



Annual Report 2021

**Best dairy
moments**



Online report

The full version of the Emmi Annual Report 2021
is also available online:
report.emmi.com

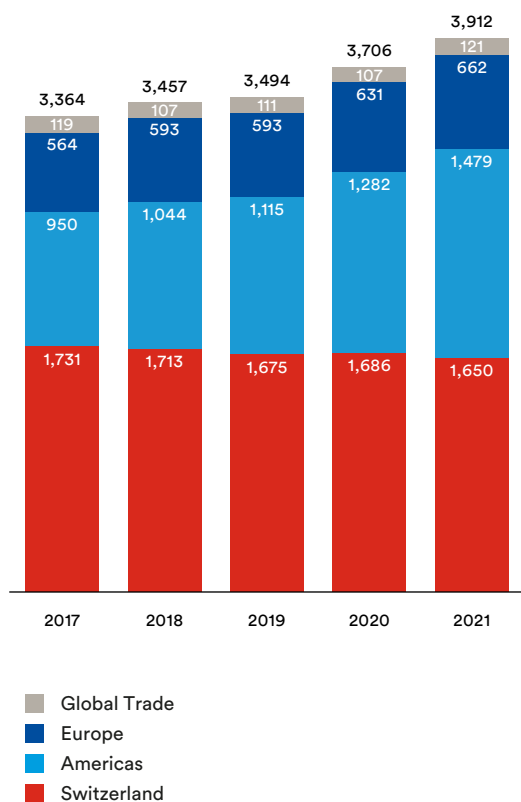
Key figures Emmi Group

Amounts in CHF million	2021	2020	2020 adjusted ¹⁾
Net sales	3,912	3,706	
Sales development in %	5.6	6.1	
Net sales increase in organic terms in %	3.6	1.9	
Acquisition effect in %	2.3	8.7	
Currency effect in %	-0.3	-4.5	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	394.7	376.3	390.9
as % of net sales	10.1	10.2	10.5
Earnings before interest and taxes (EBIT)	284.1	256.6	271.2
as % of net sales	7.3	6.9	7.3
Net profit	216.7	188.4	202.6
as % of net sales	5.5	5.1	5.5
Investment in fixed assets (excl. acquisitions)	152.6	131.4	
as % of net sales	3.9	3.5	
Headcount (full-time equivalents) as at 31.12.	9,230	8,664	
Headcount (full-time equivalents) at yearly average	8,868	8,303	
Net sales per employee in CHF 000s (average)	441	446	
	31.12.2021	31.12.2020	
Total assets	2,471	2,337	
of which shareholders' equity incl. minority interests	1,182	1,233	
as % of total assets	47.8	52.8	
Market capitalisation	5,756	4,876	

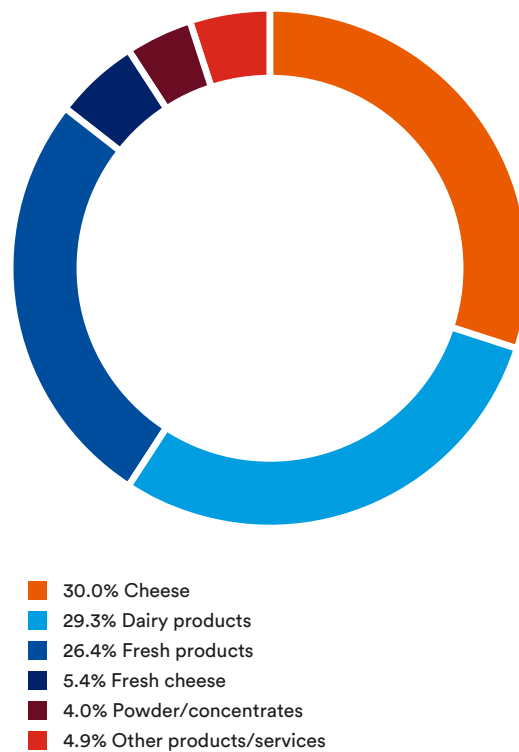
¹⁾ Adjusted for non-recurring effects of CHF 14.6 million on EBITDA and EBIT and CHF 14.2 million on net profit. In the previous year, these resulted from the sale of the majority stake in Lácteos Caprinos S.A.

Net sales

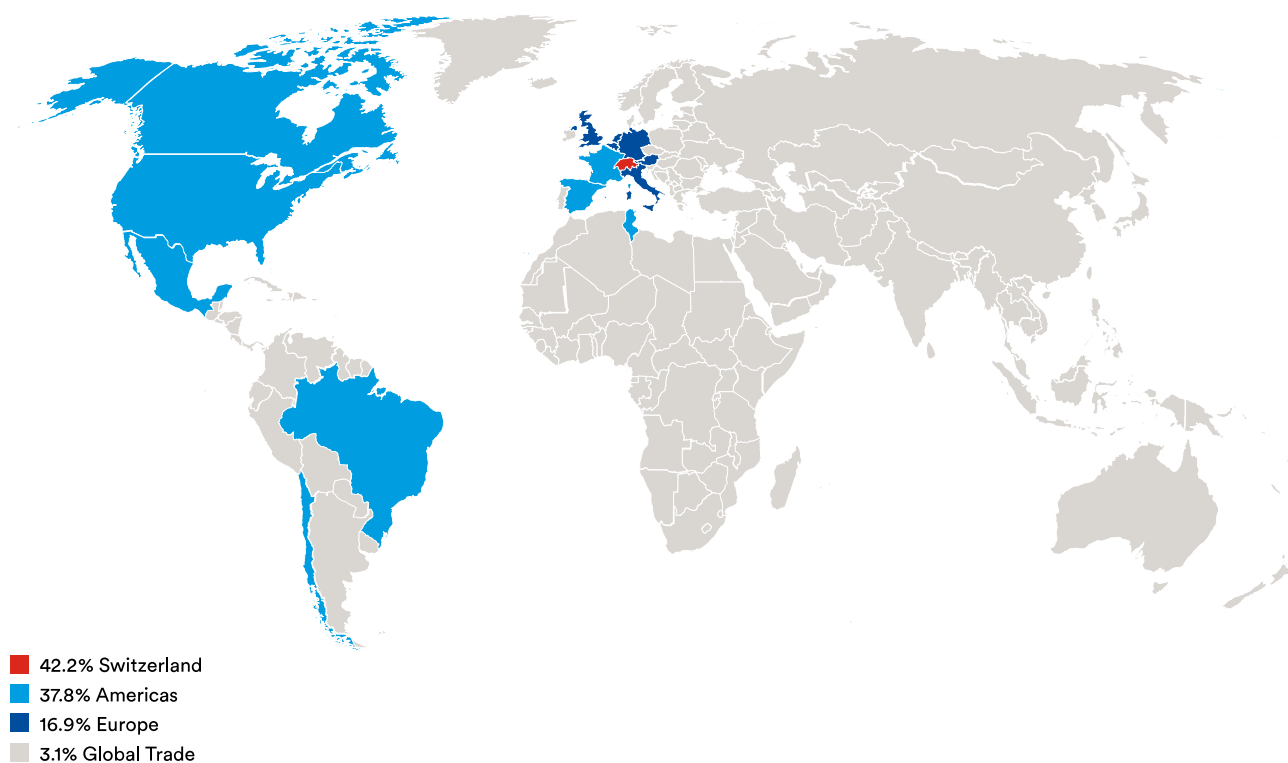
in CHF million



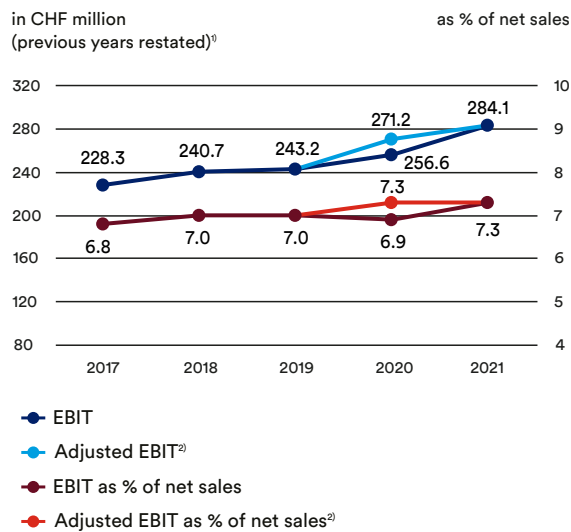
Net sales by product group



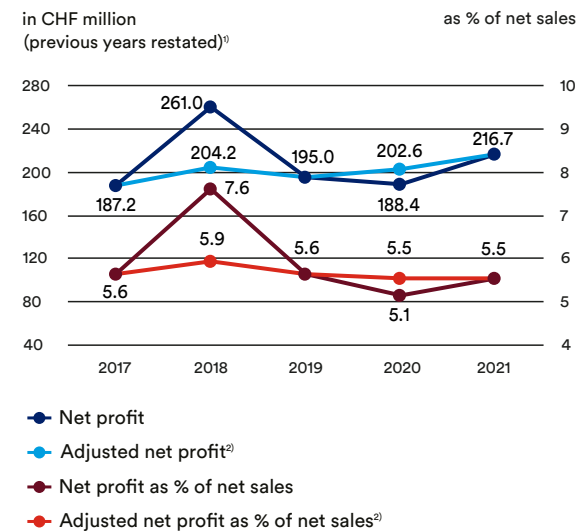
Net sales by business division



EBIT



Net profit



¹⁾ Previous-year figures for 2017 to 2019 adjusted due to change in the consolidation and accounting principles for goodwill in 2020.

²⁾ The adjustment effect in 2020 relates to the loss from the sale of the majority interest in Lácteos Caprinos S.A. The adjustment effect in 2018 arose from the gain on the sale of the minority interest in Icelandic Milk and Skyr Corporation ("siggi's").

Emmi sustainability targets with a 2027 time horizon



100% of employees have a development plan in place¹⁾

58%

50% of all vacancies are filled by internal candidates¹⁾

45%



60% reduction in our emissions (Scope 1 & 2 vs. 2014)

20%

25% reduction in emissions in the supply chain (Scope 3 vs. 2019)

initiated

Vision netZERO 2050

50% reduction in waste (vs. 2017)

22%

50% less food waste¹⁾ (vs. 2017)

11%

Zero waste disposal in landfills

10%

100% recyclable packaging

initiated



100% of Emmi's milk suppliers worldwide produce according to local above-average standards

International

initiated

Switzerland

85%

Further development of the Swiss industry standard



50% reduction in own water consumption in risk areas (vs. 2019)

3%

15% reduction in own water consumption in non-risk areas (vs. 2019)

-2%

Reduction in water consumption along the value chain

Provisional target achievement levels as at 31.12.2021, taking into account acquisitions (Laticínios Porto Alegre, Leeb, Mexideli, Quillayes, Pasticceria Quadrifoglio)

¹⁾ Currently only Switzerland considered

Sustainability and responsibility

Code of Conduct

The Emmi Code of Conduct sets out the values and principles according to which we assume our responsibility towards our stakeholders.

Corporate Governance

Committed to the principle of good and transparent governance and based on the requirements of the SIX Swiss Exchange as well as national and international best practice, we have a clear framework of values, principles, rules and regulations in place. These specify how Emmi is managed and developed as a company.

UK Modern Slavery Act

We also fulfil our responsibility with regard to fundamental human rights.

Sustainability Report (GRI)

Since 2011, we have been providing transparent information about our sustainability commitments and progress by reporting in accordance with the Global Reporting Initiative (GRI) guidelines.

Sustainability model

Our long-standing commitment and our ambitious targets are reflected in a comprehensive framework.

Environmental key performance indicators (KPIs)

Emmi reports key figures relating to greenhouse gas emissions, energy and water consumption as well as waste.

Materiality matrix

Our sustainability model focuses on topics that are of particular relevance to us and our stakeholders and where we can achieve the greatest positive impact.

Stakeholder matrix

We take account of the diversity as well as the differing needs and demands of our stakeholders using a differentiated approach: from active engagement with social groups to regular dialogue and institutionalised exchanges.

netZERO 2050 roadmap

We pursue science-based reduction targets (SBTi) along the entire value chain aligned with our netZERO 2050 vision. A CO₂-reduction path with clear interim targets serves as a binding guideline.

Our ambition for the future

Together, we create the best dairy moments – today and for generations to come.

Our long-term success depends on sustainable and profitable growth and an intact planet. As a key player in the dairy industry, our aim is to continue to positively influence our industry by balancing economic, social and environmental aspects and promoting sustainable practices beyond our direct sphere of influence. We are committed to science-based targets (SBTi) and our **netZERO 2050 vision** to limit global warming in line with the goals of the UN Paris Agreement.



Support for the UN Sustainable Development Goals



Working together towards a sustainable future



Caring for our people

We provide a place where everyone feels welcome, valued and inspired and offer growth opportunities for all our employees.



Caring for our communities

We create positive social impact and shared value while making sustainable dairy the norm.



Caring for our planet

We aim to achieve netZERO by 2050 while driving circularity across our operations.

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Editorial



Konrad Graber
Chairman of the Board
(left)

Urs Riedener
CEO (right)

Dear Shareholders

As if through a magnifying glass, the pandemic continues to highlight how fragile life is and underscore the importance of togetherness. Precisely because the future remains fraught with unknowns, our teams have focused even more strongly on those aspects over which we can exert a positive influence: remaining agile, creative and efficient, setting trends with innovations and reacting quickly to changes.

“Based on our proven strategy, we have kept Emmi on track.”

Konrad Graber

Our focus on employee development and appreciative leadership has also proven successful. With passion and commitment, and based on our proven strategy, we have combined our strengths to keep Emmi on course and continued to create added value beyond our business. A success we are very pleased about.

› Our people, page 17–19

Established business model as a guarantee of success

In view of the difficult underlying conditions, we can look back with satisfaction on another economically successful year. Annual sales are approaching the CHF 4 billion mark and have exceeded our expectations with strong organic growth of 3.6%. Overall, the gratifying performance reflects the consistently pursued strategic course, backed by a diversified portfolio

of products and countries, differentiated and innovative brand concepts, and a highly agile, efficient and locally anchored organisation.

› Our brands, page 20–21 | › Our operations, page 22

While business in Switzerland declined slightly as expected, following the pandemic-related growth in the previous year, momentum continued in our foreign markets and our strategic dessert market niche. Our brand concepts, above all Emmi Caffè Latte and Kaltbach Cheese, once again proved to be growth drivers, exemplifying the rigorous work we are doing to strengthen the portfolio and improve margins.

In the US, our most important expansion market, we have further strengthened our strategically important speciality cheese pillar with the acquisition of the Athenos business, the number 1 in the US feta market, and expect this to create additional export opportunities for Swiss cheese as well. We are also satisfied with the development of Emmi Dessert USA, established in 2020, and its integration into our dessert network.

Consistently reliable earnings – dividend increase proposed

The storm in input costs and the inflationary, strongly cost-driving environment have also challenged Emmi. Be this due to bottlenecks at suppliers, in logistics and on the labour market, or in some cases massively higher raw materials, material and energy prices. Thanks to a forward-looking planning, ramped-up efficiency efforts and regionally integrated supply chains, we were able to cushion some of the additional costs. As a result, the EBIT and net profit margins were kept stable and earnings were within the ranges communicated by us.

EBIT increased by CHF 12.9 million or 4.8% to CHF 284.1 million, which corresponds to a constant EBIT margin of 7.3% compared to the adjusted previous year. Net profit increased by 7.0% to CHF 216.7 million. At this level, we thus maintained the adjusted margin of the previous year (5.5%). Thanks to this solid result, earnings per share climbed by 7.0% and the Board of Directors proposes to the Annual General Meeting that the dividend be increased by 7.7% to CHF 14.00 per share.

“We have made targeted investments in growth and efficiency gains.”

Urs Riedener

Uncertain outlook for 2022

Uncertainties concerning macroeconomic developments and accentuating inflationary pressures are likely to persist in 2022. The same applies to the sluggish recovery in the food service sector. Overall, the pressure on margins will further increase significantly. Against this backdrop, consistent implementation of the strategy is key, as are further targeted investments in growth and efficiency gains. Where operationally unavoidable, we will have no choice but to pass on some of these additional costs.

For 2022, we expect organic sales growth at Group level to be slightly above medium-term expectations (2% to 3%) at 2.5% to 3.5%, supported by inflation. While sales in Switzerland are likely to decline slightly (-1% and 0%), we expect continued strong organic growth in our international business. Due to inflation, this is likely to be above medium-term expectations at 3% to 5% in Europe and 6% to 8% in the Americas. In terms of earnings, we expect EBIT to increase to between CHF 290 million and CHF 305 million, while the net profit margin is expected to be between 5.0% and 5.5%.

Taking responsibility together

The weather extremes of the past year have shown that the impact of climate change is not restricted to peripheral regions of the world. Accordingly, we see ourselves confirmed in drawing a stronger link between economic, social and ecological aspects and in seeing nature not as a counterpart around us, but as something for which we share responsibility.

In keeping with our tradition, we continued to drive forward our long-standing commitment to sustainability in 2021 and established the Emmi Sustainability Model. This includes ambitious goals, aligned with a science-based netZERO 2050 roadmap and in support of the sustainable development goals of the United Nations. Overall, we were able to further expand our positive impact, for example by establishing a sustainable dairy industry, and further reduce emissions, waste and water consumption in relation to our production volume.

› Our responsible business model, page 14–16

The fact that we are on course – although still far from reaching our goal – is confirmed by the continued improvement in the latest CDP climate rating.

Acting with future generations in mind

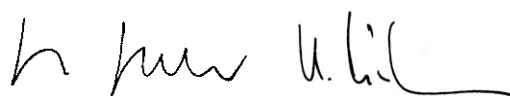
Being aware that success today is no guarantee for tomorrow, we have also worked intensively in recent months on the recipe for a continued successful future. We have honed our strategy with the aim of positioning Emmi competitively in the long term and creating added value for our stakeholders. The adapted strategy builds on our proven business model and our strengths, but focuses even more closely on future issues and changing needs.

› Our strategy, page 11

Moreover, also the Emmi Purpose now underlines why we exist, what we stand for and what guides us: “Together, we create the best dairy moments – today and for generations to come”.

› Our purpose, page 10

At Emmi, we will continue to act prudently in the future – in 2022 and beyond.



Konrad Graber
Chairman of the Board

Urs Riedener
CEO

The best dairy moments – dear to our hearts

Creating the best dairy moments is our passion. Our new purpose expresses this innermost conviction and guides our actions – today and in the future.

Taking responsibility for the long term has always been our hallmark. This innermost conviction is now also expressed by our purpose. It stands for our passion to carefully produce high-quality dairy products and specialties that respect nature and people. Our purpose also guides our actions and the way we develop our business, our brands and our portfolio with integrity over the long term and create value for all our stakeholders.

While we operate our business sustainably and profitably and increasingly internationally, our Swiss roots and our high quality standards remain intact. The same applies to our ability to act in an entrepreneurial manner, to set trends with innovations and to manage an operational spectrum ranging from small artisanal businesses to state-of-the-art modern production facilities.

Proximity to the origin of our products, local roots and close cooperation with our regional milk suppliers also remain central to our responsible business model. With high-quality, regional and increasingly sustainably produced milk, we thus contribute to value creation in rural regions.

So that the best dairy moments become Emmi moments – today and for generations to come.

**TOGETHER, WE CREATE
— THE BEST —
DAIRY MOMENTS
TODAY AND FOR
GENERATIONS
TO COME**



Further developing the tried and tested

Our sustainable economic success is based on a focused and proven strategy. As a recipe for a successful future we have now refined our approach.

We have built on our unique heritage in producing high-quality dairy products to forge a new path centred around our responsible business model and proven strategy.

Complemented by targeted acquisitions, we have thus grown from a regionally anchored organisation into an internationally successful group. With strong brand concepts, relevant innovations and a diversified portfolio, and supported by a highly agile, locally anchored organisation, we have also emerged successful from the stress test of a global crisis. We aim to use this good

starting position to expand our strengths in a targeted manner and to continue to operate competitively and profitably in the future. Having honed our proven strategy, we are integrating relevant future aspects and the changing needs of our stakeholders even more firmly within our business model.

As a recipe for a successful future, the Emmi Purpose and our strategy help us to focus on doing the right thing, to take responsibility for tomorrow and to be as well prepared as possible for change in a volatile world.



The dairy leader in Switzerland

Our roots are in Switzerland, where we are number 1. We want to consolidate this strategically central position in the long term. We will achieve this through innovative concepts, excellent customer service and, when reasonable, new business areas.



A strong international market player

All companies of the Emmi family play their part in achieving our common goals. We are now focusing on strengthening our position in those markets where we have established a stronghold or have seen solid growth in recent years.



An innovative leader in selected niches

We aim to get even closer to our consumers and stand out from our competitors with sophisticated innovations. Our particular focus is on niches where we already have leading market positions or are striving to achieve these.



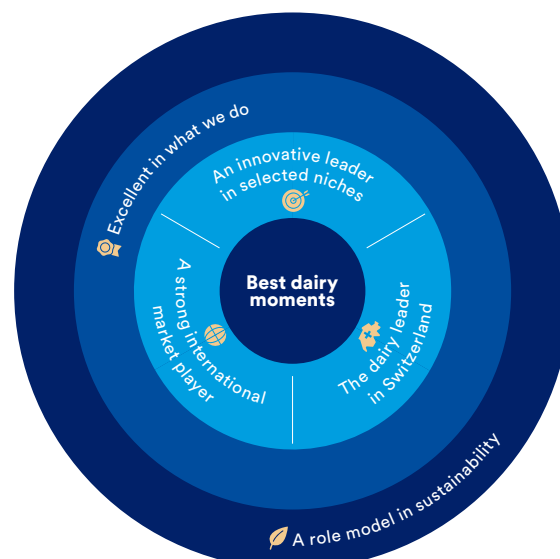
Excellent in what we do

Through excellent cross-functional action and leadership, we are developing into the benchmark for our industry in selected areas.



A role model in sustainability

Building on our tradition, sustainability is an integral part of our business model and our strategy. We strive to achieve long-term profitable growth and to create added value for all our stakeholders.



Our highlights



Best dairy moments for future generations

Emmi raises the bar yet again in terms of its commitment to sustainability, with extended targets up to 2027. In addition to further reducing our environmental impact and now also our water consumption, we have also extended our commitment to sustainable dairy farming at Group level. Furthermore, we have set new reduction targets along the entire value chain based on the Science Based Targets initiative (SBTi) and switched to a net zero reduction path with the netZERO 2050 vision.

Foundation laid for new cheese dairy

At our traditional location in Emmen, we are investing 50 million Swiss francs in the construction of a new cheese factory. It will replace the existing cheese dairy building and provide space for highly professional and resource-saving cheese production. In line with our long-term growth plans, we are thus creating additional capacity and regional added value.

New powder plant in Brazil

Our Brazilian Group company Laticínios Porto Alegre expands its presence with a new powder plant in Antonio Carlos. The additional capacity provides the scope to expand the supply of milk powder on the domestic market and extend the milk collection base in cooperation with local dairy farmers.

Added value through Swissness

Oats, with their sweet, cereal-like taste, are a popular milk alternative. But a large proportion of these products are produced abroad or manufactured here in Switzerland using imported oats. Not so with the oat products from our vegan brand beleaf. These drinks and yogurt alternatives use oats produced regionally in Switzerland as their key ingredient. We are therefore not only generating local added value; we are also improving our ecological footprint thanks to short transport routes, with Swissness as a mark of differentiation.





Five times gold

At the World Cheese Awards (WCA) in Ovideo, Spain, 26 cheese specialities from Emmi achieve a place on the podium. Five of them even win a gold medal, such as Kaltbach Rahmkäse, which is matured in the sandstone cave. As a producer of a wide variety of specialty cheeses and Switzerland's largest cheese trader, Emmi markets its cheeses around the world and uses the annual WCA platform to inspire people to enjoy cheese.

McDonald's names Emmi supplier of the year

We have been supplying McDonald's Switzerland with selected specialties for almost 20 years. The quality of this long-standing relationship is also reflected in the results of the company's annual supplier audit, with the chain – which was founded in 1940 as a snack bar – awarding Emmi "Supplier of the Year 2021". Emmi achieves a score of 100% – something no partner has ever achieved before.

"AOP eco-cheese" network in Kaltbach

Our cave masters in Kaltbach are now using solar energy and a local "AOP eco-cheese" network to produce our cheese specialties – from the farm, through production in the cheese dairy, to cave maturing. The centrepiece is a new photovoltaic system installed on the production building in Kaltbach. This complements the solar-powered production of Emmentaler AOP at the nearby traditional Schlierbach cheese dairy, whose local milk suppliers are also increasingly switching to solar energy.



Number 1 in the US feta market becomes part of Emmi

Emmi acquired Athenos, the number 1 in the US feta business, strengthening our strategically important specialty cheese business in our most important foreign market. The Athenos feta range perfectly complements the extensive selection of high-quality, locally produced as well as imported specialty cheeses in our business in North America. We are also creating additional export opportunities for Swiss cheese thanks to our strengthened distribution capacity.



