



Shareholder letter and half-year report 2016

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Dear Shareholders

As expected, the first half of 2016 proved challenging: considerable import pressure, intense competition, low milk prices, falling retail figures and continued strong retail tourism again characterised the Swiss market. The cheese business was particularly competitive. Nevertheless, various brand concepts of Emmi and its subsidiaries proved to be remarkably resistant, both in Switzerland and abroad. The companies with strong positions in niches that were acquired in recent years also performed well.

Growth abroad, weak domestic market

Given the challenging economic situation, Emmi's sales development in the first half of 2016 was pleasing: at Group level, sales reached CHF 1,594.1 million – an increase of 2.0 % compared with the first half of 2015. In organic terms, i.e. adjusted for currency and acquisition effects, Emmi recorded a decline of 0.7 %.

Acquisition effects were attributable to the purchase of the cheese business of J.L. Freeman (Canada, 15 April 2015), the acquisitions of Redwood Hill (USA, 31 December 2015) and Cowgirl Creamery (USA, 31 May 2016), the 60 % stake in Bettinehoeve (the Netherlands, 2 February 2016) and the increased stake in SDA Chile (Chile, 19 May 2016).

In March, Emmi predicted organic growth of 0 % to 1 % for full-year 2016. Group sales in the first half of the year were slightly below this forecast. This was primarily due to the business division Americas, which reported more modest organic growth than expected, due in part to low milk prices. The performance of the business divisions Switzerland and Europe, however, was within the target range.

Further increase in earnings outside Switzerland

In the first half of 2016, Emmi generated an EBIT of CHF 92.5 million, compared with CHF 84.4 million in the previous year, corresponding to a rise of 9.5 %. The EBIT margin improved from 5.4 % to 5.8 %. This is attributable to the increased earnings of international subsidiaries and the encouraging earnings performance of more recently acquired companies. Efficiency measures, which Emmi has intensified considerably abroad over the last three years, therefore continued to pay off. Net profit amounted to CHF 60.8 million. Compared with the previous year (CHF 46.2 million), this represents an improvement of 31.6 %, which includes non-recurring negative effects of the erratic strengthening of the Swiss franc in 2015. The net profit margin was 3.8 % (previous year 3.0 %).

Effective brand concepts

Various brand concepts performed very well and contributed positively to sales and earnings performance. Examples include Caffè Latte, exports of cheese specialities such as Kaltbach and Der scharfe Maxx, the lactose-free range from Kaiku, speciality cheeses made from cow's and goat's milk in the US, and yogurts and desserts in Tunisia.

In contrast, low international milk prices and strong price pressure had an inhibiting effect on sales, primarily in relation to the AOP cheese business and low-margin products with little potential for differentiation.

Defying uncertainty

Political unrest and decisions such as Brexit are weighing on consumer sentiment and the commercial development of several of Emmi's key markets. Added to this are the large volumes of milk, the strong pressure on the supply of dairy products and the resulting low raw milk prices at international level. In the current low-price environment, which is hardly likely to recover in the short term, the AOP cheese business and that of ranges with little differentiation will remain under pressure.

Emmi will continue to rely on its proven pillars of strengthening the top performers in its product portfolio and pursuing rigorous cost management, primarily in international markets. Foreign subsidiaries are once again making an important contribution this year to relieving pressure in Switzerland. As a result, Emmi expects to achieve its targets for full-year 2016.

Our ambition remains unchanged: we want to convince consumers both in Switzerland and abroad with innovative concepts. At the same time, we are committed to a broadly diversified and efficient Emmi, to secure jobs, to fair partnerships within the supply chain and to maintaining Switzerland as a competitive production location.



Konrad Graber

Chairman of the Board of Directors



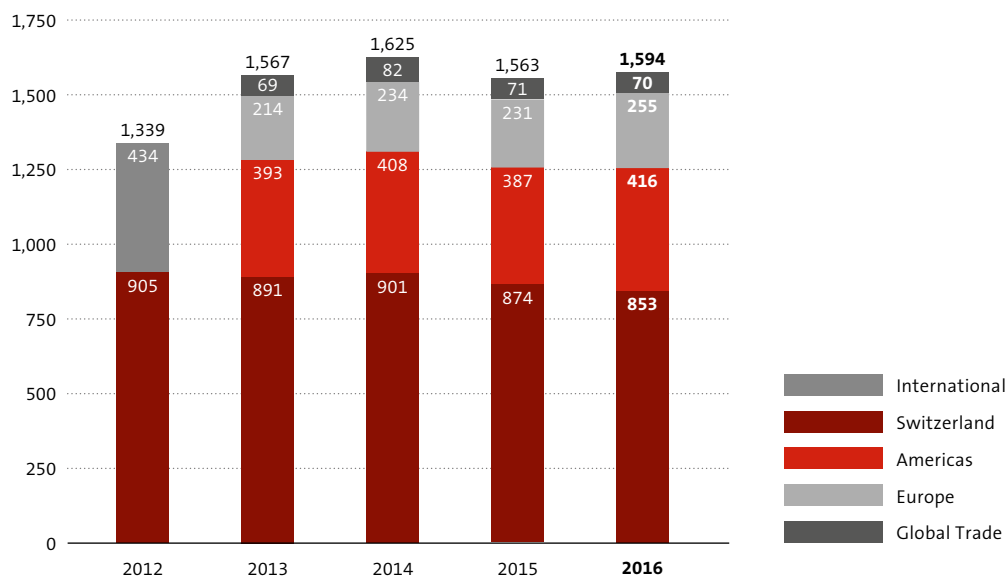
Urs Riedener

CEO

Emmi Group key figures

Net sales

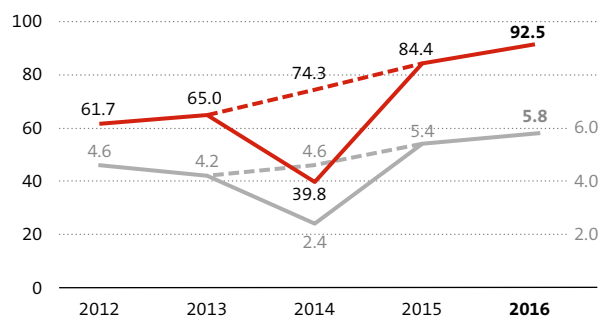
in CHF million, first six months



EBIT

in CHF million, first six months

as % of net sales

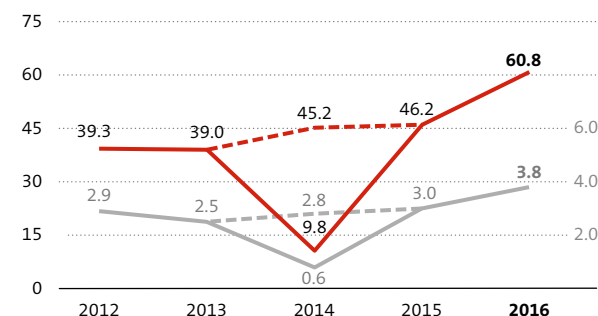


— EBIT
 - - - Adjusted EBIT
 — EBIT as % of net sales
 - - - Adjusted EBIT as % of net sales

