

Annual Report 2014



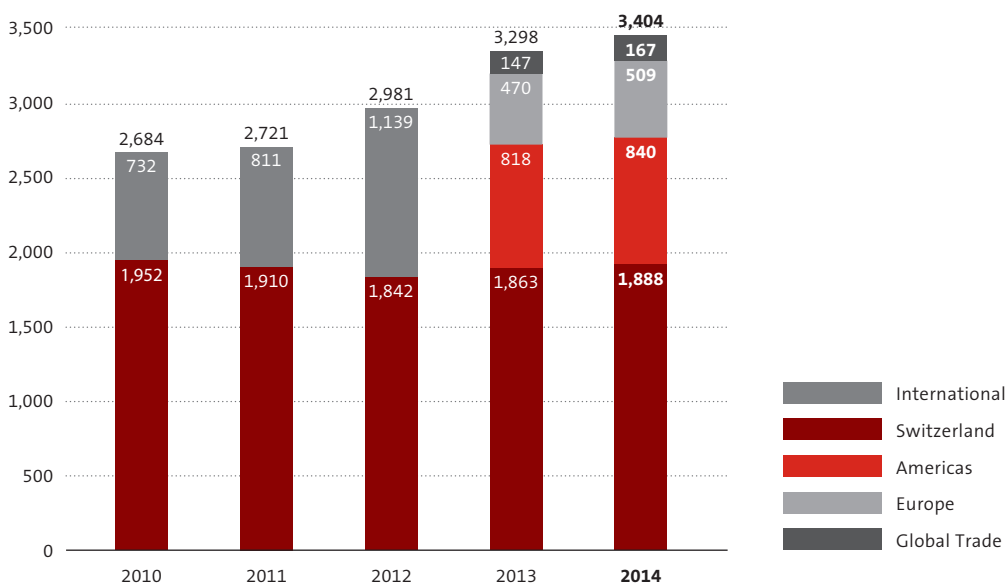
Emmi in brief

Net sales	CHF	3,404	million
EBITDA	CHF	293	million
EBIT	CHF	136	million
Net profit	CHF	79	million
Total assets	CHF	2,532	million
Shareholders' equity incl. minority interests	CHF	1,313	million
Headcount (full-time equivalents)		5,207	

Key figures Emmi Group

Net sales

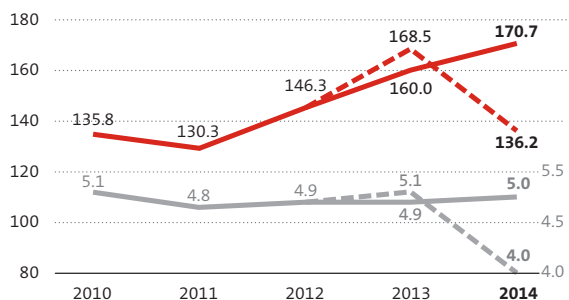
in CHF million



EBIT

in CHF million

as % of net sales

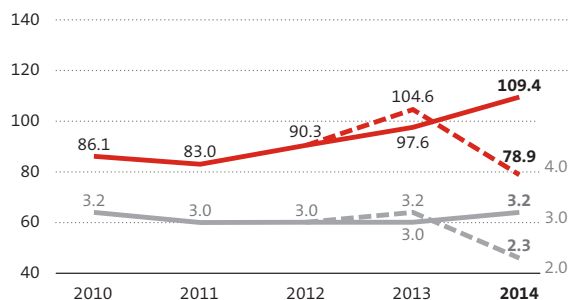


--- EBIT
 — Adjusted EBIT
 --- EBIT as % of net sales
 — Adjusted EBIT as % of net sales

Net profit

in CHF million

as % of net sales

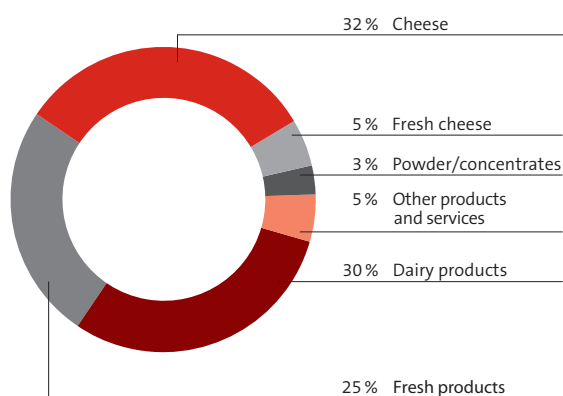


--- Net profit
 — Adjusted net profit
 --- Net profit as % of net sales
 — Adjusted net profit as % of net sales

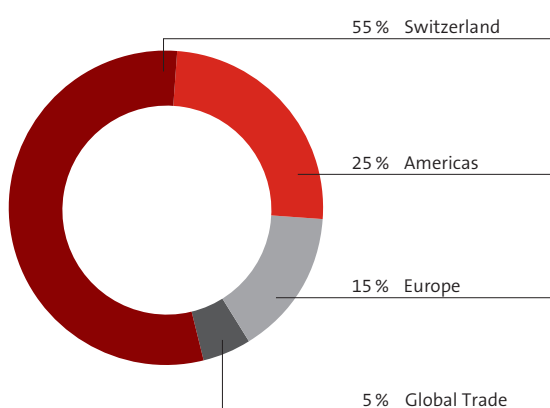
Amounts in CHF million	2014	2014 adjusted*	2013	2013 adjusted*
Net sales	3,404		3,298	
Acquisition effect in %	1.3		8.6	
Currency effect in %	-1.1		0.4	
Net sales increase in organic terms (in loc. currency) in %	3.0		1.6	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	293.1	292.0	280.1	271.6
as % of net sales	8.6	8.6	8.5	8.2
Earnings before interest and taxes (EBIT)	136.2	170.7	168.5	160.0
as % of net sales	4.0	5.0	5.1	4.9
Net profit	78.9	109.4	104.6	97.6
as % of net sales	2.3	3.2	3.2	3.0
Investment in fixed assets (excl. acquisitions)	118.4		126.2	
as % of net sales	3.5		3.8	
Headcount (full-time equivalents) as at 31.12.	5,207		5,217	
Net sales per employee CHF 000s (average)	654		632	
Volume of milk and cream processed in kg million	1,702		1,465	
	31.12.2014		31.12.2013	
Total assets	2,532		2,500	
of which shareholders' equity incl. minority interests	1,313		1,258	
as % of total assets	51.9		50.3	

* Adjusted for non-recurring effects. Non-recurring effects had an impact of CHF -34.5 million on EBIT and CHF -30.5 million on net profit (2013: CHF 8.5 million and CHF 7.0 million, respectively). Non-recurring effects in 2014 resulted from the impairment charge in Italy as well as from the extraordinary gains on the sale of entities, businesses and property, plant and equipment. The non-recurring effects of the previous year resulted solely from the extraordinary gains on the sale of property, plant and equipment.

Net sales by product group



Net sales by business division



Emmi Group Annual Report 2014

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

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

Interplay as the determining factor

As simple as a yogurt or cheese may appear to be, its production is multifaceted and complex. A bright idea, precise production planning, high-quality raw materials, practical and yet attractive packaging, sophisticated logistics and a great deal of passion – all these are elements needed for consumers to hold a premium product in their hands. The images in this year's annual report reveal layer by layer what it is that makes Emmi products what they are: high-quality dairy products that delight.



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Quality is no coincidence



Even for natural products, quality is not something that comes about by itself. From delivery of the milk to the consumer-ready product, numerous checks are needed, starting with the farmer and ending in the chiller cabinet. Does the milk meet the hygiene standards? Are the protein and fat content correct? Do the fruit meet our quality expectations? Is the temperature correct at all stages of production? Do the products meet the wishes of consumers in terms of flavour, taste, appearance and consistency? Was the order processed correctly? The best procedure is only as good as the person monitoring it. In addition to technical tools, people are therefore always required for their experience, instinct and initiative. This interplay is the key to the quality of Emmi and its subsidiaries worldwide.



Setting a new course

Dear Shareholders

2014 began for Emmi with the new organisation centred around the four business divisions Switzerland, Americas, Europe and Global Trade, through which the company is adjusting to increasing internationalisation while also strengthening the Swiss business. Because the business division Switzerland has an experienced management team with clearly allocated resources, meaning that it can better promote high-potential concepts. This was done successfully this last year, with the result that the growth targets for both the Group and the Swiss market were comfortably achieved.

Emmi generated net sales of CHF 3,404 million in 2014 – an increase of 3.2%. Adjusted for acquisitions and currency effects, this resulted in organic growth of 3.0%. Following the impairment in Italy, net profit and net profit margin were in line with the expectations announced in August 2014, amounting to CHF 78.9 million and 2.3% including extraordinary effects, or CHF 109.4 million and 3.2% excluding these effects.

Adjusted net earnings per share were CHF 20.45 (previous year: CHF 18.24). A proposal will be made to the Annual General Meeting for a gross dividend from capital reserves of CHF 3.80 per registered share.

Impairment at Trentinalatte

The challenging economic situation in Italy and the resulting price erosion in the yogurt business led to an impairment charge of CHF 38.5 million at Trentinalatte in the first half-year. The subsequent sale of Trentinalatte led to an additional loss of CHF 4.2 million, in particular due to the reclassification of foreign currency losses from equity to the income statement. Aside from these negative extraordinary effects, there were positive extraordinary effects of CHF 8.2 million from gains on the disposal of fixed assets and the sale of the Emmi Penn Yan business, resulting overall in an extraordinary negative effect of CHF 34.5 million on EBIT and CHF 30.5 million on net profit.