Advancing sustainable solutions

Sustainability is a core element of our business model, and now also part of the Emmi Group strategy. Because without a balance between nature and people, our future remains fragile.

The impact of human activities on nature and climate is becoming increasingly clear and we see ourselves confirmed to link economic, social and ecological aspects.

In this way, we are also meeting societal expectations and laying the foundations for our long-term success and added value for our stakeholders, especially in rural areas.

Our sustainability model

Committed to this principle and our tradition of making high-quality dairy products while respecting nature, people and the environment, we further ramped up our commitment to sustainability in 2021.

The new Emmi sustainability model takes into account all relevant issues and includes ambitious targets in the areas of employees, communities and the planet. These range from fostering employee development, through establishing a sustainable dairy industry and reducing emissions, waste and water consumption, to forging a science-based CO₂ reduction pathway based on our netZERO 2050 vision.

Consistently driving progress

While we were able to fill 45% of vacancies in Switzerland with internal candidates in 2021, the total number of employees with a development plan is slightly below the previous year at 58%.

We are making good progress in the area of sustainable dairy. In Switzerland, 94% of the milk we process is now produced sustainably according to the “swiss-milk green” standard. At the same time, we have developed scientifically based indicators in the aim of gradually making milk production more sustainable in our international markets as well. We have been able to reduce greenhouse gas emissions in relation to the volume produced per metric ton, as well as absolutely

on an adjusted basis (-30%) compared to baseline 2014. This was primarily due to the targeted expansion of district heating and solar power, and also to the conversion of additional sites to renewable power. However, as a result of acquisitions, the total reduction of 20% was slightly lower than in the previous year.

Overall, we are satisfied with the 22% reduction in waste compared to the 2017 baseline, as well as the continued avoidance of landfill waste. The newly established focus area of water is also gaining momentum, with a reduction of 3% in risk areas and as much as 12% in adjusted terms. Here, initial pilot projects in California and Tunisia are showing results. In non-risk areas, acquisitions have led to a 2% increase using 2019 as the baseline.

Developments in the area of food waste remain below expectations. Increased efforts in consumer information and the use of safe-to-eat imperfect or expired products in our factory stores are being flanked by the ongoing search for a sustainable method of utilising whey.

Looking towards the future

In view of climate change and social as well as environmental issues, we see it as our responsibility as a major player in the dairy industry to help solve these collective challenges together with our dairy farmers, suppliers and partners.

This innermost conviction is the source of the Emmi Purpose. In order to meet this target and achieve our ambitious goals, sustainability is now also a core element of our strategy. In this way, we can take measures more quickly and promote responsibilities on a wider basis, and gauge complex requirements in the interests of future generations.

Promoting climate awareness in the coming generation

Raising people's awareness of sustainability is important to us. We put a focus also on our youngest employees. As part of the MyClimate Company Challenge, 32 apprentices from all Swiss locations once again worked on practical solutions for climate action and energy efficiency. This has resulted in a pool of valuable ideas, for example for reducing food waste, forming car pools, generating solar power and using water-saving equipment.

Partner

myclimate

Climate-friendly cooling

Our subsidiary Mexideli has commissioned one of the first CO₂ refrigeration plants in Mexico. The use of the natural refrigerant CO₂ and the efficient recovery of waste heat together significantly reduce the CO₂ emissions of the newly commissioned logistics centre. As a pioneer in the field, Mexideli is thus providing valuable impetus for the further proliferation of this climate-friendly technology in Mexico.



Saving valuable water

The careful use of water is becoming increasingly important due to climate change and therefore also takes top priority at Emmi and our subsidiaries. Thanks to targeted savings and optimisation measures, our Spanish Group company Kaiku was able to reduce its water consumption by 31% compared with the base year 2019. Emmi Roth also made pleasing progress in the US state of Wisconsin, with a 43% reduction. At our Swiss sites, too, we were able to further reduce overall water consumption with targeted projects for continuous optimisation.



Above-average climate rating

CDP is a non-profit organisation that has been collecting and evaluating environmental data from companies on CO₂ emissions, climate risks and reduction strategies for over 20 years. In its 2021 rating, Emmi improved once again to level "B" and remains above average for the food industry.

CDP also names Emmi among the leaders in its commitment to a sustainable, net-zero future across the entire value chain.

CDP

Fighting food waste together

With the aim of further reducing food waste at all levels, we have stepped up our collaboration with "Too Good To Go". We are now also using their app in our factory stores in Switzerland, helping to keep safe food in circulation for longer. The number of our products labelled "Often Good for Longer" in Switzerland, Germany, the United Kingdom and Spain has also continued to grow.

Partner

Too Good To Go

Net zero focus

In order to make our contribution to limiting global warming, we have launched our vision netZERO 2050. A science-based, SBTi-validated CO₂ reduction pathway shows us how we will get there. Our focus is on further progress in energy efficiency and the expansion of renewable energies, as well as measures in the upstream value chain in close cooperation with our milk suppliers and partners.

» emmi.com/sustainability



Sustainable partnership

Building on our tradition, Emmi is pursuing a broad sustainability model with ambitious goals. In place since 2016, our partnership with WWF Switzerland has played a key role in this process. WWF will continue to provide Emmi with strategic support on the way to achieving our ambitious goals in the areas of climate and energy, food waste and establishing a sustainable dairy industry beyond Switzerland. The successful partnership has been extended until 2024.

Partner



Climate-friendly milk

Mitigating the negative impacts of climate change and making the Swiss dairy industry competitive in terms of climate action and resource efficiency: these are the goals pursued by the “KlimaStaR Milk” industry initiative. Emmi, Nestlé and the producer organisations aaremilch and the Central Switzerland Milk Producers Cooperative (ZMP) are the initiators of this project, which is supported as a public-private partnership by the Federal Office for Agriculture. The School of Agricultural, Forest and Food Sciences at Bern University of Applied Sciences and ETH Zurich act as scientific partners.



Achieving more together

The Emmi sustainability model supports nine of the total 17 United Nations Development Goals. These range from sustainable employment prospects and development opportunities (SDG#8), through climate action measures (SDG#13), to the promotion of sustainable agriculture and dairy farming (SDG#2). In this way, we support the goals of the United Nations to address major global challenges such as climate change, poverty and environmentally sustainable growth.



Ready today for the challenges of tomorrow

Backed by our values, a unique culture and a leadership style that respects and values employees, we create attractive prospects for everyone.

In this second year of the pandemic, Emmi again benefited from its longstanding focus on employee development and values-based leadership, resulting in a committed and resilient workforce. Bound together by a strong culture and shared values, our teams are not afraid of hard work, they think for themselves and they are constantly refining their skills. Together, they ensure that the best dairy moments become Emmi moments.

Good prospects for everyone

Attractive development prospects that build on our values and a leadership culture that inspires employees to make full use of their abilities remain key to our success. Opportunities to develop in the job, a wide range of internal learning opportunities, and cross-divisional and international programmes offer an array of prospects for the future. We have set up a new “development island landscape” to convey the message that lifelong learning can come in many different forms and inspire people to take an active role in shaping their individual development.

A modern and agile working environment

In addition to attractive prospects, we also want to offer our teams a modern, contemporary environment and agile ways of working together. One of the key milestones here is the newly created access to the digital Emmi world for all employees – even for those without a computer at their workplace. This brings the Emmi family even closer together. At the same time, the experience of the last few years has shown that interdisciplinary and mixed teams achieve better results. With this in mind, we take great care in building heterogeneous project teams and are strongly committed to appointing more women to management positions.

A healthy and resilient approach to change

Digitisation, automation, working from home, professional development and greater autonomy all involve considerable changes. In this environment, values-based leadership and targeted mentoring for all staff is more important than ever. We promote and

support the health of our employees with regular leadership tips, resilience training, awareness campaigns on accident prevention, ergonomic advice and the “Let’s move” campaign.

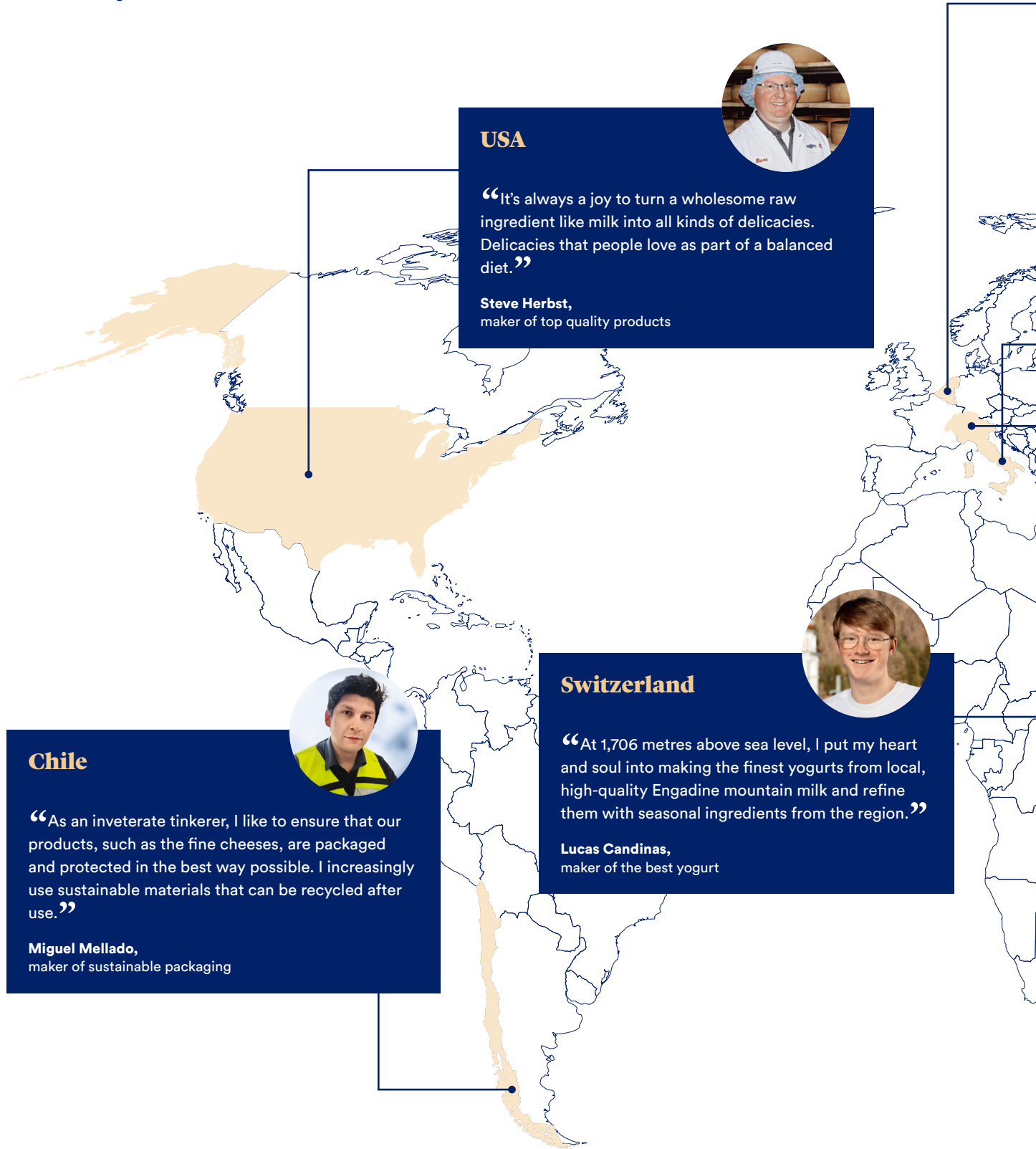
Actively doing good

While the pandemic limited our freedom of movement, our “Let’s move” campaign inspired Emmi employees to get active for a good cause. Our teams have walked, run or cycled over 170,000 kilometres. Emmi’s donations per kilometre amounted to CHF 15,000 in total and enabled 300 children to take part in play-based educational programmes run by the aid organisation “Right to Play” for over a year.

Staying connected

Providing rapid, regular and transparent information and pushing back against the virus with our optimistic outlook, including in the way we communicate. In line with this maxim, we set up special interactive communication and exchange channels, further promoting the strong sense among employees of being part of the Emmi family. This strengthened the resilience of our teams around the world despite the distance between them and facilitated learning between teams. The Swiss Association for Internal and Integrated Communication (SVIK) awarded Emmi its “golden feather” for this achievement.

Makers of the best dairy moments



USA

“It’s always a joy to turn a wholesome raw ingredient like milk into all kinds of delicacies. Delicacies that people love as part of a balanced diet.”

Steve Herbst,
maker of top quality products

Chile

“As an inveterate tinkerer, I like to ensure that our products, such as the fine cheeses, are packaged and protected in the best way possible. I increasingly use sustainable materials that can be recycled after use.”

Miguel Mellado,
maker of sustainable packaging

Switzerland

“At 1,706 metres above sea level, I put my heart and soul into making the finest yogurts from local, high-quality Engadine mountain milk and refine them with seasonal ingredients from the region.”

Lucas Candinas,
maker of the best yogurt

Our values – the foundation of our unique culture.



We are Emmi



We are continually developing



Benelux

“I’m always looking for new ways and methods to help our teams grow and learn. To ensure that each and every person at Emmi has the best development opportunities available to them today – to be ready for tomorrow.”

Irena van Binsbergen – Ewijk,
maker of the best teams



Italy

“Taking an idea from development through to the finished product – that is the product developer’s art. Even if it doesn’t look like anything can be improved, we continue to work away until we’re sure the product is just right. These are the standards we set for ourselves. This was exactly the way we created our vegan Tiramisù. A delicious treat in my humble opinion!”

Paolo Ravetta,
maker of the most innovative desserts



Switzerland

“I’m the lucky pioneer driving one of the very first ecofriendly hydrogen-powered trucks on our roads. I’m extremely proud to do so as it means we can deliver our great products without generating any CO₂ emissions. This is my contribution to our netZERO 2050 vision.”

Walter Baumgartner,
maker of a carbon-neutral future



Emmi Group

“Together with our partners, I ensure that we keep the local standards for milk production worldwide well above the average. By 2027, we want to be processing only sustainable milk in every country, generating local added value and respecting planetary boundaries.”

Laura Jakobeit,
maker of sustainable milk



We know how



We are market-oriented



We are proactive and
we are not afraid of hard work

Converting trends into growth

Millions of people put their trust in our brands and the quality of our products every day. This is a privilege we honour with differentiated brand concepts and relevant innovations.

We have successfully developed our portfolio of premium products in established and, increasingly, emerging markets along strategic growth lines. Our agile and networked teams were able to respond quickly and successfully to persistent uncertainties and pronounced changes in lifestyle, consumption and purchasing patterns.

Successful core brands

Our Emmi Caffè Latte and Kaltbach brands in particular once again enjoyed growing popularity among consumers and are emblematic of our ability to lead the market with relevant innovations. While seasonal and further lower-calorie varieties were the trump cards for Emmi Caffè Latte cold beverages, Kaltbach continued to grow with cave-aged cheese specialties both inside and outside Switzerland.

Among our national concepts, Emmi Energy Milk with its high protein products and the Emmi Jogurt Pur range, which is based on just three selected ingredients, performed well.

Differentiated brand portfolio

While we continued to establish our premium products in the important US market – for example, with the Roth® Grand Cru cheese brand – and strengthened our portfolio with the acquisition of the Athenos feta business, the good results achieved by Vitalait in Tunisia underline our ability to develop markets profitably and scale proven products successfully.

Our innovative dessert brands also performed well. Top among these were the Rachelli premium products in Italy and the Emmi Dessert USA range, which we are likewise using as a conduit to introduce the first products from our Italian dessert network to the world's largest dessert market, the US.

Seduction of the finest kind

Our Italian dessert brand Bontà Divina is synonymous with tempting dessert creations. The innovative “caramel macchiato” product inspired by Italian coffee bars, which has enjoyed strong demand and great commercial success, picked up one of the winner's awards at the 2021 Italian Food Awards for its creative packaging in a glass cup.



Recycled plastic

As part of our sustainability model, we are committed to establishing a circular economy. By 2027, we want to switch to recyclable packaging and increase the share of recycled materials in our product packaging to at least 30%. In a pilot project, we have introduced the first cups with a proportion of recycled polypropylene content for our Emmi Caffè Latte range.





Our vegan range also continued to benefit from the trend towards plant-based nutrition. We significantly expanded the presence of our vegan brand beleaf in Switzerland (which is also available in Germany, Austria and the Netherlands) and built up the “My Love my Life” brand in Austria and Germany.

Acting with an eye on tomorrow

With future generations in mind, our brands have also continued to focus on the growing need for sustainable moments of indulgence. In Spain, Kaiku raises awareness of foods produced regionally, using locally produced milk, which it labels as “Km0”. While Emmi Aktifit packages its health-promoting drinks in bottles made of recyclable polypropylene.

By using our passion for the best dairy moments today to take responsibility for tomorrow, we are continuing to invest in the trust in our brands and the foundation of our long-term success.

Authentic personalities

The Swiss ski racer Wendy Holdener has been Emmi Caffè Latte’s figurehead since 2016. And since summer 2019 she has been joined by the Swiss beach volleyball European Champions Brunner and Hüberli. Swiss musician and TV personality Stefanie Heinzmann is now also acting as brand ambassador for our vegan brand beleaf. What all these celebrities have in common is that they are down-to-earth, likeable, aligned with Emmi’s values and committed to sustainability.

170 million units

When it comes to cold coffee beverages, Emmi Caffè Latte has established itself as the benchmark in key European markets. Our baristas at the main Emmi Caffè Latte plant in Ostermundigen, Switzerland, broke the record of 170 million units filled for the first time. The 2021 novelties Double Zero Macchiato without added sugar or sweeteners and an El Salvador Limited Edition proved particularly popular.



Regional anchoring as key advantage

High input costs and bottlenecks at suppliers placed high demands on Emmi. Thanks to good planning, regionally integrated supply chains and an agile organisation, we weathered the storm.

Emmi has naturally not emerged unscathed from soaring prices in parts massively above long-term trends for many commodities, raw materials, logistics and energy, not to mention the general inflationary environment. In addition to adverse cost implications, this also resulted in challenges due to limited availability and longer delivery times.

Acting with foresight

Thanks to forward-looking planning and continuous optimisation of production, procurement and logistics, we were able to offset most of the additional costs. Without compromising on quality and safety, we have been able to supply people with high-quality and increasingly sustainably produced food at all times.

In this volatile environment, the investments we initiated in 2019 in efficient procurement across divisions and companies also paid off. Working closely with our regional partners, our agile teams were thus also able to ensure the resource- and environmentally-efficient operation of our more than 50 production plants worldwide.

Strengthening our network approach

As a matter of policy, we also continued to promote a Group-wide dialogue and close local cooperation beyond our supply chain organisation. This will allow us to continue to exploit the potential for efficiencies and ensure access to high-quality, regionally produced raw materials.

This network approach, which is based on a culture of cooperation and excellence, is already bearing fruit, whether in terms of development prospects for staff, the streamlining of existing processes or the integration of new companies. We see a strong network, backed up by committed and highly competent people, as the basis for sustained excellent results in the future.

Triple win

In order to further reduce emissions, transport kilometres and costs, and supply our customers even faster and more flexibly, we optimised our goods flows in the business division Europe. Compared with 2020, we reduced our transport kilometres by around 16% or a total of 2 million kilometres and cut costs by just under 10%.

Pioneering factory in Modena

A state-of-the-art production site for chilled dessert specialties and baked goods is being built in Italy. This first-ever net-zero production facility by design will create synergies and multiply know-how in our international dessert network as a future “innovation centre” for the food service sector.

Quality offensive

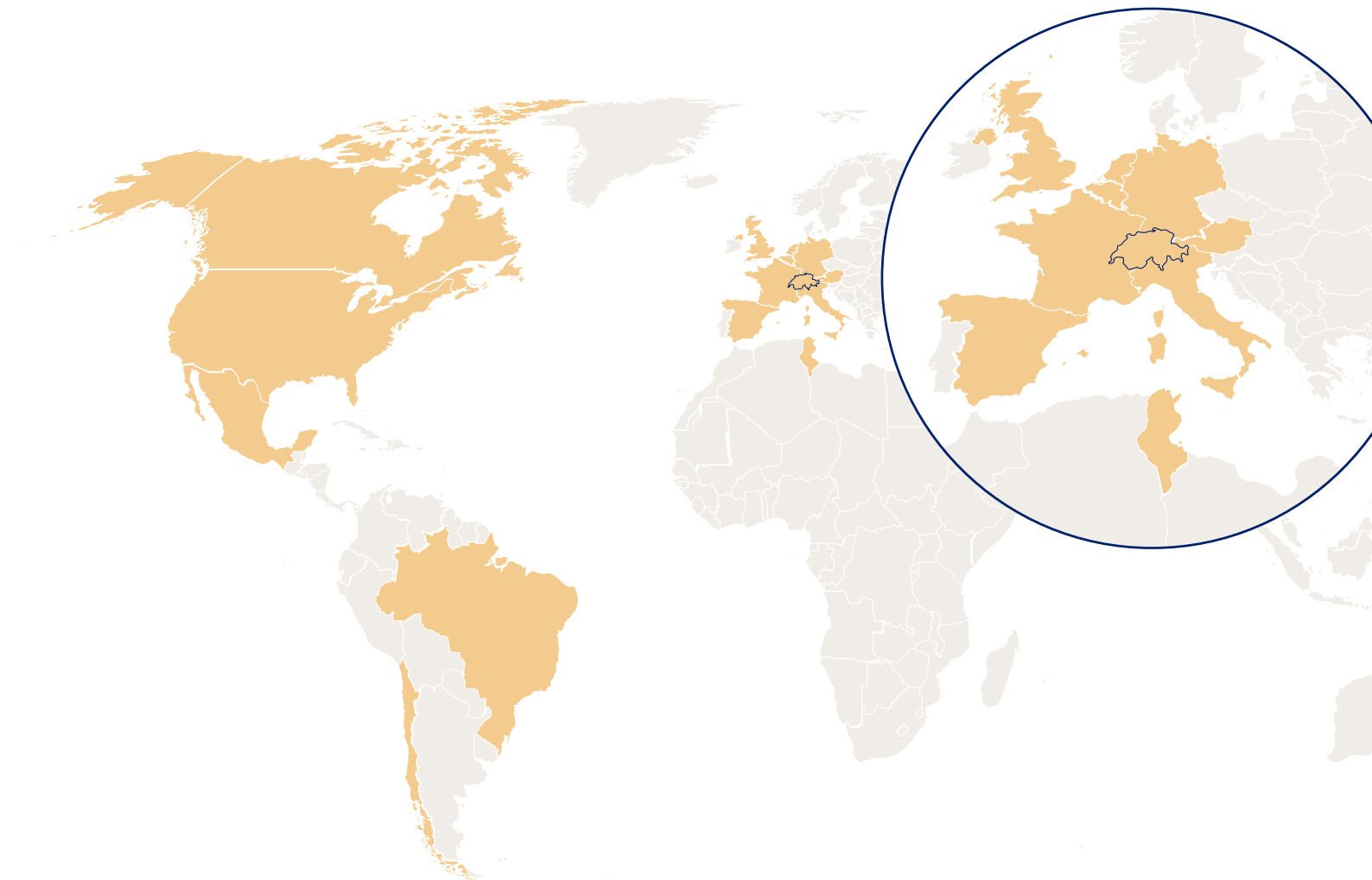
We have rigorously tested the quality management processes at all our European production sites. The good results testify to the expertise of our teams and their passion for producing exceptional products and creating the best dairy moments day after day.

Local roots, international reach

Close to the market, agile and founded on networked collaboration – these are the principles at the heart of our organisation's success.

From a regionally based organisation, we have developed into a successful group on the international stage. Today, we are the dairy leader in Switzerland with an established presence in 15 countries. The Emmi Group operates 25 production sites in Switzerland and 8 abroad.

Our products are exported from Switzerland to around 60 countries around the globe. So that millions of people can rely on us each day to find what they need to live: high-quality and delicious food.



