**76%**	76%
Altamira Alimentaria, S.L.	Renedo	Trade	EUR	3	**76%**	76%
Emmi Lacteos España, S.L.U.	Pamplona	Trade	EUR	50	**100%**	100%
Kaiku Corporación Alimentaria, S.L.	San Sebastian	Service and trade	EUR	66,110	**76%**	76%
Kaiku Internacional, S.L.	San Sebastian	Service and trade	EUR	39,800	**76%**	76%
Lacteos de Navarra, S.L.	Pamplona	Production	EUR	9,647	**75%**	75%

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2013	**Capital share 31.12.2013**	Capital share 31.12.2012
Llet Nostra Alimentaria, S.L.	Barcelona	Trade	EUR	3	**34%**	34%
SDA Bilbao, S.L.	Bilbao	Service	EUR	3	**76%**	76%
SDA Catalunya	Barcelona	Trade	EUR	3	**55%**	55%
SDA Guipuzkoa, S.L.	Bilbao	Service	EUR	3	**76%**	76%
Sociedad Distribuidora Alimentaria, S.L.	Bilbao	Service and trade	EUR	625	**76%**	76%
Soc. Servicios Logísticos SDA Central, S.L.	Bilbao	Service	EUR	3	**76%**	76%
Tecnología y Calidad Láctea, S.L.	San Sebastian	Service	EUR	3	**76%**	76%
Italy						
A-27 S.p.A.	Rancio Valcuvia	Prod. and trade	EUR	1,000	**100%**	100%
Emmental S.r.l. in Liq.	Milan	Trade	EUR	520	**100%**	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. [6)]	Pero	Trade	EUR	40	**100%**	–
Rachelli Italia S.r.l. [6)]	Pero	Production	EUR	52	**100%**	–
Trentinalatte S.p.A.	Rovère della Luna	Production	EUR	520	**100%**	100%
France						
DIPROLA SAS [7)]	Avignon	Service	EUR	–	**–**	63%
Distribution Frais Disfrais SAS	Avignon	Trade	EUR	192	**63%**	63%
EAF Immo 84	Nice	Service	EUR	270	**51%**	51%
Emmi France SAS	Rungis	Trade	EUR	40	**100%**	100%
Ets. Schoepfer SAS	Avignon	Trade	EUR	1,252	**63%**	63%
SAS Emmi Ambrosi France E.A.F.	Nice	Service	EUR	100	**63%**	63%
SCI Helios [8)]	Avignon	Service	EUR	–	**–**	63%
Netherlands						
AVH dairy trade B.V. [9)]	Bergen	Prod. and trade	EUR	18	**70%**	–
Emmi Benelux B.V. [10)]	Tiel	Service	EUR	–	**–**	100%
Emmi Finance Netherlands B.V. [11)]	Tiel	Service	EUR	p.m.	**95%**	–
Emmi Benelux B.V. [12)]	Tiel	Trade	EUR	523	**100%**	100%
Rachelli International B.V. [6)]	Amsterdam	Trade	EUR	18	**100%**	–
Germany						
Emmi Deutschland GmbH	Essen	Trade	EUR	75	**100%**	100%
Molkerei Biedermann GmbH	Constance	Trade	EUR	25	**100%**	100%
Rutz Käse GmbH	Constance	Trade	EUR	25	**100%**	100%
Belgium						
Emmi Belux SA	Brussels	Trade	EUR	62	**100%**	100%
Austria						
Emmi Österreich GmbH	Nüziders	Trade	EUR	2,800	**100%**	100%
United Kingdom						
Emmi UK Limited	London	Trade	GBP	4,717	**100%**	100%
Tunisia						
Centrale Laitière de Mahdia, S.A .	Mahdia	Production	TND	17,000	**35%**	35%
Société tunisienne d'engraissement des veaux S.A.R.L. [13)]	Mahdia	Production	TND	70	**31%**	–

