



## Shareholder letter and half-year report 2014

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## Dear Shareholders

The year at Emmi began with the implementation of the new organisation communicated in autumn 2013, which addresses the increasing internationalisation of the Group, evident in particular in the four business divisions Switzerland, Americas, Europe and Global Trade. In consequence, Emmi reports sales in accordance with this new structure.

The new Emmi CHAI LATTE – made from premium black tea with spices, sugar and fresh Swiss milk – was also launched in January. This innovation has to date been introduced in Switzerland, Austria and Germany. The Emmi CAFFÈ LATTE success story was continued with the “Cool Message Edition”. Further brand concepts such as Emmi Kaltbach and Emmi Pure Swiss Yogurt from Switzerland, the strongly export-oriented desert business in Italy, the fresh products in Tunisia, and Kaiku Group’s lactose-free range provided further positive boosts.

### Group growth on track

Emmi achieved its growth objectives in the first half of the year. The markets performed differently, however. The business divisions Switzerland and Americas developed in the anticipated direction, while Europe grew only modestly. Among other things, this reflects the company’s desire to implement price rises and abandon low-margin business where necessary in order to optimise its earnings. As a result, AOP cheeses witnessed falling volumes. In addition, the yogurt business in Italy suffered due to the continuing precarious economic situation.

At Group level, sales reached CHF 1,624.9 million – an increase of 3.7% compared with CHF 1,566.6 million in the first half of 2013. Organic growth amounted to 4.1%. In Switzerland, sales increased by 1.2% to CHF 900.9 million compared with CHF 890.5 million in the first half of 2013. The international business grew by 7.1% to CHF 724.0 million (previous year: CHF 676.1 million).

### Impairment in Italy

The continuing difficult economic situation in Italy and the challenging yogurt market, which in contrast to Spain shows no signs of recovery, has led to the need for an impairment charge on Trentinalatte, which was acquired in 2006, of CHF 38.5 million. CHF 35.6 million of this amount was on property, plant and equipment. All future options (continuation, liquidation or sale) are being looked at. Aside from the negative extraordinary effect from Trentinalatte, there were also positive extraordinary effects from gains on the disposal of fixed assets, in particular a property in Küsnacht. The overall negative influence of these two effects impacted

EBIT by CHF 34.5 million and net profit by CHF 35.4 million. Net profit and the net profit margin including extraordinary effects therefore amounted to CHF 9.8 million and 0.6% respectively. Without the effects mentioned, net profit developed in line with our expectations, increasing by 15.9% to CHF 45.2 million. The adjusted net operating profit margin amounted to 2.8% (previous year: 2.5%).

### International strategy continued

Emmi is continuing to pursue its international strategy of recent years. Its focus on the Swiss domestic market and selected markets within and outside Europe has proven effective. As Emmi owns some very efficient companies with recently expanded production facilities in Switzerland and abroad, its focus is increasingly turning to organic growth. Nevertheless, the company will continue to make acquisitions in the future where they strengthen its presence. Examples are the international speciality dessert producers A-27 and Rachelli.

### Ensuring competitiveness

The environment in the dairy business continues to be cost-competitive. The focus therefore remains on markets and products with above-average potential. At the same time, price increases are being implemented, even where this entails lower volumes, as is currently the case with AOP cheeses. In parallel, the Operational Excellence Programme, which has been a success in Switzerland, is increasingly being implemented abroad.

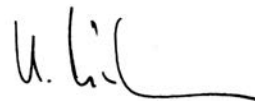
### Outlook for 2014 as a whole

Emmi expects to achieve its sales forecast for 2014 as a whole, although the impairment in Italy means that income will be lower.

We will continue our hard work to ensure that Emmi remains successful and impresses with its innovative, high-quality dairy products.



**Konrad Graber**  
Chairman of the Board of Directors

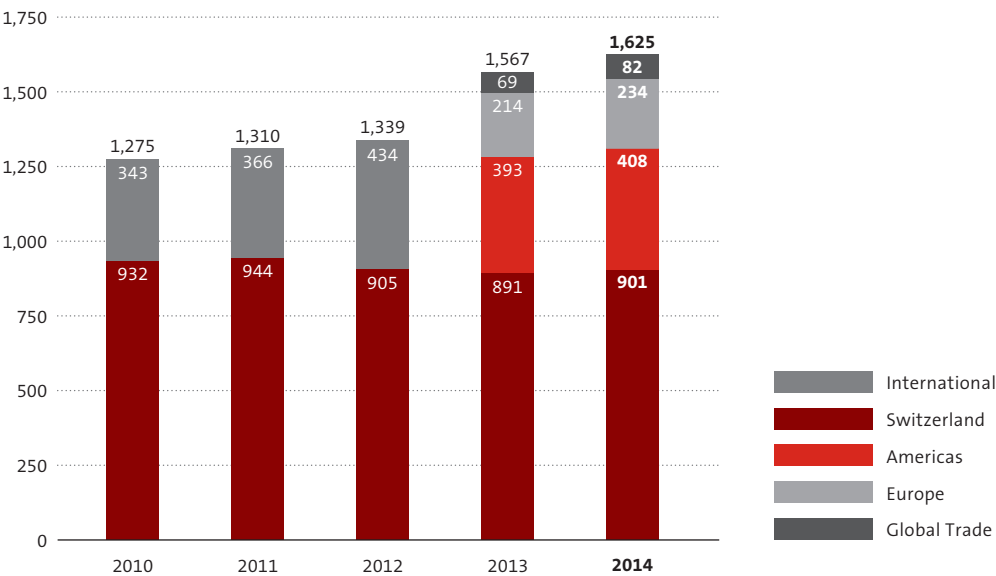


**Urs Riedener**  
CEO

# Emmi Group key figures

## Net sales

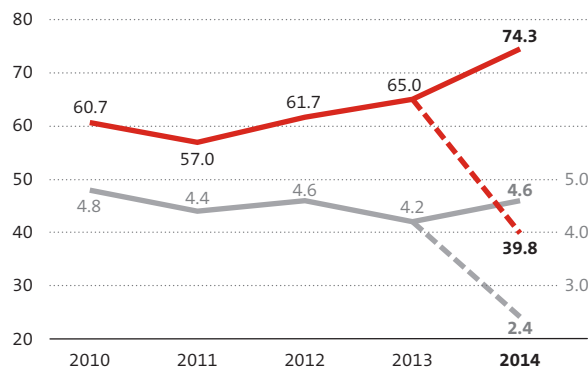
in CHF million, first six months



## EBIT

in CHF million, first six months

as % of net sales

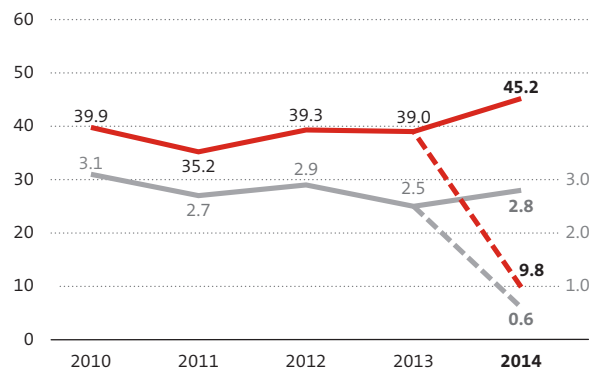


--- EBIT 2014  
 --- Adjusted EBIT  
 --- EBIT 2014 as % of net sales  
 --- Adjusted EBIT as % of net sales