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Guidelines

The following information complies with the Directive on Information Relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange as well as the Articles of Association and Organisational Regulations of the Emmi Group. Unless otherwise indicated, all data relate to the balance sheet as at 31 December 2021.

www.emmi.com > Media & Investors > Reports & Downloads > Corporate Governance > Articles of Association of Emmi AG (in German)

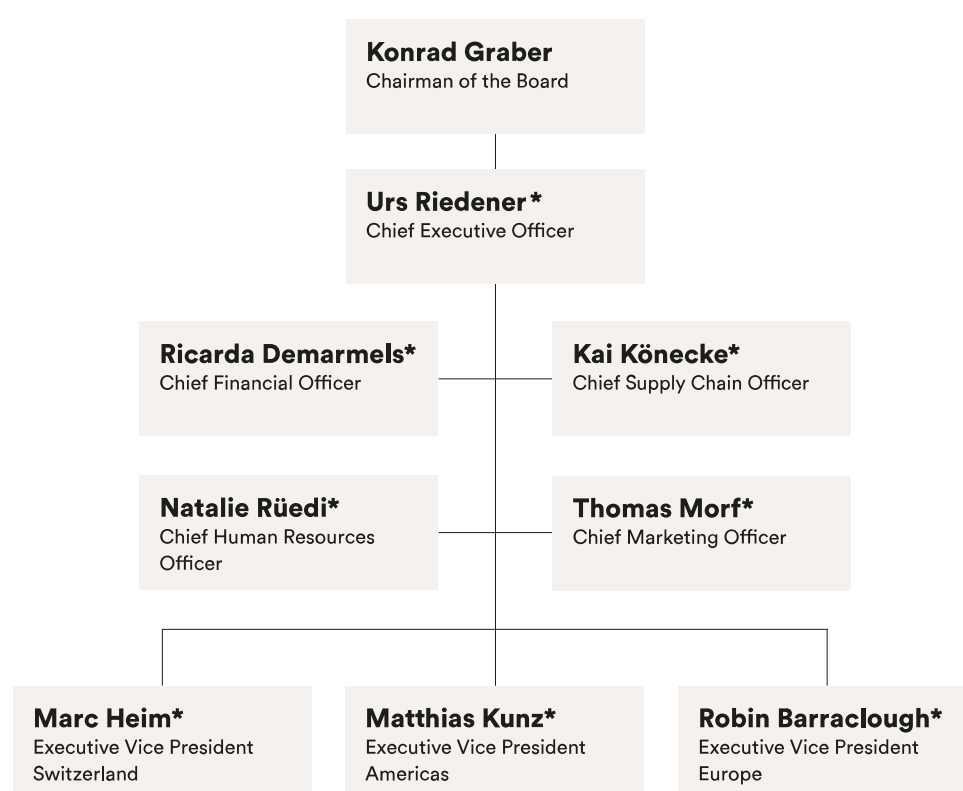
www.emmi.com > Media & Investors > Reports & Downloads > Corporate Governance > Articles of Organisation Emmi AG (in German)

1. Group structure and shareholders

1.1 Group structure

The Group structure is shown below.

Group structure Emmi Group
as at the balance sheet date



Member of the extended Group Management:
– Othmar Dubach: Dairy Products & Cheese Switzerland

* Member of Group Management

Group functions:
– Corporate Development
– Corporate Communications & IR
– Internal Audit
– Legal

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.

For market capitalisation, securities number and ISIN number, see section Share information of Emmi AG (Emmi Annual Report 2021).

For consolidated companies, see note Summary of consolidated companies, associates and joint ventures in the Notes to the consolidated financial statements.

1.2 Significant shareholders

For significant shareholders, see section 2.6 Share capital and significant shareholders in the Notes to the financial statements of Emmi AG.

ZMP Invest AG, Lucerne, Zentralschweizer Käsermeister Genossenschaft, Sursee, and MIBA Genossenschaft, Aesch (canton of Basel-Landschaft) form a Group in the sense of Art. 121 of the Swiss Financial Markets Infrastructure Act (FinMIA) and hold 60.5% of the total voting rights. As at 7 June 2016, Capital Group Companies, Inc., Los Angeles, US, informed us that it owned 268,500 registered shares of Emmi AG (5.019%). No further disclosure notifications have been made since.

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 the reporting year, and there is no conditional or authorised capital from previous years.

2.3 Changes in capital

An overview of changes in capital for the years 2018 to 2021 can be found in the section Statement of changes in equity of the financial statements of Emmi AG.

2.4 Shares and participation certificates

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

For further information on shares, see the section Share information Emmi AG.

2.5 Dividend-right certificates

No dividend-right certificates exist.

2.6 Restrictions on transferability and nominee registrations

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

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

2.7 Convertible bonds and options

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

3. Board of Directors

All nine members of the Emmi Board of Directors (see table in section 3.1 Members of the Board of Directors) are non-executive members, who were not previously members of Emmi Group Management or the management team of one of the subsidiaries. The basis for nomination as a member of the Board of Directors is the fulfilment of a specific profile of requirements, which reflects the relevant expertise for Emmi's strategic long-term development and seeks to achieve balance across the Board. Mandate agreements are in place with each member, governing all the necessary details.

Thomas Grüter is and Thomas Oehen-Bühlmann and Franz Steiger were 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.

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



Members of the Emmi Board of Directors from right (as at the balance sheet date): Franz Steiger, Diana Strebel, Thomas Grüter, Monique Bourquin, Thomas Oehen-Bühlmann, Konrad Graber (Chairman of the Board of Directors), Alexandra Post Quillet, Christina Johansson, Dominik Bürgy, Christa Wey (Secretary of the Board of Directors)

3.1 Members of the Board of Directors

	Year of birth	Nationality	Education	First elected
Konrad Graber Chairman of the Board of Directors	1958	Swiss	Business Administration HWV Swiss Certified Public Accountant	2006 2009 Chairman
Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors	1958	Swiss	Swiss Certified Master Farmer	2009
Monique Bourquin	1966	Swiss	Business Economist lic. oec. HSG	2013
Dominik Bürgy	1966	Swiss	Lic.iur., Swiss Certified Tax Expert	2021
Thomas Grüter	1964	Swiss	Swiss Certified Master Farmer	2021
Christina Johansson	1966	Swiss/ Swedish	Business Economist, Master of Science in Business Administration & Economics	2018
Alexandra Post Quillet	1967	Swiss/ German	Business Economist lic. oec. HEC	2018
Franz Steiger	1959	Swiss	Swiss Certified Master Farmer	2015
Diana Strebel	1960	Swiss	Dipl. oec. Business Economist Master of Science in Marketing GSBA and University of Wales	2012

3.2 Professional background and other activities and interests

Konrad Graber

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

Professional background

2009 – 2020	BDO AG, Partner and Member of the Board of Directors
2005 – 2009	BDO AG, Head of Management Consultancy and IT service divisions, Member of the Swiss Executive Board
1999 – 2005	BDO AG, Head of Department for Public Administration and Non-profit Organisations, Partner
1983 – 1999	KPMG, Auditor for national and international companies, latterly Partner

Key mandates outside of Emmi

since 2020	Swiss Orienteering, Chairman
since 2020	HSLU Lucerne, Member of the University Council
2007 – 2019	Council of States, Member
2002 – 2017	CSS Versicherungen, Member of the Board of Directors
2000 – 2012	Verkehrsbetriebe Luzern AG, Chairman of the Board of Directors
1997 – 2001	Cantonal Parliament, canton of Berne, Auditor
1993 – 2004	SSBL (foundation for the severely disabled in Lucerne), President
1987 – 2007	Cantonal Parliament, canton of Lucerne, Member

Thomas Oehen-Bühlmann

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

Professional background

2013 – 2020	Member of the “Geissbühl” generational community farm
1985 – 2013	Management of the “Geissbühl” dairy and arable farm as an independent farmer

Other mandates

2011 – 2021	Board of Swiss Milk Producers (SMP), Berne, Member of the Board
2012 – 2021	Central Switzerland Milk Producers Cooperative (ZMP), Chairman
2009 – 2021	Central Switzerland Milk Producers Cooperative (ZMP), Member of the Board
2007 – 2012	Hohenrain, Municipal Councillor, Mayor since 2008
2000 – 2015	GALL Association for Waste Disposal, Member of the Board of Directors, Chairman since 2008
1996 – 2007	Municipality of Lieli, Spokesman
1995 – 2003	Supervisory Committee of the agricultural training centres in the canton of Lucerne, Chairman
1985 – 2003	Technical expert for proficiency exams and master farmer exams

Monique Bourquin

Member of the Board of Directors since 2013

Professional background

2012 – 2016	Unilever Germany, Austria and Switzerland (D-A-CH), Chief Financial Officer
2008 – 2012	Unilever Switzerland, Country Managing Director
2002 – 2008	Unilever Switzerland, Customer Development Director
1999 – 2002	Mövenpick Foods Switzerland, latterly Director Switzerland for the Food division
1997 – 1999	Rivella AG, National Account Manager
1994 – 1997	Knorr Nahrungsmittel AG, Product Manager
1990 – 1994	PriceWaterhouseCoopers, various roles

Other mandates

since 2021	W. Kündig & Cie AG, Member of the Board of Directors
since 2019	Swiss Board Institute, Member of the Advisory Council
since 2019	Weleda AG, Member of the Board of Directors
since 2018	Swisscontact, Member of the Foundation Board
since 2017	Swiss Federal Institute of Technology (ETH), Zurich, Lecturer in Change Management
since 2017	Promarca (Swiss branded goods association), President
since 2017	Kambly AG, Member of the Board of Directors
2017 – 2021	Straumann Group, Member of the Board of Directors
2012 – 2016	Unilever Germany pension fund, Chairwoman of the Board for the employer side
2009 – 2021	GfM (Swiss Marketing Association), Member of the Board of Directors
2008 – 2016	Unilever Switzerland pension fund, Chairwoman of the Foundation Board

Dominik Bürgy

Member of the Board of Directors since April 2021

Professional background

since 2019	Wenger & Vieli, Attorneys at Law, Partner
2009 – 2012	Ernst & Young, Managing Partner Tax & Legal Switzerland
2008 – 2016	Ernst & Young, Partner, Member of the Executive Board
2008 – 2014	Ernst & Young, Member Tax Leadership Team GSA (D-A-CH)
2008 – 2010	Ernst & Young, People Partner Tax GSA
2002 – 2019	Ernst & Young, Partner
1993 – 2002	Arthur Andersen, Tax and Legal Consulting, Partner since 2002

Other mandates

since 2020	Kuehne + Nagel International AG, Member of the Board of Directors
since 2020	Member of the Board of Directors of privately held companies
since 2016	allianz denkplatz schweiz, Chairman
2013 – 2018	Swiss Employers' Association, Member of the Board
2012 – 2018	economiesuisse, Member of the Board
2011 – 2018	EXPERTsuisse, Chairman

Thomas Grüter

Member of the Board of Directors since April 2021

Professional background

since 1996	Sonnhaldenhof, St. Urban, tenant and employer
1990 – 1996	Uf-Stocken Estate, Kilchberg, Farm Manager Deputy Farm Manager
1985 – 1990	Employee on various farms

Other mandates

since 2021	Central Switzerland Milk Producers Cooperative (ZMP), Chairman
since 2021	Swiss Milk Producers (SMP), Member of the Board
since 2021	Swiss Farmers' Union, Member Chamber of Agriculture and Delegate
since 2015	Cantonal Councillor Lucerne, Member of the Commission for Spatial Planning, Environment and Energy
2000 – 2020	Municipality of Pfaffnau, Member of the Municipal Council, Chairman since 2004

Christina Johansson

Member of the Board of Directors since 2018

Professional background

since 2018	Bilfinger SE, Group CFO and since 2021 also CEO ad interim
2016 – 2018	Bucher Industries Group, Group CFO
2014 – 2016	SR Technics Group, Group CFO and Deputy Group CEO
2007 – 2014	Pöyry Energy Business Group and Management Consulting Business Group Switzerland, CFO
2005 – 2007	Zeag Group, CFO and Deputy CEO
1996 – 2005	Amcor Rentsch & Closures Group Switzerland/Germany/Canada, Group CFO, previously Corporate Finance Controller
1993 – 1996	Securitas Group, Financial Controller and Treasury Manager for Germany and Austria

Other mandates

since 2021	About You AG, Member of the Supervisory Board and Chairwoman of the Audit Committee
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Alexandra Post Quillet

Member of the Board of Directors since 2018

Professional background

since 2019	Acad Sarl, Académie des administrateurs, Partner and Co-owner
2004 – 2018	Crescendo Marketing, strategic brand and marketing consultancy, Managing Partner and Co-Founder
2000 – 2003	Unilever Poland, Managing Director Home and Personal Care
1998 – 1999	Unilever Poland, Marketing Manager Personal Care
1995 – 1998	Unilever Vietnam, Marketing Manager Home & Personal Care
1992 – 1995	Unilever Switzerland, National Sales Account Manager & Brand Manager
1990 – 1992	Nestle Switzerland, Controller Corporate Internal Audit

Other mandates

since 2020	Plateforme 10 (art district in Lausanne), Member of the Foundation Board
since 2019	Gluckskette, Member of the Foundation Council
since 2018	Tele Villars-Gryon-Diablerets, Member of the Board of Directors
since 2017	SwissBoardForum, Member of the Board
since 2016	Schenk SA, Vice-Chairwoman of the Board of Directors
since 2015	Hug AG, Member of the Board of Directors
since 2012	SBB AG, Member of the Board of Directors

Franz Steiger

Member of the Board of Directors since 2015

Professional background

since 1984	Management of a dairy and pig-breeding farm as an independent farmer and training instructor
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Other mandates

since 2009	Emmentaler Milk Producers' Organisation, Member of the Board
since 2006	Swiss Farmers' Union, Delegate
since 1991	Schlierbach-Krumbach Dairy Cooperative, Treasurer
2008 – 2020	Schlierbach, Mayor
2006 – 2015	Central Switzerland Milk Producers Cooperative (ZMP), Vice President
2000	Central Switzerland Milk Producers Cooperative (ZMP), Member of the Board

Diana Strebel

Member of the Board of Directors since 2012

Professional background

since 2009	Strebel-Birt AG consultancy firm for brand management, marketing and communications, Managing Director and Co-founder
2005 – 2009	Interbrand Zintzmeyer & Lux AG, Managing Director
2005 – 2009	Interbrand Europa, Chief Operating Officer
1981 – 2003	Various advertising agencies, including as Deputy CEO at Publicis Group and CEO at Wunderman AG; Founder and Co-owner of Aebi, Strebel AG

Other mandates

since 2011	Globalance Bank AG, Vice President of the Board of Directors
since 2009	Ricola AG, Member of the Board of Directors
2006 – 2009	Interbrand Zintzmeyer & Lux AG, Member of the Board of Directors
2002 – 2005	Scholz & Friends AG, Member of the Board of Directors
2002 – 2004	Wundermann AG, Member of the Board of Directors

3.3 Permitted number of activities

The members of the Board of Directors may hold a maximum of five mandates in listed legal entities and 15 mandates in non-listed legal entities. In practice, the limits permitted by the Articles of Association are far from fully exhausted.

3.4 Election and term of office

The first election of members can be seen in the table in section 3.1 Members of the Board of Directors. The term of office of members of the Emmi Board of Directors is one year and accordingly lasts until the General Meeting 2022. Reelection is permitted, subject to an internal regulation passed by the Board of Directors on age limits and terms of office. The members of the Board of Directors and the Personnel and Compensation Committee are elected by the General Meeting, with the period between one Ordinary General Meeting and the end of the next deemed to be one year. The Chairman is elected by the General Meeting from among the members of the Board of Directors. Elections to the Board of Directors are generally carried out as individual elections. All votes and elections are carried out by open ballot unless a majority requests a secret ballot.

3.5 Internal organisation

Allocation of duties within the Board of Directors

The table below illustrates the areas of responsibility within the Board of Directors.

	Audit Committee	Market Committee	Personnel and Compensation Committee	Agricultural Council
Konrad Graber Chairman of the Board of Directors	●	●	● (Chairman)	● (Chairman)
Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors		●	●	●
Monique Bourquin Member		●	●	●
Dominik Bürgy Member	●			
Thomas Grüter Member	●			●
Christina Johansson Member	● (Chairwoman)			
Alexandra Post Quillet Member		●		
Franz Steiger Member				●
Diana Strebel Member		● (Chairwoman)		

The Board of Directors subjects its work and the work of the committees to a self-evaluation once a year. This involves assessing the company's own performance, organisation, work processes, competencies and responsibilities in accordance with the organisational regulations, the composition and diversity of the Board of Directors, the renewal process and cooperation with Group Management. Based on this, the Board of Directors determines any measures that are needed. In 2020, an external assessment of the Board of Directors and its activities was carried out. The resulting inputs and recommendations were largely implemented.

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 previous table.

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

The Audit Committee deliberates on and approves:

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

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

- the organisation of accounting, and the organisation and content of financial control including internal auditing
- the effectiveness and independence of the internal auditors
- the selection of the Group auditors
- the effectiveness and independence of the external auditors
- the results of internal and external audits and the monitoring of action plans by management based on these results
- the Group and holding company accounts and the results of the subsidiaries
- the annual and investment budget
- the evaluation of risks and of the measures based on this
- financial and liquidity planning as well as business relations with financial institutions
- financial reporting to shareholders and the public
- legal proceedings and out-of-court settlement of disputes whose outcome may have implications for the financial situation of the Group
- the treasury guidelines

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

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

- the organisation based on the strategy
- merger and acquisition projects, brand projects, and product and marketing investments based on the strategy
- the strengthening of the Emmi brand portfolio and innovations based on the 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 and major acquisitions

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

The Personnel and Compensation Committee deliberates on and approves:

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

The Personnel and Compensation Committee elects the members of Group Management, excluding the CEO, as well as members of the extended Group Management.

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

- the remuneration system for the compensation of the Board of Directors as well as the remuneration of the members of the Board of Directors
- the remuneration system for the compensation of Group Management
- the ceiling amounts for the remuneration of the Board of Directors, the Agricultural Council and Group Management for approval by the General Meeting (for approval model, see section Remuneration system)
- the total amount of salary adjustments and bonuses for employees and basic changes to the pension fund regulations and other retirement benefit plans
- the composition of Group Management
- succession planning and the evaluation of candidates for the Board of Directors according to the regulations governing election
- succession planning for the Chairman of Group Management and, at the request of the CEO, for the 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. As such, it is not a committee of the Board of Directors, but rather acts as an advisory body. The Agricultural Council 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. On Emmi's side, the meetings are attended by the CEO, the Head of Division Switzerland, the Head of Business Unit Industry Switzerland and the person responsible for agricultural policy issues as internal experts. The external experts are the Managing Directors of the regional milk producer organisation ZMP, which has a stake in Emmi, and the national milk producer organisation SMP. Other members are the presidents of the national milk sector organisation BOM, the milk producer organisation Mittelland Milch and the milk producer organisation mooh. The Agricultural Council has no approval power.

The Agricultural Council 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
- the volume and price management of milk as a raw material
- milk and cheese procurement

Working methods of the Board of Directors, its committees and the Agricultural Council

As a rule, the Emmi Board of Directors, its committees and the Agricultural Council meet as often as business requirements dictate, but at least quarterly. The Personnel and Compensation Committee and the Agricultural Council generally meet twice a year. In the year under review, the Board of Directors held ten half-day meetings and one all-day meeting. The Audit Committee met five times for three hours each, and the Market Committee four times for three hours each. The Personnel and Compensation Committee met six times for two hours each. The meeting durations are averages. Attendance at all meetings of the Board of Directors and its three committees averaged 98%. The Agricultural Council met twice for two hours each.

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. Certain individual items on the agenda are handled exclusively by the members of the Board of Directors. The entire Group Management participates in the strategy meeting held by the Board of Directors. The inclusion of members of Group Management in meetings held by the committees is shown for the individual committees. With the exception of the Agricultural Council and Audit Committee, the Emmi Board of Directors holds its meetings without any external experts. The Chairman of the Board of Directors is a member of all committees for the purposes of coordinating the various committees of the Board of Directors and integrating the Board of Directors as a whole.

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

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

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

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

- the annual and investment budget
- the annual and half-year results
- Group structure up to and including Group Management
- the salary policy, in particular the remuneration system for the compensation of the members of the Board of Directors, the remuneration system for the compensation of Group Management, the total amount of salary adjustments and bonuses for employees, the pension fund regulations and other retirement benefit plans
- ceiling amounts for remuneration of the Board of Directors, the Agricultural Council and Group Management for approval by the General Meeting (for approval model, see section 3.1 Approval model of the General Meeting in the Compensation report 2021)
- the evaluation of the main risks
- multi-year financial and liquidity planning
- strategy-relevant cooperations and agreements, in particular the purchase and sale of participations, companies, etc.
- Group regulations
- the founding and closure of companies
- the approval of members of the Board of Directors of consolidated subsidiaries
- the proposal of candidates for the Board of Directors to the General Meeting

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

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

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

The **members of the Extended Executive Board** selectively fulfil strategic projects assigned to them by the CEO as part of their activities as members of the Executive Board Switzerland or as long-standing former members of the Executive Board.

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

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

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

Additional information and control systems are:

- Management Information System (MIS): Members of the Board of Directors receive a detailed Group Management Report, containing in-depth information on the company's financial position, on a monthly basis. The members of the Audit Committee also receive a quarterly Group Treasury Report. A rolling prognosis for the following 18 months is additionally created at least three times a year. The Board of Directors is sent these documents and informed in detail about their contents.
- 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 by Group Management for implementation and monitors their progress (see also Notes to the consolidated financial statements of the Emmi Group in the Annual Report 2021).
- External and Internal Audit: Details of the external auditor are provided in section 8 Auditors. Internal Audit is a management tool used by the Board of Directors and Group Management, and as such forms a fundamental part of the internal control system. It is directly associated with the Chairman of the Audit Committee, as well as the Audit Committee as a whole, through participation in its meetings, which are held at least quarterly (five meetings in the year under review). The Audit Committee approves the audit programme and the annual planning; it also receives all auditors' reports and is kept informed at its meetings of all findings and the resulting measures. In addition, the Head of Internal Audit regularly meets with the Chairwoman of the Audit Committee.

Internal Audit 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 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 Audit also works closely together with the external auditors and carries out special audits at the request of the Audit Committee. It evaluates the effectiveness of the internal and external control systems, as well as the risk management of the Emmi Group. Compliance is also supported and jointly monitored by the Legal department.

4. Group Management

4.1 Members of Group Management



Members of Emmi Group Management from left (as at the balance sheet date): Matthias Kunz, Ricarda Demarmels, Robin Barracough, Urs Riedener (CEO), Natalie Rüedi, Thomas Morf, Kai Könecke, Marc Heim

	Year of birth	Nationality	Education	Current function
Urs Riedener	1965	Swiss	Business Economist lic. oec. HSG MBA Stanford Executive Program	Chief Executive Officer (CEO)
Marc Heim	1967	Swiss	Business Economist lic. oec. HSG	Deputy CEO, Executive Vice President Switzerland
Robin Barracough	1967	British/ Swiss	Economist	Executive Vice President Europe
Ricarda Demarmels	1979	Swiss	Business Economist lic. oec. HSG	Chief Financial Officer
Kai Könecke	1966	German	Dipl.-Ing. Mechanical Engineering	Chief Supply Chain Officer
Matthias Kunz	1960	Swiss	Swiss Certified Agronomics Engineer ETH MBA, Stanford Executive Program	Executive Vice President Americas
Thomas Morf	1974	Swiss	Business Economist lic. oec. HSG	Chief Marketing Officer
Natalie Rüedi	1971	Swiss	Swiss 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

Professional background

2000 – 2008	Migros Cooperative (MGB), Head of Marketing and Member of the Executive Board since 2002
1995 – 2000	Lindt & Sprungli Group, both in Switzerland and abroad, various management positions, latterly National Sales Manager and Member of the Board of Management for Switzerland
1992 – 1995	Kraft Jacobs Suchard Group, various positions, latterly Group Brand Manager

Other mandates

since 2015	SMG (Swiss Management Association), Member of the Executive Committee
since 2014	Bystronic AG, Member of the Board of Directors
since 2010	Promarca (Swiss branded goods association), Member of the Executive Committee
since 2007	Institute of Marketing at the University of St. Gallen, Member of the Executive Committee

Marc Heim

Executive Vice President Switzerland and Deputy CEO since 2017, Member of Group Management since 2009

Professional background

2014 – 2016	Emmi Group, Executive Vice President Europe
2009 – 2013	Emmi Group, Head of Sales
2004 – 2009	Halter Bonbons AG, Managing Director
1999 – 2004	Kambly AG, various management roles
1992 – 1999	Effems AG (now Mars Schweiz AG), various positions

Robin Barraclough

Executive Vice President Europe since 2017, Member of Group Management since 2009

Professional background

2014 – 2016	Emmi Group, Chief Marketing Officer
2009 – 2014	Emmi Group, Head of Marketing
2008	Kraft Foods, Managing the coffee business in the German-speaking parts of Europe
1991 – 2007	Mars Incorporated, various managerial marketing roles at national and international level, latterly Senior Member of the Marketing Leadership Team at the European Masterfoods headquarters in Bremen (Germany)

Ricarda Demarmels

CFO and Member of Group Management since June 2019

Professional background

2015 – 2018	ORIOR Group, Chief Financial Officer
2009 – 2014	Capvis Equity Partners Switzerland, Investment Director
2005 – 2009	Oliver Wyman Financial Services, Project Manager
2002 – 2003	Swiss National Bank, Research Assistant

Other mandates

since 2018	Sensirion, Member of the Board of Directors, Chairwoman of the Audit Committee and Member of the Independent Directors' Committee
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Kai Könecke

Chief Supply Chain Officer and Member of Group Management since 2017

Professional background

2012 – 2016	Unilever Germany-Austria-Switzerland, Managing Director Supply Chain (D-A-CH)
2011 – 2012	Amazon, General Manager, Fulfillment Center Rheinberg (Germany)
2006 – 2011	Mars (Effems) Germany, Plant Director of the facility in Viersen (Germany)
1993 – 2006	Mars (Effems) Germany, various roles in Supply Chain, including Head of Logistics Germany and Head of Development of Supply Chain Management Europe

Matthias Kunz

Executive Vice President Americas since 2014, Member of Group Management since 2002

Professional background

2009 – 2013	Emmi Group, Head of International Division
2002 – 2009	Emmi Group, Head of International Cheese Division
1999 – 2002	Swiss Dairy Food, Member of Group Management
1997 – 1999	Toni International AG, Managing Director

As part of its long-term succession planning, the Board of Directors in autumn 2020 named Jonas Leu as successor to Matthias Kunz, who is to gradually step back from Group Management at his own request. After a one-year induction period, Jonas Leu assumed operational responsibility on 1 January 2022 as Executive Vice President Americas, while Matthias Kunz will take care of strategic projects as a member of extended Group Management.