Net profit

in CHF million, first six months

as % of net sales

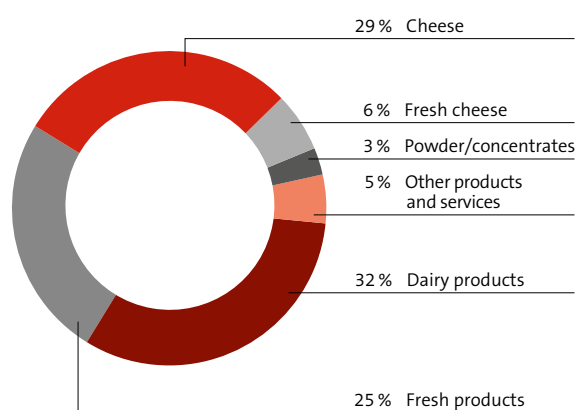


— Net profit
 - - - Adjusted net profit
 — Net profit as % of net sales
 - - - Adjusted net profit as % of net sales

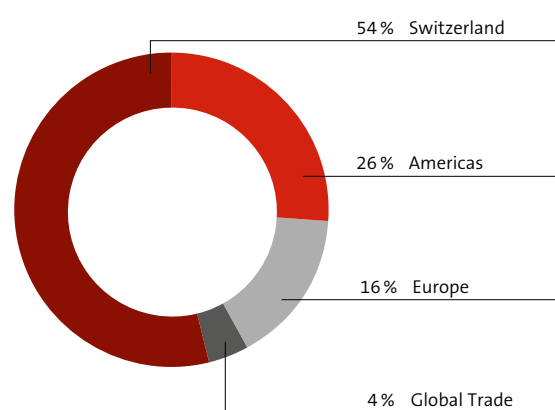
Amounts in CHF million	First 6 months 2016*	First 6 months 2015*
Net sales	1,594	1,563
Sales development in %	2.0	-3.8
Acquisition effect in %	2.0	1.4
Currency effect in %	0.7	-3.5
Net sales increase in organic terms (in loc. currency) in %	-0.7	-1.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	153.3	142.0
as % of net sales	9.6	9.1
Earnings before interest and taxes (EBIT)	92.5	84.4
as % of net sales	5.8	5.4
Net profit	60.8	46.2
as % of net sales	3.8	3.0
	30.06.2016	31.12.2015
Total assets	2,542	2,551
of which shareholder's equity incl. minority interests	1,415	1,394
as % of total assets	55.7	54.6
Headcount (full-time equivalents)	5,750	5,405

* No significant non-recurring effects were recorded during the reporting periods in 2016 and 2015. For this reason, Emmi has decided not to disclose adjusted earnings.

Net sales by product group



Net sales by division



New products and campaigns

• The three-course meal to go

Kaiku is the market leader in lactose-free dairy products in Spain. The company is taking a further step forward and expanding its range with Kaiku Sin Lactosa Mix. The light, healthy snack is based on fresh fruit, creamy low-fat, lactose-free yogurt and crunchy muesli. A spoon is integrated in the lid. The latest innovation from Kaiku is therefore perfect for active people who value uncomplicated yet healthy food. Wherever and whenever they want. Available from various Spanish retailers. www.kaiku.es



• YoQua and superfruits: a winning combination

Superfruits are fruits packed with vitamins and other vital nutrients. Two of their number will take a starring role in the YoQua seasonal varieties: Strawberry-Cranberry and Cassis-Pomegranate flavours will be delighting YoQua fans from early September. The creamy yogurt with at least twice as much (8-10%) protein and only 2% fat was launched successfully in spring 2015. It is extremely popular and now available in eight varieties from Swiss retailers. www.emmi-yoqua.com



• The extra kick in the can

Anyone seeking an energy kick and a natural alternative to conventional energy drinks will love Emmi Caffè Latte Espresso Extra Shot. The new drink in the slim can is a real pick-me-up: it contains 140 milligrams of caffeine – 75 % more than the bestseller Caffè Latte Cappuccino. But that's not the only thing that makes it different from the rest of the Caffè Latte family. Unlike the other well-known varieties, as a heat-treated product, it doesn't need to be refrigerated, opening up entirely new sales channels. The can has been available in Switzerland since the start of July, with selected European markets scheduled to follow in 2017. www.emmi-caffelatte.com





● Protein boost

Emmi Protein Drink is another example of the range of high-protein dairy products. The focus here is not on special “sports nutrition” but on everyday food. Not only does it taste great, like all Emmi products, it also offers more: a higher protein content. It is also lactose-free, and contains 10% fruit. Emmi deliberately refrains from using artificial sweeteners, which are common in high-protein drinks. Available from Swiss retailers in Strawberry and Vanilla varieties. www.emmi-protein-drink.ch

● Proven quality, new design

Bettinehoeve is the leading manufacturer of fresh goat's cheese in the Netherlands and also produces matured varieties. The company is repositioning its “goat's cheese crumbles” line of cheese balls in a practical, reclosable tub. The design symbolises the freshness of the cheese and prominently features the term “Geitenkaas” (goat's cheese), the Bettine goat and the company logo. It also illustrates the country of origin. After all, Dutch goat's milk is known for its high quality and mild taste. The new design for the “Original” and “Honey” varieties was launched this summer in the Netherlands and will be rolled out to export markets in the second half of 2016 and in 2017. www.bettine.nl



● “Free from” is more

Italian subsidiary Rachelli is one of Emmi's centres of excellence for desserts. Its current range primarily comprises tiramisu, panna cotta and profiteroles, and it also markets ice creams and sorbets. Various products, including all ice creams, are produced according to organic or biodynamic (Demeter) guidelines. From October 2016, the company is expanding its product portfolio with a “Free from” line. The first products to be launched in Italian retailers and in several export markets will be a gluten- and lactose-free tiramisu as well as a panna cotta in three flavours – caramel, mango and raspberry. www.rachelli.it

Good performance of brand concepts, segments with little differentiation impacted more by excess supply

In the first half of 2016, Emmi achieved Group sales of CHF 1,594.1 million, which corresponds to an increase of 2.0% (first half of 2015: CHF 1,563.0 million). Adjusted for currency and acquisition effects, this resulted in a decline of 0.7%. The business divisions Switzerland and Europe closed the period in line with sales expectations, while growth in sales in the business division Americas was lower than anticipated. This was primarily due to the low milk price.