## Net profit

in CHF million, first six months

as % of net sales

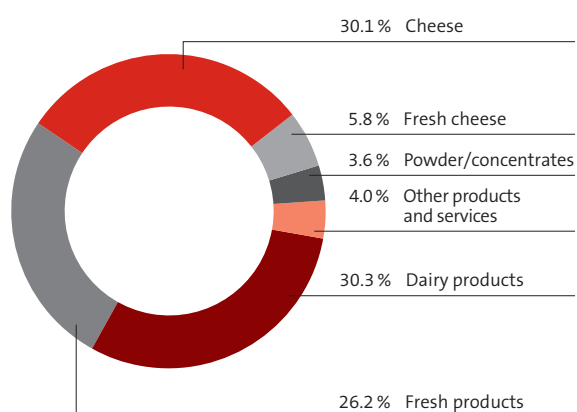


--- Net profit 2014  
 --- Adjusted net profit  
 --- Net profit 2014 as % of net sales  
 --- Adjusted net profit as % of net sales

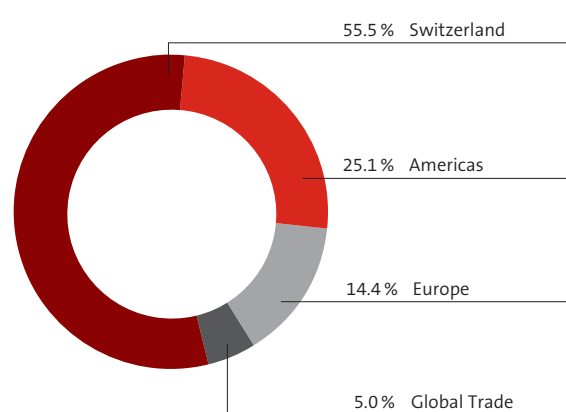
Amounts in CHF million	First 6 months 2014	First 6 months 2014 adjusted*	First 6 months 2013	First 6 months 2013 adjusted*
Net sales	1,625		1,567	
Acquisition effect in %	1.3		17.9	
Currency effect in %	-1.7		0.3	
Net sales increase in organic terms (in loc. currency) in %	4.1		-1.2	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	133.8	132.7	121.7	119.3
as % of net sales	8.2	8.2	7.8	7.6
Earnings before interest and taxes (EBIT)	39.8	74.3	67.4	65.0
as % of net sales	2.4	4.6	4.3	4.2
Net profit	9.8	45.2	41.0	39.0
as % of net sales	0.6	2.8	2.6	2.5
	30.6.2014		31.12.2013	
Total assets	2,465		2,500	
of which shareholder's equity incl. minority interests	1,249		1,258	
as % of total assets	50.7		50.3	
Headcount (full-time equivalents)	5,266		5,217	

\* Adjusted for non-recurring effects. Such effects had an impact of CHF -34.5 million on EBIT and CHF -35.4 million on net profit (first half-year 2013: CHF 2.4 million respectively CHF 2.0 million). Non-recurring effects in the first half-year 2014 resulted on the one hand from the extraordinary impairment in Italy and on the other hand from extraordinary gains on the disposal of property, plant and equipment. Non-recurring effects of the previous period resulted solely from gains on the disposal of property, plant and equipment.

Net sales by product group



Net sales by division



## The first half-year with the new organisational structure

Emmi is Switzerland's largest milk processor, one of the most innovative premium dairies in Europe and the leading company worldwide for Swiss cheese. The company works for clients in the retail trade, the food service (gastronomy) sector and the food industry. In Switzerland, Emmi offers a full range of dairy and fresh product, and is known for the production, ageing and trade of primarily Swiss cheeses. The focus abroad is on brand concepts and specialities in established markets in Europe and North America, and increasingly also in emerging markets outside Europe. Emmi has subsidiaries and participations in 14 countries and exports to over 60 countries. According to a study carried out by the University of St. Gallen, the company is among the ten most innovative in Switzerland.

### Sales growth on track

In the first half of 2014, Emmi reported Group-wide net sales of CHF 1,624.9 million, an increase of 3.7% compared with the previous year, despite the negative currency effect of -1.7%. Emmi achieved sound growth in its Swiss home market, as well as in the US, Spain, Chile and Tunisia. In organic terms, i.e. adjusted for acquisitions and in local currency, sales increased by 4.1%. The overall positive acquisition effects are attributable to the acquisitions of Käserei Studer in Switzerland and Rachelli in Italy as well as the disposal of the shares in Nutrifrais.

International sales amounted to CHF 724.0 million, an increase of 7.1% (organic growth: 8.4%), which is in line with Emmi's plans.

Developments in the business divisions Switzerland, Americas, Europe and Global Trade are explained in detail in the following.

### Sales trend in Switzerland

Sales in Switzerland amounted to CHF 900.9 million, which corresponds to an increase of 1.2%. In organic terms, i.e. adjusted for acquisition effects, growth amounted to 0.9%. A positive acquisition effect came from the acquisition of Käserei Studer on 1 July 2013, while a negative effect resulted from the disposal of the shares in Nutrifrais on 1 April 2013. Switzerland accounted for 55.5% of total Group sales (previous year: 56.8%).

Sales growth was in line with Emmi's expectations. It is remarkable that this was achieved despite the Nutrifrais transaction and the disposal of the frozen goods logistics business to third parties.

In **dairy products** (milk, cream, butter), sales in the first six months of 2014 increased by 2.0% to CHF 345.2 million, compared with CHF 338.6 million in the first half of 2013. This was due to higher milk prices, whereas volumes declined slightly over the period.

In the **cheese** segment, sales increased from CHF 243.4 million to CHF 252.7 million, an increase of 3.8% compared with the first half of 2013. Organic growth amounted to 1.1%. Kaltbach cheeses, Le Petit Chevrier, Le Gruyère AOP and Käserei Studer, which was acquired on 1 July 2013, all made positive contributions. Growth was held back by the negative development of Emmentaler AOP in particular.

**Fresh products** saw sales of CHF 173.6 million, compared with CHF 174.1 million in the first half of 2013, which corresponds to a decline of 0.3%. In organic terms, however, the result was an increase of 2.0%. The disposal of the shares in Nutrifrais reduced sales by some CHF 4 million.

### Net sales by product group: Switzerland

in CHF million	Sales 1HY 2014	Sales 1HY 2013	Difference 2014/2013	Acquisition effect	Currency effect	Organic growth
Dairy products	345.2	338.6	2.0 %	—	—	2.0 %
Cheese	252.7	243.4	3.8 %	2.7 %	—	1.1 %
Fresh products	173.6	174.1	-0.3 %	-2.3 %	—	2.0 %
Fresh cheese	63.9	60.8	5.2 %	-0.3 %	—	5.5 %
Powder/concentrates	38.4	34.3	11.8 %	—	—	11.8 %
Other products/services	27.1	39.3	-31.1 %	0.2 %	—	-31.3 %
<b>Total Switzerland</b>	<b>900.9</b>	<b>890.5</b>	<b>1.2 %</b>	<b>0.3 %</b>	<b>—</b>	<b>0.9 %</b>

Emmi CAFFÈ LATTE, Emmi CHAI LATTE and Emmi Pure Swiss Yogurt made a positive contribution. By contrast, the other drinks, wellbeing products and trading in products not manufactured or refined by Emmi posted a decline.