Thomas Morf

Chief Marketing Officer and Member of Group Management since 2017

Professional background

2012 – 2017	Danone Johannesburg, latterly Managing Director of the Mayo Dairy business unit
2010 – 2012	Danone Paris, Global Marketing Director Innovations
2007 – 2010	Danone Munich, various executive marketing roles
2000 – 2007	Procter & Gamble, Belgium, various executive marketing roles

Natalie Rüedi

Chief Human Resources Officer since 2014, Member of Group Management since 2011

Professional background

2009 – 2013	Emmi Group, Head of Human Resources, Member of extended Group Management until 2010
2004 – 2009	Emmi Group, responsible for developing and heading up staff development
2000 – 2004	Emmi Group, Human Resources Specialist
1992 – 2000	Teacher and headmistress at a primary school

Other mandates

since 2020	Opes Group, Member of the Board of Directors
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Members of the extended Group Management

(as at balance sheet date)

Othmar Dubach

Head of Cheese and Dairy Products Switzerland, Member of the Executive Board Switzerland and of the extended Group Management since 2014

Professional background

since 1993	Emmi Group, Head of the Cheese Division
1992 – 1993	Emmi Group, Head of Marketing
1983 – 1991	Central Switzerland Milk Association, various roles

4.3 Permitted number of activities

The members of Group Management may hold a maximum of two mandates in listed and ten mandates in non-listed legal entities. In practice, the limits permitted by the Articles of Association are far from fully exhausted.

4.4 Management contracts

No management contracts exist.

5. Compensation, participations and loans

Information on remuneration, the definition process, statutory rules, participations, and loans and credits to members of the Board of Directors, Agricultural Council and Group Management can be found in the Compensation report (see Compensation report 2021).

6. Shareholders' rights of co-determination

6.1 Restrictions on voting rights and proxies

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

6.2 Statutory quorum

Unless the law stipulates otherwise, the General Meeting passes its resolutions and performs its elections by an absolute majority of the voting rights represented, not taking into account blank and invalid votes. In addition to the legal exceptions, the resolution concerning the amendment of the provision of the Articles of Association relating to the restrictions on registration (see section 2.6 Restrictions on transferability and nominee registration) 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:
www.emmi.com > Media & Investors > Financial calendar

7. Change of control/Defensive measures

7.1 Obligatory offer

Emmi's Articles of Association include neither an "opting up" clause pursuant to Art. 135 (1) FinMIA nor an "opting out" clause pursuant to Art. 125 (4) FinMIA 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, members of Group Management or other management members in the event of a change in the controlling majority stake.

8. Auditors

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

At the General Meeting 2014, KPMG, Lucerne, was elected as the new auditors for one financial year. Since then, they have been re-elected annually. According to the Articles of Association, their term ends with the approval of the financial statements for the relevant financial year. The Auditor in Charge, François Rouiller, has been in office since the General Meeting 2021. According to the provisions of the Swiss Code of Obligations, he may execute this mandate for a maximum of seven years.

8.2 Audit fees

For the year under review, the agreed audit fees for the performance of their mandate as statutory auditors (including the audit of the consolidated financial statements) amounted to a total of KCHF 1,403.

8.3 Additional fees

During the year under review, KPMG charged a total of KCHF 240 for additional services beyond the scope of their statutory mandate. These fees included KCHF 125 for tax advice and KCHF 115 for other consulting and audit-related services.

8.4 Information tools used by the external auditors

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

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

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

Media releases and investor information can be accessed via the following link:
www.emmi.com > Media & Investors > Media Releases

Notifications to SIX Exchange Regulation of participations that exceed the level at which notification becomes obligatory can be found via the following link:
www.six-swiss-exchange.com > Market Data > Shares > Prices > Company: Emmi AG

Contact for Investor Relations:

Emmi Management AG, Corporate Communications & IR, Landenbergstrasse 1, P.O. Box 2570, CH-6002 Lucerne,
Phone +41 58 227 50 69, E-mail ir@emmi.com, www.emmi.com

The General Meeting will take place on 7 April 2022. All registered shareholders will receive an invitation to the General Meeting by post, including details of how it will be run in view of the current COVID-19 situation.

The next business results (2022 half-year results) will be published on 18 August 2022.

10. Trading blackout periods

For members of the Board of Directors, Group Management and the global management team (management level 2) and other selected employees – primarily from the Finance and Corporate Communications departments – a general ban on trading in Emmi shares, options and derivatives applies for a defined period prior to the publication of the annual and half-year results. These general trading blackout periods extend from the first working day in January and July until after publication of the annual and half-year results. No exceptions are foreseen.

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1. Guidelines

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

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

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

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

2. Remuneration system

2.1 Remuneration components

The remuneration of the Board of Directors and the Agricultural Council is fixed remuneration. The remuneration of Group Management comprises a fixed and a variable component. Variable means: depending on success and performance in the previous financial year in connection with defined objectives (“bonus”). The variable remuneration of a member of Group Management should not exceed 50% of fixed remuneration. No long-term variable component has been implemented. For further information on this topic see section 2.3 Remuneration of Group Management.

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

2.2 Remuneration of the Board of Directors and the Agricultural Council

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

Once a year, the Personnel and Compensation Committee assesses the remuneration of the Board of Directors compared to listed (small cap) and private Swiss companies. In doing so, it takes into account companies from the consumer goods sector with a similar level of internationalisation, together with firms based in the region from various sectors and of different sizes. Approximately 20 companies meeting the criteria given above, primarily from the food, machinery, plastics and retail industries, served as the comparison group. In addition, the Committee has access to an external benchmark study from 2021 which compared the remuneration of the Emmi Board of Directors with external salaries and analysed whether the current remuneration and remuneration structure were in line with the market.

The basic remuneration and social security contributions are components of the fixed remuneration according to the table in section 6 Remuneration for the year under review. The General Meeting approves this fixed remuneration as a maximum ceiling amount for the current financial year.

2.3 Remuneration of Group Management

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

The basic remuneration reflects the experience, knowledge and continuing performance of members of Group Management as well as the competitiveness in external market comparisons based on function-related salary benchmarks. The Personnel and Compensation Committee has available to it a current external study from 2021 for the purpose of comparing the adequacy and competitiveness of the total remuneration. The same comparison group was used for the function-related salary benchmark and for the assessment of the remuneration of the Board of Directors.

The basic remuneration, non-cash benefits (company car) and relevant social security and pension benefits are part of the fixed remuneration according to the table in section 6 Remuneration for the year under review. The General Meeting approves this fixed remuneration prospectively as a maximum ceiling amount for the coming financial year.

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

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

- Group performance (weighting 50%)
- Business area performance (weighting 30%)
- Achievement of individual performance targets (weighting 20%)

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

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

3. Responsibilities and definition process

3.1 Approval model of the General Meeting

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

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

The following **approval model** clarifies which remuneration components and for which period the shareholders will vote on at the Ordinary General Meeting 2022.

Approval model for the General Meeting 2022



3.2 Decision-making process

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

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

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

3.3 Personnel and Compensation Committee

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

Composition of the Personnel and Compensation Committee

Election by the General Meeting 2021 until the General Meeting 2022.

Konrad Graber Chairman	Independent Member and Chairman of the Board of Directors
Monique Bourquin Member	Independent Member of the Board of Directors
Thomas Oehen-Bühlmann Member	Independent Member and Vice-Chairman of the Board of Directors

4. Loans and credits

Article 29c of the Articles of Association of Emmi AG stipulates that the members of the Board of Directors, Agricultural Council and Group Management may be granted advance payments up to a maximum of KCHF 1,000, in particular in the form of advances on costs for litigation connected to the activity of the person concerned as a member of the Board of Directors, Agricultural Council or Group Management. These limits were not utilised in the financial year.

5. Proposals to the General Meeting

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

All amounts mentioned under point 5 are in KCHF.

5.1 Board of Directors

Approval of the total amount of fixed remuneration of the Board of Directors up to a maximum of KCHF 1,200 for financial year 2022.

Proposal to GM 2022 for full year 2022	Remuneration paid 2021 (see section 6)	Proposal to GM 2021 for full year 2021
1,200 (ceiling amount)	1,089	1,100 (ceiling amount)

5.2 Agricultural Council

Approval of the total amount of fixed remuneration of the Agricultural Council up to a maximum of KCHF 40 for financial year 2022.

Proposal to GM 2022 for full year 2022	Remuneration paid 2021 (see section 6)	Proposal to GM 2021 for full year 2021
40 (ceiling amount)	35	40 (ceiling amount)

5.3 Group Management fixed remuneration

Approval of the total amount of fixed remuneration of Group Management up to a maximum of KCHF 5,540 for financial year 2023.

Proposal to GM 2022 for full year 2023	Proposal to GM 2021 for full year 2022	Fixed remuneration paid 2021 (see section 6)	Proposal to GM 2020 for full year 2021
5,540	5,500	4,695	5,480
(ceiling amount)	(ceiling amount)		(ceiling amount)

5.4 Group Management variable remuneration

Approval of the total amount of variable remuneration of Group Management of KCHF 1,025 for financial year 2021.

Proposal to GM 2022 for full year 2021 (see section 6)	Variable remuneration 2020 paid in 2021	Proposal to GM 2021 for full year 2020
1,025	1,081	1,081

6. Remuneration for the year under review

in CHF 000s

	Fixed remuneration			Variable remuneration			Total fixed and variable	Total previous year
	Basic remuneration ¹⁾	Non-cash benefits	Other remuneration ²⁾	Total fixed ³⁾	Bonus ¹⁾	Total variable		
Board of Directors								
Konrad Graber								
Chairman	268	–	46	314	–	–	314	295
Thomas Oehen-Bühlmann								
Vice-Chairman	94	–	28	122	–	–	122	112
Christian Arnold-Fässler								
Member (until 15.4.2021)	30	–	8	38	–	–	38	80
Monique Bourquin								
Member	76	–	27	103	–	–	103	92
Dominik Bürgy								
Member (since 15.4.2021)	51	–	13	64	–	–	64	n/a
Thomas Grüter								
Member (since 15.4.2021)	57	–	14	71	–	–	71	n/a
Christina Johansson								
Member	70	–	25	95	–	–	95	83
Niklaus Meier								
Member (until 15.4.2021)	35	–	11	46	–	–	46	98
Alexandra Post Quillet								
Member	73	–	2	75	–	–	75	75
Franz Steiger								
Member	58	–	18	76	–	–	76	70
Diana Strebel								
Member	67	–	18	85	–	–	85	82
Total Board of Directors	879	–	210	1,089	–	–	1,089	987
Agricultural Council								
Pirmin Furrer	6	–	1	7	–	–	7	7
Stephan Hagenbuch	7	–	–	7	–	–	7	7
Peter Hegglin	6	–	1	7	–	–	7	6
Andreas Hitz	6	–	1	7	–	–	7	7
René Schwager	7	–	–	7	–	–	7	7
Total Agricultural Council	32	–	3	35	–	–	35	34
Group Management								
Urs Riedener, CEO	935	3	225	1,163	399	399	1,562	1,520
Other Members	2,709	24	799	3,532	626	626	4,158	3,947
Total Group Management	3,644	27	1,024	4,695	1,025	1,025 ⁴⁾	5,720	5,467

¹⁾ Basic remuneration and bonuses comprise payments already made or still to be made and social security and pension contributions made by the employee.

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

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

⁴⁾ Subject to approval by the General Meeting.

Loans and credits in the year under review

No loans or credits were granted or made to members of the Board of Directors, Agricultural Council or Group Management in the year under review, and none were outstanding as at 31 December 2021. In addition, no loans or credits have been granted to former members of the Board of Directors, Agricultural Council or Group Management, or related parties of current or former members of the Board of Directors, Agricultural Council or Group Management, and none were outstanding as at 31 December 2021.

7. Auditors' report



Report of the Statutory Auditor

To the General Meeting of Emmi AG, Lucerne

We have audited the accompanying remuneration report of Emmi AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the section 6 on page 64 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of Emmi AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Manuel Odoni
Licensed Audit Expert

Lucerne, 3 March 2022

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Income statement

Operating section

Emmi generated net sales of CHF 3,911.9 million in 2021 (previous year: CHF 3,706.1 million) and growth of 5.6%. This is comprised of organic growth of 3.6%, a positive acquisition effect of 2.3% and a negative foreign currency effect of 0.3%. The organic growth of 3.6%, which slightly exceeded Emmi's expectations (2% to 3%), can be viewed as a strong performance given the ongoing uncertainties due to the pandemic. Once again, the balanced product and country portfolio, focus on interesting niche and strong brand concepts, combined with a high level of innovative strength, an agile organisation and a locally anchored supply chain, proved to be a winning formula.

In line with expectations, the Swiss home market recorded a year-on-year decline in sales, with organic sales down 2.2%. After organic growth of 1.4% in the previous year, in 2021 the retail sector experienced a general return to old consumer habits, including cross-border shopping. In addition, business in the food service sector and with industrial customers continued to be heavily impacted by the pandemic, and sales remained well below pre-crisis levels. On the other hand, a broad-based recovery took hold in the international business. In particular, companies with a higher proportion of food service business were largely able to post organic growth again following the decline in the previous year. Important growth markets such as Brazil, Mexico and Tunisia also made a strong contribution to the organic growth of the business division Americas (9.6%). The pleasing organic growth of the business division Europe (5.2%) was driven in particular by the pleasing growth in sales of innovative Italian speciality desserts and brand concepts such as Emmi Caffè Latte and Kaltbach cheese.

As a strategic niche, the dessert business also performed especially well from a Group perspective. The Italian companies along with Emmi Dessert USA (formerly Indulge Desserts Group), which was acquired in the previous year, posted a strong increase in sales. In the case of our international brands, Emmi Caffè Latte kept up its positive momentum. In the home market of Switzerland and in all foreign markets, significant growth was achieved with differentiating brand concepts and strong innovations. The cave-aged Kaltbach cheese specialties continue to enjoy growing popularity, with equally strong growth in most markets.

Acquisition effects are accounted for by the following factors:

Positive factors:

- Acquisition of Chäs Hütte Zollikon GmbH (Switzerland, 29 July 2020)
- Acquisition of Emmi Dessert USA (formerly Indulge Desserts Group, USA, 6 October 2020)
- Acquisition of the Athenos business (USA, 1 December 2021)

Negative factors:

- Sale of Lácteos Caprinos S.A. (Spain, 18 December 2020)

Internal shifts in the distribution channels of certain customers also resulted in acquisition or divestment effects in the business divisions Americas, Europe and Global Trade. However, these shifts between individual business divisions did not have any impact on the organic growth sales at Group level.

Sales development Switzerland

Net sales by product group: Switzerland

in CHF million	Sales 2021	Sales 2020	Difference 2021/2020	Acquisition effect	Organic growth
Dairy products	668.6	682.9	-2.1%	–	-2.1%
Cheese	416.2	434.2	-4.1%	–	-4.1%
Fresh products	339.2	341.3	-0.6%	–	-0.6%
Fresh cheese	101.4	106.3	-4.6%	–	-4.6%
Powder/concentrates	60.8	63.2	-3.8%	–	-3.8%
Other products/services	63.6	58.3	9.1%	0.6%	8.5%
Total Switzerland	1,649.8	1,686.2	-2.2%	0.0%	-2.2%

The business division **Switzerland** generated sales of CHF 1,649.8 million in 2021 (previous year: CHF 1,686.2 million), corresponding to a decline of 2.2%, slightly lower than expected at the end of the first half (-2.5% to -3.5%). The sales situation was therefore better than in first half of the year, which recorded an organic decline in sales of 3.3%. The main driver of the negative sales performance over the year as a whole was the retail business. As expected, this segment lost sales compared with the atypical previous year characterised by pantry loading and border closures. The ongoing restrictions in the food service sector, combined with the continued subdued growth of business with industrial customers, likewise had a hampering effect on sales. On the other hand, Emmi Caffè Latte once again had a positive impact. Other brand concepts, such as Emmi Jogurt PUR, also performed well. In addition, the higher milk price benefiting producers supported the sales development. The business division Switzerland accounted for 42.2% of Group sales (previous year: 45.5%).

The largest segment, **dairy products** (milk, cream and butter), recorded an organic drop in sales of 2.1%. Although the negative trend levelled off in the second half of the year, the negative effects had the upper hand over the year as a whole. The primary factors here were the normalisation of demand in the retail trade and the ongoing restrictions in the food service business.

The **cheese** segment also posted a considerable organic decline of 4.1%. This fall chiefly related to traditional variety cheeses in the retail business, which had posted exceptionally high growth in the previous year due to the pandemic. The further increase in cheese imports also limited sales growth in this segment. On the other hand, it is pleasing to note that Emmi speciality cheeses such as Kaltbach and Luzerner Rahmkäse continued to grow even under these difficult conditions.

In the **fresh products** segment, there was a comparatively small organic decline in sales of 0.6%. The decline in sales of yogurts (private label products of retailers) and ice cream in particular was partially offset by the continued positive performance of Emmi Caffè Latte, Emmi Energy Milk and Emmi Jogurt PUR.

While the organic decline (4.6%) in the **fresh cheese** segment was again chiefly attributable to the retail business, the main reason for the decline (3.8%) in the **powder/concentrates** segment was the sluggish business with industrial customers, primarily as a result of the pandemic. The **other products/services** segment was the only segment to record organic growth (8.5%). This pleasing result was thanks to the positive momentum in the vegan products business, where the products of the vegan brand Beleaf, among others, posted gains.

Sales development Americas

Net sales by product group: Americas

in CHF million	Sales 2021	Sales 2020	Difference 2021/2020	Acquisition effect	Currency effect	Organic growth
Cheese	573.3	527.1	8.8%	1.1%	-1.4%	9.1%
Dairy products	381.8	353.4	8.0%	–	-1.7%	9.7%
Fresh products	329.0	226.1	45.5%	39.8%	-1.4%	7.1%
Fresh cheese	72.6	62.3	16.6%	–	-6.7%	23.3%
Powder/concentrates	32.2	21.1	52.7%	–	-10.9%	63.6%
Other products/services	89.8	91.8	-2.1%	-0.4%	1.0%	-2.7%
Total Americas	1,478.7	1,281.8	15.4%	7.4%	-1.6%	9.6%

The business division **Americas** includes the Emmi Group companies in the US, Spain (excluding Lácteos Caprinos), Tunisia, Brazil, Chile, France, Mexico and Canada.

Sales in the business division Americas improved from CHF 1,281.8 million in the previous year to CHF 1,478.7 million. The overall growth of 15.4% was due to the acquisition of Emmi Dessert USA and the Athenos feta cheese business, coupled with high organic growth of 9.6%. The negative currency effects resulted primarily from the devaluation of the Brazilian real and the US dollar. However, the slightly flatter growth compared with the first half of the year exceeded our own expectations (7% to 9%). In addition to the growth markets of Brazil, Mexico and Tunisia, the US companies in particular – and especially Emmi Dessert USA, which was acquired in the previous year – achieved significant growth. The business division Americas accounted for 37.8% of Group sales (previous year: 34.6%).

In the **cheese** segment, an organic growth of 9.1% was generated, primarily reflecting the recovery in the food service business following the pandemic-related decline in sales in the previous year. A large part of this growth derives from the US, with an increase in both locally produced and imported cheese from Switzerland, such as Kaltbach. Growth was additionally recorded in Canada (including Kaltbach), Mexico, France and Brazil.

In **dairy products**, Tunisia was the major driver behind the organic growth of 9.7% thanks to easing milk shortages and a positive price trend. But Brazil also made a significant positive contribution, where the start-up of a new factory for UHT milk helped boost sales.

Organic growth of 7.1% was achieved in the **fresh products** segment. Positive contributions were made in particular by Emmi Dessert USA, acquired in the previous year, by Brazil with yogurts and by France with Italian speciality desserts. The further growth of Emmi Caffè Latte in Spain and France is also pleasing.

In the **fresh cheese** segment, growth (organic: 23.3%) was driven by Brazil and the recovery in Mexideli's trading business. The high organic growth of 63.6% in the **powder/concentrates** segment was due to the start-up of a new factory for milk powder in Brazil. In the **other products/services** segment, the organic decline of 2.7% primarily resulted from the business with import licences in the US, while Mexideli's trading goods business recorded significant growth as a result of the recovery in the food service sector.

Sales development Europe

Net sales by product group: Europe

in CHF million	Sales 2021	Sales 2020	Difference 2021/2020	Acquisition effect	Currency effect	Organic growth
Fresh products	329.4	289.6	13.7%	-0.7%	1.8%	12.6%
Cheese	128.5	129.2	-0.5%	-1.3%	1.1%	-0.3%
Dairy products	94.8	99.0	-4.3%	-2.6%	0.9%	-2.6%
Fresh cheese	37.5	40.8	-8.1%	-10.9%	0.9%	1.9%
Powder/concentrates	37.3	44.4	-16.0%	–	0.8%	-16.8%
Other products/services	34.5	27.7	24.3%	–	1.3%	23.0%
Total Europe	662.0	630.7	5.0%	-1.7%	1.5%	5.2%

The business division **Europe** includes the Emmi Group companies in Germany, Italy, the Netherlands, the UK, Austria and Lácteos Caprinos in Spain (sold on 18 December 2020).

The business division Europe generated sales of CHF 662.0 million, up 5.0% on the previous year's figure of CHF 630.7 million. Adjusted for acquisition and currency effects, this resulted in strong organic growth of 5.2%. The pace of growth picked up again in the second half of the year, slightly exceeding our own forecast for the year as a whole (3% to 5%), which had been adjusted at the end of the first half. The growth drivers in the business division Europe continue to be innovative Italian speciality desserts and Emmi Caffè Latte, which translated into strong growth in the fresh products segment. In addition to the sale of Lácteos Caprinos in Spain in December 2020, the negative acquisition effects originated from shifts in the distribution channels of certain customers to the business divisions Americas and Global Trade. The business division Europe accounted for 16.9% of Group sales (previous year: 17.0%).

The largest segment in terms of sales, **fresh products**, achieved very pleasing organic growth of 12.6%. The growth drivers were Italian speciality desserts and Emmi Caffè Latte, with significant growth across all European markets.

Lower sales of Swiss cheese varieties and fondue, particularly in the Netherlands, the UK and Italy, led to a small drop in organic sales of 0.3% in the **cheese** segment. By contrast, Kaltbach cheese turned in a positive performance, growing in all European markets.

The organic decline in sales of 2.6% in the **dairy products** segment was primarily the result of the drop in sales at Gläserne Molkerei in Germany. In the previous year, demand for these products had increased sharply due to the pandemic, but this trend returned to normal in the year under review.

The **fresh cheese** segment recorded organic growth of 1.9%, which reflects a partial recovery in sales of fresh goat's cheese at Bettinehoeve in the Netherlands following the slump in the previous year (high share of sales in the food service sector). Sales generated with **powder/concentrates** decreased organically by a significant 16.8%, mainly due to the goat's milk powder business in the Netherlands, where challenges in overseas logistics had a negative impact on sales. The organic growth of 23.0% in the **other products/services** segment came primarily from rising sales of vegan products. In addition to encouraging growth in the existing vegan product businesses in Austria and Germany, the launch of the vegan brand Beleaf also propped up organic growth.

Sales development Global Trade

Net sales by product group: Global Trade

in CHF million	Sales 2021	Sales 2020	Difference 2021/2020	Acquisition effect	Organic growth
Cheese	55.2	48.8	13.0%	3.4%	9.6%
Fresh products	34.8	35.9	-3.0%	–	-3.0%
Powder/concentrates	26.6	18.5	43.8%	–	43.8%
Dairy products	2.5	2.6	-2.3%	–	-2.3%
Other products/services	2.3	1.6	43.8%	–	43.8%
Total Global Trade	121.4	107.4	13.1%	1.6%	11.5%

The business division **Global Trade** primarily comprises direct sales from Switzerland to customers in countries where Emmi has no subsidiaries. These include the Asian and Eastern European markets, most South American countries and the Arabian Peninsula. Global Trade accounted for 3.1% of Group sales (previous year: 2.9%).