Being successful with strong brands

Targeted improvement of the product portfolio and strengthening brand concepts with high potential is a strategic priority for Emmi. The 2014 results confirm that we are taking the right approach. Export stars such as Emmi Caffè Latte as well as Kaltbach and other Swiss cheese specialities excelled both in Switzerland and abroad. Kaiku's lactose-free range was a top performer in Spain. The Bontà Divina and Rachelli desserts delighted consumers in more than a dozen countries, and both the retail trade and food service businesses made gains in the US.

However, implementing a strategy also involves analysing markets, questioning their prospects and shifting emphasis if necessary. As a consequence of this, Emmi sold the Italian company Trentinalatte. It also disposed of the Emmi Penn Yan fresh products business in the US at a profit. This sale frees up additional resources for the North American speciality cheese business, which Emmi strengthened further in early 2015 with the purchase of the cheese business of J.L. Freeman, one of Canada's leading importers of speciality cheeses. A further focus was the increase in our stake in German organic dairy Gläserne Molkerei, which is a good fit with Emmi due to its high quality requirements and its focus on the less price-sensitive organic segment. Emmi also increased its holding in Emmi Fondue AG based in Langnau, Switzerland, from 65% to 99%.

“Implementing a strategy also involves analysing markets, questioning their future prospects and shifting emphasis if necessary.”

Konrad Graber

Currency capers

The dramatically strengthened Swiss franc is the greatest challenge in 2015. Our exports to the euro zone lost up to 20% in value within just a few days. Consumer tourism in areas close to the Swiss border increased markedly, leading to immediate price reductions among Swiss retailers. The decline in tourists from the EU will lower our sales in the catering and hospitality sector. Emmi expects that the euro exchange rate will not recover significantly in the current year and remain on the level it was in February.

“Business division Switzerland has an experienced management team with clearly allocated resources, meaning that it can better promote high-potential concepts.”

Urs Riedener



Urs Riedener, CEO, and Konrad Graber, Chairman

This is not the first time that Emmi is facing massive currency disadvantages, and the Group has proven that it can also navigate in turbulent waters. We have put together a package of measures, with price increases on export products as the main measure. Internally, we have implemented additional cost saving measures and programmes to enhance efficiency at our facilities. In addition, a reduction in prices for milk that is processed for export products and price negotiations with our international suppliers were unavoidable. Emmi is ensuring through these provisions that Swiss dairy products continue to be marketable abroad.

Into the future with innovation

As an exporting Swiss company, Emmi will not weather the difficult year entirely unscathed. However, given the various measures, we are confident that the losses will be within a range that is easy to digest. Emmi will be able to achieve this because it is well diversified in terms of markets and products. We expect considerable growth in sales in the US and in Tunisia. Spain is forecasting growth of 2% to 3% in the retail trade after some tough years, and Switzerland of course remains a key pillar. Emmi's stability is also a benefit of its strong brands. We are doing everything we can to develop them and the company further, work even more efficiently and delight consumers with innovative, high-quality products. We would like to thank our customers, milk producers, suppliers, shareholders and employees for supporting us in this.

Konrad Graber
Chairman

Urs Riedener
CEO

Looking back on an eventful 2014

Many small events make each year at Emmi extraordinary. 2014 was also shaped by a range of episodes, experiences and successes. They represent the culture of Emmi and the ambition to do something special. They advance the company further and bring pleasure. The following pages cover a small selection of them.



January

- A taste of India from Switzerland: Emmi launches Chai Latte, the tea made from Swiss milk, black tea, spices and sugar.
- Forty former Swiss Olympic and World Championship skiing heroes get together to enjoy fondue at the Emmi chalet in Adelboden.



February

- "Intelligent mobility" is Emmi's sustainability motto for 2014.
- Emmi Caffè Latte celebrates its 10th anniversary.



March

- The right raw material as a basis: Emmi awards a prize for the best milk quality to its milk suppliers for the first time in 2014.
- Emmi presents good 2013 results thanks to broadly based growth both in Switzerland and abroad.



April

- Expansion of the Cypress Grove Chevre goat's milk cheese dairy in California, with the necessary increased capacity, is completed.
- Record-breaking General Meeting: with over 1,200 shareholders present, attendance is higher than ever.



May

- Ski talent Nils Mani, who is sponsored by Emmi, is young athlete of the year for 2013.
- Emmi Mozzarella delights with a new recipe and significantly increases sales.



June

- Spain closes the first half with higher sales, also thanks to the successful "sin lactosa" lactose-free range from Kaiku.
- Emmi launches a "Greek-style" yogurt in Asia.



July

- Over 200 employees move into the new headquarters in Lucerne.
- The powder tower of Dutch Emmi subsidiary AVH Dairy Trade and its joint venture partner Bettinehoeve comes into operation.



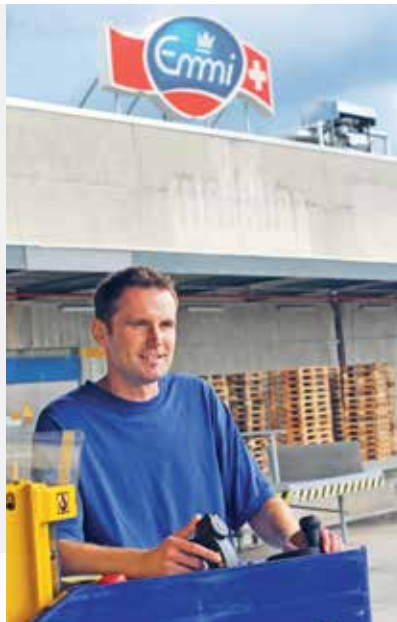
August

- Emmi increases its stake in German organic dairy Gläserne Molkerei to 76 %.
- railCare: Emmi products now also travel to Coop stores in French-speaking Switzerland by combined transport.



September

- With the two new seasonal varieties Plum and Blood Orange, Emmi Pure Swiss Yogurt, the yogurt with no additives, continues its success story.
- Emmi Caffè Latte is now available in a caffeine-free variety.



October

- Investments in the Swiss production location: after eight months of expansion, the logistics centre in Ostermundigen handles 1,800 pallets a day.
- A healthy start to the day: Aktifit has a new look, with a new recipe and the Orange and Mandarin winter variety.



November

- The Swiss Junior National Culinary Team, which is sponsored by Emmi, wins gold in the World Championships.
- There is also gold at the World Cheese Awards, for Kaltbach among others.



December

- Emmi repurchases a 34 % stake in Emmi Fondue AG.
- The popular Emmi Choco Latte has a new look.

From high-quality raw material to international star



More than 80 % of the nutrition of Swiss dairy cows is grass and hay. The proportion of concentrated feed is three times lower than in the EU; in addition, only GM-free feed is used. Swiss farmers supply an excellent basis. It is our role to make products from this that can hold their own both in Switzerland and abroad – for example, Emmi Caffè Latte. Each production step is checked to guarantee consistent quality. Freshly brewed coffee from certified coffee beans and, depending on the variety, ingredients such as vanilla, cocoa and sugar are added. Stable packaging with a drinking hole so that it can be enjoyed on the move and the right marketing to whet consumers' appetites are also needed. Thanks to the interplay of all of these factors, Emmi Caffè Latte is a valuable player in the international coffee drink landscape.



International success as a Swiss company

Emmi continues to base its strategy on three pillars: a strong Swiss market, growing international markets and rigorous cost management. This focus has proven effective. Emmi has demonstrated that it can hold its own in international markets. Products such as Kaltbach and Emmi Caffè Latte are well known beyond the Swiss borders.

Group structure

Within 20 years, Emmi developed from a medium-sized, regionally focused company into an international Group and increased its sales six-fold. Emmi has taken this development into account in the new organisation that was introduced on 1 January 2014. Through the four business divisions Switzerland, Americas, Europe and Global Trade, the company is establishing clear priorities and setting the course for sustainable growth, including in Switzerland. Because the business division Switzerland has an experienced management team with clearly allocated resources. This is an important requirement in promoting successful brands strongly and effectively.

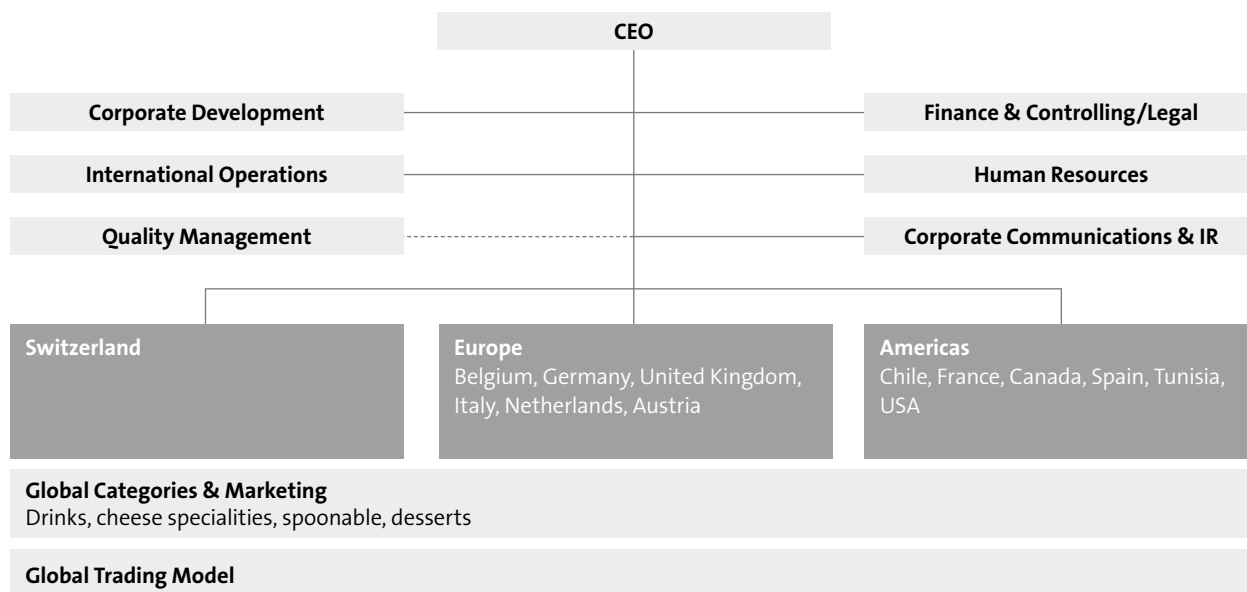
With its three business models – Global Categories, Global Trading Model and Local Model – Emmi ensures that marketing investments are made most effectively.