The overall positive acquisition effect was 2.0%. It can be attributed to the following factors:

- the purchase of the cheese business of J.L. Freeman in Canada on 15 April 2015
- the acquisition of American company Redwood Hill Farm & Creamery on 31 December 2015 (yogurt and other fresh products made from goat's milk and lactose-free organic cow's milk)
- the 60% stake in Dutch company Bettinehoeve acquired on 2 February 2016 (cheese specialties made from goat's milk)
- the increased stake in SDA Chile acquired on 19 May 2016 (trading of fresh products, dairy products and cheese)
- the acquisition of American company Cowgirl Creamery on 31 May 2016 (cheese specialties made from cow's milk)

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

Sales development Switzerland

Sales in the business division Switzerland amounted to CHF 853.2 million. This corresponds to a decrease of 2.4%, which is in line with Emmi's expectations. The development is attributable to the declining retail business, high competition, strong import pressure and continued strong retail tourism. The business division Switzerland accounted for 54% of Group sales.

In **dairy products** (milk, cream, butter), sales in the first six months of 2016 decreased by 1.4% to CHF 329.0 million, compared with CHF 333.8 million in the first half of 2015. This was a result of lower milk prices and a slight decrease in volumes.

In the **cheese** segment, sales decreased from CHF 237.4 million to CHF 223.5 million, a decline of 5.8% compared with the first half of 2015. This primarily affected AOP cheese, while the Kaltbach specialties and Luzerner Rahmkäse (Lucerne cream cheese) achieved strong growth.

In **fresh products**, Emmi posted sales of CHF 174.4 million, corresponding to a year-on-year improvement of 0.9% (first half of 2015: CHF 172.8 million). Caffè Latte, YoQua and Energy Milk all made positive contributions. By contrast, private label products recorded a drop in sales.

Sales of **fresh cheese** amounted to CHF 57.1 million. Compared with the previous year's figure of CHF 60.2 million, this represents a fall of 5.1%, which is primarily attributable to price-related declines in mozzarella and the industrial business.

In **powder/concentrates**, sales reached CHF 29.0 million, which was identical to the first half of 2015.

In **other products/services**, sales fell by 1.9% to CHF 40.2 million, compared with CHF 41.0 million in the previous year's period.

Switzerland: net sales by product group

in CHF million	Sales 1HY 2016	Sales 1HY 2015	Organic growth
Dairy products	329.0	333.8	-1.4%
Cheese	223.5	237.4	-5.8%
Fresh products	174.4	172.8	0.9%
Fresh cheese	57.1	60.2	-5.1%
Powder/concentrates	29.0	29.0	0.0%
Other products/services	40.2	41.0	-1.9%
Total Switzerland	853.2	874.2	-2.4%

Sales development Americas

The business division Americas includes the markets US, Canada, Chile, Spain, France and Tunisia.

Sales in this business division increased in the first six months of 2016 from CHF 387.3 million to CHF 416.4 million, a rise of 7.5%.

In organic terms (excluding currency and acquisition effects), this represented growth of 1.8% compared with the first half of 2015, which was below Emmi's expectations. This was primarily due to low milk prices in the US and the challenging economic situation in Chile and Spain. By contrast, the business in Tunisia performed very positively. The business division Americas accounted for 26% of Group sales.

Net sales of **cheese** grew to CHF 163.9 million in the first half of 2016, compared with CHF 151.9 million in the previous year's period, which corresponds to an increase of 7.9%. The positive performance can be attributed to growth in the US, which was particularly strong in the goat's cheese segment, while locally produced cow's milk cheese did not experience the level of growth expected as a result of the aforementioned low milk prices. Volumes, however, were very positive. Encouraging developments included the significant increase in Kaltbach exports to the US and the fact that Der scharfe Maxx is also beginning to establish itself in this market. The positive acquisition effect is accounted for by the cheese business of J.L. Freeman, Cowgirl Creamery and SDA Chile. In organic terms, sales grew by 1.9%.

Dairy products achieved sales of CHF 122.4 million, compared with CHF 117.7 million in the previous year. This corresponds to an improvement of 4.0%, which is mainly attributable to the Tunisian market. Organic growth amounted to 4.5%.

Fresh products posted a sales increase of 17.0% to CHF 100.7 million (first half of 2015: CHF 86.1 million).

The factors that made a positive contribution included the growth of yogurts and desserts in Tunisia as well as that of yogurts in Chile. However, there was muted demand for fresh products in Spain. In organic terms, sales increased by 2.8%.

At CHF 0.4 million and CHF 0.1 million, respectively, sales of **fresh cheese** and **powder/concentrates** were marginal.

Other products/services posted a decline in sales of 6.9%, from CHF 31.0 million to CHF 28.9 million. In organic terms, sales fell by 10.5%.

Americas: net sales by product group

in CHF million	Sales 1HY 2016	Sales 1HY 2015	Difference 2016/2015	Acquisition effect	Currency effect	Organic growth
Cheese	163.9	151.9	7.9%	3.3%	2.7%	1.9%
Dairy products	122.4	117.7	4.0%	0.3%	-0.8%	4.5%
Fresh products	100.7	86.1	17.0%	13.4%	0.8%	2.8%
Fresh cheese	0.4	—	n.a.	n.a.	n.a.	n.a.
Powder/concentrates	0.1	0.6	-82.2%	0.3%	0.4%	-82.9%
Other products/services	28.9	31.0	-6.9%	1.2%	2.4%	-10.5%
Total Americas	416.4	387.3	7.5%	4.5%	1.2%	1.8%

Sales development Europe

The business division Europe includes the markets Benelux, Germany, the UK, Italy and Austria.