Sales of the business division Global Trade amounted to CHF 121.4 million compared with CHF 107.4 million in the previous year, representing growth of 13.1% (11.5% in organic terms). The **cheese** segment recorded organic growth of 9.6%, driven in particular by pleasing performance by Kaltbach. Ongoing travel restrictions hampered sales growth in the **fresh products** segment, resulting in an organic decline in sales of 3.0%. The growth in the **powder/concentrates** segment reflects the rise in exports of surpluses of skimmed-milk powder.

Gross profit

Gross profit increased by CHF 80.2 million or 5.9% to CHF 1,429.9 million in the year under review (previous year: CHF 1,349.7 million). With a slightly negative currency effect overall, the increase is primarily attributable to the acquisition of Emmi Dessert USA. Organic growth also made a significant contribution to the increase in gross profit. The **gross profit margin** also developed positively, rising from 36.4% in the previous year to 36.6%. This improvement particularly reflects the consistent work done on the company and product portfolio, with a focus on high-margin businesses. In addition, measures to increase productivity and in procurement were ramped up to counteract the sharp rise in prices for raw and packaging materials.

Non-recurring effects in the consolidated financial statements

No significant non-recurring effects were recorded in the period under review.

In the previous year, the sale of the majority interest in Lácteos Caprinos S.A. had a significant impact on the income statement. The sale resulted in a pre-tax loss of CHF 14.6 million or CHF 14.2 million after taxes. The loss from this sale is included under "Other operating expenses". Adjusted for this non-recurring effect, EBITDA, EBIT and EBT increased in the previous year by CHF 14.6 million, while profit including minority interests and net profit increased by CHF 14.2 million.

Operating result

Operating expenses rose by CHF 66.4 million or 6.8% in 2021 to CHF 1,044.3 million, compared with CHF 977.9 million in the previous year. In addition to this absolute increase, operating expenses rose as a percentage of sales from 26.3% to 26.7%. The absolute and relative increase is again partly explained by significant acquisition contributions. However, taking into account the loss on the sale of Lácteos Caprinos S.A. in the previous year, there was also an organic increase in operating expenses.

Personnel expenses were CHF 534.8 million in the period under review, compared with CHF 493.8 million in the previous year. The increase of CHF 41.0 million represents a disproportionate increase in relation to sales (from 13.3% in the previous year to 13.7%). This increase is attributable alongside another significant acquisition-related contributions to higher labour costs as a result of the inflationary trend in many countries.

Other operating expenses increased from CHF 484.0 million in the previous year to CHF 509.5 million in the period under review, up CHF 25.5 million or 5.3%. In relation to sales, this equates to a practically stable ratio of 13.0%. However, adjusted for the loss in the previous year from the sale of Lácteos Caprinos S.A. (CHF 14.6 million), the increase amounts to CHF 40.1 million or 8.5%, which is disproportionately high compared to sales. In addition to another significant contribution from acquisitions, the majority of the increase resulted from organic growth. Accumulated marketing and sales-related expenses amounted to CHF 139.1 million, compared with CHF 127.0 million in the previous year. This significant increase of CHF 12.1 million is due to the shifted timing of marketing activities in the previous year, but also and in particular to deliberately pushed expenditure on established brand concepts such as Emmi Caffè Latte. Another significant cost factor were logistics expenses, which rose by CHF 14.8 million or 12.8%. Longer and unstable supply chains, together with higher prices due to inflation, were the main drivers of the significant increase in logistics expenses. The other cost types included in other operating expenses also showed a stable to slightly rising trend due to higher prices.

Other operating income increased by CHF 4.7 million on the previous year to CHF 9.2 million, primarily due to higher gains from the sale of fixed assets.

As a consequence of this development, the **operating result before interest, taxes, depreciation and amortisation (EBITDA)** amounted to CHF 394.7 million in the period under review. Compared to the adjusted previous year (CHF 390.9 million), this represents an increase of CHF 3.8 million. The adjusted **EBITDA margin** therefore decreased from 10.5% in the previous year to 10.1%.

Depreciation and amortisation fell by CHF 9.0 million in the period under review, from CHF 119.7 million to CHF 110.7 million. The decrease is primarily due to higher unplanned depreciation in the previous year.

Earnings before interest and taxes (EBIT) amounted to CHF 284.1 million in the period under review, up CHF 12.9 million on the adjusted previous year. The resulting **EBIT margin** of 7.3% for 2021 is therefore in line with the adjusted prior-year figure.

Income from associates, financial result and income taxes

Following a loss of CHF 1.0 million in the previous year, mainly as a result of the pandemic, **income from associates and joint ventures** this year recorded a profit of CHF 3.7 million.

The **financial result** (net financial expenses) was CHF 11.9 million, compared with CHF 13.4 million in the previous year. A better interest result due to internal replacements of local debt financing, as well as a better currency result due to lower hedging costs, are the main reasons for this expected development.

Income taxes amounted to CHF 45.2 million, compared with CHF 40.6 million in the previous year. The tax rate of 16.4% increased slightly compared to the adjusted prior year (16.0%) due to the growing international share in earnings.

Net profit

Profit including minority interests was CHF 230.7 million. Compared to CHF 201.6 million in the previous year, this represents an increase of CHF 29.1 million. The increase on the basis of adjusted previous-year figures was CHF 14.9 million.

The share of **minority interests** in net profit recorded a slight increase from CHF 13.2 million in the previous year to CHF 13.9 million in the year under review.

The resulting **net profit** of CHF 216.7 million exceeded the previous year (CHF 188.4 million) by CHF 28.3 million. Adjusted for the loss from the sale of Lácteos Caprinos S.A. in the previous year, the increase in net profit was CHF 14.1 million. On an adjusted basis, the **net profit margin** thus remained constant at 5.5%.

Assets, financing and cash flow

Total assets as at 31 December 2021 increased by 5.7% or CHF 134.3 million compared with 31 December 2020 to CHF 2,471.4 million (previous year: CHF 2,337.1 million). This increase is primarily attributable to an acquisition-related increase in non-current assets and to higher net working capital. On the other hand, negative currency effects and the decrease in cash and cash equivalents as a result of acquisition activity and the related offsetting of goodwill against equity had a negative impact on total assets.

Operating net working capital (consisting of inventories as well as trade receivables and payables) amounted to CHF 589.4 million. Compared to the previous year (CHF 542.0 million), it increased by 8.7% or CHF 47.4 million, largely due to the pandemic and despite negative currency effects. As a percentage of sales, net working capital was 15.1% overall, compared with 14.6% in the previous year, representing a slightly disproportionate increase compared with sales growth.

Non-current assets increased by CHF 109.2 million or 10.0% from CHF 1,088.3 million in the previous year to CHF 1,197.5 million. Intangible assets accounted for the majority of the increase at CHF 79.2 million, mainly due to the trademark rights acquired as part of the acquisition of the Athenos business. Property, plant and equipment, which account for the major portion of non-current assets, rose year on year from CHF 985.7 million to CHF 1,015.4 million. This increase reflects the higher level of investment activity compared with the previous year and in relation to depreciation. Once again, significantly negative currency effects reduced this increase.

Liabilities as at 31 December 2021 totalled CHF 1,289.7 million, compared to CHF 1,104.1 million at the end of the previous year. The increase of CHF 185.6 million primarily reflects the CHF 200.0 million bond issued in December 2021 to finance the acquisition of the Athenos business in the US. The rise in current bank debt is due to the reclassification of a financing facility due in 2022 from non-current bank debt. The **equity ratio** fell in particular as a result of acquisition activities and the associated offsetting of goodwill against shareholders' equity, from 52.8% as at 31 December 2020 to 47.8%. Also mainly due to the acquisition activity and the associated increase in financial liabilities, **net debt** increased from a low CHF 163.1 million in the previous year to CHF 389.4 million as at 31 December 2021. The ratio of net debt to EBITDA also rose accordingly from 0.43 in the previous year to 0.99 at the end of the reporting year.

Cash inflow from operating activities amounted to CHF 259.9 million in the period under review, a significant reduction of CHF 82.7 million on the previous year of CHF 342.6 million. While net income including minority interests – even after taking into account the loss on the sale of Lácteos Caprinos S.A. – was still higher than in the previous year, cash flow before changes in net working capital, interest and taxes was CHF 374.1 million, a downturn of CHF 29.5 million compared to the previous year (CHF 403.6 million). The majority of this negative variance is attributable to the change in other non-cash items, where non-cash currency losses and gains are reflected accordingly. The change in net working capital had an overall negative impact of CHF 60.0 million on cash flow from operating activities in the period under review. In the previous year, this negative impact was significantly lower at CHF 15.7 million, which had a corresponding negative effect on cash flow from operating activities compared to the previous year. The main driver of this negative variance are inventories, which were exceptionally low in the previous year due to the pandemic and have now returned to normal. The impact of paid interest and taxes on cash flow from operating activities was CHF 8.9 million greater than in the previous year.

Cash outflow from investing activities amounted to a record high of CHF 428.7 million in the period under review, compared with an already high figure of CHF 326.8 million in the previous year. This corresponds to an additional cash outflow of CHF 101.9 million. The main reason for this development were the investments in acquisition activities amounting to CHF 276.8 million. Compared to the previous year (CHF 198.8 million), this represents an additional cash outflow of CHF 78.0 million. Net investments in property, plant and equipment were CHF 147.0 million, up significantly compared to the previous year (CHF 121.3 million net).

Not including cash flow from acquisition activities, the level of **free cash flow** generated in the year under review amounted to CHF 108.1 million. This translates into a significant decrease of CHF 106.5 million compared to the previous year (CHF 214.6 million), primarily due to the lower cash flow from operating activities.

In the reporting period, the issuance of a bond in the amount of CHF 200.0 million resulted in a **cash inflow from financing activities** totalling CHF 121.3 million. The previous year's cash outflow from financing activities amounted to CHF 91.9 million. Additional cash outflows resulted in the year under review from the higher dividend paid to the shareholders of Emmi AG as well as to minority shareholders.

As a consequence of the cash flows described above, **cash and cash equivalents** decreased by CHF 47.4 million in financial year 2021 from CHF 294.7 million in the previous year to CHF 247.3 million as at 31 December 2021.

Outlook 2022

In the past two years, Emmi has managed to defy the pandemic largely unscathed from an economic perspective and achieve both its strategic and financial targets. In recent months, however, the macroeconomic conditions in many of the markets relevant to Emmi have started to deteriorate significantly. The sharp uptick in inflation rates in many countries does not appear to be short term in nature, as originally hoped, but is likely to persist over a longer period of time and lead to steep increases in input costs worldwide. This not only affects a wide range of raw materials and packaging materials relevant to Emmi, but also the costs of energy, logistics and other operating expenses. In addition, a wage-price spiral already seems to be taking hold in some countries. At the very least, Emmi is observing that in some key countries – the US in particular – employee wage demands are rising sharply in the face of high inflation rates and low unemployment, and notes that it is now virtually impossible to find qualified workers without accepting significant increases in personnel costs.

Emmi is responding to the marked rise in input costs across the board with sales price increases. This is challenging, of course, because experience shows that our retail customers in particular try to avoid increasing prices for consumers as far as possible. This results in challenging negotiations, which in many cases lead at least to a delay in the price increases being passed on. The pandemic will likewise leave its mark on Emmi's business in 2022. While retail sales are expected largely to stabilise again at pre-pandemic levels, we anticipate continued impairment of the food service business and subdued sales to industry customers in the current year. However, our sales and profit forecasts are based on the assumption that the pandemic situation will calm down in those markets that are important for Emmi from the second half of 2022.

Financially, Emmi expects good organic sales growth in 2022, which should even be slightly above our medium-term forecast due to inflation. On the other hand, Emmi anticipates significant pressure on margins due to the sharp rise in input costs and wage expenses. Emmi will do everything in its power to compensate for this pressure on margins by further improving its product portfolio and also by realising additional rationalisation and efficiency gains, although it is uncertain at present that this will be fully achieved.

Markets

In the **business division Switzerland**, conditions remain challenging for Emmi. The environment in which it operates is as competitive as ever, and like in the previous year Emmi expects an increasing proportion of retail sales to be attributable to imports in 2022. High Swiss milk prices and the limited supply of milk will give imports a further competitive edge. In addition, new production capacities have been built in Switzerland in recent years, which need to be fully utilised and create further price pressure. Sales prices will be increased, but it is uncertain whether these higher prices will be sufficient to compensate for the rising input costs in Switzerland. Although Emmi expects business in the food service sector and with industry customers to pick up slightly in Switzerland, it is still at a lower level than before the pandemic. The resurgence of shopping tourism is also likely to have a negative impact on sales. Emmi will continue to counter these overall negative developments with its strong brand concepts, trend-led innovations and a strong focus on customers and consumers, as well as robust production output.

Italian speciality desserts, established brands such as Emmi Caffè Latte and Kaltbach, as well as trending concepts – for example, vegan food – are major success factors for the **business division Europe** that should also yield organic growth in the current year. However, Emmi also anticipates weaker growth in retail sales in many European countries and a food service business that is likely to remain below pre-pandemic levels. This makes it extremely important for Emmi to further reinforce its strong position in interesting niches such as Italian speciality desserts alongside brand and trend concepts. Sales should also be supported by the powder business in the Netherlands, which was impacted by challenges in overseas logistics in 2021.

For the **business division Americas**, Emmi anticipates a further recovery in the food service business and an associated resurgence in business in the US. The speciality desserts from Emmi Dessert USA and new sales from the Athenos feta cheese business should likewise prop up this trend. However, the latter will not contribute to organic growth in the current year until the month of December, and will represent acquisitive growth in the first eleven months. In addition to the existing US business, the division's organic growth drivers in the current year are therefore likely to be primarily the growth markets in Brazil, Chile, Mexico and Tunisia. While inflation will support organic growth, Emmi also sees growth risks with foreseeable purchasing power devaluations, which will continue to stoke volatility in these markets.

Sales and profit growth

Organic sales growth at Group level is expected to level off at 2.5% to 3.5% in 2022, slightly above medium-term expectations (2% to 3%) supported by inflation. However, Emmi still expects a slight decline in sales in its home market of Switzerland. With the return to previous consumption patterns, a decline in sales of between -1% and 0% in organic terms must be expected. In our international business, on the other hand, we expect good organic sales growth, which should even exceed the corresponding mid-term expectations due to inflation. We therefore forecast growth of 3% to 5% for Europe and 6% to 8% for the Americas.

In order to bolster earnings and counter rising input costs and wage expenses, Emmi will in addition to sales price increases continue its efficiency enhancement programme and step up targeted measures in certain areas.

Nevertheless, we expect considerable pressure on margins in the current year. The acquisition of the Athenos feta cheese business unlocks further earnings potential, but integration costs will also be incurred in the short term. Emmi expects earnings before interest and taxes (EBIT) to rise overall in 2022 (CHF 290 million to CHF 305 million), with a slightly reduced net profit margin (5.0% to 5.5%). Emmi also confirms the medium-term targets for organic growth and the net profit margin.

Consolidated income statement

in CHF 000s

	Notes	2021	%	2020 ¹⁾	%
Sales of products		3,883,201		3,677,418	
Sales of services		28,660		28,643	
Net sales	1	3,911,861	100.0	3,706,061	100.0
Change in inventories of semi-finished and finished products		-15,496	0.4	-28,623	0.8
Cost of materials and services		-2,466,478	63.0	-2,327,750	62.8
Gross operating profit		1,429,887	36.6	1,349,688	36.4
Other operating income	2	9,178	0.2	4,526	0.1
Personnel expenses		-534,821	13.7	-493,834	13.3
Other operating expenses	3	-509,495	13.0	-484,041	13.0
Operating expenses		-1,044,316	26.7	-977,875	26.3
Earnings before interest²⁾, taxes, depreciation and amortisation (EBITDA)		394,749	10.1	376,339	10.2
Depreciation on property, plant and equipment	4	-101,121	2.6	-108,702	3.0
Amortisation on intangible assets	4	-9,538	0.2	-11,030	0.3
Earnings before interest²⁾ and taxes (EBIT)		284,090	7.3	256,607	6.9
Income from associates and joint ventures		3,718		-966	
Financial result	5	-11,920		-13,384	
Earnings before taxes (EBT)		275,888	7.1	242,257	6.5
Income taxes	6	-45,202		-40,637	
Profit incl. minority interests		230,686	5.9	201,620	5.4
Minority interests		-13,948		-13,228	
Net profit		216,738	5.5	188,392	5.1
Earnings per share (diluted/basic in CHF)	7	40.51		35.21	

¹⁾ Please refer to page 1 for earnings adjusted for the loss on the sale of Lácteos Caprinos S.A.

²⁾ Incl. income from associates and joint ventures and other financial positions that are reported in the financial result.

Consolidated balance sheet

in CHF 000s

Assets	Notes	31.12.2021	%	31.12.2020	%
Cash and cash equivalents		247,281		294,671	
Securities		9,287		1,362	
Trade receivables	8	475,084		464,794	
Other receivables	9	61,135		57,176	
Inventories	10	434,844		390,126	
Prepayments and accrued income	11	46,212		40,718	
Current assets		1,273,843	51.5	1,248,847	53.4
Investments in associates and joint ventures	31	18,144		15,124	
Loans and other receivables	12	12,475		12,191	
Securities		7,879		7,720	
Employer contribution reserves	20	2,048		2,048	
Deferred tax assets	6	2,714		6,163	
Total financial assets		43,260		43,246	
Prepayments and accrued income	11	5,305		5,018	
Property, plant and equipment	13	1,015,418		985,663	
Intangible assets	14	133,561		54,351	
Non-current assets		1,197,544	48.5	1,088,278	46.6
Total assets		2,471,387	100.0	2,337,125	100.0
Liabilities and shareholders' equity					
Bank overdrafts	18	104,623		34,761	
Finance lease liabilities	18	550		1,431	
Loans	18	1,217		1,303	
Trade payables	15	320,578		312,946	
Other payables	16	22,807		33,240	
Accrued liabilities and deferred income	17	199,314		189,065	
Provisions	19	10,042		16,399	
Current liabilities		659,131	26.7	589,145	25.2
Bank overdrafts	18	51,258		131,300	
Finance lease liabilities	18	387		916	
Loans	18	888		2,116	
Bonds	18	499,520		299,520	
Accrued liabilities and deferred income	17	8,530		10,428	
Provisions	19	69,997		70,634	
Non-current liabilities		630,580	25.5	514,914	22.0
Liabilities		1,289,711	52.2	1,104,059	47.2
Share capital		53,498		53,498	
Capital reserves		2,088		2,088	
Retained earnings		1,025,424		1,071,451	
Shareholders' equity excl. minority interests		1,081,010	43.7	1,127,037	48.2
Minority interests		100,666	4.1	106,029	4.6
Shareholders' equity incl. minority interests		1,181,676	47.8	1,233,066	52.8
Total liabilities and shareholders' equity		2,471,387	100.0	2,337,125	100.0

Consolidated cash flow statement

in CHF 000s

	2021	2020
Profit incl. minority interests	230,686	201,620
Net interest expense	6,399	7,483
Income taxes	45,202	40,637
Result from sale of fixed assets	-2,958	-175
Result from sale of investments/businesses	-	14,686
Depreciation and amortisation	108,756	108,837
Impairment charges	1,903	10,895
Change in provisions	-7,559	-1,044
Income from associates and joint ventures	-3,718	826
Other non-cash adjustments	-4,600	19,787
Cash flow before changes in net working capital, interest and taxes	374,111	403,552
Change in inventories	-50,737	-16,367
Change in trade receivables	-19,281	-14,122
Change in other receivables, prepayments and accrued income	-12,828	-17,357
Change in trade payables	14,855	10,321
Change in other payables, accrued liabilities and deferred income	7,955	21,816
Interest paid	-6,989	-9,219
Taxes paid	-47,180	-36,054
Cash flow from operating activities	259,906	342,570
Investments in property, plant and equipment	-151,196	-122,498
Proceeds from disposal of property, plant and equipment	4,166	1,178
Purchase of securities	-	-5,889
Investments in intangible assets	-6,218	-3,659
Proceeds from sale of shares in associates	-	3,126
Acquisition of consolidated investments/businesses	-276,832	-201,067
Proceeds from sale of investments/businesses	-	-901
Change in loans receivable	67	1,019
Dividend received	700	15
Interest received	654	1,896
Cash flow from investing activities	-428,659	-326,780
Change in other current financial liabilities	-1,064	-26,470
Change in other non-current financial liabilities	-2,833	486
Proceeds from bond-issuance	200,416	-
Dividend paid to shareholders	-69,548	-64,198
Dividend paid to minority interests	-5,681	-1,726
Cash flow from financing activities	121,290	-91,908
Currency translation	73	-7,323
Net change in cash and cash equivalents	-47,390	-83,441
Cash and cash equivalents at beginning of period	294,671	378,112
Cash and cash equivalents at end of period	247,281	294,671

Consolidated statement of changes in equity

in CHF 000s

	Share capital	Capital reserves (premium)	Retained earnings	Accumulated translation differences	Total profit reserves	Total excl. minority interests	Minority interests	Total incl. minority interests
Shareholders' equity as at 1 January 2020	53,498	2,088	1,237,503	-86,296	1,151,207	1,206,793	93,881	1,300,674
Change in scope of consolidation	-	-	-	-	-	-	19,074	19,074
Capital increase of a group company	-	-	-488	-	-488	-488	488	-
Offset goodwill	-	-	-190,508	-	-190,508	-190,508	-	-190,508
Goodwill recycling from disposal	-	-	9,017	-1	9,016	9,016	-	9,016
Acquisition of minority interests	-	-	-	-	-	-	-5,400	-5,400
Profit incl. minority interests	-	-	188,392	-	188,392	188,392	13,228	201,620
Currency translation differences	-	-	-	-21,970	-21,970	-21,970	-13,516	-35,486
Dividend	-	-	-64,198	-	-64,198	-64,198	-1,726	-65,924
Shareholders' equity as at 31 December 2020	53,498	2,088	1,179,718	-108,267	1,071,451	1,127,037	106,029	1,233,066
Offset goodwill	-	-	-182,382	-	-182,382	-182,382	-	-182,382
Acquisition of minority interests	-	-	-	-	-	-	-6,600	-6,600
Profit incl. minority interests	-	-	216,738	-	216,738	216,738	13,948	230,686
Currency translation differences	-	-	-	-10,835	-10,835	-10,835	-7,030	-17,865
Dividend	-	-	-69,548	-	-69,548	-69,548	-5,681	-75,229
Shareholders' equity as at 31 December 2021	53,498	2,088	1,144,526	-119,102	1,025,424	1,081,010	100,666	1,181,676

As at 31 December 2021, 5,349,810 registered shares with a par value of CHF 10 were issued (unchanged on the previous year). With regard to the rights associated with the shares, we refer to note 2 in the Corporate Governance report.

The accumulated non-distributable reserves amounted to CHF 32.6 million (unchanged on the previous year).

Notes to the consolidated financial statements

Principles of consolidation

General information

The Board of Directors of Emmi AG approved the Group financial statements on 3 March 2022. They are subject to the approval of the Annual General Meeting.

Accounting principles

The consolidated financial statements are based on the annual accounts of the Group companies for the year ending 31 December 2021, 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. The section “Principles of valuation” contains 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 a going concern.

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

Scope of consolidation

The consolidated financial statements include the annual accounts of Emmi AG as well as the Group companies in which Emmi AG directly or indirectly holds more than 50% of the voting rights or where Emmi has a controlling influence over the financial and business policy of a company by contractual agreement. Investments in joint ventures and investments in associates where Emmi has significant influence (this is usually assumed when the Group owns 20% to 50% of the voting rights in the company) are accounted for using the equity method. Accounts based on or reconciliations to Swiss GAAP FER are used to calculate Emmi’s proportionate share in shareholders’ equity. Minority holdings in companies where Emmi does not have a significant influence 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 31).

Changes to the scope of consolidation

The following changes to the scope of consolidation took place in the year under review. For changes of the capital share without impact on the scope of consolidation or on the consolidation method, please refer to note 31.

Consolidated companies		Currency	Capital in thousands	Capital share 31.12.2021	Capital share 31.12.2020
Holding der Schweizerischen Milchproduzenten AG in liquidation, Münchenbuchsee, Switzerland ¹⁾	Deleted on 26.1.2021	CHF	–	–	100%
Rutz Käse GmbH in liquidation, Constance, Germany ²⁾	Deleted on 30.11.2021	EUR	–	–	100%

¹⁾ Holding der Schweizerischen Milchproduzenten AG in liquidation was deleted on 26 January 2021. See note 31.

²⁾ Rutz Käse GmbH in liquidation was deleted on 30 November 2021. See note 31.

In addition, Emmi acquired the Athenos business in the US on 1 December 2021, which is operated within Emmi Roth USA, Inc.