Geographical focus

Emmi has established itself in 13 countries, through subsidiaries and holdings. In these markets, the company focuses on the export of premium products from Switzerland and on regionally well-anchored product ranges. In the long term, its presence will be increased to between 15 and 18 markets, which together account for around 40% of global milk consumption.

Growth markets outside Europe will become increasingly important in line with this expansion, and acquisitions will continue to be significant, although their pace will be slower. Organic growth will therefore become increasingly relevant. Emmi has laid the foundations for this by overhauling the product portfolio, making targeted investments in several locations and strengthening successful brands. In doing so, Emmi aims to distinguish itself with a high level of innovation and convincing quality.

Group structure



Cost-conscious budgeting

In the past, Emmi has been able to save several million Swiss francs per year through improvements in productivity. To remain internationally competitive, this high degree of cost awareness will continue to be a top priority in the future – not least due to the negative currency effects to which Swiss companies are frequently subject. The efficiency programmes that previously focused largely on the Swiss market have been stepped up at international level since 2014. By transferring knowledge from Switzerland to the international production sites, Emmi is expecting further noticeable savings.

Standardisation of purchasing: By developing a purchasing network between Emmi in Switzerland and the subsidiaries and harmonised purchasing conditions, raw material and investment costs can be lowered and quality assurance standardised.

Exploiting synergy potential: Through internal consulting on project management, the use of best practices and the exchange of recipe know-how, risks are minimised, synergies achieved in maintenance and quality assurance stepped up.

Systematisation of operational processes: Optimised production planning, efficient warehouse management and clearly defined production processes help to reduce raw material losses, improve utilisation and enhance planning security.

Acquisitions in 2014

Gläserne Molkerei

The organic dairy Gläserne Molkerei has sites in Dechow (Mecklenburg-West Pomerania) and Münchehofe (Brandenburg). In 2014, Emmi increased its stake from 24% (in 2012) to 76%. Gläserne Molkerei is a leading organic milk processor in Northeast Germany. It produces a high-quality range of milk, cheeses and other dairy products, which it markets primarily in Germany. During the three months it was owned by the Group, Gläserne Molkerei contributed roughly CHF 30 million to sales. Emmi has been the largest processor of organic milk in Switzerland for a number of years. By increasing its stake in Gläserne Molkerei, Emmi has further strengthened its expertise and position in this segment.

Business models

Global Categories

Drinks, cheese specialities, desserts and spoonable: Products with high potential are managed at Group level and therefore marketed more strongly in all countries with the corresponding synergy effects.



Global Trading Model

Products that are sold in countries where Emmi has no subsidiaries such as the Asian market. They are also managed at Group level.



Local Model

Products that are sold in individual countries only but are very important in these countries. Here, the regions are responsible for marketing the products successfully.



Careful handling of resources

Emmi understands sustainability in business to mean careful handling of key resources: financial means, time, natural resources, energy and not least employees and their knowledge – human capital – are therefore at the heart of sustainability efforts.

In addition to financial reporting, Emmi provides an account of the key environmental figures and explains a selection of human resources measures as part of its annual reporting. Detailed information on these two pillars of sustainability can be found in the separate Sustainability Report.

Environment

Cutting CO₂ emissions, efficient energy and water use, and reducing waste are key aspects of environmental management.

CO₂

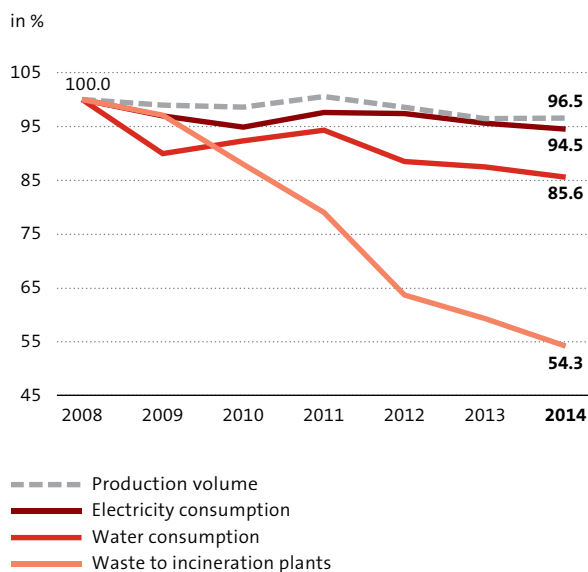
Emmi primarily orients its environmental efforts towards achieving the CO₂ objectives agreed with the federal government. The company met the requirements of the federal government for the first commitment period (2008 to 2012). In the second commitment period (2013 to 2020), the Swiss government has specified a CO₂ reduction of 20 % (compared with 1990). Measures to reduce CO₂ emissions include improving energy efficiency and replacing fossil fuels such as oil with lower-emission alternatives.

Energy

Milk processing involves energy-intensive processes. In particular, the cold chain during transport and storage as well as warming and cooling raw materials during processing require large amounts of energy. In total, Emmi's annual energy consumption is over 300 gigawatt hours. Gas and electricity are by far the most frequently used energy sources.

In 2014, Emmi's electricity consumption in Switzerland was 117.6 gigawatt hours, which corresponds to a decrease of 1.1 %. For example, consumption in 2014 alone was reduced by 0.5 gigawatt hours at the Suhr production facility.

Environmental index Emmi in Switzerland 2008–2014



Water

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

In 2014, water consumption at all Emmi sites in Switzerland amounted to 2.7 million m³, which represents a slight improvement (-1.8 %) compared to the previous year. In absolute terms, the largest production site in Ostermundigen made particularly good progress: by reusing water several times and optimising cleaning, more than 40,000 m³ of fresh water were saved (-7.1 %). Investments were also made in environmentally compatible technologies at smaller sites, such as the Sbrinz AOP maturation facility in Lucerne. By switching from water to air cooling, fresh water consumption was reduced by 95 % (from 6,400 to 300 m³). As an economical heat pump was also installed at the same time, electricity consumption at the same site was also cut by 1.8 %.

Waste

Reducing waste volumes has two benefits: waste disposal costs are cut, and resources are saved through lower production losses.

Over the past five years, waste volumes generated at Swiss Emmi sites have been almost halved to just over 1,700 tonnes. Further improvements were also achieved in 2014 (-8.4%). Almost 60 tonnes less waste (-14.4%) were generated at the Emmen site. This is once again due to reduced losses as well as greater efforts in waste separation and recycling.

Milk as a raw material

Milk production is the most important branch of Switzerland's agricultural sector, generating income of more than CHF 2 billion.

Today, some 23,000 Swiss milk production facilities produce a total of 3.5 billion kilograms of milk for sale to the milk processing companies. Emmi processes around one-quarter of the total milk volumes marketed in Switzerland, or roughly 940 million kilograms of milk in 2014.

Added to this is the milk that Emmi purchases in the form of cheese from local cheese dairies throughout Switzerland. Emmi generally then stores this cheese further, refines and packages it, and sells it to customers both in Switzerland and abroad. The volume of cheese purchased and handled in Switzerland alone amounts to more than 35,000 tonnes annually, which represents a further 350 million kilograms of milk.

Emmi therefore holds an important position in the Swiss dairy industry and is conscious of the associated responsibility. In specific terms, the company supports the Swiss Milk Sector Organisation (BOM), which implements segmentation to counteract overproduction, and pays market price for milk.

In contrast to Switzerland, Emmi and its subsidiaries hold a rather modest position in foreign milk markets, measured in terms of volumes of milk processed. The company's foreign subsidiaries purchased a total of 728 million kilograms of milk (previous year: 532 million kilograms) in 2014. The Kaiku production sites in Spain and South America (477 million kilograms) and the two Gläserne Molkerei sites in Germany (126 million kilograms) account for the majority of foreign milk volumes.

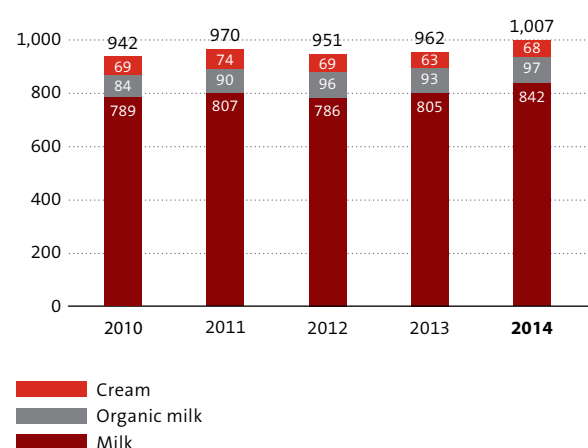
Not all milk is the same

In addition to conventional cow's milk, Emmi also processes other milk specialities at its numerous production sites in Switzerland and abroad. The volume of organic milk purchased by Emmi in Switzerland totalled 97 million kilograms (previous year: 93 million kilograms), which means that Emmi remains the largest processor of Swiss organic milk. Added to this are regional, mountain and Alpine products. Among the production sites abroad, Gläserne Molkerei in Germany and Italian dessert manufacturer Rachelli process organic and Demeter milk, respectively.