Sales rose in the first half of 2016 by 10.2 %, from CHF 230.8 million to CHF 254.4 million. Excluding currency and acquisition effects, this resulted in growth of 1.2 % year-on-year, which is within the target range and affirms that, even with a strong Swiss franc, Emmi is able to hold its own in the business division Europe. The acquisition effects are attributable to the majority stake in Bettinehoeve. The business division Europe accounted for 16 % of Group sales.

Fresh products registered sales growth of 4.4 % to CHF 106.7 million in the first half of 2016 (previous year: CHF 102.1 million). Caffè Latte was once again one of the positive performers, and the dessert business in Italy also achieved sales growth. In organic terms, sales grew by 3.0 %.

Sales of **cheese** rose by 6.4 % to CHF 56.1 million (previous year: CHF 52.7 million). This was a result of higher sales of speciality cheeses such as Kaltbach and Der scharfe Maxx. By contrast, sales of AOP cheeses declined, particularly those of Emmentaler AOP. Organic sales growth amounted to 3.1 %.

In **dairy products**, sales improved in the first six months of 2016 by 5.4 %, from CHF 46.7 million to CHF 49.2 million. The sales performance of Gläserne Molkerei made a particularly positive contribution in this regard. Growth in organic terms was 0.5 %.

Sales of **fresh cheese** rose by 52.7 %, from CHF 21.3 million to CHF 32.5 million. The stake in Bettinehoeve positively impacted this result, whereas low prices in Italy and weaker sales in the Netherlands (AVH dairy) led to declines. In organic terms, the segment therefore reported a decline of 17.0 %.

In the smaller product segments of the business division Europe, **powder/concentrates** achieved sales of CHF 7.2 million and **other products/services** of CHF 2.7 million.

Europe: net sales by product group

in CHF million	Sales 1HY 2016	Sales 1HY 2015	Difference 2016/2015	Acquisition effect	Currency effect	Organic growth
Fresh products	106.7	102.1	4.4 %	—	1.4 %	3.0 %
Cheese	56.1	52.7	6.4 %	—	3.3 %	3.1 %
Dairy products	49.2	46.7	5.4 %	1.3 %	3.6 %	0.5 %
Fresh cheese	32.5	21.3	52.7 %	64.5 %	5.2 %	-17.0 %
Powder/concentrates	7.2	5.4	32.6 %	—	4.5 %	28.1 %
Other products/services	2.7	2.6	4.9 %	0.3 %	3.6 %	1.0 %
Total Europe	254.4	230.8	10.2 %	6.2 %	2.8 %	1.2 %

Sales development Global Trade

The business division Global Trade includes direct sales from Switzerland to customers in international markets. Specifically, these are countries where Emmi has no subsidiaries, including the Asian, Eastern European and South American markets (excluding Chile). The business division Global Trade accounted for 4% of Group sales.

Sales in this business division remained relatively stable in the first half of 2016, with only a slight decline of 0.7% from CHF 70.6 million to CHF 70.1 million. In organic terms, due to the acquisition of the cheese business of J.L. Freeman, growth was 0.7%.

The decline is mainly due to the **cheese** segment. The increase in the **powder/concentrates** segment can be attributed to higher milk volumes and the related exports of milk powder, while that of **dairy products** is accounted for by higher butter exports and increased sales in Asia.

Global Trade: net sales by product group

in CHF million	Sales 1HY 2016	Sales 1HY 2015	Difference 2016/2015	Acquisition effect	Currency effect	Organic growth
Fresh products	23.1	23.3	-1.0%	—	—	-1.0%
Cheese	21.9	24.3	-9.7%	-4.1%	—	-5.6%
Powder/concentrates	10.3	9.9	4.1%	—	—	4.1%
Dairy products	9.6	6.0	61.3%	—	—	61.3%
Fresh cheese	0.1	0.3	-79.7%	—	—	-79.7%
Other products/services	5.1	6.8	-24.8%	—	—	-24.8%
Total Global Trade	70.1	70.6	-0.7%	-1.4%	—	0.7%

Gross profit

Gross profit amounted to CHF 577.2 million, up CHF 37.7 million compared with the previous year (first half of 2015: CHF 539.5 million). Gross profit grew by 7.0 %, substantially higher than sales, which posted an increase of 2.0 %. The gross profit margin increased from 34.5 % to 36.2 %. All business divisions made a positive contribution in this respect. The margin improvement was achieved in particular thanks to the company's greater focus on brand concepts, while other factors included the ongoing successful implementation of rationalisation and productivity-raising measures, last year's price increases in foreign markets, and lower procurement costs for non-milk raw materials and products both in Switzerland and abroad.

Non-recurring effects in the 2016 half-year results

No significant non-recurring effects were recorded during the reporting periods in 2016 and 2015. For this reason, Emmi has decided not to disclose adjusted earnings.

Operating result

Year-on-year **operating expenses** increased by CHF 26.7 million to CHF 426.5 million (previous year: CHF 399.8 million). This was primarily due to the newly acquired companies as well as the strength of the US dollar and the euro against the Swiss franc compared to the previous year. The growth in operating expenses as a proportion of sales was mainly down to the fact that operating expenses in Switzerland did not drop in line with the development in sales. As a consequence, the margin increase on gross profit level was reduced.

Personnel expenses rose by CHF 10.0 million to CHF 211.7 million in the first half of 2016 (previous year: CHF 201.7 million). Since the increase of 4.9 % is disproportionately high in comparison with the development in sales, the ratio of personnel expenses to sales rose from 12.9 % in 2015 to 13.3 % in the period under review. This is in particular due to the newly acquired companies and the company's decision to avoid shifting jobs abroad or extending contractual working hours, despite the strong Swiss franc.

Other operating expenses amounted to CHF 214.9 million in the period under review (previous year: CHF 198.1 million), corresponding to a year-on-year increase in both absolute terms and as a proportion of sales. A key part of this increase was down to acquisitions. Marketing and sales-related expenses amounted to CHF 62.5 million, compared to CHF 59.8 million in the previous year. Growth in the remaining operating

expense items as a proportion of sales was mainly attributable to the fact that operating expenses in Switzerland did not fall in line with the development in sales. Furthermore, IT expenses rose year-on-year due to the rollout of SAP in Switzerland.