Consolidation method

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

Companies and businesses acquired during the course of the year are consolidated as from the date of acquisition. Net assets acquired are revalued on the acquisition date at fair value. Non-current assets acquired are recognised on a gross basis. As part of the purchase price allocation, intangible assets are only recognised and revalued at fair value if they were already recognised in the balance sheet at the acquisition date.

Goodwill from the acquisition of companies and businesses is equivalent to the difference between the purchase price and the interest in revalued net assets of the acquired company. This is offset against retained earnings at the date of acquisition. The impact of theoretical capitalisation and amortisation of goodwill are disclosed in the Notes to the consolidated financial statements. In a business acquisition achieved in stages (step acquisition), the goodwill of each separate transaction is determined.

Companies and businesses 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. As a consequence, the difference between purchase price and proportionate equity is offset as goodwill against retained earnings in accordance with Swiss GAAP FER.

When acquiring investments in associates and joint ventures, no purchase price allocation is performed. As a consequence, the difference between purchase price and proportionate equity is offset as goodwill against retained earnings in accordance with Swiss GAAP FER.

Where interests in fully consolidated companies or companies accounted for using the equity method are sold, goodwill acquired at an earlier date and offset against retained earnings is recognised in the income statement at original cost for the purpose of calculating the gain or loss resulting from the sale.

Translation of foreign currencies

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 (current rate). 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 that are part of the net investment in a subsidiary are recognised in equity.

Exchange differences resulting from the revaluation of shares in associates are recognised in equity.

Translation of financial statements to be consolidated

Group financial statements are presented in Swiss francs. Assets and liabilities of Group companies with a functional currency other than the Swiss franc are translated at year-end rates (rates on balance sheet date); equity is translated at historical rates, while the income statement and cash flow statement are translated using average rates for the year. Any resulting exchange differences are recognised in shareholders' equity.

Accumulated exchange differences of foreign companies recognised in equity resulting from the translation of annual statements and loans between Group companies that are part of the net investment in a subsidiary are derecognised upon sale of the company and repatriated in the income statement as part of the gain or loss resulting from the sale.

Currency exchange rates in CHF

	Annual average rates		Year-end rates	
	2021	2020	31.12.2021	31.12.2020
1 BRL	0.17	0.18	0.16	0.17
1 CAD	0.73	0.70	0.72	0.70
100 CLP	0.12	0.12	0.11	0.12
1 EUR	1.08	1.07	1.04	1.08
1 GBP	1.26	1.20	1.23	1.21
1 MXN	0.05	0.04	0.04	0.04
1 TND	0.33	0.33	0.32	0.33
1 USD	0.91	0.94	0.91	0.89

Cash flow statement

Cash and cash equivalents form the basis for the presentation of the cash flow statement. Cash flow from operating activities is presented using the indirect method.

Principles of valuation

Cash and cash equivalents

Cash and cash equivalents include cash, balances in postal giro and bank accounts, and short-term time deposits with a residual term of less than three months. They are valued at their nominal value.

Securities (current)

Listed securities (incl. OTC securities with a market price) are valued at the market values prevailing on the balance sheet date. Unlisted securities are valued at acquisition cost less any necessary adjustments for impairment.

Trade receivables

Trade receivables include short-term receivables with a residual term of up to one year arising from ordinary operating activities. These receivables are valued at their nominal values. Credit default risks are accounted for by specific and general allowances. General allowances are recognised for items that have not yet been considered with a specific allowance. The general allowance is based on the assumption that the default risk increases as the debt becomes increasingly overdue.

Inventories

Goods manufactured by the company itself are valued at production cost. Any lower net market value is taken into account (lower of cost or market principle). Merchandise and other stocks of goods are valued at the lower of average cost or net market price. Discounts are treated as purchase value reductions.

Financial assets

Financial assets include, alongside non-consolidated investments, securities held as long-term investments, long-term loans, employer contribution reserves and deferred tax assets. Securities held as long-term investments and loans are valued at cost less any necessary impairment. Employer contribution reserves are recognised at nominal value. For a description of the valuation principles of investments, refer to the consolidation principles, whereas for the valuation principles of deferred taxes, refer to the separate description within the valuation principles.

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 equipment	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 trademarks and EDP software. 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 over the useful life and recognised in the income statement. The useful life of EDP software is 2 to 5 years. Trademarks are amortised over useful lives of 5 to 20 years. The expected useful life of other intangible assets is determined on a case-by-case basis. The useful life is usually 5 years and in justified cases up to 20 years. Goodwill is not capitalised, but offset against retained earnings at the date of acquisition.

Impairment

The value of non-current assets is assessed on the reporting date for indicators of impairment. If there is evidence of any lasting reduction in value, the recoverable amount is calculated (impairment test). If the book value exceeds the recoverable amount, the difference is recognised in the income statement as an impairment charge. Major goodwill items are tested for impairment annually, based on a value-in-use calculation. The value-in-use calculation is based on cash flows for usually the next five years and the extrapolated values thereafter. Since the goodwill is already offset against retained earnings at the date of acquisition, any impairment to goodwill does not lead to a charge to the income statement, but only to disclosure in the Notes.

Government grants

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

Liabilities

Group liabilities are recognised at their nominal values.

Leasing

Leasing transactions are divided into finance leases and operating leases. A lease is classified as a finance lease if it essentially transfers all the risks and rewards of an asset incidental to ownership. The assets and liabilities arising out of finance leases are recognised in the balance sheet. Leasing liabilities arising out of operating leases that cannot be cancelled within one year are disclosed in note 25.

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.

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 the Emmi Group is reviewed each year. An economic benefit is recognised if it is permitted and intended to use the surplus to decrease the future pension expenses of the company. An economic obligation is recognised if the conditions for recognising a provision are met. The employer contribution reserves available are recognised as assets. Similar to pension contributions, changes of economic benefits or economic obligations are recognised in the income statement under personnel expenses.

Deferred income taxes

The annual accrual of deferred income taxes is based on a balance-sheet oriented approach and takes all future income tax effects into account. The future tax rate valid on the balance sheet date for the tax subject in question is used for the deferred income tax calculation. Deferred income tax assets and deferred income tax liabilities are offset, provided they relate to the same tax subject and are levied by the same tax authority. Deferred income tax assets on temporary differences and on tax losses carried forward are only recognised if it is probable that they can be realised in future through sufficient taxable profits.

Derivative financial instruments

Emmi uses derivative financial instruments to hedge its currency, interest rate and commodity risks. Recognition of derivative financial instruments depends on the underlyings hedged. Derivatives used to hedge changes in the value of an underlying transaction already recognised in the financial statements are accounted for using the same valuation principle used for the underlying transaction hedged. Instruments for hedging future cash flows are not recognised in the balance sheet but disclosed in the Notes until the future cash flow is realised. Upon the occurrence of the future transaction or the disposal of the derivative instrument, the current value of the derivative financial instrument is recognised in the balance sheet and recorded in the income statement at the same time as the cash flow hedged. Any derivative financial instruments which are open as at the balance sheet date are disclosed in note 23 of the consolidated financial statements.

Net sales and revenue recognition

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

Research and development

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

Contingent liabilities

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

Notes to the consolidated financial statements

in CHF 000s

1. Segment reporting

Net sales by product groups and divisions	Switzerland		Americas		Europe		Global Trade		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Natural cheese	362,902	381,363	544,054	495,197	111,970	112,121	49,592	43,064	1,068,518	1,031,745
Processed cheese	53,340	52,850	29,199	31,924	16,552	16,985	5,622	5,788	104,713	107,547
Cheese	416,242	434,213	573,253	527,121	128,522	129,106	55,214	48,852	1,173,231	1,139,292
as % of net sales	25.2	25.8	38.8	41.1	19.4	20.5	45.5	45.5	30.0	30.8
Milk	251,478	269,798	316,347	291,678	64,086	66,285	2,489	2,558	634,400	630,319
Butter and margarine	249,224	243,456	39,553	21,472	27,747	29,263	–	–	316,524	294,191
Cream	167,901	169,608	25,923	40,286	2,927	3,471	18	7	196,769	213,372
Dairy products	668,603	682,862	381,823	353,436	94,760	99,019	2,507	2,565	1,147,693	1,137,882
as % of net sales	40.5	40.5	25.8	27.6	14.3	15.7	2.0	2.4	29.3	30.7
Fresh products	339,173	341,322	328,983	226,115	329,378	289,570	34,805	35,888	1,032,339	892,895
as % of net sales	20.6	20.2	22.2	17.6	49.8	45.9	28.7	33.4	26.4	24.1
Fresh cheese	101,399	106,278	72,555	62,245	37,534	40,832	–	–	211,488	209,355
as % of net sales	6.1	6.3	4.9	4.9	5.7	6.5	–	–	5.4	5.6
Powder/ concentrates	60,821	63,235	32,180	21,076	37,298	44,414	26,572	18,474	156,871	147,199
as % of net sales	3.7	3.7	2.2	1.6	5.6	7.0	21.9	17.2	4.0	4.0
Other products	41,060	35,954	85,118	87,084	33,542	26,542	1,859	1,215	161,579	150,795
Sales of services	22,515	22,328	4,769	4,744	936	1,187	440	384	28,660	28,643
Other products and services	63,575	58,282	89,887	91,828	34,478	27,729	2,299	1,599	190,239	179,438
as % of net sales	3.9	3.5	6.1	7.2	5.2	4.4	1.9	1.5	4.9	4.8
Net sales	1,649,813	1,686,192	1,478,681	1,281,821	661,970	630,670	121,397	107,378	3,911,861	3,706,061
as % of Group	42.2	45.5	37.8	34.6	16.9	17.0	3.1	2.9	100.0	100.0

Net sales by country group	2021	in %	2020	in %
Switzerland	1,649,813	42.2	1,686,192	45.5
Europe excl. Switzerland	948,157	24.2	899,869	24.3
North and South America	1,068,796	27.3	899,787	24.3
Africa	177,400	4.6	150,917	4.0
Asia/Pacific	67,695	1.7	69,296	1.9
Total	3,911,861	100.0	3,706,061	100.0

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

The business divisions are not defined strictly according to geographical considerations. The business division Americas includes the Emmi Group companies in the US, Spain (excl. Lácteos Caprinos S.A.), Chile, Brazil, Tunisia, France, Mexico and Canada. The business division Europe incorporates those in Germany, Italy, the Netherlands, the UK, Austria, Belgium and Lácteos Caprinos S.A. in Spain (sold on 18 December 2020). The business division Global Trade primarily comprises direct sales from Switzerland to customers in countries in which Emmi has no subsidiaries. These include the Asian and Eastern European markets, most South American countries and the Arabian Peninsula.

2. Other operating income

	2021	2020
Company-produced additions	295	460
Gain on disposal of fixed assets	3,469	524
Miscellaneous operating income	5,414	3,542
Total	9,178	4,526

3. Other operating expenses

	2021	2020
Marketing and sales related expenses	139,056	126,998
Occupancy expense, maintenance and repair, leasing	81,362	76,827
Insurance, fees and HGV road tax	18,699	18,156
Energy, operating material and supplies	81,556	75,430
Administrative expenses	42,901	39,595
Logistic expenses	130,260	115,493
Other operating expenses	15,661	31,542
Total	509,495	484,041

The decrease in the position Other operating expenses is primarily due to the loss on the sale of the majority stake in Lácteos Caprinos S.A. in the previous year.

4. Depreciation and amortisation

	2021	2020
Depreciation of property, plant and equipment	99,218	98,373
Impairment of property, plant and equipment	1,903	10,329
Amortisation of intangible assets	9,538	10,464
Impairment of intangible assets	–	566
Total	110,659	119,732

5. Financial result

	2021	2020
Interest income	675	1,890
Other financial income	275	176
Total financial income	950	2,066
Interest expense	-7,074	-9,373
Other financial expenses	-2,717	-1,628
Total financial expenses	-9,791	-11,001
Total excl. currency result	-8,841	-8,935
Currency result	-3,079	-4,449
Financial result	-11,920	-13,384

6. Income taxes

	2021	2020
Current income taxes	41,084	36,681
Deferred income taxes	4,118	3,956
Total	45,202	40,637
Average tax rate	16.4%	16.8%

Net accruals for current income taxes decreased from CHF 29.3 million in 2020 to CHF 21.3 million in 2021. Deferred income taxes are calculated for every company using the actual expected tax rate. As at 31 December 2021, the resulting weighted average tax rate was 17.9% (previous year adjusted and unadjusted: 16.8%). Deferred income taxes include recognised tax claims from tax loss carryforwards amounting to CHF 1.1 million (previous year: CHF 3.5 million).

The average tax rate adjusted for the tax effect on the sale of the majority stake in Lácteos Caprinos S.A. amounted to 16.0% in the previous year.

Details on change of tax claims from tax loss carryforwards	2021	2020
Recognised tax claims from tax loss carryforwards	1,059	3,474
Unrecognised tax claims from tax loss carryforwards	11,439	8,297
Total tax claims from tax loss carryforwards	12,498	11,771
Recognised tax claims from tax loss carryforwards at 1.1.	3,474	7,098
Additions	151	-
Utilisation	-2,465	-2,439
Reassessment	100	-1,093
Other adjustments	-201	-92
Recognised tax claims from tax loss carryforwards at 31.12.	1,059	3,474

The net change of recognised tax claims from tax loss carryforwards increased the income tax expenses of the reporting period by CHF 2.4 million.

7. Earnings per share

	2021	2020
Number of shares at 1.1.	5,349,810	5,349,810
Number of shares at 31.12.	5,349,810	5,349,810
Average number of shares	5,349,810	5,349,810
Net profit in CHF 000s	216,738	188,392
Earnings per share (in CHF)	40.51	35.21

Earnings per share is calculated by dividing the net profit attributable to the shareholders of Emmi AG by the average number of shares outstanding. There are no treasury shares that need to be considered in the calculation of the average number of shares outstanding.

In the previous year, net earnings per share of CHF 35.21 included the loss on the sale of the majority stake in Lácteos Caprinos S.A Excluding this non-recurring effect, earnings per share amounted to CHF 37.86.

8. Trade receivables

	2021	2020
Third parties	478,866	467,027
Associates	7,628	7,024
Shareholders	502	413
Allowance for doubtful accounts	-11,912	-9,670
Total	475,084	464,794

9. Other receivables

	2021	2020
Value-added tax	28,380	29,926
Income taxes	2,666	3,313
Other – third parties	30,070	21,171
Other – associates	19	2,766
Total	61,135	57,176

10. Inventories

	2021	2020
Finished products	133,911	111,197
Merchandise	28,945	27,917
Raw materials, semi-finished products and packaging material	287,282	266,592
Other inventories	4,533	4,039
Allowances for inventories	-19,827	-19,619
Total	434,844	390,126

11. Prepayments and accrued income

	2021	2020
Value-added tax	18,647	16,366
Income taxes	7,851	4,620
Social insurance	1,292	1,243
Other – third parties	23,510	23,394
Other – associates	201	91
Other – shareholders	16	22
Total	51,517	45,736
Thereof current prepayments and accrued income	46,212	40,718
Thereof non-current prepayments and accrued income	5,305	5,018

Other prepayments and accrued income of the year under review and the previous year consist mainly of prepayments, various refunds, as well as accrued income for advertising costs and milk invoices.

12. Loans and other receivables

	2021	2020
Third parties	9,243	8,403
Associates	3,232	3,788
Total	12,475	12,191

The carrying amount of loans and other receivables from third parties includes impaired loans in the amount of CHF 1.5 million (previous year: CHF 1.6 million).

13. Property, plant and equipment

	Undeveloped land	Properties/ buildings	Machinery/ equipment	Tangible fixed assets under construction	Other tangible assets	Total
2021						
Purchase value at 1.1.2021	10,854	777,726	1,648,140	95,456	79,918	2,612,094
Additions	–	1,558	15,465	129,222	1,063	147,308
Disposals	–	-4,934	-54,527	–	-3,433	-62,894
Reclassification	950	6,513	79,540	-93,692	4,556	-2,133
Currency translation differences	-125	-8,121	-16,303	-2,820	-827	-28,196
As at 31 December 2021	11,679	772,742	1,672,315	128,166	81,277	2,666,179
Accumulated depreciation at 1.1.2021	1,058	373,171	1,201,496	–	50,706	1,626,431
Depreciation	–	18,079	73,607	–	7,532	99,218
Impairment charges	–	601	1,199	–	103	1,903
Disposals	–	-4,390	-53,509	–	-3,249	-61,148
Reclassification	–	-2,541	380	–	28	-2,133
Currency translation differences	-2	-2,869	-9,904	–	-735	-13,510
As at 31 December 2021	1,056	382,051	1,213,269	–	54,385	1,650,761
Net book value at 31 December 2021	10,623	390,691	459,046	128,166	26,892	1,015,418
Thereof finance leases	–	–	–	–	1,573	1,573
2020						
Purchase value at 1.1.2020	8,869	750,187	1,584,481	86,804	75,659	2,506,000
Change in scope of consolidation	1,452	20,137	22,532	3,271	3,894	51,286
Additions	–	3,001	15,900	105,422	2,429	126,752
Disposals	–	-3,511	-11,093	–	-3,624	-18,228
Reclassification	520	23,323	60,398	-90,417	5,496	-680
Currency translation differences	13	-15,411	-24,078	-9,624	-3,936	-53,036
As at 31 December 2020	10,854	777,726	1,648,140	95,456	79,918	2,612,094
Accumulated depreciation at 1.1.2020	1,058	354,326	1,127,010	–	47,109	1,529,503
Change in scope of consolidation	–	5,689	14,349	–	1,911	21,949
Depreciation	–	17,865	73,263	–	7,245	98,373
Impairment charges	–	1,162	9,154	–	13	10,329
Disposals	–	-3,153	-10,787	–	-3,398	-17,338
Reclassification	–	–	-553	–	-127	-680
Currency translation differences	–	-2,718	-10,940	–	-2,047	-15,705
As at 31 December 2020	1,058	373,171	1,201,496	–	50,706	1,626,431
Net book value at 31 December 2020	9,796	404,555	446,644	95,456	29,212	985,663
Thereof finance leases	–	–	665	–	2,281	2,946

14. Intangible assets

	Trademarks	Software	Other intangible assets	Total
2021				
Purchase value at 1.1.2021	75,541	81,431	12,855	169,827
Change in scope of consolidation	85,032	–	–	85,032
Additions	–	5,264	–	5,264
Disposals	–	-789	–	-789
Reclassification	–	102	-779	-677
Currency translation differences	-2,791	-590	-3	-3,384
As at 31 December 2021	157,782	85,418	12,073	255,273
Accumulated amortisation at 1.1.2021	34,570	70,260	10,646	115,476
Amortisation	4,239	5,043	256	9,538
Disposals	–	-789	–	-789
Reclassification	–	102	-779	-677
Currency translation differences	-1,365	-392	-79	-1,836
As at 31 December 2021	37,444	74,224	10,044	121,712
Net book value at 31 December 2021	120,338	11,194	2,029	133,561
2020				
Purchase value at 1.1.2020	76,419	77,680	9,911	164,010
Change in scope of consolidation	946	242	2,246	3,434
Additions	–	4,509	122	4,631
Disposals	-53	-113	–	-166
Reclassification	208	41	899	1,148
Currency translation differences	-1,979	-928	-323	-3,230
As at 31 December 2020	75,541	81,431	12,855	169,827
Accumulated amortisation at 1.1.2020	31,068	64,061	8,098	103,227
Change in scope of consolidation	194	182	1,499	1,875
Amortisation	3,870	6,240	354	10,464
Impairment charges	–	566	–	566
Disposals	–	-50	–	-50
Reclassification	208	41	899	1,148
Currency translation differences	-770	-780	-204	-1,754
As at 31 December 2020	34,570	70,260	10,646	115,476
Net book value at 31 December 2020	40,971	11,171	2,209	54,351

All intangible assets were acquired.

Goodwill from acquisitions

The goodwill from the acquisition of companies and businesses or the purchase of interests in associates or joint ventures is offset against retained earnings at the date of acquisition. The theoretical capitalisation of goodwill and its amortisation over the expected useful life of usually 20 years would have the following effects on the consolidated financial statements as at 31 December 2021.

Theoretical movement schedule for goodwill

	Goodwill group companies	Goodwill associated companies	Total
At cost 1.1.2021	791,631	19,255	810,886
Additions	182,382	–	182,382
Currency translation differences	-8,364	-562	-8,926
At cost 31.12.2021	965,649	18,693	984,342
Theoretical accumulated amortisation 1.1.2021	217,228	14,741	231,969
Amortisation	38,202	693	38,895
Currency translation differences	-2,979	-407	-3,386
Theoretical accumulated amortisation 31.12.2021	252,451	15,027	267,478
Theoretical net book value 31.12.2021	713,198	3,666	716,864

	Goodwill group companies	Goodwill associated companies	Total
At cost 1.1.2020	672,351	19,305	691,656
Additions	190,508	–	190,508
Disposals	-9,017	–	-9,017
Currency translation differences	-62,211	-50	-62,261
At cost 31.12.2020	791,631	19,255	810,886
Theoretical accumulated amortisation 1.1.2020	194,523	14,080	208,603
Amortisation	32,083	686	32,769
Impairment charges	7,352	–	7,352
Disposals	-9,017	–	-9,017
Currency translation differences	-7,713	-25	-7,738
Theoretical accumulated amortisation 31.12.2020	217,228	14,741	231,969
Theoretical net book value 31.12.2020	574,403	4,514	578,917

The impairment charge relates to Lácteos Caprinos S.A., which was sold in December 2020.

Theoretical impact on shareholders' equity incl. minority interests

	31.12.2021	31.12.2020
Shareholders' equity as per balance sheet	1,181,676	1,233,066
Theoretical capitalisation of net book value of goodwill	722,404	633,440
Currency translation differences	-5,540	-54,523
Theoretical shareholders' equity incl. net book value of goodwill	1,898,540	1,811,983
Theoretical shareholders' equity ratio	59.5 %	62.1 %

Theoretical impact on earnings before interest and taxes (EBIT)

	2021	2020
Earnings before interest and taxes (EBIT) as per income statement	284,090	256,607
Theoretically not necessary goodwill recycling	-	8,979
Theoretical amortisation of goodwill	-38,202	-32,083
Theoretical impairment of goodwill	-	-7,352
Theoretical earnings before interest and taxes (EBIT) after goodwill amortisation and impairment	245,888	226,151

Theoretical impact on net profit

	2021	2020
Net profit as per income statement	216,738	188,392
Theoretically not necessary goodwill recycling	-	8,979
Theoretical amortisation and impairment of goodwill	-38,895	-40,121
Theoretical net profit after goodwill amortisation and impairment	177,843	157,250

15. Trade payables

	2021	2020
Third parties	298,506	288,009
Associates	4,036	7,699
Shareholders	18,036	17,238
Total	320,578	312,946

16. Other payables

	2021	2020
Value-added tax	2,113	9,651
Social insurance	7,438	7,064
Other – third parties	11,808	14,601
Other – related parties	1,448	1,924
Total	22,807	33,240

17. Accrued liabilities and deferred income

	2021	2020
Contractual discounts	49,325	47,033
Vacation, overtime, bonuses	39,690	36,880
Income taxes	29,200	33,900
Interest	2,820	2,698
Social insurance	1,932	1,778
Other – third parties	83,936	76,158
Other – associates	941	1,046
Total	207,844	199,493
Thereof current accrued liabilities and deferred income	199,314	189,065
Thereof non-current accrued liabilities and deferred income	8,530	10,428

Other accrued liabilities and deferred income of the year under review and the previous year comprise in particular contributions to brand organisations, expected earn-out payments for acquisitions, energy costs, advertising costs, HGV road tax and various services.

18. Financial liabilities

18.1 Bonds

Bond type	Bond with reopening option
Nominal amount	CHF 200 million
Securities number	21492608 / ISIN CH021492608
Interest rate	1.625%
Term	12 July 2013 to 12 July 2023
Maturity	12 July 2023 at par value

The CHF 2.1 million expenses incurred in connection with the issuance of the bond were capitalised under prepayments and accrued income on 12 July 2013. This accrual will be released over the term of the bond. The actual interest rate on the bond is thereby increased from 1.625% to 1.72% per year.

Bond type	Bond with reopening option
Nominal amount	CHF 100 million
Securities number	36869775 / ISIN CH0368697758
Interest rate	0.5%
Term	21 June 2017 to 21 June 2029
Maturity	21 June 2029 at par value

The CHF 0.4 million expenses incurred in connection with the issuance of the bond were capitalised under prepayments and accrued income on 21 June 2017. This accrual will be released over the term of the bond. The issue price at 100.4% led to an agio-revenue of CHF 0.4 million. The actual interest rate on the bond is thereby increased from 0.50% to 0.51% per year.

In the previous year, securities with a nominal value of CHF 0.5 million were repurchased from the stock exchange for investment purposes.