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2013	**Capital share 31.12.2013**	Capital share 31.12.2012
United States						
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	p.m.	**100 %**	100 %
Emmi Penn Yan LLC [14]	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 %
Switzerland Cheese Marketing (USA) Inc.	Orangeburg	Trade	USD	1	**79 %**	79 %
Zingg + Co. Inc.	Orangeburg	Trade	USD	1	**100 %**	100 %
Chile						
Eurolac Chile, S.A .	Santiago	Service	CLP	9,558,477	**76 %**	76 %
Surlat Comercial, S.A .	Santiago	Trade	CLP	6,536,953	**46 %**	46 %
Surlat Industrial, S.A .	Pitrufquen	Production	CLP	12,547,279	**46 %**	46 %
Canada						
Emmi Canada Inc.	Quebec	Trade	CAD	p.m.	**100 %**	100 %
Switzerland Cheese Marketing Inc.	Quebec	Trade	CAD	1	**79 %**	79 %

[1] Burra AG was integrated into Emmi Frisch-Service AG on 1 January 2013.
[2] Emmi Management AG was established on 12 December 2013.
[3] Part of Studer Group. Studer Group was acquired on 1 July 2013.
[4] The investment in Nutrifrais SA was sold on 1 April 2013.
[5] Rutz Käse AG was integrated into Emmi Käse AG on 1 January 2013.
[6] Part of Rachelli Group. Rachelli Group was acquired on 1 August 2013.
[7] DIPROLA SAS was integrated into SAS Emmi Ambrosi France E.A.F. on 1 January 2013.
[8] SCI Helios was liquidated on 31 October 2013.
[9] 70 % of the shares of AVH dairy trade B.V. were acquired on 1 January 2013.
[10] Emmi Benelux B.V. was integrated into Emmi Nederland B.V. (renamed Emmi Benelux B.V.) on 31 October 2013.
[11] Emmi Finance Netherlands B.V. was established on 16 July 2013.
[12] Emmi Nederland B.V. was renamed Emmi Benelux B.V. on 31 October 2013.
[13] Société tunisienne d'engraissement des veaux S.A.R.L. was established on 30 July 2013.
[14] CASP LLC was renamed Emmi Penn Yan LLC.

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 company.

Associates and joint ventures	Head Office	Function	Currency	Capital in 000s 31.12.2013	**Capital share 31.12.2013**	Capital share 31.12.2012
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	**36%**	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	10	**40%**	40%
Venchiaredo S.p.A.	Ramuscello	Prod. and trade	EUR	4,500	**24%**	26%
Germany						
Carl Fr. Scheer GmbH + Co. KG	Willstätt	Trade	EUR	500	**25%**	25%
Scheer Verwaltungs u. Beteiligungs GmbH	Willstätt	Service	EUR	26	**25%**	25%
Gläserne Meierei GmbH	Dechow	Prod. and trade	EUR	375	**24%**	24%
Spain						
Batiovo I.A.E.	Madrid	Trade	EUR	12	**38%**	38%
Serkolat Bide, S.L.	San Sebastian	Service	EUR	8	**19%**	19%
France						
YéO Internacional S.A.	Toulouse	Production	EUR	10,000	**38%**	38%
Netherlands						
Goat Milk Powder B.V. [1]	Etten-Leur	Production	EUR	1	**35%**	–
United States						
Big Red Cheese Company LLC	Monroe	Trade	USD	p.m.	**50%**	50%
The Icelandic Milk and Skyr Corporation [2]	New York	Production	USD	p.m.	**24%**	11%
White Hill Cheese Company LLC	Shullsburg	Production	USD	7,000	**50%**	50%
Chile						
Comercial Hoffmann, S.A.	Valdivia	Trade	CLP	384,033	**19%**	19%
SDA Chile, S.A.	Santiago	Trade	CLP	781,852	**34%**	38%
Mexico						
Mexideli 2000 Holding S.A. de C.V. [3]	Mexico City	Trade	MXN	101,759	**50%**	–

1) Goat Milk Powder B.V. was established on 11 June 2013.
2) The Icelandic Milk and Skyr Corporation is accounted for using the equity method as from 19 December 2013.
3) The investment in Mexideli 2000 Holding S.A. de C.V. was made on 31 December 2013.