Other operating income registered a year-on-year increase of CHF 0.4 million to CHF 2.6 million (previous year: CHF 2.2 million).

As a consequence of this development, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** increased by CHF 11.3 million to CHF 153.3 million, from CHF 142.0 million in the previous year. This led to an improvement in the EBITDA margin, which increased from 9.1 % to 9.6 %.

Depreciation on property, plant and equipment increased from CHF 45.8 million in 2015 to CHF 46.4 million in the period under review, remaining unchanged as a proportion of sales. **Amortisation** on intangible assets increased by CHF 2.6 million to CHF 14.6 million (previous year: CHF 12.0 million), due to additional goodwill amortisation following the company's acquisitions and the rollout of SAP in Switzerland.

Earnings before interest and taxes (EBIT) amounted to CHF 92.5 million in the period under review. This was CHF 8.1 million higher than the previous year's EBIT level of CHF 84.4 million. The EBIT margin therefore increased from 5.4 % to 5.8 %.

Financial result and income taxes

Net financial expenses decreased by CHF 8.9 million compared to the previous year to CHF 7.7 million, which can be attributed to currency losses in 2015 as a result of the strong Swiss franc. Interest expenses remained unchanged.

In the period under review, **income taxes** increased by CHF 2.3 million to CHF 16.1 million. The expected tax rate, however, decreased from 20.1 % to 18.5 %. The reduction in the tax rate was mainly due to more favourable structures.

Net profit

Net profit including minority interests amounted to CHF 70.9 million, up CHF 16.0 million from the previous year's level of CHF 54.9 million. After deduction of minority interests, which were up by CHF 1.4 million compared with the first half of 2015, **net profit** was CHF 60.8 million (previous year's period: CHF 46.2 million), corresponding to an increase of 31.6%. The **net profit margin** therefore rose to 3.8% (previous year: 3.0%). Earnings per share were CHF 11.36, compared to CHF 8.63 in the previous year.

Assets, financing and cash flow

Total assets decreased by CHF 9.0 million compared to 31 December 2015 and therefore remained almost stable. The lower level of cash and cash equivalents was largely compensated for by the higher intangible assets as a result of acquisitions. Operating net working capital amounted to CHF 488.9 million, up CHF 44.7 million compared to the end of 2015. Compared to 30 June 2015, it is an increase of CHF 24.0 million, due in part to acquisitions. With regard to financing, the significant adjustments between short and long-term liabilities were due in particular to the reclassification of a bond issued for over CHF 250 million, which matures on 30 June 2017. As a result of self-financing, the **equity ratio** rose to 55.7% compared to 54.6% on 31 December 2015. **Net debt** increased from CHF 111.6 million as at 31 December 2015 to CHF 150.1 million as at 30 June 2016, primarily due to the decrease in cash and cash equivalents.

Cash inflow from operating activities amounted to CHF 93.9 million, up on the previous year's figure of CHF 89.0 million. This increase was primarily down to improved EBITDA. By contrast, the development of operating net working capital had a slightly negative influence year-on-year, mainly because there has been less of a reduction in trade receivables since 31 December 2015 than there was in the previous year's period. Trade payables also fell at a slower rate compared to the previous year, which supported cash flow. Other positions posted varying performances, albeit with mutually offsetting effects. At CHF 98.1 million, **cash outflow from investing activities** was considerably higher than in the previous year (cash outflow: CHF 60.1 million). This was primarily due to acquisitions, which accounted for CHF 63.3 million in the first six months of 2016 versus CHF 23.7 million in the previous year's period. Net investments in tangible fixed assets amounted to CHF 34.0 million, up CHF 9.8 million year-on-year. CHF 3.0 million of cash flowed in as a consequence of loan repayments in the reporting period whereas loans were granted in the previous year. **Cash outflow from financing activities** amounted

to CHF 32.8 million in the first half of 2016 (previous year: CHF 47.9 million), of which CHF 32.2 million comprised dividend payments. As a result, cash and cash equivalents fell by a total of CHF 37.2 million compared to the end of 2015.

Outlook for 2016 as a whole

Emmi does not expect the economic conditions to change significantly in the second half of the year, with the highly competitive and volatile environment and the low milk prices likely to prevail in the second half of the year. In addition, significant new macroeconomic uncertainties recently appeared. For example, it is not yet possible to fully assess the consequences of the Brexit vote in the UK.

Sales development in 2016 continues to be strongly affected by the challenging situation in the Swiss market, where import pressure and retail tourism persist. Nonetheless, we are confident that we will be able to achieve the targets communicated in Switzerland and Europe. In the business division Americas, however, it is becoming clear that the targeted organic growth of 5% to 7% is too ambitious for this year, due to the low milk prices in the US as well as the difficult economic conditions in Chile and Spain.

At Group level, Emmi assumes that the company is on course with regard to sales and earnings.

Consolidated income statement

in CHF 000s

	First 6 months 2016	%	First 6 months 2015	%
Sales of products	1,582,377		1,549,713	
Sales of services	11,731		13,257	
Net sales	1,594,108	100.0	1,562,970	100.0
Change in inventories of semi-finished and finished products	4,253	0.3	24,847	1.6
Cost of materials and services	-1,021,134	64.1	-1,048,273	67.1
Gross operating profit	577,227	36.2	539,544	34.5
Other operating income	2,613	0.2	2,173	0.1
Personnel expenses	-211,666	13.3	-201,683	12.9
Other operating expenses	-214,855	13.5	-198,077	12.6
Operating expenses	-426,521	26.8	-399,760	25.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	153,319	9.6	141,957	9.1
Depreciation on property, plant and equipment	-46,442	2.9	-45,846	2.9
Amortisation on intangible assets	-14,571	0.9	-12,009	0.8
Write-back of negative goodwill	155	–	315	–
Earnings before interest and taxes (EBIT)	92,461	5.8	84,417	5.4
Income from associates and joint ventures	2,267		829	
Financial result	-7,717		-16,600	
Earnings before taxes (EBT)	87,011	5.5	68,646	4.4
Income taxes	-16,096		-13,778	
Profit incl. minority interests	70,915	4.4	54,868	3.5
Minority interests	-10,123		-8,690	
Net profit	60,792	3.8	46,178	3.0
Earnings per share (diluted/basic in CHF)	11.36		8.63	