The trend for goat's milk continued. The Emmi Group processed just under 9.1 million kilograms of goat's milk in 2014 (previous year: 2.9 million kilograms); this volume is divided between Kaltbach and the Biedermann dairy in Switzerland (total 1.8 million kilograms), AVH Dairy Trade in the Netherlands (5.9 million kilograms) and Cypress Grove Chevre in the US (1.3 million kilograms). AVH Dairy Trade continued to handle large volumes of conventional and organic goat's milk. Sheep's milk products are a comparatively small segment, with volumes of 1.3 million kilograms (+3.0%). In Switzerland, the Biedermann dairy (90% organic quality) and the Kaltbach cheese dairy process sheep's milk. Dutch subsidiary AVH Dairy Trade continued to trade conventional and organic sheep's milk products.

Volumes of milk and cream purchased

in Switzerland, in kg million

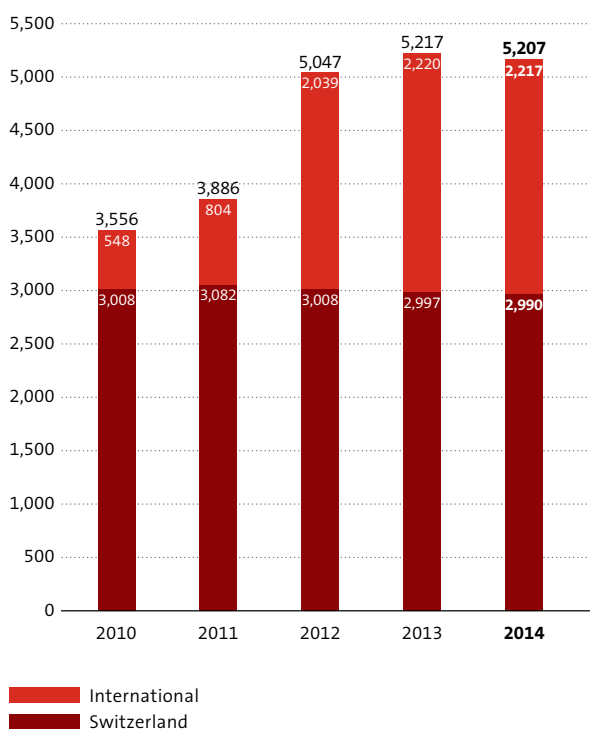


Employees

Employees are a key success factor for Emmi. Their quality is absolutely essential. The best raw ingredients are only made into the finest products if employees really master their craft and apply this to the best of their knowledge and judgement. Processes are only as reliable as the individuals involved. Quality and safety can only be ensured with an appropriate working culture. Innovation occurs where expertise is coupled with motivation and enthusiasm.

Headcount

Number of full-time equivalents



Offering an attractive start to careers

As a result, professional training is a high priority at Emmi – especially in Switzerland. It is not just a case of finding the right people for the approximately 50 new apprenticeships every year, but also offering apprenticeship profiles that correspond to the skills that will be required in future.

The most common apprenticeship at Emmi in Switzerland is dairy technologist (just under 40% of apprentices). This training is the ideal basis to develop further within – and also beyond – the production structure of the company. Of the some 30 Swiss production sites, a substantial number are managed by employees who originally trained as dairy technologists or in another previous occupation (e.g. cheese-maker). Other key apprentice profiles include logistician (just under 20% of apprentices) and plant supervisor (15% of apprentices).

The recruitment of suitable apprentices is a challenging task. Due to demographic change and the constantly increasing popularity of academic education, fewer and fewer young people are choosing apprenticeships. Emmi has therefore set itself the target of employing around 10% more apprentices (107 instead of 91) in future. Direct contact with school students is essential to find the best people for these positions. For example, under the pilot project “School Meets Working World” launched in 2014, vocational trainers and apprentices from Emmi in Kirchberg visit schools in the surrounding area. The students find out more about the different professions in a role play from everyday operations at an Emmi production site, creating an ideal atmosphere to talk to potential apprentices. Further school visits are planned in 2015.

Emmi trains its apprentices professionally and with a great deal of commitment – with content that extends far beyond the usual level. Following their basic vocational training, the young professionals can be compared to rough diamonds. To develop them further, at the end of 2014, the company sent up-and-coming Swiss experts to two foreign production sites for the first time as part of the pilot project “Young Professionals Abroad”. This 12-month placement abroad should serve to promote professional and personal development, as well as improve language skills. A decision will be taken on whether to continue this project at the end of 2015.

Healthy and happy

Healthy employees everywhere, all the time: to achieve this aim, the specific working situations of various employee groups are being considered separately as part of occupational health management at Emmi. For example, in 2014, shift work at the Emmen site was supported with a range of information measures. The focus was on the subjects of nutrition and sleep, on which external experts gave talks.

Supporting corporate change

Emmi is a dynamic company. Innovation, growth and internationalisation have been playing a role for the company and its employees for many years. However, the launch of the OneERP project marked the start of a period of above-average change. At its core, OneERP only describes the introduction of the corporate software SAP. Yet linked to this are the review, adjustment and standardisation of numerous processes at all sites.

The type and scope of change for employees differ depending on location and function. Due to this complexity, great importance is attached to change management. Headed by HR, a small group of specialists from various areas of the company are supporting the project through a range of measures. For example, providing understandable information to all groups affected and structuring training on the new software for end users such that the focus is always on the actual working situations of those participating. Workshops with managers are also important to identify the extent of change, as are discussions with the highly committed project staff. This enables situations of particular pressure to be anticipated and alleviated in good time.

OneERP will continue to have a strong influence on Emmi's human resources through to 2017 – after the numerous cheese dairies are connected to SAP, probably in mid-2016.

In harmony with nature



The cave-aged Kaltbach specialities are not only a treat for the taste buds but also give pleasure from an environmental point of view. The year-round stability of the cave climate means that no heating or cooling energy is required for storing the cheeses. Careful handling of natural resources does not end with production, though. Together with our retail customer Coop, we have optimised logistics to the distribution centres in environmental terms with the transport company railCare. Cheese from Kaltbach and many other Emmi products therefore largely make their way to Coop chiller cabinets in Italian- and French-speaking Switzerland by rail. Constantly rethinking established processes internally and together with our partners: this is part of the service that our customers and we ourselves rightly expect from us.



Castione-Arbedo



HÖHLENGEREIFT
AFFINÉ EN GROTTE

CREMIG-WÜRZIG
ONCTUEUX ET CORSE



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The following information complies with the Directive on Information Relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange as well as the Articles of Association and Organisational Regulations of the Emmi Group. Unless otherwise indicated, all data relate to the balance sheet as at 31 December 2014.

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

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

1. Group structure and shareholders

1.1 Group structure

The Group structure is shown on this page.

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

Market capitalisation, securities number and ISIN number, see page 91

Consolidated companies, see pages 75 to 78

1.2 Significant shareholders

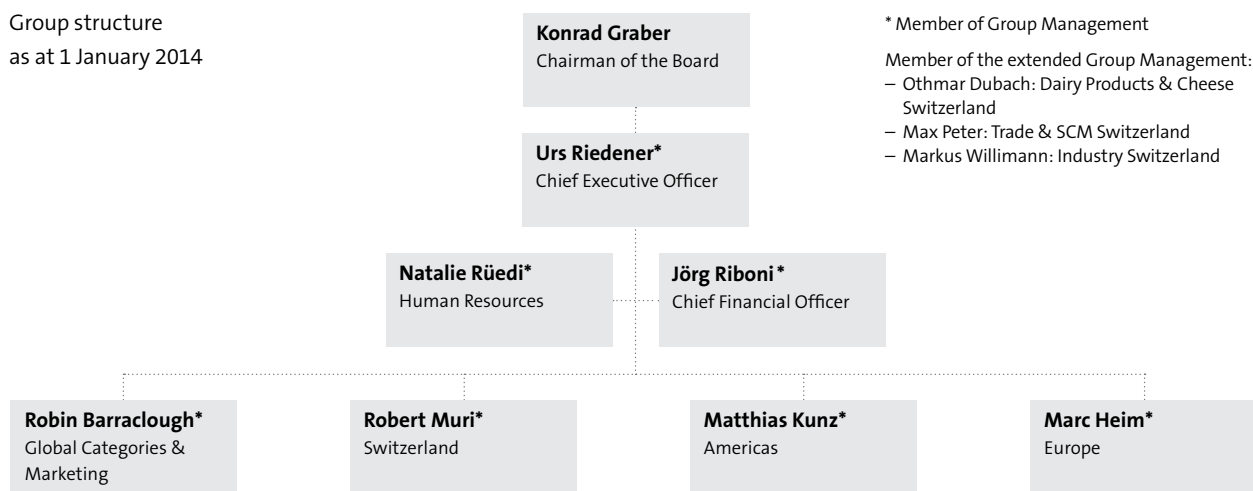
Significant shareholders, see page 85 (“Shareholders”)

ZMP Invest AG, Lucerne, the Zentralschweizerischer Milch-käuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Basel, form a group in the sense of Art. 20 Sesta. The group owns 62.5 % (previous year: 62.6 %) of the total voting rights.

1.3 Cross-shareholdings

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

Group structure
as at 1 January 2014



* Member of Group Management

Member of the extended Group Management:

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

Group functions:

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

2. 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 2014, 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 2011 to 2014 can be found on page 83.