Sales of **fresh cheese** rose to CHF 63.9 million, compared with CHF 60.8 million in the first six months of 2013. This represents an improvement of 5.2%. In organic terms, i.e. adjusted for the Nutrifrais divestment effect, there was growth of 5.5%. The new Mozzarella recipe led to a pleasing increase in sales.

In **powder/concentrates**, sales reached CHF 38.4 million compared with CHF 34.3 million in the previous year. This growth of 11.8% is a positive effect of rising sales in the industrial business.

In **other products/services**, net sales declined by 31.1% to CHF 27.1 million, compared with CHF 39.3 million in the previous year. One reason for this is the sale of the frozen foods logistics business.

### Sales trend in Americas

The business division Americas includes not only the US, Canada and Chile, but also Spain, France and Tunisia. This is due to the fact that Kaiku's various markets should be allocated to the same business division. Sales in Americas increased by 4.0% to CHF 408.2 million in the first half of 2014. Excluding currency effects, this represented an increase of 10.7% compared with the first half of 2013. This is primarily attributable to the Tunisian, Chilean, Spanish and US markets, where, adjusted for currency effects, sales grew significantly. Americas accounted for 25.1% of total sales (previous year: 25.1%).

Net sales of **cheese** fell to CHF 144.0 million in the first six months of 2014. Compared with CHF 146.9 million in the previous year, this represents a decline of 2.0%, which is primarily due to unfavourable exchange rates in Canada and Chile. In organic terms, i.e. excluding currency and acquisition effects, this resulted in sales growth of 3.9%. Contributory factors included increased sales of cow's and goat's milk cheeses produced locally in the US, while cheese exports from Switzerland declined somewhat as a consequence of price increases.

In **dairy products**, Emmi achieved net sales of CHF 133.4 million, compared with CHF 128.6 million in the first half of 2013 (+3.7%). Organic growth amounted to 11.8%, which is attributable to sales growth in Tunisia and Chile, with currency effects having a negative impact.

**Fresh products** posted growth of 4.2% to CHF 97.4 million (previous year: CHF 93.4 million). In organic terms, sales increased by 9.2%. This was due to production expansion in Tunisia, the positive development of Kaiku's lactose-free segment in Spain and Chile, and the solid performance of Emmi CAFFÈ LATTE in Spain.

Sales of **powder/concentrates** rose to CHF 4.4 million, an increase of 111.9% compared with CHF 2.1 million in the previous year (organic growth: +130.9%).

In **other products/services**, Emmi posted sales growth of 33.9% to CHF 29.0 million, compared with CHF 21.7 million in the first half of 2013. Organic growth amounted to 41.2%.

### Net sales by product group: Americas

in CHF million	Sales 1HY 2014	Sales 1HY 2013	Difference 2014/2013	Acquisition effect	Currency effect	Organic growth
Cheese	144.0	146.9	-2.0%	—	-5.9%	3.9%
Dairy products	133.4	128.6	3.7%	—	-8.1%	11.8%
Fresh products	97.4	93.4	4.2%	—	-5.0%	9.2%
Powder/concentrates	4.4	2.1	111.9%	—	-19.0%	130.9%
Other products/services	29.0	21.7	33.9%	—	-7.3%	41.2%
<b>Total Americas</b>	<b>408.2</b>	<b>392.7</b>	<b>4.0%</b>	<b>—</b>	<b>-6.7%</b>	<b>10.7%</b>

### Sales trend in Europe

The business division Europe includes the markets Benelux, Germany, the UK, Italy and Austria. Sales increased by 9.2 % to CHF 233.9 million. Excluding acquisition and currency effects, there was only a slight growth of 0.9 % year-on-year. An important influence were cheese exports, which fell due to price increases of AOP cheeses. This development was particularly pronounced in the case of Emmentaler AOP in Italy. Europe accounted for 14.4 % of total Group sales (previous year: 13.7 %).

**Fresh products** posted growth of 22.0 % to CHF 129.6 million in the first six months of 2014 (previous year: CHF 106.3 million). In organic terms, i.e. adjusted for acquisition and currency effects, sales grew by 5.6 %. The growth in sales of Emmi CAFFÈ LATTE, particularly in Austria and the UK, the performance of the A-27 desserts and the acquisition-driven growth of the Italian dessert manufacturer Rachelli had a positive effect. However, the yogurt business in Italy and Germany declined.

Sales of **cheese** fell by 5.6 % to CHF 61.3 million (first half-year 2013: CHF 64.9 million). In organic terms (adjusted for currency effects), sales declined by 5.2 %. The principle reason for this was the implementation of price rises for the various AOP cheeses, with lower sales being accepted as a consequence. This was particularly the case with Emmentaler AOP in Italy, its most important export market. The cave-aged Kaltbach cheeses and the specialities of Käserei Studer, on the other hand, saw increased sales in several markets, such as Germany and Austria.

Sales of **fresh cheese** rose from CHF 24.6 million to CHF 29.6 million, an increase of 20.1 %, which is the result of Emmi's collaboration with the fresh cheese manufacturer Venchiaredo. Excluding currency effects, growth stood at 20.9 %.

In the smaller product segments of the business division Europe, **dairy products** achieved sales of CHF 8.5 million, **powder/concentrates** CHF 0.5 million and **other products/services** CHF 4.4 million.

### Net sales by product group: Europe

in CHF million	Sales 1HY 2014	Sales 1HY 2013	Difference 2014/2013	Acquisition effect	Currency effect	Organic growth
Fresh products	129.6	106.3	22.0 %	16.1 %	0.3 %	5.6 %
Cheese	61.3	64.9	-5.6 %	—	-0.4 %	-5.2 %
Fresh cheese	29.6	24.6	20.1 %	—	-0.8 %	20.9 %
Dairy products	8.5	10.4	-18.5 %	—	-0.5 %	-18.0 %
Powder/concentrates	0.5	2.2	-77.4 %	—	-0.2 %	-77.2 %
Other products/services	4.4	5.7	-21.5 %	3.9 %	-0.5 %	-24.9 %
<b>Total Europe</b>	<b>233.9</b>	<b>214.1</b>	<b>9.2 %</b>	<b>8.4 %</b>	<b>-0.1 %</b>	<b>0.9 %</b>



### Sales trend in Global Trade

The business division Global Trade includes direct sales from Switzerland to customers in international markets. In particular, these are countries where Emmi has no subsidiaries or holdings, including the Asian and Eastern European markets, as well as certain South American countries such as Brazil. Emmi exports fresh products almost exclusively to Asia, while cheese is also sold in South America and Eastern Europe. The weakening of various currencies has made Emmi products significantly more expensive in certain markets, as Emmi generally sells its products in Swiss francs. Global Trade accounted for 5.0% of total Group sales (previous year: 4.4%).

Sales in Global Trade rose in the first half of the year to CHF 81.9 million. Compared with CHF 69.3 million year-on-year, this represents an increase of 18.1%. **Cheese** and **fresh products** are the two major product segments in this division, achieving sales of CHF 31.6 million and CHF 25.5 million respectively.