Consolidated balance sheet

in CHF 000s

Assets	30.06.2016	%	31.12.2015	%
Cash and cash equivalents	351,615		388,822	
Securities	3,713		2,236	
Trade receivables	348,498		387,199	
Other receivables	39,202		31,962	
Inventories	403,487		367,202	
Prepayments and accrued income	26,634		28,634	
Current assets	1,173,149	46.1	1,206,055	47.3
Investments in associates and joint ventures	27,484		24,785	
Loans and other receivables	60,182		64,812	
Securities	1,539		1,543	
Employer contribution reserves	2,048		2,045	
Deferred tax assets	10,817		9,969	
Total financial assets	102,070		103,154	
Prepayments and accrued income	6,636		7,071	
Property, plant and equipment	907,822		909,024	
Intangible assets	352,615		325,967	
Non-current assets	1,369,143	53.9	1,345,216	52.7
Total assets	2,542,292	100.0	2,551,271	100.0

Liabilities and shareholders' equity

Bank overdrafts	38,200		39,640	
Finance lease liabilities	2,645		2,851	
Loans	172		4,092	
Bonds	250,000		—	
Trade payables	263,104		310,204	
Other payables	36,852		16,548	
Accrued liabilities and deferred income	161,307		162,911	
Provisions	2,620		4,980	
Current liabilities	754,900	29.7	541,226	21.2
Bank overdrafts	15,062		12,808	
Finance lease liabilities	2,747		2,189	
Loans	57,546		56,213	
Bonds	200,000		450,000	
Accrued liabilities and deferred income	5,140		4,887	
Provisions	91,467		90,221	
Non-current liabilities	371,962	14.6	616,318	24.2
Liabilities	1,126,862	44.3	1,157,544	45.4
Share capital	53,498		53,498	
Capital reserves	76,451		102,665	
Retained earnings	1,108,635		1,051,605	
Shareholders' equity excl. minority interests	1,238,584	48.7	1,207,768	47.3
Minority interests	176,846	7.0	185,959	7.3
Shareholders' equity incl. minority interests	1,415,430	55.7	1,393,727	54.6
Total liabilities and shareholders' equity	2,542,292	100.0	2,551,271	100.0

Consolidated cash flow statement

in CHF 000s

	First 6 months 2016	First 6 months 2015
Profit incl. minority interests	70,915	54,868
Net interest expense	6,070	6,037
Income taxes	16,097	13,778
Gain on disposal of fixed assets	-171	-306
Depreciation and amortisation	60,240	56,925
Impairment charges	773	930
Write-back of negative goodwill	-155	-315
Change in provisions	2,922	-3,165
Income from associates and joint ventures	-2,267	-829
Other non-cash adjustments	-927	8,775
Cash flow before changes in net working capital, interest and taxes	153,497	136,698
Change in inventories	-33,648	-34,714
Change in trade receivables	44,694	62,048
Change in other receivables, prepayments and accrued income	-1,612	-17,373
Change in trade payables	-54,060	-66,061
Change in other payables, accrued liabilities and deferred income	15,767	38,727
Interest paid	-7,421	-7,776
Taxes paid	-23,339	-22,525
Cash flow from operating activities	93,878	89,024
Investments in property, plant and equipment	-34,489	-25,553
Proceeds from disposal of property, plant and equipment	451	1,272
Purchase of securities	–	-2,942
Sale of securities	569	3,460
Investments in intangible assets	-5,166	-8,222
Proceeds from sale of shares in associates	–	488
Acquisition of consolidated companies	-63,327	-24,229
Repayment/grant of loans receivable	3,032	-5,294
Dividend received	–	53
Interest received	854	863
Cash flow from investing activities	-98,076	-60,104
Change in other current financial liabilities	-5,465	-29,795
Change in other non-current financial liabilities	4,956	-187
Share of minority interests in capital increase of a Group company	–	6,350
Dividend paid to shareholders	-26,214	-20,329
Dividend paid to minority interests	-6,033	-3,947
Cash flow from financing activities	-32,756	-47,908
Currency translation	-253	-9,758
Net change in cash and cash equivalents	-37,207	-28,746
Cash and cash equivalents at beginning of period	388,822	310,307
Cash and cash equivalents at end of period	351,615	281,561

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 at January 1, 2015	53,498	122,994	999,773	-37,906	961,867	1,138,359	174,446	1,312,805
Change in ownership structure of a group company	—	—	-469	—	-469	-469	7,037	6,568
Profit incl. minority interests	—	—	46,178	—	46,178	46,178	8,690	54,868
Currency translation differences	—	—	—	-46,973	-46,973	-46,973	-7,757	-54,730
Dividend	—	-20,329	—	—	—	-20,329	-3,947	-24,276
Shareholders' equity at June 30, 2015	53,498	102,665	1,045,482	-84,879	960,603	1,116,766	178,469	1,295,235
Shareholders' equity at January 1, 2016	53,498	102,665	1,119,267	-67,662	1,051,605	1,207,768	185,959	1,393,727
Change in scope of consolidation	—	—	—	—	—	—	1,975	1,975
Acquisition of minority interests	—	—	—	—	—	—	-13,303	-13,303
Profit incl. minority interests	—	—	60,792	—	60,792	60,792	10,123	70,915
Currency translation differences	—	—	—	-3,762	-3,762	-3,762	-1,875	-5,637
Dividend	—	-26,214	—	—	—	-26,214	-6,033	-32,247
Shareholders' equity at June 30, 2016	53,498	76,451	1,180,059	-71,424	1,108,635	1,238,584	176,846	1,415,430

Segment reporting

in CHF 000s

By product groups and divisions	First 6 months 2016	Switzerland	First 6 months 2016	Americas
		First 6 months 2015		First 6 months 2015
Dairy products	328,966	333,743	122,403	117,707
As % of net sales	38.6	38.2	29.4	30.4
Fresh products	174,366	172,808	100,684	86,089
As % of net sales	20.4	19.8	24.2	22.2
Cheese	223,554	237,444	163,908	151,931
As % of net sales	26.2	27.1	39.4	39.2
Fresh cheese	57,091	60,173	391	–
As % of net sales	6.7	6.9	0.1	–
Powder/concentrates	29,030	29,044	110	617
As % of net sales	3.4	3.3	–	0.2
Other products and services	40,240	41,010	28,858	30,985
As % of net sales	4.7	4.7	6.9	8.0
Net sales	853,247	874,222	416,354	387,329
As % of group net sales	53.5	55.9	26.1	24.8