2.4 Shares and participation certificates

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

 Further information on shares, see page 91

2.5 Dividend-right certificates

No dividend-right certificates exist.

2.6 Restrictions on transferability and nominee registrations

There are no restrictions on the transfer of registered shares of Emmi. The only precondition for entry in the share register and hence for the exercise of voting rights is a declaration on the part of the purchaser that the shares have been acquired in their own name and for their account. No other registration restrictions exist. The registration of fiduciaries/nominees without voting rights is permitted. On request, the Board of Directors shall decide on 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 neither convertible bonds nor options outstanding to acquire ownership interests in Emmi. The same applies to the other Group companies.

3. Board of Directors

All nine members of the Emmi Board of Directors are non-executive members (see table page 26) who were not previously members of Emmi Group Management or the management team of one of the subsidiaries.

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

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

3.1 Members of the Board of Directors



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

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

3.2 Professional background and other activities and interests

Konrad Graber

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

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

Thomas Oehen-Bühlmann

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

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

Christian Arnold-Fässler

Member of the Board of Directors since 2012

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

Stephan Baer

Member of the Board of Directors since 1999

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

Monique Bourquin

Member of the Board of Directors since 2013

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

Hans Herzog

Member of the Board of Directors since 2002

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

Niklaus Meier

Member of the Board of Directors since 2012

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

Josef Schmidli

Member of the Board of Directors since 2003

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

Diana Strebel

Member of the Board of Directors since 2012

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

3.3 Permitted number of activities

In accordance with the Ordinance against Excessive Compensation in Listed Companies (VegüV), the Board of Directors will propose an appropriate new provision in the Articles of Association to the next Ordinary General Meeting. For details, please refer to the invitation to the General Meeting on 22 April 2015, which will be published on 26 March 2015, available at <http://group.emmi.com/en/media-ir/dates.html>.

3.4 Election and term of office

The first election of members can be seen in the table on page 26. The term of office of members of the Emmi Board of Directors is one year and lasts until the 2015 General Meeting accordingly. Re-election is permitted. There is no restriction on the number of terms of office. The members of the Board of Directors and the Personnel and Compensation Committee are elected by the General Meeting, with the period between one Ordinary General Meeting and the end of the next deemed to be one year. The Chairman is elected by the General Meeting from among the members of the Board of Directors. Elections to the Board of Directors are generally carried out as individual elections. All votes and elections are carried out by open ballot unless a majority requests a secret ballot.

3.5 Internal organisation

Allocation of duties within the Board of Directors

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

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

Composition, duties and delimitation of responsibilities of the committees

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

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

The Audit Committee deliberates on and approves:

- the auditing plan and the personnel budget of Internal Auditing
- the appointment and dismissal of the Head of Internal Auditing
- the auditing plan and the remuneration budget for the external auditors
- the choice of auditors for foreign Group companies
- 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 effectiveness and independence of the external auditors
- the results of internal and external auditing and the monitoring of action plans by management based on these results

- the Group and holding accounts and the results of subsidiary companies
- the annual and investment budget
- the evaluation of risks and of the measures based on this
- financial and liquidity planning as well as business relations with financial institutions
- financial reporting to shareholders and the public
- legal proceedings and out-of-court settlement of disputes whose outcome may have implications for the financial situation of the Group
- Treasury guidelines.

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

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

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

The **Personnel and Compensation Committee** supports the Board of Directors in monitoring the management of the company, in particular from a personnel perspective and regarding compensation issues. It comprises at least three members of the Board of Directors, of whom one 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 CEO and other members of Group Management
- the employer representation in the Emmi Pension Foundation and the Emmi Welfare Foundation.

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

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

- the remuneration system for the compensation of the Board of Directors as well as the remuneration 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 and basic changes to the pension fund regulations and other retirement benefit plans
- the composition of Group Management
- succession planning and the evaluation of candidates for the Board of Directors according to the regulations governing election
- succession planning for the Chairman of Group Management and, at the request of the CEO, for members of Group Management
- the regular review of the organisational regulations.

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

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

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

Working methods of the Board of Directors and its committees

As a rule, the Emmi Board of Directors and its committees meet as often as business requirements dictate. In 2014, the Board of Directors held eight half-day meetings and one all-day meeting. The Audit Committee met five times for three hours each, and the Market Committee three times for 2.5 hours each plus for one whole day.

The Personnel and Compensation Committee met twice for 1.5 hours each, while the Agricultural Council met twice for two hours each (average times).

Meetings held by the Board of Directors are also attended by the CEO, the CFO and, depending on the topic, other members of Group Management. Individual items on the agenda are handled exclusively within the Board of Directors, i.e. excluding all participants who are not members of the Board of Directors. The entire Group Management participates in the strategy meeting held by the Board of Directors. The inclusion of members of Group Management in meetings held by the committees is shown for the individual committees. With the exception of the Agricultural Council and 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
- 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 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 the implementation of strategic objectives, definition of operational thrusts and priorities, and provision of the necessary material and personnel resources to these ends. He communicates regularly with the Chairman of the Board of Directors and the Board of Directors as a whole regarding business developments.

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

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

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

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

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

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

- Risk management process: At least once a year, the Board of Directors is informed by the CEO regarding the main risks and their assessment on the basis of relevance and likelihood of occurrence. The Board of Directors approves the risk management measures defined and carried out by Group Management and monitors their implementation (see also page 73 of the Financial Report).
- External and internal auditing: Details of the external auditor are provided in section 8. Internal Auditing is a management tool used by the Board of Directors and Group Management, and as such forms a fundamental part of the internal control system. It is directly associated with the Chairman of the Audit Committee, as well as the Audit Committee as a whole, through regular participation in its meetings. The Audit Committee approves the auditing programme and the semi-annual planning, also receives all auditors' reports and is kept informed at its meetings of all findings and the resulting measures. In addition, the Head of Internal Auditing regularly meets with the Chairman of the Audit Committee.

The Internal Auditing department works in accordance with standards defined in the Audit Manual, and carries out audits in the entire Emmi Group. These audits involve assessing the risk potential in the corporate governance, business processes and information systems of the company in terms of the reliability and integrity of accounting data and other fundamental information, the efficacy and efficiency of business processes, the securing of tangible and non-tangible business assets, and compliance with laws, ordinances and agreements. Internal Auditing also works 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 organisation and process of the Emmi Group. Compliance is also supported and jointly monitored by the Legal department.

4. Group Management

4.1 Members of Group Management



Members of Group Management from left: Matthias Kunz, Marc Heim, Robin Barraclough, Urs Riedener (CEO), Natalie Rüedi, Robert Muri and Jörg Riboni.

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

4.2 Professional background and other activities and interests

Urs Riedener

CEO and Chairman of Group Management since 2008

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

Robert Muri

Executive Vice President Switzerland and member of Group Management since 1996, Deputy CEO

Robert Muri worked for various companies in the food industry, latterly at International Flavors & Fragrances (IFF) and as Head of Production at the Central Switzerland Milk Association. In 1994, he took over responsibility for marketing and sales at Emmi's Fresh Products Division. He became Head of Fresh Products in 1996 and was appointed a member of Group Management. He also took over responsibility for the Dairy Products Division in 2004. Robert Muri was appointed Deputy CEO of Emmi in 2007 and has been Executive Vice President Switzerland since 2014.

Robin Barraclough

Chief Marketing Officer and member of Group Management since 2009

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

Marc Heim

Executive Vice President Europe and member of Group Management since 2009

Marc Heim held various management positions with the former Effems AG (now Mars Schweiz AG) and at Kambly SA between 1992 and 1999. In 2004, he became Managing Director of Halter Bonbons AG. He joined Emmi in 2009 and, as Head of Sales Switzerland and International, became a member of Group Management. He has been Executive Vice President Europe since 2014. Marc Heim is also President of the federal examination commission for senior marketing management.

Matthias Kunz

Executive Vice President Americas and member of Group Management since 2002

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

Jörg Riboni

CFO and member of Group Management since 2013

Jörg Riboni worked as an auditor at two US consultancy firms from 1985 to 1991, and from 1991 to 1995 as Chief Financial and Administrative Officer at the Lacoray Group (Cosa Liebermann). He was then Chief Financial Officer at Jelmoli, and held the same position at the Sarna Group between 1997 and 2005 and at the Forbo Group from 2005 to 2012. He joined Emmi, as Chief Financial Officer and member of Group Management, in 2013.

Natalie Rüedi

Chief Human Resources Officer and member of Group Management since 2011

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

Members of the extended Group Management

Othmar Dubach

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

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

Max Peter

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

After graduating as a Certified Engineer HTL, Max Peter held various management positions at Nestlé, Coop and Bon Appétit Group AG before joining Emmi in 2002 as Head of Corporate Development and a member of Group Management. He has been responsible for Retail & Supply Chain Management since 2005. This area focuses on purchasing as well as quality, safety and environmental management within Emmi, and the transport and logistics of goods to and from Switzerland. He was therefore appointed a member of the extended Group Management and of the Executive Board Switzerland in 2014 as part of the Group restructuring. Max Peter is also a member of the Board of Directors of GS1 Switzerland and President of the Swiss Sport Aid foundation.

Markus Willimann

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

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

4.3 Permitted number of activities

In accordance with the Ordinance against Excessive Compensation in Listed Companies (VegÜV), the Board of Directors will propose an appropriate new provision in the Articles of Association to the next Ordinary General Meeting. For details, please refer to the invitation to the General Meeting on 22 April 2015, which will be published on 26 March 2015, available at <http://group.emmi.com/en/media-ir/dates.html>.