The marked rise in sales of CHF 10.7 million in **powder/concentrates** is the result of higher milk collection and the associated increase in milk powder exports to decrease pressure. Excluding these exports, Global Trade generated growth of 5.5%.

### Net sales by product group: Global Trade

in CHF million	Sales 1HY 2014	Sales 1HY 2013	Difference 2014/2013	Acquisition effect	Currency effect	Organic growth
Cheese	31.6	29.6	6.7%	—	—	6.7%
Fresh products	25.5	23.6	8.2%	—	—	8.2%
Powder/concentrates	14.5	3.8	283.9%	—	—	283.9%
Dairy products	6.1	4.0	50.7%	—	—	50.7%
Other products/services	4.2	8.3	-49.3%	—	—	-49.3%
<b>Total Global Trade</b>	<b>81.9</b>	<b>69.3</b>	<b>18.1%</b>	<b>—</b>	<b>—</b>	<b>18.1%</b>

### Gross profit

**Gross profit** rose in the first half of 2014 by 3.7% to CHF 540.4 million (previous year: CHF 521.1 million). Despite continuing price pressure, the gross profit margin was maintained at the previous year's level of 33.3%. This was in particular due to the successful implementation of rationalisation and productivity raising measures as well as the discontinuation of business with insufficient margins. It also compensated for the dilution effect, which comes about through the growing proportion of international business in which the gross profit margin is currently below that of the Group.

### Non-recurring effects in the 2014 half-year results

The difficult economic situation in Italy and the unsatisfactory business trend for the yogurt market necessitated a significant impairment charge on Trentinalatte totalling CHF 38.5 million in the reporting period. Of this, CHF 35.6 million represented an impairment charge on property, plant and equipment, while CHF 2.9 million was recorded in other operating expenses.

This effect had a significant impact on the income statement, while disposals of fixed assets, in particular a property in Küsnacht, had a mildly positive effect. Taken together, these two non-recurring effects increased EBITDA by CHF 1.1 million, but significantly reduced EBIT and net profit by CHF 34.5 million and CHF 35.4 million respectively.

In the previous period, there was a non-recurring effect from the disposal of the frozen foods logistics site in Kriens, which increased EBITDA and EBIT by CHF 2.4 million and net profit by CHF 2.0 million.

### Operating result

Despite the aforementioned non-recurring effect of CHF 2.9 million, **operating expenses** increased by only 2.3% from CHF 402.2 million to CHF 411.5 million. This disproportionately low increase compared with the growth in net sales had a positive effect on the EBIT margin.

**Personnel expenses** rose by 1.9% to CHF 202.6 million in the first half of 2014 (previous year: CHF 198.9 million). This increase is primarily attributable to the acquisitions made in the second half of 2013. Measures to enhance productivity, on the other hand, compensated for salary increases.

**Other operating expenses** rose by 2.8% or CHF 5.6 million to CHF 208.9 million (previous year: CHF 203.3 million). Compared to net sales, other operating expenses therefore fell from 13.0% to 12.9%. Marketing and sales-related expenses remained almost at the previous year's level. The acquisitions made in the second half of 2013 and the value adjustment of CHF 2.9 million in connection with the Trentinalatte business in Italy contributed to the absolute increase in other operating expenses. Excluding this non-recurring effect, other operating expenses rose by only CHF 2.7 million.

**Other operating income** increased by CHF 2.1 million to CHF 4.9 million compared with CHF 2.8 million in the previous year, which is attributable to higher gains on the disposal of fixed assets.

Adjusted for non-recurring effects, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** rose by 11.2% from CHF 119.3 million in the first half of 2013 to CHF 132.7 million. The adjusted EBITDA margin therefore amounted to 8.2% compared with 7.6% in the first half of 2013. Including non-recurring effects, EBITDA increased to CHF 133.8 million from CHF 121.7 million in the first half of 2013.

**Depreciation** of tangible assets increased, in particular due to the impairment of the tangible assets of the Trentinalatte business from CHF 43.9 million to CHF 83.2 million. Excluding this non-recurring effect, depreciation would have increased by CHF 3.7 million to CHF 47.6 million. **Amortisation** on intangible assets remained at almost the same level as in the previous year.

**Adjusted earnings before interest and taxes (EBIT)** improved in the first half of 2014 from CHF 65.0 million to CHF 74.3 million, resulting in an adjusted EBIT margin of 4.6% compared with 4.2% in the first half of 2013. Including non-recurring effects, EBIT decreased to CHF 39.8 million from CHF 67.4 million in the first half of 2013.

### Financial result and income taxes

**Financial expenses** fell by CHF 0.5 million to CHF 5.9 million compared with the previous year, which was primarily due to gains on securities.

**Tax expense** as a percentage of earnings before tax amounted to 46.6%, which is due to no deferred tax assets being recognised on the aforementioned impairment in Italy. Adjusted for this effect, the tax rate was 22.0%. The increase in the tax rate compared with the first half of 2013 (18.1%) was due to provisions for possible additional tax claims.

### Net profit

**Adjusted profit including minority interests** amounted to CHF 53.8 million (previous year: CHF 49.2 million). After deduction of minority interests, which were down in the reporting period by CHF 1.6 million compared with the first half of 2013, the **adjusted net profit** was CHF 45.2 million (previous year: CHF 39.0 million), which corresponds to an increase of 15.9%. The adjusted net profit margin rose to 2.8% (previous year: 2.5%). Including non-recurring effects, net profit was CHF 9.8 million (previous year: CHF 41.0 million).

### Assets, financing and cash flow

Total assets as at 30 June 2014 were down by 1.4% compared to 31 December 2013, which was primarily due to the impairment at Trentinalatte. The **equity ratio** continued to climb and now amounts to 50.7% compared to 50.3% on 31 December 2013. **Net debt** decreased slightly from CHF 294.9 million on 31 December 2013 to CHF 289.9 million on 30 June 2014.

**Cash flow from operating activities** decreased in the first half of 2014 to CHF 89.1 million (previous year: CHF 117.1 million). This is due to the development of net working capital. The trade receivables could not be reduced as significantly as in the first half of 2013. Additionally, the seasonal increase in inventories (in particular cheese and butter) was stronger than in the previous half-year. These effects could not be compensated by the significant increase in other liabilities, accrued expenses and deferred income. At CHF 47.2 million, **cash outflow from investing activities** was below the same period of 2013 (cash outflow: CHF 60.0 million). Higher divestment of tangible assets and securities and slightly lower investment in tangible assets more than compensated for increased investments in intangible assets (software) and the cash outflows for acquisitions undertaken in 2013. While the distribution of dividends to shareholders represented the only significant financing activity in 2013, an additional CHF 49.9 million was employed to repay financial liabilities in the reporting period.

### Outlook for 2014 as a whole

The company anticipates that the market situation for the 2014 financial year will remain similar to that of the first half of the year. In Switzerland, the company anticipates stable consumption, retail tourism remaining a significant factor and continuing import pressures, particularly in the case of generic products. Average commodity prices, including milk prices, in the second half of the year are likely to remain within the parameters of the first half. The markets in the business division Americas should continue to grow well, albeit against the background of weak currencies in countries such as Chile, Tunisia and Canada. In the business division Europe, some southern European markets (in particular Italy) will remain under pressure, while consumption in the other markets relevant for Emmi is likely to remain stable. Milk volumes in Switzerland will remain at a relatively high level in the second half of 2014 and thus entail higher levels of exports to decrease pressure than in the previous year.