By country group	First 6 months 2016	in %	First 6 months 2015	in %
Switzerland	853,247	53.5	874,222	55.9
Europe excl. Switzerland	436,228	27.4	405,735	26.0
North and South America	211,624	13.3	198,395	12.7
Africa	74,536	4.7	67,772	4.3
Asia/Pacific	18,473	1.1	16,846	1.1
Total	1,594,108	100.0	1,562,970	100.0

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

Europe		Global trade		Group	
First 6 months 2016	First 6 months 2015	First 6 months 2016	First 6 months 2015	First 6 months 2016	First 6 months 2015
49,225	46,701	9,608	5,957	510,202	504,108
19.3	20.2	13.7	8.4	32.0	32.3
106,645	102,104	23,073	23,311	404,768	384,312
41.9	44.2	32.9	33.0	25.4	24.6
56,121	52,742	21,924	24,288	465,507	466,405
22.1	22.9	31.3	34.4	29.2	29.8
32,512	21,287	64	316	90,058	81,776
12.8	9.2	0.1	0.5	5.7	5.2
7,185	5,417	10,341	9,936	46,666	45,014
2.8	2.4	14.7	14.1	2.9	2.9
2,708	2,581	5,101	6,779	76,907	81,355
1.1	1.1	7.3	9.6	4.8	5.2
254,396	230,832	70,111	70,587	1,594,108	1,562,970
16.0	14.8	4.4	4.5	100.0	100.0

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 ended 30 June 2016. The consolidated interim financial statements for 2016 have been prepared in compliance with Swiss GAAP FER 31 "Additional accounting and reporting recommendations for listed companies" and the consolidation and accounting principles described in the 2015 consolidated financial statements. For the first time, the Emmi Group has applied the new regulations governing revenue recognition (revision of Swiss GAAP FER framework, FER 3 and FER 6), which came into force on 1 January 2016. These changes had no influence on the figures presented in the balance sheet and income statement of the Emmi Group.

Income taxes are calculated based on an estimate of the expected income tax rate for the full-year 2016. The consolidated half-year results should be read in conjunction with the consolidated financial statements compiled for the financial year ended 31 December 2015, as they represent an update of the last complete financial statements and therefore do not contain all information and disclosures required in the year-end consolidated 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 22 August 2016.

Changes to the scope of consolidation or capital share

Gläserne Molkerei Group

On 20 January 2016, Emmi fully took over Gläserne Molkerei Group by increasing its stake from 76 % to 100 %.

Bettinehoeve Group & Goat Milk Powder

On 2 February 2016, Emmi acquired a stake of 60 % in the Dutch Bettinehoeve Group, based in Etten-Leur, the Netherlands. Bettinehoeve employs some 115 staff and generates sales of around EUR 40 million per year. In connection with this transaction, Emmi Group company AVH dairy trade B.V. increased its stake in Goat Milk Powder B.V. from 50 % to 60 % and therefore took over control of this company.

Surlat Group

On 19 May 2016, Emmi Group company Kaiku Corporación Alimentaria increased its stake in Chilean Surlat Group from 60 % to 100 %. In August 2016, local milk suppliers and a logistics firm may invest in the Surlat Group, which will slightly change the stake of Kaiku Corporación Alimentaria. In connection with this transaction, the stake in SDA Chile, S.A. will now be fully consolidated.

Cowgirl Creamery Corporation & Tomales Bay Foods

On 31 May 2016, Emmi fully took over the cheese company Cowgirl Creamery Corporation and the associated company Tomales Bay Foods, Inc., based in Petaluma, California, USA. Tomales Bay Foods and Cowgirl Creamery employ 95 people and generate sales of over USD 20 million per year.

Changes in the financial year 2015

We refer to the consolidated financial statements 2015 for the changes to the scope of consolidation in the financial year 2015.

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

Subsequent events

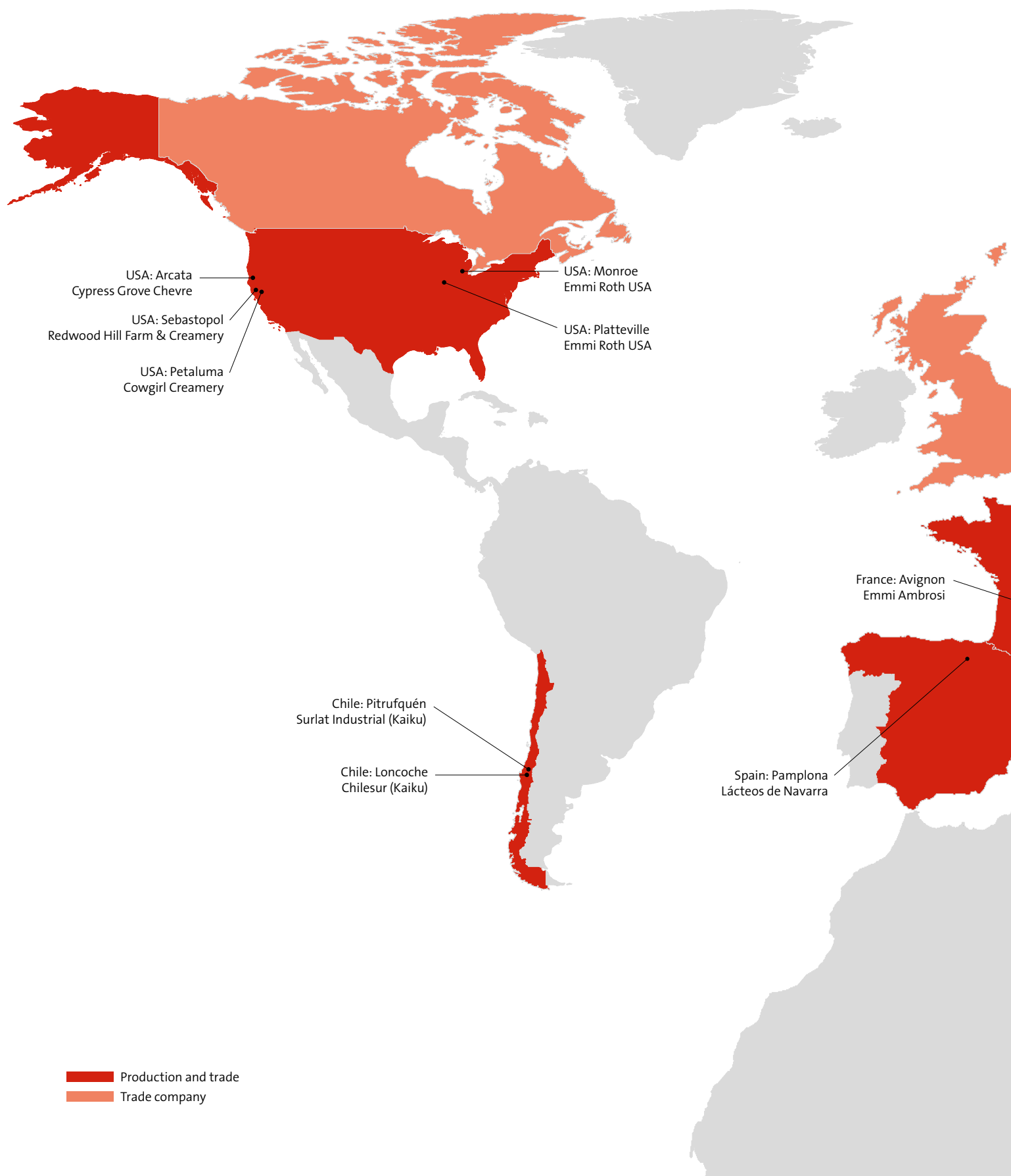
On 15 July 2016, Emmi AG signed an agreement for the complete takeover of Mittelland Molkerei AG (previous stake: 60%). The parties have agreed not to disclose the purchase price. In addition to the cash component, part of the price, amounting to CHF 34 million, will be settled with the transfer of a number of registered shares in Emmi AG, which come from the stake of the majority shareholder in Emmi, the Genossenschaft Zentralschweizer Milchproduzenten (ZMP).