4.4 Management contracts

No management contracts exist.

5. Compensation, participations and loans

5.1 Content and definition process for compensation and share ownership programmes

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

The Personnel and Compensation Committee assesses remuneration in connection with the general Group pay round (fixed component) and the company result (variable component). The Board of Directors is informed at its next meeting as well as by means of the minutes of the Committee meeting convened to discuss the definition and process implementation of remuneration. There are no share or option plans or other share ownership programmes for members of the Board of Directors, members of Group Management or elsewhere in the Emmi Group.

Remuneration of the Board of Directors: The remuneration paid to the Board of Directors comprises basic compensation only and is thus not related to performance. It comprises a fixed basic salary and compensation for attending meetings. The Board of Directors does not receive any services or non-cash benefits in addition. The basic compensation is paid in cash. The fixed basic salary is defined primarily by means of a cross-comparison with the 200 largest listed and private Swiss companies, with particular attention being paid to companies from the consumer goods industry and with a similar level of internationalisation, together with firms based in the region. In 2014, a benchmark study was also conducted which compared the compensation of the Board of Directors to external salaries and analysed whether the current remuneration and remuneration structure were in line with the market.

Remuneration of the Agricultural Council: Remuneration of members of the Agricultural Council comprises basic compensation and is therefore not related to performance. It comprises a fixed basic salary and compensation for attending meetings. No services or non-cash benefits are received. The basic compensation is paid in cash. Members of the Agricultural


Council who are members of the Board of Directors receive a compensation which is included in the remuneration of the Board of Directors. Members of the Agricultural Council who are employees of the Emmi Group do not receive any compensation for their role in the Agricultural Council.

Remuneration of Group Management: External experts are called upon for the determination of the remuneration system for Group Management in the event of a fundamental change to the system. In 2014, a benchmark study was also conducted which compared the compensation of Group Management to external salaries and analysed whether the current remuneration and elements thereof were in line with the market. Function-specific benchmarks are generally applied. The reference market is taken as companies from the “fast-moving consumer goods” industry within Switzerland, to which the Emmi Group also belongs.

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

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

The measurement of business performance is based on the three pillars of sales, income and market share. For service areas, the relevant targets also relate to the ongoing development of the appropriate area with a view to providing the core business with even better support. An individual objective can, for example, be the launch of a product in a key market, the implementation of a project aimed at enhancing earnings in a particular product area or the implementation of improvement measures in the area of corporate culture.

 **Remuneration of the members of the Board of Directors, the external members of the Agricultural Council and Group Management are shown in the Compensation Report on page 89 of this Annual Report.**

5.2 Statutory rules

In accordance with the Ordinance against Excessive Compensation in Listed Companies (VegüV), the Board of Directors will propose a new provision in the Articles of Association to the next Ordinary General Meeting. The provision will outline the regulation of the principles concerning performance-related remuneration, loans, credits and benefits as well as voting by the General Meeting on remuneration of Group Management. For details, please refer to the invitation to the General Meeting on 22 April 2015, which will be published on 26 March 2015 and available at <http://group.emmi.com/en/media-ir/dates.html>.

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.

The Board of Directors shall ensure that shareholders can issue authorisations and instructions electronically to the independent proxy for the coming General Meetings. The Board of Directors will propose an appropriate new provision in the Articles of Association to the next Ordinary General Meeting. For details, please refer to the invitation to the General Meeting on 22 April 2015, which will be published on 26 March 2015 and available at <http://group.emmi.com/en/media-ir/dates.html>.

6.2 Statutory quorum

Unless the law stipulates otherwise, the General Meeting passes its resolutions and performs its elections by an absolute majority of the voting rights represented, not taking into account blank and invalid votes. In addition to the legal exceptions, the resolution concerning the amendment of the provision of the Articles of Association relating to the restrictions on registration (see "Nominees", page 25) also requires at least two-thirds of voting rights represented and the absolute majority of shares represented.

6.3 Convening of the General Meeting

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

6.4 Agenda

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

6.5 Entries in the share register

The share register is usually closed ten days prior to the General Meeting. The Board of Directors may approve exceptional subsequent entries on request.

The effective closing date is published in the invitation to the General Meeting and in good time in the financial calendar on the Emmi website at:

 <http://group.emmi.com/en/media-ir/dates.html>

7. Change of control/defensive measures

7.1 Obligatory offer

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

7.2 Change-of-control clauses

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

8. Auditors

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

At the 2014 General Meeting, KPMG, Lucerne, were appointed as the new statutory auditors for the financial year. Their term ends with the approval of the financial statements for the relevant financial year. The Auditor in Charge has been in office since that date.

8.2 Audit fees

The auditors charged total fees of KCHF 1,078 for the 2014 reporting year for the performance of their mandate as statutory auditors (including the audit of the consolidated financial statements).

8.3 Additional fees

During the year under review, KPMG charged a total of KCHF 200 for additional services beyond the scope of their statutory mandate. This fee includes KCHF 100 for tax advice and KCHF 100 for other consulting and audit related services.


8.4 Information tools used by the external auditors

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. The auditors provide Group Management and the Committee with regular reports that set out the results of their work and recommendations. The Committee annually reviews the scope of the external audit, the audit plans and the relevant procedures, and discusses the audit reports with the external auditors. The Auditor in Charge attended three meetings of the Audit Committee in 2014.

particular half- and full-year results, are accompanied by presentations together with press and analyst conferences or analyst calls.

Emmi meets during the course of the year with institutional investors both in Switzerland and abroad, presents its results on a regular basis, organises road shows and holds meetings with individual institutional investors and groups. The main point of contact for these meetings and presentations is the CFO. 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 web-site features an electronic information tool that enables shareholders and other interested parties to add their names to an electronic distribution list:

 <http://group.emmi.com/en/media-ir/news-service.html>

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

 <http://group.emmi.com/nc/en/media-ir/media-releases.html>

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

 http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

Contact for Investor Relations:

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

The General Meeting will take place on 22 April 2015. All registered shareholders receive an invitation to the General Meeting by postal mailing.

The next business results (2015 half-year results) will be published on 25 August 2015.

9. Information policy

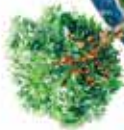
Investor Relations guidelines: Emmi strives to maintain open and ongoing communication with shareholders, existing and potential investors, and other stakeholder groups. Emmi's aim is to provide rapid, real-time and transparent information about the company, its strategy and business developments, and 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

Cross-border collaboration for worldwide success



Emmi wants to hold its own internationally. To achieve this, close collaboration with its foreign subsidiaries is important, because local professionals have the best overview of customers' needs. At the same time, they can benefit from the international experience of the Group. Joint activities for strategically important brands are key success factors, whether for locally manufactured products or exports from Switzerland. For example, we sell Swiss cheese in more than 60 countries, Italian speciality desserts in around 20 and Emmi Caffè Latte in 10. The bundling of procurement, transfer of knowledge, exchange during recipe development, coordination of marketing activities and provision of advice on investments help to keep costs under control and contribute to high product quality. All around the world.



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Income Statement

Operating section

Emmi generated net sales of CHF 3,404.0 million in 2014, an increase of 3.2 % compared with the previous year (CHF 3,298.2 million). In organic terms, i.e. adjusted for acquisition and currency effects, sales at Group level increased by 3.0 %. All core business product segments made positive contributions. The most important success factors were Emmi Caffè Latte, Kaltbach, other cheese specialties in Switzerland and abroad, and various fresh product concepts.

Sales development Switzerland

In the business division **Switzerland**, sales increased by 1.3 % to CHF 1,888.1 million (2013: CHF 1,863.1 million). In organic terms, i.e. adjusted for acquisition effects, this resulted in an increase of 1.2 %. The acquisition of Käserei Studer as of 1 July 2013 produced a positive acquisition effect, whereas the disposal of the shares in Nutrifrais as of 1 April 2013 resulted in a negative acquisition effect.

The business division Switzerland continued to build on the growth witnessed in the first half of 2014, with various brand concepts contributing to this success. Emmi Caffè Latte, for example, again recorded double-digit growth. Cheese specialties such as Kaltbach, Le Petit Chevrier and Der Scharfe Maxx likewise recorded increases. Yogurtpur continued to progress as desired. Launched in March 2013, Yogurtpur is made exclusively from yogurt, fruit and sugar. It contains no additives at all. In fresh cheese, Emmi registered higher sales of mozzarella, due in part to a new recipe. Higher milk prices also had a slightly positive effect. In contrast, milk drinks and AOP cheeses performed less well than expected.

The business division Switzerland accounted for 55 % of Group sales (previous year: 56 %).

Net sales by product group: business division Switzerland

in CHF million	Sales 2014	Sales 2013	Difference 2014/2013	Acquisition effect	Organic growth
Dairy products	710.1	698.0	1.7 %	—	1.7 %
Cheese	554.9	541.7	2.4 %	1.2 %	1.2 %
Fresh products	343.3	345.9	-0.7 %	-1.2 %	0.5 %
Fresh cheese	126.0	121.5	3.7 %	-0.1 %	3.8 %
Powder/concentrates	73.2	72.4	1.2 %	—	1.2 %
Other products and services	80.6	83.6	-3.6 %	0.1 %	-3.7 %
Total Switzerland	1,888.1	1,863.1	1.3 %	0.1 %	1.2 %

Sales development Americas

The business division **Americas** includes the US, Canada, Chile, Spain, France and Tunisia. In 2014, it generated net sales of CHF 840.0 million (2013: CHF 817.6 million). This corresponds to a rise of 2.7 %, or 7.1 % adjusted for currency effects. Negative currency effects primarily reflect developments in Canada, Chile and Tunisia.