From today's perspective, Emmi expects that the sales forecast issued in March will remain achievable for 2014 as a whole. Sales at Group level (excluding additional acquisitions) are therefore likely to increase by between 3% and 4%. In the individual business divisions, Emmi expects the following developments (in local currencies, excluding acquisitions):

- Business division Switzerland: approx. 1%
- Business division Americas: 8%–10%
- Business division Europe: 0%–2%
- Business division Global Trade: 10%–15%

Therefore, EBIT is likely to come in at between CHF 117 million and CHF 132 million (previously CHF 155 to 170 million), which reflects the impairment in Italy. We expect to generate a net profit margin of around 2% (previously 3%).

The results for the second half-year generally tend to be slightly better than for the first, in terms of both sales and operational earnings. This is because the second half-year includes the high-turnover months for both fresh products (July and August) and cheese (the period leading up to Christmas).

## New products and campaigns



### The summer hit with a new recipe

Whether enjoyed with a dash of olive oil and basil, in a salad or on a pizza fresh from the oven, Emmi Mozzarella is always the perfect fit. It now tastes even more exquisite, as the recipe has been optimised in terms of taste and consistency to the summer season. The fresh, authentic Mozzarella taste and velvety smooth texture win over cheese lovers. To ensure that consumers can already see in the chiller cabinet what the contents promise, Emmi Mozzarella has new summery packaging. Available from Swiss retailers. [www.emmi.com](http://www.emmi.com)



### A perfect start to the day

Ten million people in Britain eat breakfast away from home at least twice a week. Onken Müesli in 200-gram pots in Cherry, Mixed Berries and Strawberry & Rhubarb flavours is the perfect solution for this trend. The combination of low-fat yogurt, cereals, nut and 35% fruit makes it an irresistibly satisfying and healthy breakfast option. The practical packaging with an integrated spoon means that Onken Müesli can be enjoyed anytime, anywhere. Available in major British retailers and on-the-go convenience stores. [www.onken.co.uk](http://www.onken.co.uk)



### Tradition reinterpreted

The record success of Kaltbach Creamy & Tasty continues. Initially only available from cheese counters, this cheese made it to the chiller cabinet in 2014 thanks to its popularity. Speaking of Kaltbach: the cave-aged Le Gruyère AOP and Emmentaler AOP are now also available in 125-gram portions for small households. There is also news about Der Scharfe Maxx: available in slices and in a practical, resealable pack, snacks, picnics and family trips are just perfect with it. All pack types mentioned are available from Swiss retailers. [www.emmi-kaltbach.ch](http://www.emmi-kaltbach.ch), [www.kaeserei-studer.ch](http://www.kaeserei-studer.ch)



### Tasty and easily digestible

Well-tolerated, easily digestible dairy products are an increasingly significant international topic. Kaiku is a pioneer in lactose-free dairy products and Spain's number one, offering nutritionally aware consumers a broad range of milk, milk drinks, cream and yogurts. Innovativeness is a key factor in the company's success and the range is expanded regularly. Kaiku therefore launched lactose-free mini yogurt drinks and desserts in Spanish retailers a few months ago. [www.kaikusinlactosa.com](http://www.kaikusinlactosa.com)



### Delicious desserts from Tunisia

Tunisians love desserts. Vitalait Dolce was therefore launched in June 2014. The range is the result of well-functioning teamwork between local experts and specialists from Spain and Switzerland. Creamy desserts in vanilla, chocolate and duo varieties were the first to be introduced. Made from high-quality milk from local producers and other premium ingredients, including Swiss chocolate, they are delighting both young and old customers. Additional flavours and new products will follow in autumn. Available in Tunisian retailers. [www.vitalait.net](http://www.vitalait.net)

### Additions to the Pure Swiss Yogurt family

The yogurt with no hidden surprises is gaining new additions to the family. Two new seasonal flavours will be added to the tried-and-tested strawberry, raspberry, apricot, mixed berries, coffee, chocolate and hazelnut varieties. Fruity blood orange and plum flavours are coming soon. Like all Swiss Pure Yogurts, they are made from only three natural ingredients: Swiss yogurt, carefully selected fruit and some sugar. Available from September 2014 in Swiss retailers. [www.emmi-pur.ch](http://www.emmi-pur.ch)



### The classic, in refreshing varieties

For breakfast, brunch, dinner or as a snack – Gala is always a perfect fit. With its characteristic, delectable flavour, Gala's creamy consistency have made it the perfect example of Swiss fresh cheese since 1936. This classic now has new additions to the family: the Garden Herb and Cucumber & Dill flavours are perfect for the summer. Gala also has new-look packaging that is true to the slogan: fresh, modern, with "corners and edges", like the fresh cheese itself. Available from Swiss retailers. [www.emmi.com](http://www.emmi.com)



### It's Chai Time

Emmi CHAI LATTE – the trendy spiced tea to enjoy on the move – is a delicious drink made from premium black tea, cinnamon, cardamom and cloves, blended with fine Swiss milk. Emmi CHAI LATTE is available in two varieties: Original Taste and Vanilla Breeze. Original Taste is a refreshing variation on the classic taste of chai. Vanilla Breeze is for connoisseurs who prefer a milder, more exotic flavour. Emmi CHAI LATTE can be enjoyed either as a chilled refreshment or a warming indulgence. Available in Swiss, German and Austrian retailers. [www.emmi-chailatte.com](http://www.emmi-chailatte.com)

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## Consolidated income statement

CHF 000s

	First 6 months 2014	%	First 6 months 2013	%
Sales of products	1,611,362		1,553,530	
Sales of services	13,526		13,074	
<b>Net sales</b>	<b>1,624,888</b>	<b>100.0</b>	<b>1,566,604</b>	<b>100.0</b>
Change in inventories of semi-finished and finished products	56,114	3.5	26,213	1.7
Cost of materials and services	-1,140,610	70.2	-1,071,698	68.4
<b>Gross operating profit</b>	<b>540,392</b>	<b>33.3</b>	<b>521,119</b>	<b>33.3</b>
Company-produced additions to plant and equipment	497	—	428	—
Gain on disposal of fixed assets	4,054	0.3	2,366	0.2
Other income	375	—	—	—
<b>Other operating income</b>	<b>4,926</b>	<b>0.3</b>	<b>2,794</b>	<b>0.2</b>
Personnel expenses	-202,603	12.5	-198,879	12.7
Other operating expenses	-208,940	12.9	-203,347	13.0
<b>Operating expenses</b>	<b>-411,543</b>	<b>25.4</b>	<b>-402,226</b>	<b>25.7</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>133,775</b>	<b>8.2</b>	<b>121,687</b>	<b>7.8</b>
Depreciation on property, plant and equipment	-83,218	5.1	-43,928	2.8
Amortisation on intangible assets	-11,021	0.7	-10,726	0.7
Write-back of negative goodwill	233	—	368	—
<b>Earnings before interest and taxes (EBIT)</b>	<b>39,769</b>	<b>2.4</b>	<b>67,401</b>	<b>4.3</b>
Income from associates and joint ventures	667		1,504	
Financial result	-5,920		-6,382	
<b>Earnings before taxes (EBT)</b>	<b>34,516</b>	<b>2.1</b>	<b>62,523</b>	<b>4.0</b>
Income taxes	-16,073		-11,283	
<b>Profit incl. minority interests</b>	<b>18,443</b>	<b>1.1</b>	<b>51,240</b>	<b>3.3</b>
Minority interests	-8,626		-10,197	
<b>Net profit</b>	<b>9,817</b>	<b>0.6</b>	<b>41,043</b>	<b>2.6</b>
<b>Earnings per share (in CHF)</b>	<b>1.84</b>		<b>7.67</b>	