Auditors' Report on the Consolidated Financial Statements

pwc

Report of the statutory auditor
to the General Meeting of
Emmi AG
Lucerne

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Emmi AG, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes (pages 54 to 79), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and 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.

PricewaterhouseCoopers AG

Matthias von Moos Audit Expert Auditor in charge	Markus Wandeler Audit Expert

Lucerne, 28 February 2014

Contents

Financial Statements of Emmi AG

Share Information Emmi AG

Income Statement

CHF 000s

	2013	2012
Income from investments	**74,912**	50,574
Financial income	**15,767**	15,520
Other income	**6,710**	6,970
Total income	**97,389**	73,064
Personnel expenses	**-833**	-715
Financial expenses	**-9,770**	-5,004
Administrative expenses	**-1,374**	-1,365
Amortisation	**-451**	-451
Total expenses	**-12,428**	-7,535
Ordinary profit before taxes	**84,961**	65,529
Income taxes	**-1,271**	-1,498
Net profit	**83,690**	64,031

Balance Sheet

CHF 000s

Assets	31.12.2013	%	31.12.2012	%
Cash and cash equivalents	12,878		97	
Securities	250		250	
Other receivables from third parties	2,610		1,956	
Other receivables from consolidated companies	–		33,570	
Prepayments and accrued income	246		427	
Current assets	**15,984**	**2.0**	36,300	4.6
Loans to consolidated companies	454,736		461,414	
Loans to third parties	700		–	
Investments in subsidiaries and associates	319,640		282,979	
Financial assets	775,076		744,393	
Prepayments and accrued income	113		151	
Intangible assets	903		1,355	
Non-current assets	**776,092**	**98.0**	745,899	95.4
Total assets	**792,076**	**100.0**	782,199	100.0

Liabilities and shareholders' equity

Liabilities and shareholders' equity	31.12.2013	%	31.12.2012	%
Bonds	–		125,000	
Payables from consolidated companies	69,228		–	
Other payables	210		2,141	
Accrued liabilities and deferred income	2,449		4,725	
Current liabilities	**71,887**	**9.1**	131,866	16.9
Bank overdrafts	61,314		60,994	
Loans from consolidated companies	4,105		–	
Provisions	1,000		–	
Non-current liabilities	**66,419**	**8.4**	60,994	7.8
Liabilities	**138,306**	**17.5**	192,860	24.7
Share capital	53,498		53,498	
General legal reserves				
– Legal reserves	2,886		2,886	
– Capital contribution reserve	149,529		168,788	
Total general legal reserves	152,415		171,674	
Free reserves	360,000		295,000	
Retained earnings as per 1.1.	4,167		5,136	
Net profit	83,690		64,031	
Retained earnings as per 31.12.	**87,857**		69,167	
Shareholders' equity	**653,770**	**82.5**	589,339	75.3
Total liabilities and shareholders' equity	**792,076**	**100.0**	782,199	100.0

Statement of Changes in Equity

CHF 000s

	Share capital	General legal reserves		Free reserves	Available earnings	Total
		Legal reserves	Capital contribution reserve			
Shareholders' equity as at 31 December 2009	53,498	189,863	–	200,000	56,434	**499,795**
Allocation	–	–	–	35,000	-35,000	**–**
Dividend	–	–	–	–	-16,049	**-16,049**
Net profit	–	–	–	–	40,400	**40,400**
Shareholders' equity as at 31 December 2010	53,498	189,863	–	235,000	45,785	**524,146**
Allocation/reclassification	–	-186,977	186,977	25,000	-25,000	**–**
Dividend	–	–	–	–	-18,189	**-18,189**
Net profit	–	–	–	–	37,540	**37,540**
Shareholders' equity as at 31 December 2011	53,498	2,886	186,977	260,000	40,136	**543,497**
Allocation	–	–	–	35,000	-35,000	**–**
Dividend	–	–	-18,189	–	–	**-18,189**
Net profit	–	–	–	–	64,031	**64,031**
Shareholders' equity as at 31 December 2012	53,498	2,886	168,788	295,000	69,167	**589,339**
Allocation	–	–	–	65,000	-65,000	**–**
Dividend	–	–	-19,259	–	–	**-19,259**
Net profit	–	–	–	–	83,690	**83,690**
Shareholders' equity as at 31 December 2013	53,498	2,886	149,529	360,000	87,857	**653,770**