Growth can be attributed primarily to the good performance in North America (US, Canada), Tunisia and Spain. In the US, locally produced cow's and goat's milk cheeses registered an increase in sales, while AOP cheeses lost some ground, due to

price-increase-related declines in volume that Emmi accepted in order to underpin margins. In Tunisia, the products marketed under the Vitalait brand (yogurt, milk, desserts) performed very well. The recovery of the Spanish market, in which Kaiku's lactose-free range (sin lactosa) and Emmi Caffè Latte achieved notable growth rates, was also positive.

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

Net sales by product group: business division Americas

in CHF million	Sales 2014	Sales 2013	Difference 2014/2013	Acquisition effect	Currency effect	Organic growth
Cheese	315.4	303.8	3.8 %	—	-2.8 %	6.6 %
Dairy products	267.1	262.5	1.8 %	—	-6.2 %	8.0 %
Fresh products	197.7	189.1	4.5 %	—	-4.3 %	8.8 %
Powder/concentrates	5.5	6.0	-8.1 %	—	-14.7 %	6.6 %
Other products and services	54.3	56.2	-3.5 %	—	-3.4 %	-0.1 %
Total Americas	840.0	817.6	2.7 %	—	-4.4 %	7.1 %

Sales development Europe

In the business division **Europe**, sales increased by 8.3 % to CHF 508.8 million (2013: CHF 469.9 million). Adjusted for acquisition and currency effects, sales were stable. The acquisition effect is attributable to the purchase of the dessert manufacturer Rachelli (with effect from 1 August 2013), the increase in the stake in Gläserne Molkerei and subsequent full consolidation of this group (with effect from 1 October 2014), and from the sale of Trentinalatte (with effect from 31 October 2014).

In fresh products, the Italian speciality desserts from A-27 (Bontà Divina brand) and Rachelli showed significant growth, as did Emmi Caffè Latte, while sales of yogurt in Italy declined. The Kaltbach specialities and Der Scharfe Maxx increased sales in several markets, while the AOP cheese business dipped. Growth in dairy products is, in particular, a result of the acquisition of the German Gläserne Molkerei.

The business division Europe accounted for 15 % of Group sales (previous year: 14 %).

Net sales by product group: business division Europe

in CHF million	Sales 2014	Sales 2013	Difference 2014/2013	Acquisition effect	Currency effect	Organic growth
Fresh products	257.5	238.5	8.0 %	6.3 %	0.1 %	1.6 %
Cheese	136.3	144.3	-5.6 %	0.8 %	-1.0 %	-5.4 %
Fresh cheese	56.8	53.2	6.9 %	—	-1.4 %	8.3 %
Dairy products	42.0	16.1	161.7 %	151.1 %	-3.4 %	14.0 %
Powder/concentrates	7.0	6.1	14.3 %	16.3 %	-1.5 %	-0.5 %
Other products and services	9.2	11.7	-21.8 %	2.6 %	-1.0 %	-23.4 %
Total Europe	508.8	469.9	8.3 %	8.9 %	-0.6 %	0.0 %

Sales development Global Trade

The business division **Global Trade** comprises, inter alia, direct sales from Switzerland to clients in international markets in which Emmi has no subsidiaries. These include countries in Asia, Eastern Europe, South America and the Arabian Peninsula. Sales amounted to CHF 167.1 million, representing an increase of 13.2 % (previous year: CHF 147.6 million).

The business division increased its cheese business, attributable primarily to growth in Russia. Growth in powders/concentrates can be attributed to higher milk volumes and the related higher level of exports of milk powder and butter.

The effect amounted to CHF 32.1 million in 2014. Excluding this, the business division would have achieved 1.3 % growth, a figure reflecting, among other factors, the economic slow-down in Asia and a decline in contract manufacturing.

Global Trade accounted for 5 % of total Group sales (previous year: 5 %).

Net sales by product group: business division Global Trade

in CHF million	Sales 2014	Sales 2013	Difference 2014/2013	Acquisition effect	Currency effect	Organic growth
Cheese	72.6	68.9	5.2 %	—	—	5.2 %
Fresh products	49.4	47.0	5.1 %	—	—	5.1 %
Powder/concentrates	24.4	13.1	86.1 %	—	—	86.1 %
Dairy products	11.3	5.3	113.8 %	—	—	113.8 %
Other products/services	9.4	13.3	-28.8 %	—	—	-28.8 %
Total Global Trade	167.1	147.6	13.2 %	—	—	13.2 %

Gross profit

In the year under review, **gross profit** increased by CHF 39.9 million to CHF 1,129.1 million, compared with CHF 1,089.2 million in the previous year. The gross profit margin amounted to 33.2 %, versus 33.0 % in 2013. The business division Europe made a major contribution to the improvement in the margin, due to the conscious decision to abandon business with insufficient margins for profitability reasons. In Switzerland, rationalisation and productivity enhancement measures cushioned the effects of price pressures in retail trade and import pressures and made it possible for the margin to be held steady at around the previous year's level.

Non-recurring effects in the 2014 consolidated financial statements

The difficult economic situation in Italy and the unsatisfactory business trend for the yogurt market necessitated a significant impairment charge totalling CHF 38.5 million on Trentinalatte in the half-year results already. Of this amount, CHF 35.6 million represented impairments on property, plant and equipment, while CHF 2.9 million are included in other operating expenses.

The reclassification of foreign exchange losses from equity to the income statement resulted in the additional loss on disposal of CHF 4.2 million produced on the sale of Trentinalatte effective 31 October 2014. This loss on disposal is included in other operating expenses.

Also included in other operating expenses are losses from the sale of property, plant and equipment of CHF 0.4 million, which were more than compensated with gains from the sale of property, plant and equipment of CHF 4.3 million, produced in particular by the sale of a property in Switzerland and included in other operating income. Lastly, a gain of CHF 4.3 million, which resulted from the disposal of the Emmi Penn Yan business in the US, is included in other operating income as well.

The overall impact from these non-recurring effects on EBIT in the period under review was a charge of CHF 34.5 million. After taxes, the negative effect at net profit level amounted to CHF 30.5 million. This contrasts with the previous year, when non-recurring effects had a positive impact on EBIT of CHF 8.5 million and on net profit of CHF 7.0 million.

Operating result

Operating expenses increased by a total of 3.5 % in 2014 to CHF 847.5 million, compared with CHF 818.7 million in the previous year. This increase was due primarily to acquisition activities and the aforementioned non-recurring effects in an amount of CHF 7.5 million. Without these one-time effects, the increase would have amounted to 2.6 % and would thus have been disproportionately low in comparison with the development in sales.

In the period under review, **personnel expenses** amounted to CHF 404.7 million, compared with CHF 398.3 million in 2013. Since the increase of 1.6 % is disproportionately low in comparison with the development in sales, the ratio of personnel expenses to net sales decreased from 12.1 % in 2013 to 11.9 % in the period under review.

Other operating expenses rose by 5.3 % year-on-year from CHF 420.4 million to CHF 442.8 million. Without the aforementioned non-recurring effects, the increase would have amounted to 3.5 %. While marketing and sales-related expenses declined slightly in spite of the growth in sales, infrastructure costs and logistics and administrative expenses recorded a disproportionately high increase.

Other operating income registered a year-on-year increase of CHF 1.8 million to CHF 11.5 million. This position consists primarily of the gain from the sale of property, plant and equipment and the gain from the disposal of the Emmi Penn Yan business, each of which amounted to CHF 4.3 million.

As a consequence of this development, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** increased by CHF 13.0 million to CHF 293.1 million, from CHF 280.1 million in the previous year. The EBITDA margin thus went up from 8.5 % to 8.6 % in the year under review. Without the non-recurring effects, the increase in EBITDA would have amounted to CHF 20.4 million.

Depreciation and amortisation rose by CHF 45.0 million in the period under review to a total of CHF 157.4 million. Not including the impairment on the Trentinalatte property, plant and equipment, the increase would have amounted to CHF 9.4 million. Depreciation of property, plant and equipment increased by CHF 7.3 million, while amortisation on intangible assets went up by CHF 2.1 million. The increase in depreciation was the result of the investments carried out in preceding years. The increase in amortisation related to the SAP project in Switzerland and the rise in goodwill produced by the acquisition activities.

Earnings before interest and taxes (EBIT) amounted to CHF 136.2 million in the period under review. This fell CHF 32.3 million short of the prior-year EBIT level of CHF 168.5 million. The EBIT margin thus decreased from 5.1 % to 4.0 % in the year under review. The picture is very different when the non-recurring effects are filtered out, however. Adjusted EBIT shows a year-on-year improvement from CHF 160.0 million in 2013 to CHF 170.7 million in the year under review. This corresponds to an increase of 6.7 % or an adjusted EBIT margin of 5.0 % versus 4.9 %.

Financial result

Net financial expenses decreased by CHF 4.7 million versus the previous year to CHF 11.0 million. This is mainly attributable to an interest result that was CHF 2.2 million higher and a foreign currency result that was CHF 2.4 million up compared with the previous year. The improved interest result is due primarily to the repayments carried out in the period under review.

Income taxes

In the period under review, **income taxes** decreased by CHF 1.3 million to CHF 29.0 million. The tax rate increased from 19.7% in 2013 to 23.0% in the year under review. Excluding the non-recurring effects and their impact on income taxes produces an adjusted tax rate of 20.5% (2013: 19.8%). This rise in the adjusted tax rate was due to two factors: tax increases in Swiss cantons relevant to the Emmi Group and the fact that the growing share of international business tends to increase the tax rate.