Bond type	Bond with reopening option
Nominal amount	CHF 200 million
Securities number	114638248 / ISIN CH1146382481
Interest rate	0.375%
Term	1 December 2021 to 1 December 2031
Maturity	1 December 2031 at par value

The CHF 0.7 million expenses incurred in connection with the issuance of the bond were capitalised under prepayments and accrued income on 1 December 2021. This accrual will be released over the term of the bond. The issue price at 100.54% led to an agio-revenue of CHF 1.1 million. The actual interest rate on the bond was thereby reduced from 0.375% to 0.37% per year.

The proceeds from the bond were used to fund the acquisition of the Athenos business in the US. Emmi has entered into a cross currency swap to hedge currency and interest rate risks over the long term. Taking this hedge into account, the net interest rate on the USD nominal value of USD 215.6 million is 2.30% instead of 0.375% on the CHF nominal value of CHF 200.0 million.

18.2 Maturing structure of financial liabilities

	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	Total	Thereof secured by real property liens	Interest rate in %
2021						
Bank overdrafts	104,623	50,753	505	155,881	15,156	0.5 – 10.6
Finance lease liabilities	550	387	–	937	–	4.0 – 12.5
Loans from third parties	1,217	874	14	2,105	–	0.0 – 8.0
Bonds	–	200,000	299,520	499,520	–	0.5 – 2.3
Total	106,390	252,014	300,039	658,443	15,156	–

Bank loans are usually set at variable interest rates, whereas bonds are set at fixed terms. For the bond issued in December 2021, the interest rate was applied after including the cash flows from the cross currency swap. There are no financing arrangements in place linked to financial covenants.

In the year under review, financial liabilities increased by CHF 187.1 million. The new issue of bonds increased their volume by CHF 200.0 million, while the other types of financing (bank debt, leasing liabilities and loans from third parties) were reduced by a net total of CHF 12.9 million. The most significant contribution came from the amortisation of bank loans in Chile through intra-group financing. 76.2% (previous year: 64.4%) of the financing is denominated in Swiss francs, mainly through three bonds. 17.8% (previous year: 25.7%) of the financial liabilities are denominated in euro. CHF 39.8 million or 6.0% (previous year: 9.9%) of the financing is denominated locally in emerging market currencies such as the Chilean and Mexican peso, Brazilian real and Tunisian dinar.

	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	Total	Thereof secured by real property liens	Interest rate in %
2020						
Bank overdrafts	34,761	130,360	940	166,061	14,397	0.5 – 10.6
Finance lease liabilities	1,431	916	–	2,347	–	4.0 – 12.5
Loans from third parties	1,303	2,098	18	3,419	–	0.0 – 8.0
Bonds	–	200,000	99,520	299,520	–	0.5 – 1.6
Total	37,495	333,374	100,478	471,347	14,397	–

19. Provisions

	Ongoing restructuring	Other provisions	Deferred income taxes	Total provisions
As at 1 January 2021	2,000	31,471	53,562	87,033
Additions	4,000	4,768	1,318	10,086
Utilisation	-500	-7,659	–	-8,159
Release	-50	-8,013	-396	-8,459
Currency translation differences	–	-426	-36	-462
As at 31 December 2021	5,450	20,141	54,448	80,039
Thereof current provisions	3,950	6,092	–	10,042
Thereof non-current provisions	1,500	14,049	54,448	69,997

The restructuring provisions relate to anticipated costs in connection with the decision to reorganise business activities.

Other provisions include among other things liabilities for staff expenses in foreign countries as required by law (2021: CHF 6.2 million, 2020: CHF 6.3 million) and provisions for pending legal matters and business disputes (2021: CHF 1.7 million, 2020: CHF 2.6 million). In all cases, the likelihood of such events occurring has been assessed at above 50%.

	Ongoing restructuring	Other provisions	Deferred income taxes	Total provisions
As at 1 January 2020	3,000	31,425	55,437	89,862
Change in scope of consolidation	–	–	829	829
Additions	–	15,935	528	16,463
Utilisation	-1,000	-13,569	–	-14,569
Release	–	-763	-2,248	-3,011
Currency translation differences	–	-1,557	-984	-2,541
As at 31 December 2020	2,000	31,471	53,562	87,033
Thereof current provisions	1,000	15,399	–	16,399
Thereof non-current provisions	1,000	16,072	53,562	70,634

20. Employee benefit schemes

Employer contribution reserve (ECR)	Nominal value ECR 31.12.2021	Waiver of usage 31.12.2021	Other value adjustments 31.12.2021	Balance sheet 31.12.2021	Balance sheet 31.12.2020	Result from ECR in personnel expenses	
						2021	2020
Pension schemes without excess/ insufficient cover (domestic)	–	–	–	–	1,489	–	–
Pension schemes with excess cover (domestic)	2,048	–	–	2,048	559	–	–
Total	2,048	–	–	2,048	2,048	–	–

Economic benefit/economic obligation and pension expenses	Excess/ insufficient cover as per Swiss GAAP FER 26 31.12.2021		Economic benefit/obligation for the company 31.12.2020	Change vs. previous year or taken to the income statement in the FY	Contributions limited to the period ¹⁾	Pension expenses in personnel expenses	
		31.12.2021	31.12.2020			2021	2020
Welfare funds	35,900	–	–	–	–	–	–
Pension schemes without excess/insufficient cover (domestic)	–	–	–	–	–	–	20,269
Pension schemes without excess/insufficient cover (abroad)	–	–	–	–	3,546	3,546	3,454
Pension schemes with excess cover (domestic)	10,159	–	–	–	21,005	21,005	95
Total	46,059	–	–	–	24,551	24,551	23,818

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

Breakdown of pension expenses 2021	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	21,005	3,546	24,551
Contributions to pension plans from employer contribution reserves	–	–	–
Total contributions	21,005	3,546	24,551
Change in ECR due to asset performance, value adjustments, etc.	–	–	–
Contributions and change to employer contribution reserves	21,005	3,546	24,551
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	21,005	3,546	24,551

Breakdown of pension expenses 2020	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	20,364	3,454	23,818
Contributions to pension plans from employer contribution reserves	–	–	–
Total contributions	20,364	3,454	23,818
Change in ECR due to asset performance, value adjustments, etc.	–	–	–
Contributions and change to employer contribution reserves	20,364	3,454	23,818
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	20,364	3,454	23,818

21. Acquisitions

The companies and businesses acquired in 2021 and 2020 reported the following main balance sheet items at the date of acquisition and are fully consolidated:

	2021		2020		
	Athenos Business	Quillayes Group	Chäs Hütte Zollikon GmbH	Indulge Desserts Group	Immobiliare Ro.Se S.p.A.
Cash and securities	–	1,926	6	6,175	139
Trade receivables	–	8,821	2	10,571	–
Inventories	–	8,048	41	7,371	–
Other current assets	–	762	15	287	35
Non-current assets	85,032	15,140	16	10,487	7,974
Trade payables	–	7,185	36	3,377	–
Other current liabilities	–	23,732	24	1,935	199
Non-current liabilities	–	2,477	–	6,197	–
Net assets	85,032	1,303	20	23,382	7,949

As at 1 December 2021, Emmi acquired the Athenos business in the US, which is operated within Emmi Roth USA, Inc. This acquisition makes Emmi number one in the US feta cheese business.

The business combination of the Chilean Emmi group Surlat with its competitor Quillayes announced in 2019 was concluded on 15 January 2020. As part of the transaction, both parties contributed their existing Chilean companies to form Quillayes Surlat S.p.A., in which Emmi subsidiary Kaiku holds a 51.5% stake. Quillayes produces cheese, yogurt, butter and cream and has also established itself in the distribution of imported branded products.

Emmi acquired 100% of the shares of Chäs Hütte Zollikon GmbH on 29 July 2020. The company is active in trading and selling dairy products and other food items.

Emmi acquired 87.71% of US-based Indulge Desserts Group on 6 October 2020. This acquisition enables Emmi to participate in the American dessert market, which is the largest and fastest-growing dessert market in the world, extends Emmi's footprint in the United States, and opens up new distribution opportunities for its Italian speciality desserts.

Emmi acquired 100% of the shares of Immobiliare Ro.Se S.p.A. based in Pero (Italy) on 3 November 2020. Along with the company, a property in Pero that had been rented to that date was also acquired.

22. Disposal of companies

In the year under review, no companies were sold.

Lácteos Caprinos S.A., which was sold in the previous year, had the following main balance sheet items at the date of disposal:

	2021	2020
	–	Lácteos Caprinos S.A.
Cash and securities	–	268
Trade receivables	–	1,667
Inventories	–	1,207
Other current assets	–	1,103
Non-current assets	–	2,313
Trade payables	–	778
Other current liabilities	–	179
Non-current liabilities	–	522
Net assets	–	5,079

On 18 December 2020, Emmi disposed of its majority stake in the Spanish goat's cheese producer Lácteos Caprinos S.A. The company generated annual sales of EUR 10 million with about 40 full-time employees. The loss on this transaction in the previous year amounted to CHF 14.6 million (before taxes) or CHF 14.2 million (after taxes) respectively, and was included in other operating expenses and income tax expenses in the income statement.

23. Unsettled derivative financial instruments

	31.12.2021			31.12.2020		
	Positive value	Negative value	Purpose	Positive value	Negative value	Purpose
Forward currency transactions	9,900	620	Hedging	1,916	3,649	Hedging
Interest rate swaps	–	5,254	Hedging	–	–	–
Other forward transactions	49	–	Hedging	228	–	Hedging
Total forward transactions	9,949	5,874	–	2,144	3,649	–
Thereof to hedge future cash flows	858	5,335	–	1,234	452	–
Total recognised in the balance sheet	9,091	539	–	910	3,197	–

Similar to the underlying transactions, currency forwards, interest rate swaps and other forward transactions used to hedge future cash flows are not recognised in the balance sheet. The result of these derivative instruments is recognised in the income statement upon occurrence of the transaction hedged. Derivative financial instruments used to hedge balance sheet positions in foreign currencies are recognised as securities in the current assets or other payables in the current liabilities, respectively. Corresponding changes in value are recognised in the financial result.

In connection with the CHF 200 million bond issued in December 2021 to fund the USD acquisition of the Athenos business in the US, Emmi entered into a cross-currency swap. This hedges currency and interest rate risks in USD over the entire term of the bond. While the fair value of the currency portion serves as a hedge of balance sheet items and is therefore accounted for in the same way as the hedged item, the fair value of the interest portion is a hedge of future cash flows. Accordingly, the fair value of the interest portion is not recognised.

Emmi also has options to acquire additional shares in a number of Group companies with minority interests. At the same time, put options have been granted in general to the counterparties. These options are not recognised in the balance sheet as they represent derivatives on equity instruments of the own organisation, which are explicitly excluded from the scope of Swiss GAAP FER 27. The strike price of these options is generally based on the corresponding enterprise value at the exercise date and cannot currently be reliably measured. The exercise date varies depending on the agreement. The maturities range from short-term to unlimited options.

24. Contingent assets and liabilities

Emmi is involved in legal disputes in connection with ordinary operating activities. Although the outcome of the lawsuits currently cannot be predicted with certainty, Emmi assumes that none of the disputes will have any significant negative impact on operating activities or on the Group's financial situation. Expected outgoing payments are provided for accordingly. As at the date of the financial statements, the Group had no major contingent assets.

25. Pledged assets and off-balance sheet leasing/rental obligations

Pledged assets	31.12.2021	31.12.2020
Pledges on property, nominal values	240,029	242,608
Pledges on other assets	1,202	1,470
Thereof used as security for own liabilities	15,925	15,739
Off-balance sheet leasing/rental obligations		
up to 2 years	22,627	17,401
3 to 5 years	19,611	16,835
over 5 years	25,732	23,335
Total	67,970	57,571

26. Investment obligations and other off-balance sheet liabilities

	31.12.2021	31.12.2020
Investment obligations in connection with previously concluded agreements	36,118	33,002
Long-term commodity contracts	2,950	2,030
Cooperation agreements with suppliers/customers	p.m.	p.m.

Furthermore, there are milk purchase agreements which are not quantifiable.

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

27. 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 2021 and 2020, 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 these financial statements (see notes 8, 9, 11, 12, 15, 16 and 17).

Transactions with associates	2021	2020
Net sales	31,675	23,050
Cost of materials and services	48,525	71,708
Other expenses	2,632	2,465
Financial income	645	274

Transactions with shareholders	2021	2020
Net sales	6,494	6,358
Cost of materials and services	218,608	201,449
Other expenses	12	7

Transactions with other related parties	2021	2020
Net sales	35	33
Other expenses	102	74

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 within the scope of VAT group taxation for the associated liabilities of the Central Switzerland Milk Producers Cooperative (ZMP) and ZMP Invest AG.

Other transactions

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

28. Shareholders

Nominal capital	31.12.2021	%	31.12.2020	%
ZMP Invest AG, Lucerne ¹⁾	28,488	53.2	28,488	53.2
Zentralschweizer Käsermeister Genossenschaft, Sursee ¹⁾	2,150	4.0	2,200	4.1
MIBA Genossenschaft, Aesch (BL) ¹⁾	1,740	3.3	1,770	3.3
Other	21,120	39.5	21,040	39.4
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Käsermeister Genossenschaft, Sursee and the MIBA Genossenschaft, Aesch (BL), form a group in the sense of Article 121 FinMIA. The Group owns 60.5% (previous year: 60.6%) of the total voting rights.

As at 7 June 2016, Capital Group Companies, Inc., Los Angeles, US, informed us that it owned 268,500 registered shares of Emmi AG (5.019%). No further disclosure notifications have been made since.

As at 31 December 2021, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares of Emmi AG (unchanged on the previous year).

29. 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 a first process step in workshops and individual interviews, and then analysed and evaluated according to the extent of the potential damage and their likelihood of occurrence. The second process step involves risk management and the creation of a list of measures per risk as well as risk reporting.

The Board of Directors of Emmi AG discussed and approved the risk assessment in the year under review. It monitors the implementation of the defined measures by Group Management. No exceptional risks that went beyond normal limits were identified during the assessment. The process is repeated annually. The following risks, among others, were identified as significant risks to the Emmi Group:

- Milk price difference internationally: The milk price difference between Switzerland and other countries continues to have a negative impact on the sales of domestically produced products both in Switzerland, as the volume of imported milk products increases, and abroad. Although full liberalisation of the Swiss milk market remains a long-term risk, this is absorbed through targeted and sustainable growth abroad. Any risks related to the international growth of the Emmi Group are minimised by strictly focusing on the strategy and its implementation.
- Inflation: Inflation rose in all markets relevant to the Emmi Group last year, and in some particularly important markets, such as the US, to a quite considerable degree. Inflationary trends have made a major portion of Emmi's input costs significantly more expensive. This applies not only to various raw materials, but also to energy and logistics costs, for example. In addition, we had to acknowledge that wage costs have already risen significantly in many countries on the back of high inflation. If Emmi is unable to pass on the significant increase in costs to customers via higher sales prices, or if this is only achieved with a time lag, this could lead to a loss of margin.
- Currency risk: Currency movements represent a significant risk for the Emmi Group, which has a tendency to increase based on the continuing internationalisation of business activities. We aim to achieve natural hedges with purchases in foreign currencies. Furthermore, in line with the Emmi strategy, expenditure and production volumes in foreign currency zones are being increased through capital expenditures and acquisitions.
- Price pressure: National and international product tenders, as well as a potentially successful market launch of products made from milk alternatives, threaten in the medium term to result in price erosion, which could lead to a loss of margin mainly for generic products. If the prices of Emmi products remain stable in foreign currency, this may

lead to a margin loss. If prices increase, market shares might be lost. However, the successfully established Emmi brands, including the ones in the milk alternatives segment, offer long-term value creation potential.

- Trade agreements: The drafting of trade agreements with countries in which Emmi operates presents both opportunities and risks for the company. Switzerland is currently engaged in various talks aimed at negotiating new trade agreements or renegotiating existing ones, but progress is slow. As a result, the Swiss dairy industry is increasingly falling behind its competitors – especially those from the European Union – on the international market in terms of market access conditions. Negotiations that are unfavourable for Emmi could potentially also lead to heavy import pressure in Switzerland. A suspension of the bilateral agreements with the European Union would make it harder for Swiss export products to gain access to the market (e.g. due to the reintroduction of customs duties on cheese), posing a considerable risk. With the growth and local anchoring of our foreign subsidiaries, this risk is becoming smaller in its effect.
- IT outages: With the growing continuity of processes and increasing penetration and standardisation of IT systems, the extent of damage caused by a potential outage increases. Shutdowns of entire plants can very quickly lead to high losses. With increasing investments in IT security, this risk is continuously analysed and mitigated; however, a residual, a residual risk remains.

The Emmi Group is exposed to various financial risks through its business activities, including credit, liquidity and other market risks. Credit risks are managed by means of continual monitoring of day-to-day business and appropriate risk assessment when closing a transaction. Liquidity risk is managed by means of central cash management, which ensures that the planned liquidity requirement is covered by corresponding financing agreements. Other market risks, such as currency and interest rate risks, are partially hedged using derivative instruments. The non-hedged portion is consciously borne as a risk. The currencies which are of particular relevance to the Emmi Group are the euro, the US dollar and the British pound.

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

30. Subsequent events

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 3 March 2022, no other major events occurred which could have adversely affected the validity of the consolidated financial statements for 2021 or which would have to be disclosed.

31. Summary of consolidated companies, associates and joint ventures

Consolidated companies	Head office	Currency	Capital in 000s 31.12.2021	Capital share 31.12.2021	Capital share 31.12.2020
Switzerland					
Emmi AG	Lucerne	CHF	53,498	100%	100%
Baumann Käse AG	Münchenbuchsee	CHF	100	100%	100%
Emmi Dessert International SA	Lugano	CHF	250	100%	100%
Emmi Finanz AG	Lucerne	CHF	100	100%	100%
Emmi International AG	Lucerne	CHF	5,000	100%	100%
Emmi Langnau AG ¹⁾	Langnau i.E.	CHF	3,000	100%	100%
Emmi Management AG	Lucerne	CHF	500	100%	100%
Emmi Schweiz AG	Lucerne	CHF	5,700	100%	100%
FDS Fromagerie de Saignelégier SA	Saignelégier	CHF	1,050	86%	86%
Fromco S.A. Moudon	Moudon	CHF	2,100	60%	60%
Holding der Schweizerischen Milchproduzenten AG in liquidation ²⁾	Münchenbuchsee	CHF	–	–	100%
Käserei Studer AG	Hefenhofen	CHF	720	100%	100%
Lesä Latoria Engiadinaisa SA	Bever	CHF	2,000	80%	80%
Mittelland Molkerei AG	Suhr	CHF	20,000	100%	100%
Molkerei Biedermann AG	Bischofszell	CHF	1,010	100%	100%
MOPRO Luzern AG	Lucerne	CHF	120	100%	100%
Regio Molkerei beider Basel AG	Frenkendorf	CHF	3,000	80%	80%
Swissexport, Aktiengesellschaft Schweizerischer Käseexporteure	Berne	CHF	100	79%	79%
Spain					
Admilac Servicios Profesionales, S.L.	San Sebastian	EUR	3	73%	73%
Altamira Alimentaria, S.L.	Renedo	EUR	3	73%	73%
Kaiku Corporación Alimentaria, S.L.	San Sebastian	EUR	82,110	73%	73%
Kaiku Internacional, S.L.	San Sebastian	EUR	77,877	73%	73%
Kaiku Km0, S.L.	Bilbao	EUR	625	73%	73%
Lácteos de Navarra, S.L.	Pamplona	EUR	9,647	73%	73%
Llet Nostra Alimentaria, S.L.	Barcelona	EUR	2,764	33%	33%
SDA Bilbao, S.L.	Bilbao	EUR	3	73%	73%
SDA Catalunya	Barcelona	EUR	3	53%	53%
SDA Guipuzcoa, S.L.	Bilbao	EUR	3	73%	73%
Servicios Logísticos Jundiz, S.L.	Vitoria	EUR	102	73%	73%
Soc. Servicios Logísticos SDA Central, S.L.	Bilbao	EUR	3	73%	73%
Tecnología y Calidad Láctea, S.L.	San Sebastian	EUR	3	73%	73%

¹⁾ Emmi Fondue AG was renamed Emmi Langnau AG on 29 June 2021.

²⁾ Holding der Schweizerischen Milchproduzenten AG in liquidation was deleted on 26 January 2021.

Consolidated companies	Head office	Currency	Capital in 000s 31.12.2021	Capital share 31.12.2021	Capital share 31.12.2020
Italy					
Emmi Dessert Italia S.p.A.	Milan	EUR	1,000	100%	100%
Emmi Holding Italia S.r.l.	Milan	EUR	1,714	100%	100%
Emmi Italia S.p.A.	Milan	EUR	500	100%	100%
Gelostar S.r.l. ³⁾	Campogalliano	EUR	–	–	100%
Immobiliare 5 S.r.l. ³⁾	Modena	EUR	–	–	100%
Immobiliare Ro.Se S.p.A. ⁴⁾	Pero	EUR	–	–	100%
Pasticceria Quadrifoglio S.r.l.	Piumazzo	EUR	104	100%	100%
Netherlands					
AVH dairy trade B.V.	Bergen	EUR	18	90%	90%
Bettinehoeve B.V.	Etten-Leur	EUR	18	90%	90%
Emmi Benelux B.V.	Tiel	EUR	525	100%	100%
Emmi Finance Netherlands B.V.	Tiel	EUR	p.m.	100%	100%
Emmi Javelin B.V.	Tiel	EUR	1	100%	100%
Goat Milk Powder B.V.	Etten-Leur	EUR	1	81%	81%
Germany					
Emmi Deutschland GmbH	Essen	EUR	75	100%	100%
Gläserne Molkerei GmbH	Dechow	EUR	375	100%	100%
Gläserne Molkerei Münchehof GmbH	Münchehof	EUR	100	100%	100%
Hofmolkerei Münchehof GmbH	Münchehof	EUR	25	100%	100%
Molkerei Biedermann GmbH	Constance	EUR	25	100%	100%
Rutz Käse GmbH in liquidation ⁵⁾	Constance	EUR	–	–	100%
France					
Distribution Frais Disfrais SAS ⁷⁾	Avignon	EUR	192	100%	85%
EF Immo 84 SCI ⁶⁾ 7)	Nice	EUR	270	100%	85%
Emmi France SAS ⁶⁾ 7)	Nice	EUR	3,927	100%	85%
Ets Schoepfer SAS ⁷⁾	Avignon	EUR	1,252	100%	85%
Austria					
Emmi Österreich GmbH	Nüziders	EUR	2,800	100%	100%
Hale GmbH	Wartberg	EUR	18	66%	66%
Leeb Biomilch GmbH	Wartberg	EUR	70	66%	66%
United Kingdom					
Emmi UK Limited	London	GBP	4,717	100%	100%
Tunisia					
Centrale Laitière de Mahdia, S.A. ⁸⁾	Mahdia	TND	36,000	47%	40%
Société tunisienne d'engraisement des veaux S.A.R.L. in liquidation ⁸⁾	Mahdia	TND	140	47%	40%

³⁾ Gelostar S.r.l. and also Immobiliare 5 S.r.l. were merged into Pasticceria Quadrifoglio S.r.l. on 31 December 2021.

⁴⁾ Immobiliare Ro.Se S.p.A. was merged into Emmi Dessert Italia S.p.A. on 16 June 2021.

⁵⁾ Rutz Käse GmbH in liquidation was deleted on 30 November 2021.

⁶⁾ EAF Immo 84 SCI and also SAS Emmi Ambrosi France E.A.F. were renamed, respectively, to EF Immo 84 SCI on 9 December 2021 and Emmi France SAS on 10 December 2021.

⁷⁾ On 9 December 2021, Emmi increased its stake in EF Immo 84 SCI and in Emmi France SAS from 85% to 100% in each case. As a consequence, Emmi's share in Ets Schoepfer SAS and in Distribution Frais Disfrais SAS, which are directly held by Emmi France SAS, increased from 85% to 100% in each case.

⁸⁾ On 26 August 2021, Emmi increased its stake in Centrale Laitière de Mahdia, S.A. from 40% to 47%. As a consequence, Emmi's share in Société tunisienne d'engraisement des veaux S.A.R.L. in liquidation, which is directly held by Centrale Laitière de Mahdia, S.A., increased from 40% to 47%.