# Consolidated balance sheet

CHF 000s

<b>Assets</b>	<b>30.06.2014</b>	<b>%</b>	<b>31.12.2013</b>	<b>%</b>
Cash and cash equivalents	250,676		283,894	
Securities	6,560		13,018	
Trade receivables	381,190		414,254	
Other receivables	36,094		37,066	
Inventories	384,663		315,264	
Prepayments and accrued income	24,382		13,914	
<b>Current assets</b>	<b>1,083,565</b>	<b>44.0</b>	<b>1,077,410</b>	<b>43.1</b>
Investments in associates and joint ventures	36,960		35,523	
Loans and other receivables	64,515		57,593	
Securities	1,123		4,159	
Employer contribution reserves	2,046		2,045	
Deferred tax assets	15,375		17,087	
Total financial assets	120,019		116,407	
Prepayments and accrued income	8,222		8,525	
Property, plant and equipment	937,072		975,867	
Intangible assets	315,763		322,067	
<b>Non-current assets</b>	<b>1,381,076</b>	<b>56.0</b>	<b>1,422,866</b>	<b>56.9</b>
<b>Total assets</b>	<b>2,464,641</b>	<b>100.0</b>	<b>2,500,276</b>	<b>100.0</b>

## Liabilities and shareholders' equity

Bank overdrafts	29,104		52,970	
Finance lease liabilities	1,243		1,135	
Trade payables	311,873		328,368	
Other payables	19,562		33,056	
Accrued liabilities and deferred income	160,463		119,938	
Provisions	7,768		4,414	
<b>Current liabilities</b>	<b>530,013</b>	<b>21.5</b>	<b>539,881</b>	<b>21.6</b>
Bank overdrafts	71,335		86,025	
Finance lease liabilities	5,912		6,001	
Loans	53,379		53,974	
Bonds	450,000		450,000	
Accrued liabilities and deferred income	3,098		3,236	
Provisions	102,330		102,867	
<b>Non-current liabilities</b>	<b>686,054</b>	<b>27.8</b>	<b>702,103</b>	<b>28.1</b>
<b>Liabilities</b>	<b>1,216,067</b>	<b>49.3</b>	<b>1,241,984</b>	<b>49.7</b>
Share capital	53,498		53,498	
Capital reserves	122,994		143,323	
Retained earnings	879,842		871,509	
<b>Shareholders' equity excl. minority interests</b>	<b>1,056,334</b>	<b>42.9</b>	<b>1,068,330</b>	<b>42.7</b>
Minority interests	192,240	7.8	189,962	7.6
<b>Shareholders' equity incl. minority interests</b>	<b>1,248,574</b>	<b>50.7</b>	<b>1,258,292</b>	<b>50.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,464,641</b>	<b>100.0</b>	<b>2,500,276</b>	<b>100.0</b>



# Consolidated cash flow statement

CHF 000s

	First 6 months 2014	First 6 months 2013
Profit incl. minority interests	18,443	51,240
Net interest expense	7,087	7,176
Income taxes	16,073	11,283
Gain on disposal of fixed assets	-4,054	-2,366
Depreciation and amortisation	58,591	54,654
Impairment charges	35,648	—
Write-back of negative goodwill	-233	-368
Change in provisions	3,327	-2,971
Income from associates and joint ventures	-667	-1,504
Other non-cash adjustments	82	759
<b>Cash flow before changes in net working capital, interest and taxes</b>	<b>134,297</b>	<b>117,903</b>
Change in inventories	-68,330	-41,017
Change in trade receivables	34,704	73,418
Change in other receivables, prepayments and accrued income	-7,691	10,986
Change in trade payables	-18,297	-18,384
Change in other payables, accrued liabilities and deferred income	40,500	2,113
Interest paid	-9,474	-3,794
Taxes paid	-16,614	-24,128
<b>Cash flow from operating activities</b>	<b>89,095</b>	<b>117,097</b>
Investments in tangible assets	-50,243	-53,668
Proceeds from disposal of tangible assets	8,313	3,502
Purchase of securities	—	-828
Divestment of securities	10,232	—
Investments in intangible assets	-6,647	-1,771
Acquisition of businesses/capital increase	-6,900	-4,770
Sale of equity interests/businesses	—	581
Grant of loans receivable	-3,362	-4,272
Dividends received	258	259
Interest received	1,122	993
<b>Cash flow from investing activities</b>	<b>-47,227</b>	<b>-59,974</b>
Change in other current financial liabilities	-24,776	-1,376
Change in other non-current financial liabilities	-25,139	1,534
Dividends paid to shareholders	-20,329	-19,259
Dividends paid to minority interests	-4,776	-4,315
<b>Cash flow from financing activities</b>	<b>-75,020</b>	<b>-23,416</b>
Currency translation	-66	301
<b>Net change in cash and cash equivalents</b>	<b>-33,218</b>	<b>34,008</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>283,894</b>	<b>171,641</b>
<b>Cash and cash equivalents at end of period</b>	<b>250,676</b>	<b>205,649</b>

## Consolidated statement of changes in equity

CHF 000s

	Share capital	Capital reserves (premium)	Retained earnings	Accumulated translation differences	Total profit reserves	Total excl. minority interests	Minority interests	Total incl. minority interests
Shareholders' equity as at 1 January 2013	53,498	162,582	816,315	-44,575	771,740	<b>987,820</b>	177,296	<b>1,165,116</b>
Acquisition of minority interests	—	—	—	—	—	—	-940	<b>-940</b>
Profit incl. minority interests	—	—	41,043	—	41,043	<b>41,043</b>	10,197	<b>51,240</b>
Currency translation differences	—	—	—	1,565	1,565	<b>1,565</b>	-785	<b>780</b>
Dividend	—	-19,259	—	—	—	<b>-19,259</b>	-4,315	<b>-23,574</b>
<b>Shareholders' equity as at 30 June 2013</b>	<b>53,498</b>	<b>143,323</b>	<b>857,358</b>	<b>-43,010</b>	<b>814,348</b>	<b>1,011,169</b>	<b>181,453</b>	<b>1,192,622</b>
Shareholders' equity as at 1 January 2014	53,498	143,323	920,875	-49,366	871,509	<b>1,068,330</b>	189,962	<b>1,258,292</b>
Profit incl. minority interests	—	—	9,817	—	9,817	<b>9,817</b>	8,626	<b>18,443</b>
Currency translation differences	—	—	—	-1,484	-1,484	<b>-1,484</b>	-1,572	<b>-3,056</b>
Dividend	—	-20,329	—	—	—	<b>-20,329</b>	-4,776	<b>-25,105</b>
<b>Shareholders' equity as at 30 June 2014</b>	<b>53,498</b>	<b>122,994</b>	<b>930,692</b>	<b>-50,850</b>	<b>879,842</b>	<b>1,056,334</b>	<b>192,240</b>	<b>1,248,574</b>

# Notes to the half-year results

## Principles of consolidation

### Accounting principles

These consolidated interim financial statements comprise the unaudited half-year results of Emmi AG and its subsidiaries for the period ending 30 June 2014. The consolidated interim financial statements have been prepared in compliance with the existing guidelines of the Swiss Accounting and Reporting Recommendations for interim reports (Swiss GAAP FER 12) and the consolidation and accounting principles described in the 2013 consolidated financial statements. Income taxes are calculated based on an estimate of the expected income tax rate for the full-year 2014. The consolidated half-year results should be read in conjunction with the consolidated financial statements compiled for the financial year ending 31 December 2013, as they represent an update of the last complete financial statements.