Notes to the Financial Statements

CHF 000s

Notes pursuant to Art. 663b ff. Swiss Code of Obligations

1. Accounting law

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

2. Significant investments

	Function	Currency	Capital in 000s 31.12.2013	**Capital share 31.12.2013**	Capital share 31.12.2012
Switzerland					
Baumann Käse AG , Zollikofen	Trade	CHF	100	**100%**	100%
Burra AG , Zurich [1]	Trade	CHF	–	**–**	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	**65%**	65%
Emmi Frischprodukte AG , Lucerne	Production	CHF	6,000	**100%**	100%
Emmi Frisch-Service AG, Schlieren [1]	Trade	CHF	1,000	**100%**	100%
Emmi International AG , Lucerne	Service	CHF	5,000	**100%**	100%
Emmi Käse AG , Lucerne	Production and trade	CHF	11,400	**100%**	100%
Emmi Logistik AG , Lucerne	Service	CHF	2,000	**91%**	91%
Emmi Management AG, Lucerne	Service	CHF	500	**100%**	–
Emmi Milch AG , Lucerne	Production	CHF	4,000	**100%**	100%
Emmi Schweiz AG , Lucerne	Service	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%
Nutrifrais SA , Plan-les-Ouates [2]	Production and trade	CHF	–	**–**	60%
Rutz Käse AG, Wittenbach [3]	Production and trade	CHF	–	**–**	100%
Studer Holding AG, Hefenhofen [4]	Service	CHF	720	**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%**	–
Netherlands					
Emmi Finance Netherlands B.V., Tiel	Service	EUR	p.m.	**80%**	–
Spain					
Kaiku Corporación Alimentaria, S.L., San Sebastián	Production and trade	EUR	66,110	**76%**	76%
United Kingdom					
Emmi UK Limited, London	Trade	GBP	4,717	**100%**	100%

[1] Burra AG was integrated into Emmi Frisch-Service AG on 1 January 2013.
[2] The investment in Nutrifrais SA was sold on 1 April 2013.
[3] Rutz Käse AG was integrated into Emmi Käse AG on 1 January 2013.
[4] Studer Holding AG, together with its subsidiaries, was acquired on 1 July 2013.

3. Sureties granted and guarantees in favour of Group companies

	31.12.2013	31.12.2012
Guarantees and joint liability for loans of Group companies	**625,385**	395,685
Of which used by Group companies	**451,760**	251,770
Other guarantees for Group companies	**1,050**	15,950

The guarantees in favour of Group companies increased due to the new bond emission of Emmi Finanz AG in the amount of CHF 200 million. In the previous year the other guarantees for Group companies contained a guarantee from Emmi AG to a third party relating to the construction of a cheese factory of Emmi Platteville, Inc., Delaware (USA). This project was completed in 2013.

4. Subordinated loans

Loans to Group companies include subordinated loans amounting to CHF 12.9 million (previous year CHF 15.0 million).