Consolidated companies	Head office	Currency	Capital in 000s 31.12.2021	Capital share 31.12.2021	Capital share 31.12.2020
United States					
Bello LLC	Delaware	USD	6,948	88%	88%
Classe Foods LLC	Delaware	USD	p.m.	88%	88%
Cypress Grove Chèvre, Inc.	Arcata	USD	202	100%	100%
Emmental Cheese Corp.	Orangeburg	USD	6	100%	100%
Emmi Dessert Intermediate Holdings (USA) LLC	New York	USD	7,988	100%	100%
Emmi Dessert Participations (USA) Corp.	Delaware	USD	18,195	100%	100%
Emmi Dessert USA LLC	Delaware	USD	75,521	88%	88%
Emmi Holding (USA), Inc.	Orangeburg	USD	1	100%	100%
Emmi Resume LLC	Delaware	USD	p.m.	100%	100%
Emmi Roth USA, Inc.	Monroe	USD	2	100%	100%
Emmi USA Inc.	Orangeburg	USD	800	100%	100%
Jackson-Mitchell, Inc.	Turlock	USD	27	100%	100%
Luce Foods LLC	New Jersey	USD	22,214	88%	88%
Luna Foods LLC	Delaware	USD	4,903	88%	88%
Redwood Hill Farm & Creamery, Inc.	Sebastopol	USD	835	100%	100%
Switzerland Cheese Marketing (USA) Inc.	Orangeburg	USD	1	79%	79%
Tomales Bay Foods, Inc.	Petaluma	USD	895	100%	100%
Vivi Foods LLC	New York	USD	11,411	88%	88%
Zingg + Co. Inc.	Orangeburg	USD	1	100%	100%
Mexico					
Alimentos Finos del Sureste, S.A. de C.V.	Cancun, Qroo	MXN	100	41%	41%
Comalca 2000, S.A. de C.V.	Cancun, Qroo	MXN	14,960	41%	41%
Comalca Gourmet, S.A. de C.V.	Cancun, Qroo	MXN	12,623	41%	41%
Distribuidora Internacional de Lacteos, S.A. de C.V.	Mexico City	MXN	50	38%	38%
Distribuidora Mexideli, S.A. de C.V.	Mexico City	MXN	100	51%	51%
Mexideli 2000 Holding S.A. de C.V.	Mexico City	MXN	101,759	51%	51%
Mexideli, S.A. de C.V.	Mexico City	MXN	68,350	51%	51%
Tecnologías Narcisco, S.A. de C.V.	Mexico City	MXN	60	51%	51%
Chile					
Chevrita S.p.A.	Santiago	CLP	676,077	38%	38%
Distribuidora de Alimentos Chile S.p.A.	Santiago	CLP	798,271	38%	38%
Eurolac Chile S.p.A.	Santiago	CLP	42,503,206	73%	73%
Surlat Corporación S.p.A.	Santiago	CLP	41,467,422	73%	73%
Surlat Industrial S.p.A.	Pitrufquen	CLP	20,310,389	38%	38%
Quillayes Peteroa S.p.A.	Santiago	CLP	12,222,584	38%	38%
Quillayes Surlat S.p.A.	Santiago	CLP	43,392,884	38%	38%
Quillayes Surlat Comercial S.p.A. ⁹⁾	Santiago	CLP	7,934,483	38%	38%
Canada					
Emmi Canada Inc.	Saint-Hubert	CAD	19,152	100%	100%
Switzerland Cheese Marketing Inc.	Saint-Hubert	CAD	1	79%	79%
9314 – 8591 Québec Inc.	Saint-Hubert	CAD	3,137	100%	100%
Brazil					
Emmi do Brasil Holding Ltda.	Sao Paulo	BRL	825,000	100%	100%
Laticínios Porto Alegre Indústria e Comércio S.A.	Ponte Nova	BRL	463,312	70%	70%

⁹⁾ Surlat Comercial S.p.A. was renamed Quillayes Surlat Comercial S.p.A.

The percentage of voting rights controlled by the Emmi Group in the subsidiaries of Kaiku Corporacion Alimentaria, S.L. and the subsidiaries of Mexideli 2000 Holding S.A. de C.V. differs from the capital share since Emmi controls these subsidiaries through its control of the parent companies.

Associates and joint ventures	Head office	Currency	Capital in 000s 31.12.2021	Capital share 31.12.2021	Capital share 31.12.2020
Switzerland					
BO Butter GmbH	Berne	CHF	500	33%	33%
Cetra Holding SA	Mezzovico-Vira	CHF	250	34%	34%
FDC Fromagerie de Courgenay SA	Courgenay	CHF	990	25%	25%
Sbrinz Käse GmbH	Sursee	CHF	180	24%	24%
Switzerland Cheese Marketing AG	Berne	CHF	290	23%	23%
Thurgauische Käse-Reifungs AG	Weinfelden	CHF	2,000	25%	25%
Spain					
Batiovo I.A.E.	Madrid	EUR	12	37%	37%
NaturAll BBVV-2018, S.L.	Corella	EUR	2,617	18%	18%
Serkolat Bide, S.L.	San Sebastian	EUR	8	37%	37%
Italy					
Ambrosi S.p.A.	Brescia	EUR	10,000	25%	25%
Sepa S.r.l.	Pieve Porto Morone	EUR	100	40%	40%
Germany					
Carl Fr. Scheer GmbH + Co. KG	Willstätt	EUR	500	25%	25%
Scheer Verwaltungs u. Beteiligungs GmbH	Willstätt	EUR	26	25%	25%
United States					
Big Red Cheese Company LLC	Monroe	USD	p.m.	50%	50%
EB Snacks LLC	Delaware	USD	2	50%	50%
Emmi Meister LLC	Fitchburg	USD	2	50%	50%
Kindred Creamery LLC	Fitchburg	USD	1	30%	30%

Auditors' report



Statutory Auditor's Report

To the General Meeting of Emmi AG, Lucerne

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Emmi AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 78 to 115) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

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

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

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



REVENUE RECOGNITION FROM SALES OF PRODUCTS



BUSINESS COMBINATIONS

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



REVENUE RECOGNITION FROM SALES OF PRODUCTS

Key Audit Matter

Consolidated net revenue from sales of products amount to CHF 3,883 million in the financial year 2021.

Revenue from the sale of products is recognised in the income statement when the risks and rewards as well as the title over the goods are transferred to the buyer, generally upon shipment. Net sales are reported net of credit notes and sales deductions.

Net sales form an important basis for assessing the course of business and the performance of the group and are therefore in the focus of internal and external stakeholders.

The fact that different delivery times, contractual terms and Incoterms have to be considered when determining the correct time for recognising revenue leads to a significant audit risk.

In addition, there is a risk of management overriding controls to achieve planned results.

Accordingly, we focused our audit in this area on the existence of revenue transactions and their recognition in the correct period.

Based on these considerations, we determined revenue recognition to be a key audit matter.

Our response

As part of our audit, we assessed the appropriateness of the accounting policies used for recognising revenue and specifically, regarding the recognition in the correct accounting period.

We obtained an understanding of the revenue recognition process from order to receipt of payment and, based on this, critically assessed whether the transactions are completely and accurately recognised in the consolidated financial statements.

For the identified key controls in the area of revenue recognition, we assessed the existence (design and implementation) of the relevant controls and tested their operating effectiveness on a sample basis.

Our procedures included, amongst others, the following audit procedures:

- On a sample basis, we reconciled sales transactions before and after the balance sheet date with delivery notes and customer contracts. Based on this, we verified the transfer of title to the buyer and thus the recording in the correct reporting period in accordance with the agreed terms.
- On a sample basis, we reconciled the accounts receivables balances as at the balance sheet date with third party confirmations or, alternatively, with delivery documents, invoices and/or incoming payments.
- For selected companies, we have verified the existence and accuracy of sales transactions by using data analytics.
- On a sample basis, we examined credit notes issued after year-end and payments received.
- In addition, we performed analytical procedures at Group level as well as at company level for selected entities. These included, among other things, analyses of the developments of sales and margins.

In addition to the audit procedures described above, we assessed the risk of management overriding controls by analysing manual journal entries in sales accounts.

For further information on revenue recognition refer to the following:

- Principles of valuation, pages 85 to 89
- Segment reporting, page 90



BUSINESS COMBINATIONS

Key Audit Matter

As of 1 December 2021, Emmi completed the acquisition of the "Athenos" feta business in the USA, whereby the correct accounting depends in particular on the following factors:

- Contractual terms and conditions and economic substance of the transaction.
- The valuation of the assets acquired at fair value at the date of acquisition.
- The accounting treatment of goodwill and transaction costs.

As the transaction has a material effect on the consolidated financial statements due to its volume and because assumptions made by management impact the accounting, we consider this acquisition as a key audit matter.

Our response

We mainly performed the following audit procedures:

- We critically reviewed the purchase agreements to identify conditions impacting the purchase price allocation.
- We have audited the opening balance sheet of the acquired business and assessed the appropriateness of the assigned fair values of the assets.
- With the support of our valuation specialists, we challenged the assumptions applied by management in the identification and valuation of the assets.
- In addition, we evaluated the appropriateness of the accounting for this transaction and of the disclosures in the consolidated financial statements.

For further information on the acquisition refer to the following:

- Changes to the scope of consolidation, page 83
- Note 14 Intangible assets, page 97

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Manuel Odoni
Licensed Audit Expert

Lucerne, 3 March 2022

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Income statement

in CHF 000s

	Notes	2021	2020
Income from investments	2.1	123,767	115,585
Other financial income	2.2	9,582	6,385
Other operating income		6,975	6,829
Total income		140,324	128,799
Financial expenses	2.3	-8,575	-5,623
Personnel expenses		-1,381	-1,130
Other operating expenses	2.4	-7,310	-22,649
Direct taxes		9	1,651
Total expenses		-17,257	-27,751
Net profit		123,067	101,048

Balance sheet

in CHF 000s

Assets	Notes	31.12.2021	%	31.12.2020	%
Cash and cash equivalents		5,057		5,715	
Other current receivables from third parties		43		87	
Other current receivables from companies in which the entity holds an investment		185,351		168,960	
Prepayments and accrued income		640		336	
Current assets		191,091	13.0	175,098	12.3
Loans to companies in which the entity holds an investment		31,127		108,143	
Investments in subsidiaries and associates	2.5	1,250,138		1,140,083	
Financial assets		1,281,265		1,248,226	
Prepayments and accrued income		18		45	
Non-current assets		1,281,283	87.0	1,248,271	87.7
Total assets		1,472,374	100.0	1,423,369	100.0
Liabilities and shareholders' equity					
Current interest-bearing debts due to third parties		72,629		–	
Other current payables to third parties		199		106	
Accrued liabilities and deferred income		1,227		1,374	
Provisions		62		135	
Current liabilities		74,117	5.0	1,615	0.1
Non-current interest-bearing debts due to third parties		31,127		108,143	
Provisions		648		648	
Non-current liabilities		31,775	2.2	108,791	7.7
Liabilities		105,892	7.2	110,406	7.8
Share capital	2.6	53,498		53,498	
Legal capital reserves					
– Reserves from capital contributions	2.7	8,294		8,294	
Legal retained earnings		2,886		2,886	
Voluntary retained earnings					
– Free reserves		1,175,000		1,145,000	
– Available earnings					
– Profit brought forward		3,737		2,237	
– Net profit		123,067		101,048	
Shareholders' equity		1,366,482	92.8	1,312,963	92.2
Total liabilities and shareholders' equity		1,472,374	100.0	1,423,369	100.0

Statement of changes in equity

in CHF 000s

	Share capital	Legal capital reserves	Legal retained earnings	Free reserves	Available earnings	Total
Shareholders' equity as at 1 January 2018	53,498	51,093	2,886	645,000	438,910	1,191,387
Allocation	–	–	–	420,000	-420,000	–
Dividend	–	-37,449	–	–	-16,049	-53,498
Net profit for the year	–	–	–	–	86,606	86,606
Shareholders' equity as at 31 December 2018	53,498	13,644	2,886	1,065,000	89,457	1,224,495
Allocation	–	–	–	40,000	-40,000	–
Dividend	–	-5,350	–	–	-42,798	-48,148
Net profit for the year	–	–	–	–	99,766	99,766
Shareholders' equity as at 31 December 2019	53,498	8,294	2,886	1,105,000	106,435	1,276,113
Allocation	–	–	–	40,000	-40,000	–
Dividend	–	–	–	–	-64,198	-64,198
Net profit for the year	–	–	–	–	101,048	101,048
Shareholders' equity as at 31 December 2020	53,498	8,294	2,886	1,145,000	103,285	1,312,963
Allocation	–	–	–	30,000	-30,000	–
Dividend	–	–	–	–	-69,548	-69,548
Net profit for the year	–	–	–	–	123,067	123,067
Shareholders' equity as at 31 December 2021	53,498	8,294	2,886	1,175,000	126,804	1,366,482

Notes to the financial statements

in CHF 000s

1. Principles

1.1 General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

Where not prescribed by law, the significant accounting and valuation principles applied are described below.

1.2 Securities listed on a stock exchange

Securities with a short-term holding period are valued at their quoted market price as at the balance sheet date. A valuation adjustment reserve has not been accounted for.

1.3 Financial assets

Financial assets include long-term loans and investments. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealised losses are recorded but unrealised profits are not recognised (impairity principle).

1.4 Non-current interest-bearing debts

Interest-bearing debts are recognised in the balance sheet at nominal value.

1.5 Foregoing a cash flow statement and additional disclosures in the Notes

As Emmi AG has prepared its consolidated financial statements in accordance with a recognised accounting standard (Swiss GAAP FER), it was decided not to present additional information on interest-bearing liabilities and audit fees in the Notes as well as a cash flow statement, in accordance with the law.

2. Information on balance sheet and income statement items

2.1 Income from investments

This position includes dividend income from investments.

2.2 Other financial income

Other financial income mainly comprises foreign currency gains and interest income on loans granted to companies in which the entity holds an investment.

2.3 Financial expenses

Financial expenses mainly comprise foreign currency losses and interest expenses.

2.4 Other operating expenses

The decrease in Other operating expenses is due to the loss on the sale of the majority stake in Lácteos Caprinos S.A. in the previous year.

2.5 Investments

	Currency	Capital in 000s 31.12.2021	Capital share 31.12.2021	Capital share 31.12.2020
Switzerland				
Baumann Käse AG, Münchenbuchsee	CHF	100	100%	100%
Cetra Holding SA, Mezzovico-Vira	CHF	250	34%	34%
Emmi Finanz AG, Lucerne	CHF	100	100%	100%
Emmi International AG, Lucerne	CHF	5,000	100%	100%
Emmi Langnau AG, Langnau i.E. ¹⁾	CHF	3,000	100%	100%
Emmi Management AG, Lucerne	CHF	500	100%	100%
Emmi Schweiz AG, Lucerne	CHF	5,700	100%	100%
Fromco S.A. Moudon, Moudon	CHF	2,100	60%	60%
Holding der Schweizerischen Milchproduzenten AG in liquidation, Münchenbuchsee ²⁾	CHF	–	–	100%
Käserei Studer AG, Hefenhofen	CHF	720	100%	100%
Mittelland Molkerei AG, Suhr	CHF	20,000	100%	100%
Molkerei Biedermann AG, Bischofszell	CHF	1,010	100%	100%
MOPRO Luzern AG, Lucerne	CHF	120	100%	100%
Switzerland Cheese Marketing AG, Berne	CHF	290	23%	23%
Austria				
Hale GmbH, Wartberg	EUR	18	66%	66%
Leeb Biomilch GmbH, Wartberg	EUR	70	66%	66%
Germany				
Emmi Deutschland GmbH, Essen	EUR	75	100%	100%
Italy				
Emmi Holding Italia S.r.l., Milan	EUR	1,714	70%	70%
Netherlands				
Emmi Finance Netherlands B.V., Tiel	EUR	p.m.	100%	100%
Spain				
Kaiku Corporación Alimentaria, S.L., San Sebastián	EUR	82,110	73%	73%
United Kingdom				
Emmi UK Limited, London	GBP	4,717	100%	100%
Canada				
Emmi Canada Inc., Saint-Hubert	CAD	19,152	100%	100%
United States				
Emmi Holding (USA), Inc., Orangeburg	USD	1	100%	100%

¹⁾ Emmi Fondue AG was renamed Emmi Langnau AG on 29 June 2021.

²⁾ Holding der Schweizerischen Milchproduzenten AG in liquidation was deleted on 26 January 2021.

The above-mentioned investments are directly held by Emmi AG. Investments which are indirectly held by Emmi AG are mentioned in note 31 of the consolidated financial statements.

2.6 Share capital and significant shareholders

The share capital of KCHF 53,498 as at 31 December 2021 consists of 5,349,810 registered shares with a nominal value of CHF 10 (unchanged on the previous year).

1,072,536 shares or 20.0% were not registered as at 31 December 2021 (previous year: 1,045,887 shares not registered or 19.5%).

The following significant shareholders with more than three percent of voting rights are known to the company:

Nominal capital	31.12.2021	%	31.12.2020	%
ZMP Invest AG, Lucerne ¹⁾	28,488	53.2	28,488	53.2
Zentralschweizer Käsermeister Genossenschaft, Sursee ¹⁾	2,150	4.0	2,200	4.1
MIBA Genossenschaft, Aesch (BL) ¹⁾	1,740	3.3	1,770	3.3
Other	21,120	39.5	21,040	39.4
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Käsermeister Genossenschaft, Sursee, and the MIBA Genossenschaft, Aesch (BL), form a Group in the sense of Article 121 FinMIA. The Group owns 60.5% (previous year: 60.6%) of the total voting rights.

As at 7 June 2016, Capital Group Companies, Inc., Los Angeles, US, informed us that it owned 268,500 registered shares of Emmi AG (5.019%). No further disclosure notifications have been made since.

As at 31 December 2021, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares of Emmi AG (unchanged on the previous year).

2.7 Capital contribution reserve

	31.12.2021	31.12.2020
Confirmed by the tax authorities	2,522	2,522
Not confirmed by the tax authorities	5,772	5,772
Total	8,294	8,294

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

3. Other disclosures

3.1 Full-time equivalents

In 2021 and in the previous year, Emmi AG employed fewer than 10 employees on average.

3.2 Collateral provided for liabilities of third parties

	31.12.2021	31.12.2020
Guarantees and joint liability for loans of Group companies	660,748	467,732
Of which used by Group companies	508,954	320,353
Other guarantees for Group companies	1,200	1,200

3.3 Contingent liabilities

Emmi AG is jointly and severally liable for the VAT liabilities of the other Swiss-domiciled Emmi companies and of the Central Switzerland Milk Producers Cooperative (ZMP) and ZMP Invest AG.

3.4 Net release of hidden reserves

In the year under review, there were no releases of hidden reserves (previous year: KCHF 41).

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

As at 31 December 2021, individual members of the Board of Directors, the Agricultural Council and Group Management (including affiliated persons) held the following number of shares in the company:

	No. of shares 31.12.2021	No. of shares 31.12.2020
Board of Directors		
Konrad Graber, Chairman	960	950
Thomas Oehen-Bühlmann, Vice-Chairman	615	615
Christian Arnold-Fässler, Member (until 15.4.2021)	n/a	30
Monique Bourquin, Member	–	–
Dominik Bürgy, Member (since 15.4.2021)	–	n/a
Thomas Grüter, Member (since 15.4.2021)	–	n/a
Christina Johansson, Member	–	–
Niklaus Meier, Member (until 15.4.2021)	n/a	200
Alexandra Post Quillet, Member	–	–
Franz Steiger, Member	400	400
Diana Strebel, Member	–	–
Agricultural Council		
Pirmin Furrer	–	–
Stephan Hagenbuch	50	50
Peter Hegglin	–	–
Andreas Hitz	50	50
René Schwager	–	–
Group Management		
Urs Riedener, CEO	–	–
Marc Heim, Deputy CEO	150	150
Robin Barraclough, Member	20	20
Ricarda Demarmels, Member	–	–
Kai Könecke, Member	–	–
Matthias Kunz, Member	27	27
Thomas Morf, Member	–	–
Natalie Rüedi, Member	–	–

The members of the Board of Directors, the Agricultural Council and the Group Management own a total of 2,272 shares (previous year: 2,492 shares) and thus hold 0.04% of the voting rights.

3.6 Significant events after the balance sheet date

From the balance sheet date until the financial statements were approved by the Board of Directors on 3 March 2022, no other major events occurred which could have adversely affected the validity of the financial statements for 2021 or which would have to be disclosed.

Proposed appropriation of available earnings

in CHF 000s

Available earnings	31.12.2021	31.12.2020
Retained earnings carried forward	3,737	2,237
Net profit	123,067	101,048
Available for distribution by the General Meeting	126,804	103,285

Appropriation of available earnings

The Board of Directors proposes that the General Meeting approve the distribution of a dividend of CHF 14.00 (previous year: CHF 13.00) gross per registered share for the 2021 financial year, to be paid out of retained earnings (subject to withholding tax).

Earnings available for distribution by the General Meeting	126,804	103,285
Dividend	-74,897	-69,548
Allocation to free reserves	-50,000	-30,000
Carried forward to new account	1,907	3,737
Total distribution	74,897	69,548
Of which from other available earnings	-74,897	-69,548

Auditors' report



Statutory Auditor's Report

To the General Meeting of Emmi AG, Lucerne

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Emmi AG, which comprise the balance sheet as at 31 December 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 122 to 130) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

A handwritten signature in black ink, appearing to read 'FR-11', written over a light blue horizontal line.

François Rouiller
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink, appearing to read 'M. Odoni', written over a light blue horizontal line.

Manuel Odoni
Licensed Audit Expert

Lucerne, 3 March 2022

Share information of Emmi AG

Stock exchange information		2021	2020	2019	2018	2017
Share price at 31.12.	in CHF	1,076.00	911.50	842.50	681.50	701.50
Year's high (end-of-day position)	in CHF	1,101.00	949.50	967.50	868.00	764.00
Year's low (end-of-day position)	in CHF	896.50	732.50	680.00	671.00	608.00
Market capitalisation at 31.12.	in CHF million	5,756	4,876	4,507	3,646	3,753
Average trading volume	Units	3,086	5,454	5,693	4,842	5,377

Key share data						
Earnings per share	in CHF	40.51	35.21	36.45	48.79	34.98
Adjusted earnings per share	in CHF	40.51	37.86	36.45	38.16	34.98
Shareholders' equity per share	in CHF	202.07	210.67	225.58	221.44	186.38
Return on shareholders' equity ¹⁾	in %	19.47	9.61	24.94	-1.43	14.74
Distribution	in CHF	14.00	13.00	12.00	9.00	10.00
Distribution rate ²⁾	in %	34.56	36.92	32.92	18.45	28.59
Adjusted distribution rate ³⁾	in %	34.56	34.34	32.92	23.58	20.01 ⁴⁾
Dividend return ⁵⁾	in %	1.30	1.43	1.42	1.32	1.43

1) (Share price gain per share + distribution per share)/share price at the beginning of the year

2) Distribution per share/earnings per share

3) Distribution per share/adjusted earnings per share

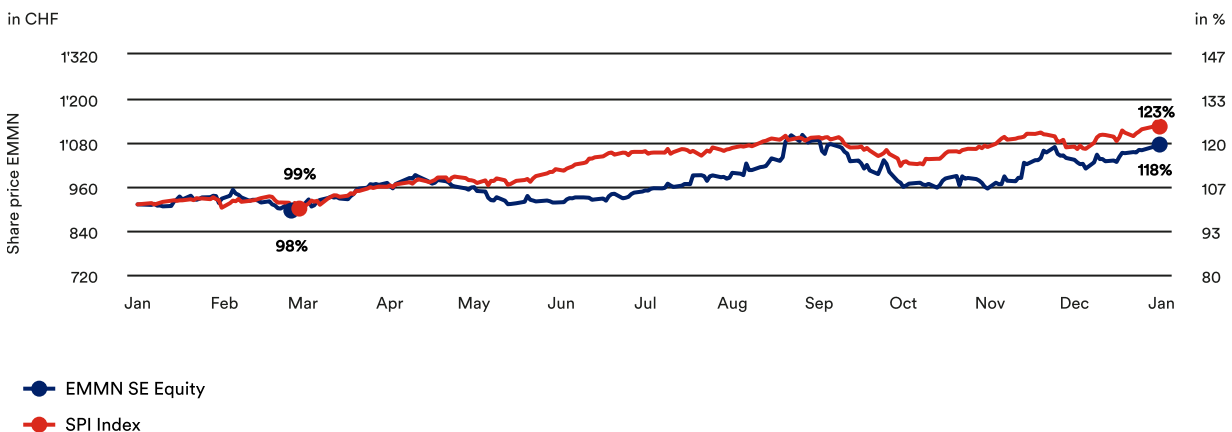
4) Based on the regular dividend of CHF 7.00 (without "siggi's" special dividend and anniversary dividend)

5) Distribution per share/year-end closing price

Capital structure at 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	20,592,664
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 2021



Editing

Emmi Corporate Communications, Lucerne

Concept, design, usability and realisation

Farner Consulting AG, Zurich

Technical realisation

NeidhartSchön AG, Zurich

Translation

Lionbridge Switzerland AG, Basel

The Annual Report is published in German and in English. The German version is binding.

The Annual Report or any part thereof do not constitute an invitation to invest in Emmi shares. Any forward-looking statements contained reflect current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements.

Potential risks and uncertainties include such factors as general economic conditions, foreign exchange and commodity price fluctuations, competitive product and pricing pressures, regulatory developments and IT failure risks.

Emmi is providing the information in this report as of the dates specified and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.



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