The consolidated half-year results are presented in Swiss francs (CHF). Except where stated otherwise, all amounts are presented in thousands of Swiss francs (CHF 000s).

The consolidated interim financial statements were approved by the Board of Directors on 25 August 2014.

### Changes to the scope of consolidation

There was no change to the scope of consolidation in the first half-year 2014. We refer to the consolidated financial statements 2013 for the changes to the scope of consolidation in the financial year 2013.

### Contingent liabilities

Emmi is currently 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 operating activities or on the Group's financial situation. Expected outgoing payments are provided for accordingly.

### Subsequent events

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 25 August 2014, no major events have occurred which could adversely affect the validity of the interim financial statements for 2014.

### Currency exchange rates in CHF

	First 6 months average rates		End rates	
	2014	2013	30.06.2014	31.12.2013
1 EUR	<b>1.22</b>	1.23	<b>1.22</b>	1.23
1 GBP	<b>1.49</b>	1.45	<b>1.52</b>	1.47
1 USD	<b>0.89</b>	0.94	<b>0.89</b>	0.89
1 CAD	<b>0.81</b>	0.92	<b>0.84</b>	0.83
1 TND	<b>0.55</b>	0.59	<b>0.53</b>	0.54
100 CLP	<b>0.16</b>	0.20	<b>0.16</b>	0.17

## Breakdown of net sales

in CHF 000s

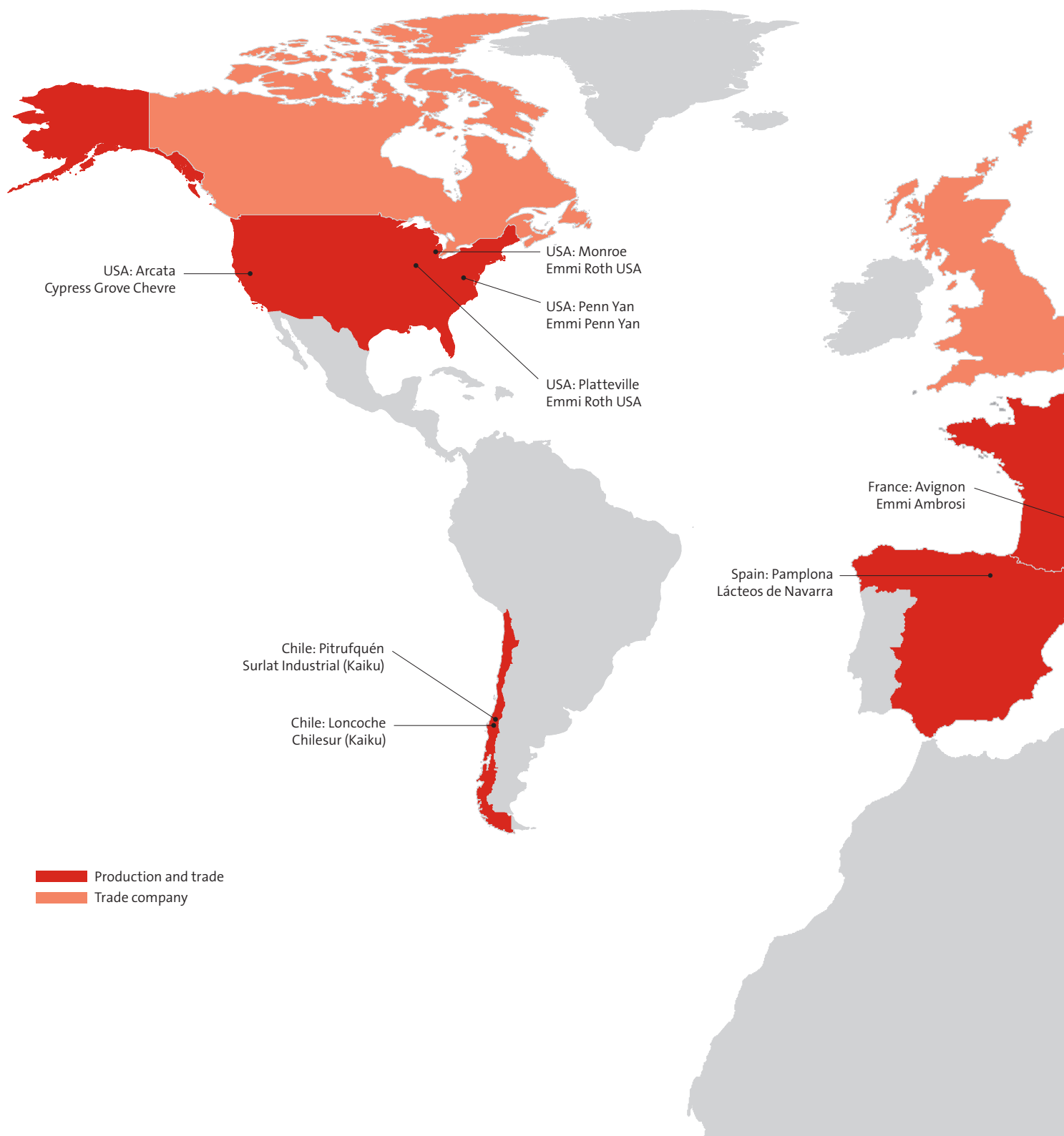
By product groups and divisions	First 6 months 2014	Switzerland	First 6 months 2014	Americas
		First 6 months 2013		First 6 months 2013
<b>Dairy products</b>	<b>345,224</b>	338,597	<b>133,389</b>	128,587
As % of net sales	<b>38.3</b>	38.0	<b>32.7</b>	32.8
<b>Fresh products</b>	<b>173,563</b>	174,132	<b>97,376</b>	93,445
As % of net sales	<b>19.3</b>	19.6	<b>23.9</b>	23.8
<b>Cheese</b>	<b>252,709</b>	243,344	<b>143,970</b>	146,890
As % of net sales	<b>28.0</b>	27.3	<b>35.2</b>	37.4
<b>Fresh cheese</b>	<b>63,947</b>	60,801	–	–
As % of net sales	<b>7.1</b>	6.8	–	–
<b>Powder/concentrates</b>	<b>38,392</b>	34,331	<b>4,415</b>	2,083
As % of net sales	<b>4.3</b>	3.9	<b>1.1</b>	0.5
<b>Other products and services</b>	<b>27,053</b>	39,251	<b>29,046</b>	21,696
As % of net sales	<b>3.0</b>	4.4	<b>7.1</b>	5.5
<b>Net sales</b>	<b>900,888</b>	890,456	<b>408,196</b>	392,701
As % of group net sales	<b>55.5</b>	56.8	<b>25.1</b>	25.1