5. Bond

Bond type	Bond with reopening option
Nominal amount	CHF 125 million
Securities number	2673417/ISIN CH0026734175
Interest rate	3.00 %
Term	13 September 2006 to 13 September 2013
Maturity	13 September 2013 at par value

6. Shareholders

Nominal capital	**2013**	**%**	2012	%
ZMP Invest AG, Lucerne [1]	**29,031**	**54.3**	29,038	54.3
Zentralschweizer Milchkäuferverband, Willisau [1]	**2,500**	**4.7**	2,500	4.7
MIBA Milchverband der Nordwestschweiz, Basel [1]	**1,931**	**3.6**	1,931	3.6
Other	**20,036**	**37.4**	20,029	37.4
Total	**53,498**	**100.0**	53,498	100.0

[1] ZMP Invest AG , Lucerne, the Zentralschweizer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Basel, form a group in the sense of Article 20 of the SESTA. The group owns 62.6 % (previous year 62.6 %) of the total voting rights.

7. Transactions in own shares

There was no transaction with own shares in 2013.

Transactions with own shares in the previous year:

	Date	Number	Price in CHF	Value in CHF
Opening balance	01.01.2012	–	–	–
Purchase of own shares	30.04.2012	186	195	36,270
Redemption of own shares	02.07.2012	186	195	36,270
Closing balance	31.12.2012	–	–	–

8. 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.

9. Capital contribution reserve

	31.12.2013	31.12.2012
Confirmed by the tax authorities	**143,757**	163,016
Not confirmed by the tax authorities	**5,772**	5,772
Total	**149,529**	168,788

The general legal reserves are distinguished between legal reserve and capital contribution reserves. The capital contribution reserve results from capital contribution payments above the nominal amount of the shares which were made during capital increases of the company during the past years. Legal reserves are legally required allocations from retained earnings.

10. Compensations and participations of members of the Board of Directors, the Council and Group Management

Board of Directors	Basic compensation	Variable compensation	Non-cash benefits	Other compensation	**Total 2013**	Total 2012
Konrad Graber, Chairman	225	–	–	–	**225**	210
Thomas Oehen, Vice-Chairman	53	–	–	15	**68**	63
Christian Arnold, member (since 3 May 2012)	39	–	–	13	**52**	26
Dominique Christian Bach, member (until 3 May 2012)	–	–	–	–	**–**	11
Stephan Baer, member	64	–	–	1	**65**	59
Monique Bourquin, member (since 25 April 2013)	26	–	–	9	**35**	–
Joseph Deiss, member (until 25 April 2013)	23	–	–	7	**30**	49
Moritz Erni, ex Vice-Chairman (until 3 May 2012)	–	–	–	–	**–**	40
Hans Herzog, member	58	–	–	14	**72**	67
Niklaus Meier, member (since 3 May 2012)	42	–	–	13	**55**	29
Hanspeter Müller, member (until 3 May 2012)	–	–	–	–	**–**	24
Josef Schmidli, member	40	–	–	12	**52**	48
Diana Strebel, member (since 3 May 2012)	40	–	–	13	**53**	28
Total Board of Directors	610	–	–	97	**707**	654

Agricultural Council						
Christophe Eggenschwiler	5	–	–	1	**6**	5
Pirmin Furrer	5	–	–	1	**6**	5
Albert Rösti (until 30 June 2013)	3	–	–	–	**3**	5
Markus Zemp	5	–	–	1	**6**	5
Total Agricultural Council	18	–	–	3	**21**	20

Group Management						
Urs Riedener, CEO	820	318	3	257	**1,398**	1,343
Other members	2,805	718	30	962	**4,515**	4,015
Total Group Management	3,625	1 036	33	1,219	**5,913**	5,358

Explanations

The basic compensation is paid exclusively in cash. There are no share or option plans within Emmi Group. The Board of Directors receives neither variable compensation nor non-cash benefits. Social security contributions and expenses are included in other compensation. No severance payments or other special indemnifications were made and no loans were granted during the current and previous year. Equally, no compensation not at arm's length was paid to current or former members or to persons affiliated to current or former members of the Board of Directors or Group Management.