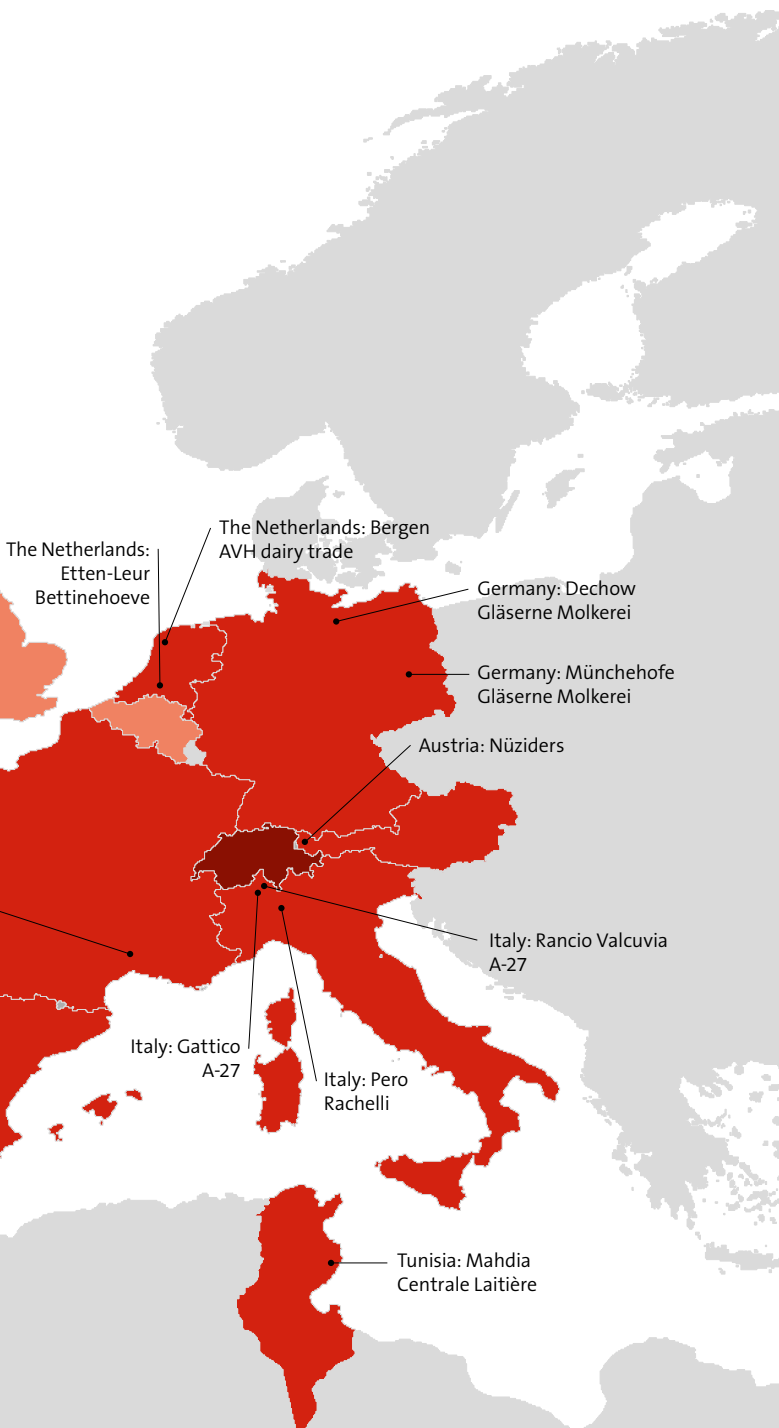
From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 22 August 2016, no other major events occurred which could adversely affect the validity of the interim financial statements for 2016.

Currency exchange rates in CHF

	First 6 months average rates		End rates	
	2016	2015	30.06.2016	31.12.2015
1 EUR	1.10	1.06	1.09	1.08
1 GBP	1.41	1.44	1.31	1.47
1 USD	0.98	0.95	0.98	0.99
1 CAD	0.74	0.77	0.76	0.72
1 TND	0.48	0.49	0.45	0.49
100 CLP	0.14	0.15	0.15	0.14

Geographical presence





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

Development and production of fresh products, production and maturation of cheese

Frenkendorf

Production of cheese, dairy and fresh products

Hatswil

Production and maturation of cheese

Kaltbach

Production and maturation of cheese

Kirchberg

Pre-packing of cheese, export

Landquart

Production and maturation 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 products



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The Emmi shareholder letter and half-year report 2015 are available in German and English. The German version is legally binding.

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