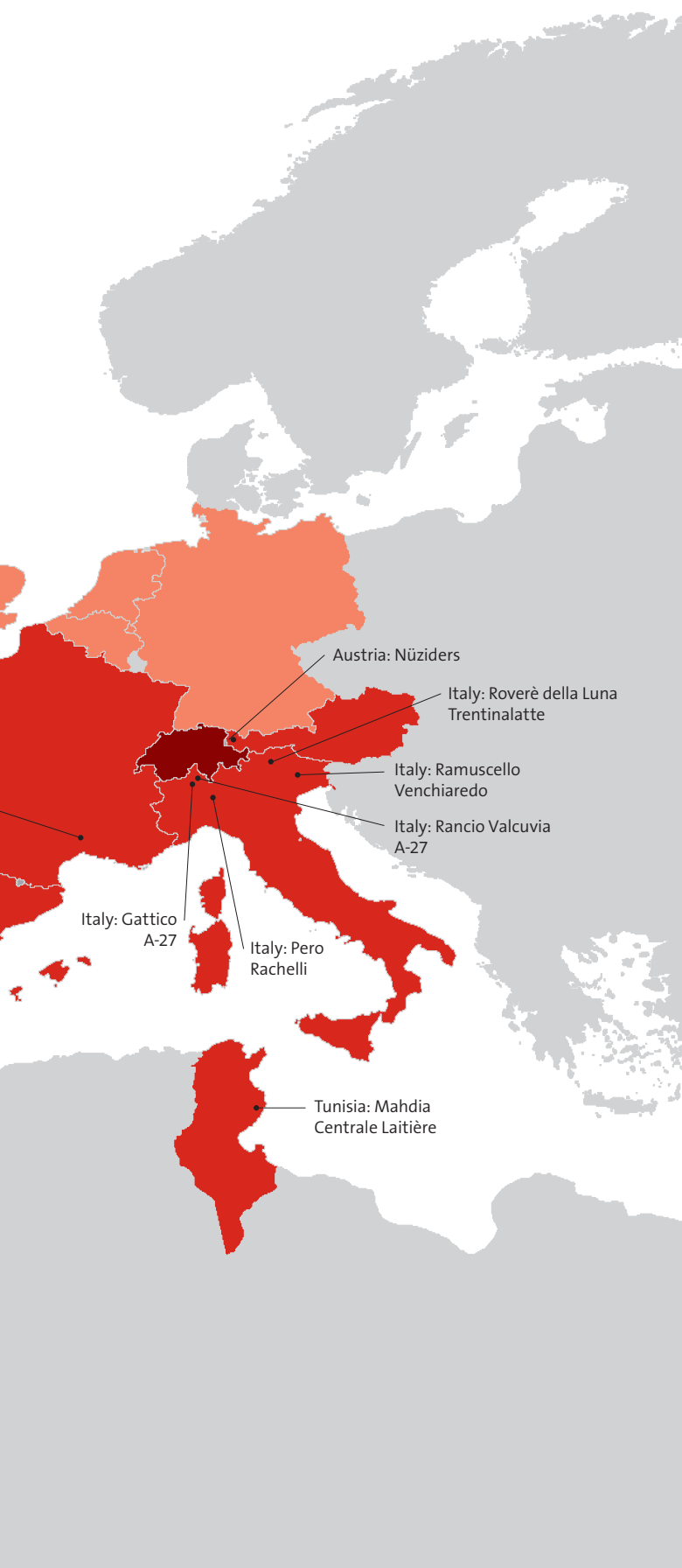
By customer location	First 6 months 2014	in %	First 6 months 2013	in %
Switzerland	<b>900,888</b>	<b>55.5</b>	890,456	56.8
Europe excl. Switzerland	<b>451,987</b>	<b>27.8</b>	412,384	26.3
North and South America	<b>192,312</b>	<b>11.8</b>	190,163	12.2
Africa	<b>66,566</b>	<b>4.1</b>	59,184	3.8
Asia/Pacific	<b>13,135</b>	<b>0.8</b>	14,417	0.9
<b>Total</b>	<b>1,624,888</b>	<b>100.0</b>	1,566,604	100.0

First 6 months 2014	Europe	First 6 months 2014	Global trade	First 6 months 2014	Group
	First 6 months 2013		First 6 months 2013		First 6 months 2013
<b>8,478</b>	10,406	<b>6,098</b>	4,047	<b>493,189</b>	481,637
<b>3.6</b>	4.9	<b>7.4</b>	5.9	<b>30.3</b>	30.7
<b>129,650</b>	106,281	<b>25,530</b>	23,587	<b>426,119</b>	397,445
<b>55.4</b>	49.6	<b>31.2</b>	34.0	<b>26.2</b>	25.4
<b>61,278</b>	64,943	<b>31,559</b>	29,582	<b>489,516</b>	484,759
<b>26.2</b>	30.3	<b>38.6</b>	42.7	<b>30.1</b>	30.9
<b>29,577</b>	24,634	<b>4</b>	–	<b>93,528</b>	85,435
<b>12.7</b>	11.5	<b>–</b>	–	<b>5.8</b>	5.5
<b>500</b>	2,208	<b>14,460</b>	3,767	<b>57,767</b>	42,389
<b>0.2</b>	1.0	<b>17.7</b>	5.4	<b>3.6</b>	2.7
<b>4,458</b>	5,683	<b>4,212</b>	8,309	<b>64,769</b>	74,939
<b>1.9</b>	2.7	<b>5.1</b>	12.0	<b>4.0</b>	4.8
<b>233,941</b>	214,155	<b>81,863</b>	69,292	<b>1,624,888</b>	1,566,604
<b>14.4</b>	13.7	<b>5.0</b>	4.4	<b>100.0</b>	100.0

## Geographical presence

In addition to those in Switzerland, Emmi has been operating production sites in Italy, Austria and the US for a number of years. Facilities in Chile, Spain and Tunisia were added in 2012 through Emmi's acquisition of the majority stake in the Spanish firm Kaiku. Emmi also exports its products to more than 60 countries worldwide.





## Key production sites in Switzerland

### Bever

Production of cheese, dairy and fresh products

### Bischofszell

Production of organic dairy and fresh products

### Dagmersellen

Production of milk powder and fresh cheese

### Emmen

Production and development of fresh products and cheese

### Frenkendorf

Production of cheese, dairy and fresh products

### Kaltbach

Production of cheese

### Kirchberg

Pre-packing of cheese, export

### Landquart

Production of cheese

### Moudon

Maturation of Le Gruyère AOP

### Langnau

Production of processed cheese and fondue

### Ostermundigen

Production of fresh products and ice cream

### Saignelégier

Production of Tête de Moine AOP

### Suhr

Production of dairy and fresh products



Emmi  
Landenbergstrasse 1  
CH-6002 Lucerne  
Telephone +41 58 227 27 27  
Fax +41 58 227 27 37  
info@emmi.com  
www.emmi.com

**Editing**

Emmi Group Communications & IR, Lucerne

**Concept, design and production**

Farner Consulting AG, Zurich

**Translation**

CLS Communication AG, Basel

**Printing**

Multicolor Print AG, Baar

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