Participations
As at 31 December 2013, individual members of the Board of Directors, the Agricultural Council and Group Management (including affiliated persons) held the following number of shares in the company:

Board of Directors	No of shares **31.12.2013**	No of shares 31.12.2012
Konrad Graber, Chairman	**950**	950
Thomas Oehen, Vice-Chairman	**610**	610
Christian Arnold, member (since 3 May 2012)	**30**	30
Dominique Christian Bach, member (until 3 May 2012)	**n.a.**	n.a.
Stephan Baer, member	**49,000**	49,000
Monique Bourquin, member (since 25 April 2013)	**–**	n.a.
Joseph Deiss, member (until 25 April 2013)	**n.a.**	100
Moritz Erni, ex Vice-Chairman (until 3 May 2012)	**n.a.**	n.a.
Hans Herzog, member	**540**	540
Niklaus Meier, member (since 3 May 2012)	**200**	200
Hanspeter Müller, member (until 3 May 2012)	**n.a.**	n.a.
Josef Schmidli, member	**74**	74
Diana Strebel, member (since 3 May 2012)	**–**	–
Agricultural Council		
Christophe Eggenschwiler	**–**	–
Pirmin Furrer	**–**	–
Albert Rösti (until 30 June 2013)	**n.a.**	–
Markus Zemp	**–**	–
Group Management		
Urs Riedener, CEO	**–**	–
Robert Muri, Deputy CEO	**100**	100
Robin Barraclough, member	**20**	20
Othmar Dubach, member	**176**	176
Marc Heim, member	**150**	150
Matthias Kunz, member	**27**	27
Max Peter, member	**100**	100
Jörg Riboni, member (since 1 January 2013)	**–**	n.a.
Natalie Rüedi, member	**–**	–
Markus Willimann, member	**44**	44

The members of the Board of Directors, the Agricultural Council and Group Management own a total of 52,021 shares (previous year 52,121 shares) and thus hold 1.0 % of the voting rights (previous year 1.0 %).

11. Risk management

Emmi carried out a company-wide risk assessment in the last financial year. As part of a formal process, significant business risks were assessed in group workshops and individual interviews in terms of the extent of the potential damage and their likelihood of occurrence. The causes of significant risks and measures to combat them were drawn from this assessment. The Board of Directors approved the risk assessment and is monitoring the implementation of the defined measures by Group Management. No exceptional risks that went beyond normal limits were detected during the assessment.

Further details on risk management can be found in section 27 of the Notes to the Consolidated Financial Statements (page 75).

Proposed Appropriation of Available Earnings

CHF 000s

Available earnings	**31.12.2013**	31.12.2012
Retained earnings carried forward	**4,167**	5,136
Net profit	**83,690**	64,031
Available for distribution by the Annual General Meeting	**87,857**	69,167

Appropriation of available earnings
The Board of Directors proposes that the Annual General Meeting approve the distribution of a dividend of CHF 3.80 (previous year CHF 3.60) gross per registered share for the 2013 financial year on 5,349,810 shares entitled to dividends. The Board of Directors likewise proposes that the distribution of CHF 3.80 per share be paid, in its entirety, out of the capital contribution reserve.

Earnings available for distribution by the Annual General Meeting	**87,857**	69,167
Allocation from confirmed capital contribution reserve	**20,329**	19,259
Dividend	**-20,329**	-19,259
Allocation to free reserves	**-85,000**	-65,000
Carried forward to new account	**2,857**	4,167

Total distribution	**20,329**	19,259
Of which from confirmed capital contribution reserve (exempt from withholding tax)	**-20,329**	-19,259
Share other available earnings	**–**	–

Auditors' Report

pwc

Report of the statutory auditor
to the General Meeting of
Emmi AG
Lucerne

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Emmi AG, which comprise the income statement, balance sheet and notes (pages 82 to 88), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and 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.

PricewaterhouseCoopers AG

M.Wandeler

Matthias von Moos
Audit Expert
Auditor in Charge

Markus Wandeler
Audit Expert

Lucerne, 28 February 2014

Share Information

Stock exchange information		2013	2012	2011	2010	2009
Share price on 31.12.	in CHF	**273.50**	230.00	187.90	210.00	128.50
Year's high (end-of-day position)	in CHF	**297.00**	238.50	220.90	225.00	130.00
Year's low (end-of-day position)	in CHF	**230.00**	176.60	164.50	125.00	100.10
Market capitalisation on 31.12.	in CHF million	**1,463**	1,230	1,005	1,123	687
Average trading volume	Units	**3,290**	1,795	3,018	2,742	2,598

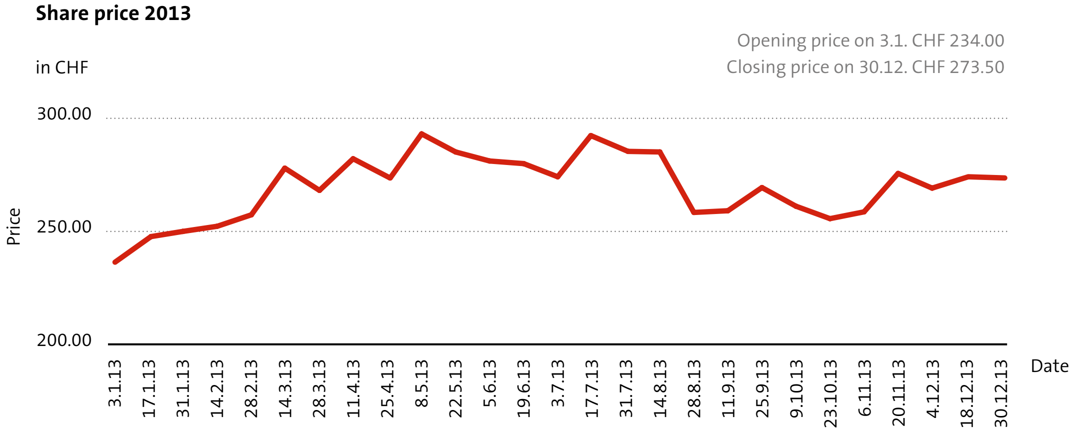
Key share data						
Net income per share	in CHF	**19.54**	19.86	15.51	16.10	14.08
Shareholders' equity per share	in CHF	**199.69**	184.65	168.39	157.54	148.97
Return on shareholders' equity [1]	in %	**7.15**	8.63	8.25	7.67	10.96
Distribution	in CHF	**3.80**	3.60	3.40	3.40	3.00
Distribution rate [2]	in %	**20.83**	21.33	21.92	21.12	21.31
Return on dividends [3]	in %	**1.39**	1.57	1.81	1.62	2.33

[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 2013



Every drop counts

Water plays an important part in Emmi's production processes and is used for cooling, warming and cleaning. In Switzerland alone, we consume nearly 2.8 million cubic metres of fresh water for these purposes – a figure that is declining. For us, careful handling of this vital resource means, on the one hand, reusing water several times because only very few processes require fresh water; white water or rinsed milk mixtures lend themselves to storing energy just as well. On the other hand, water also has considerable potential at the end of the production cycle: proteins and fat, the most important milk constituents, are a challenge for every wastewater specialist. This is why innovative people are worth their weight in gold in these positions, too. Emmi's Operational Excellence Programme is now sharing the experiences of these persistent experts at Dagmersellen throughout the world of Emmi.

Editing
Emmi Corporate Communications & IR, Lucerne

Concept, design and production
Farner Consulting AG, Zurich

Photography
Matthias Studer: pages 7, 28 and 36
Thomas Plain: pages 2, 4, 12, 22, 42, 52 and 92

Translation
CLS Communication AG, Basel

Printing
Multicolor Print AG, Baar

This Annual Report is available in German and English.

FSC™
www.fsc.org
MIX
Paper from responsible sources
FSC™ C022369

Emmi
Habsburgerstrasse 12
CH-6002 Lucerne
Phone +41 41 227 27 27
Fax +41 41 227 27 37
info@emmi.com
www.emmi.com