Net profit

Net profit including minority interests amounted to CHF 97.1 million, down CHF 26.5 million on the previous year's level of CHF 123.6 million. After deduction of minority interests of CHF 18.2 million, **net profit** amounted to CHF 78.9 million. This represents a decrease of CHF 25.7 million on the previous year. **Adjusted for non-recurring effects, net profit** amounted to CHF 109.4 million in 2014, a clear increase of 12.1% on 2013 (CHF 97.6 million). As a consequence, the **adjusted net profit margin** increased to 3.2% from 3.0% in the previous year.

Assets, financing and cash flow

Total assets increased by CHF 31.4 million, or 1.3 %, year-on-year as a consequence of operating activities as well as the acquisitions and divestments carried out. Essentially, this increase in total assets can be attributed to the higher level of cash and cash equivalents and inventories, which more than offset the reduction in property, plant and equipment.

Property, plant and equipment decreased by a total of CHF 24.3 million in the period under review, due in particular to the impairment charge at Trentinalatte in the amount of CHF 35.6 million. Depreciation of a total amount of CHF 134.0 million therefore clearly exceeded the investment volume in the period under review (CHF 104.3 million). Property, plant and equipment was further reduced through the disposal of the Emmi Penn Yan business, which was, however, more than offset by the acquisition of Gläserne Molkerei. The change in intangible assets was minor. Since amortisation on intangible assets exceeded the additions of, in particular, software and goodwill, the carrying amount decreased by CHF 3.1 million. The decrease in financial assets of CHF 8.0 million is attributable primarily to the sale of the investment in Yéo International S.A., an associate in France.

In respect of trade receivables, inventories and trade payables, net working capital increased by CHF 40.6 million, or 10.1 %. The fact that this increase is significantly higher than sales growth is due primarily to the increase in inventories of CHF 42.8 million.

With regard to financing, financial liabilities of a net total of CHF 52.8 million were repaid in the period under review. The **equity ratio** was further strengthened and was 51.9 % as at end 2014 compared with 50.3 % in the previous year. Further growth can be funded on the basis of this very solid financing. This is also underpinned by the fact that, at CHF 240.6 million (2013: CHF 294.9 million), **net debt** to EBITDA decreased further year-on-year, from 1.05 to 0.82. Cash and cash equivalents increased by CHF 26.4 million in the 2014 financial year, from CHF 283.9 million to CHF 310.3 million.

Cash inflow from operating activities amounted to CHF 231.1 million in the period under review. The fact that this is CHF 33.1 million down on the previous year can be attributed to the increase in net working capital, and inventories in particular. Cash flow before changes in net working capital, interest and taxes increased by CHF 11.9 million year-on-year.

Cash outflow from investing activities amounted to CHF 129.1 million (2013: CHF 178.0 million). In the 2014 financial year, CHF 104.3 million was invested in property, plant and equipment on a cash-relevant basis. A total of CHF 50.3 million was paid for the acquisition of companies and of minority interests in the year under review. A total of CHF 16.7 million was received through the divestment of fully consolidated interests or operations. Further cash flows were produced by the sale of securities (CHF 9.1 million) and the disposal of an investment in an associate (CHF 7.7 million).

Not including the outflow of funds resulting from acquisition activities, the level of **free cash flow** generated in 2014 amounted to CHF 127.9 million, compared with CHF 151.3 million in 2013.

Cash outflow from financing activities totalled CHF 77.9 million in the period under review, compared with an inflow of CHF 26.7 million in the previous year. Financial liabilities totalling a net CHF 52.8 million were paid back in 2014. A further CHF 25.1 million was paid out in dividends, CHF 20.3 million of which went to the shareholders of Emmi AG.

Outlook 2015

Emmi states in its strategy that it wants to strengthen its position in Switzerland and continue to grow internationally. Alongside the previously defined markets in North America and Europe, the focus is on high-potential markets outside of Europe, in particular Chile and Tunisia.

The strength of the Swiss franc affects Emmi as it does other exporting Swiss companies. In order to counter the negative impact, Emmi increased the prices of export products abroad in the first quarter of 2015. The company also stepped up its efficiency programmes at all its Swiss sites and negotiated price reductions with international suppliers and with milk producers.

Markets

Emmi expects a slight drop in raw material, energy and packaging prices in 2015. In Switzerland, retail tourism is set to intensify. In addition, a decreasing number of tourists entering the country will lead to falling sales in the food service sector.

Outside the eurozone, the US will probably witness stable consumer behaviour. Sizeable growth can be expected in Tunisia, and slight growth in Chile. The uptrend in locally produced goods in Spain is set to continue. However, for well-known reasons, sales from export products will be lower in Spain, as they will be in Emmi's smaller European markets.

Sales and profit development

Emmi is doing everything in its power to ensure that Swiss dairy products continue to have sufficient sales potential in international markets. Nevertheless, currency effects will have an undesired impact on sales performance in 2015: Emmi is anticipating a significant negative currency translation effect and an additional organic decline in sales at Group level for 2015 of 2 % to 3 % (Switzerland 2 % to 3 %, Europe 4 % to 6 %, while growth of 3 % to 5 % is expected for Americas).

The business division Global Trade will also be confronted with a noticeable decline in sales due to its export business from Switzerland and a reduction in business-to-business activities.

Emmi is likewise anticipating a decline in income. The targeted net profit margin will be slightly below 3.0 %.

Emmi is retaining its mid-term sales growth forecasts at Group level and broken down by business division at:

– Group	2 % to 3 %
– Switzerland	approx. 1 %
– Americas	8 % to 10 %
– Europe	1 % to 3 %

Strong brand concepts in and from Switzerland, specialties produced locally abroad, and the further development of recent acquisitions will help to achieve the company's growth targets. Innovations in fresh products and cheese will add to the product portfolio in the domestic market and at international level. Continuing strict cost management, also in the international markets, will be required to support earnings in markets that will remain competitive.

In the medium to long term, Emmi anticipates organic growth of 2 % to 3 % at Group level. Emmi's goal is to increase the share of international sales to approximately 50 % within two years.

Consolidated Income Statement

in CHF 000s

	Notes	2014	%	2013	%
Sales of products		3,378,808		3,270,643	
Sales of services		25,194		27,539	
Net sales	1	3,404,002	100.0	3,298,182	100.0
Change in inventories of semi-finished and finished products		-51,427	1.5	-10,587	0.3
Cost of materials and services		-2,223,438	65.3	-2,198,420	66.7
Gross operating profit		1,129,137	33.2	1,089,175	33.0
Other operating income	2	11,486	0.3	9,645	0.3
Personnel expenses		-404,694	11.9	-398,338	12.1
Other operating expenses	3	-442,787	13.0	-420,379	12.7
Operating expenses		-847,481	24.9	-818,717	24.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		293,142	8.6	280,103	8.5
Depreciation on property, plant and equipment	4	-133,975	3.9	-91,103	2.8
Amortisation on intangible assets	4	-23,416	0.7	-21,269	0.6
Write-back of negative goodwill		463	—	728	—
Earnings before interest and taxes (EBIT)		136,214	4.0	168,459	5.1
Income from associates and joint ventures		813		1,079	
Financial result	5	-10,974		-15,680	
Earnings before taxes (EBT)		126,053	3.7	153,858	4.7
Income taxes	6	-28,971		-30,308	
Profit incl. minority interests		97,082	2.9	123,550	3.7
Minority interests		-18,184		-18,990	
Net profit		78,898	2.3	104,560	3.2
Earnings per share (in CHF)	7	14.75		19.54	

Consolidated Balance Sheet

in CHF 000s

Assets

	Notes	31.12.2014	%	31.12.2013	%
Cash and cash equivalents		310,307		283,894	
Securities		5,752		13,018	
Trade receivables	8	421,202		414,254	
Other receivables	9	31,474		37,066	
Inventories	10	358,027		315,264	
Prepayments and accrued income	11	17,974		13,914	
Current assets		1,144,736	45.2	1,077,410	43.1
Investments in associates and joint ventures	31	24,929		35,523	
Loans and other receivables	12	63,686		57,593	
Securities		2,237		4,159	
Employer contribution reserves	20	2,045		2,045	
Deferred tax assets	6	15,500		17,087	
Total financial assets		108,397		116,407	
Prepayments and accrued income	11	8,097		8,525	
Property, plant and equipment	13	951,524		975,867	
Intangible assets	14	318,963		322,067	
Non-current assets		1,386,981	54.8	1,422,866	56.9
Total assets		2,531,717	100.0	2,500,276	100.0

Liabilities and shareholders' equity

Bank overdrafts	18	68,986		52,970	
Finance lease liabilities	18	2,344		1,135	
Loans external	18	266		–	
Trade payables	15	337,472		328,368	
Other payables	16	20,269		33,056	
Accrued liabilities and deferred income	17	135,183		119,938	
Provisions	19	5,823		4,414	
Current liabilities		570,343	22.5	539,881	21.6
Bank overdrafts	18	34,889		86,025	
Finance lease liabilities	18	4,177		6,001	
Loans	18	59,791		53,974	
Bonds	18	450,000		450,000	
Accrued liabilities and deferred income	17	3,396		3,236	
Provisions	19	96,316		102,867	
Non-current liabilities		648,569	25.6	702,103	28.1
Liabilities		1,218,912	48.1	1,241,984	49.7
Share capital		53,498		53,498	
Capital reserves		122,994		143,323	
Retained earnings		961,867		871,509	
Shareholders' equity excl. minority interests		1,138,359	45.0	1,068,330	42.7
Minority interests		174,446	6.9	189,962	7.6
Shareholders' equity incl. minority interests		1,312,805	51.9	1,258,292	50.3
Total liabilities and shareholders' equity		2,531,717	100.0	2,500,276	100.0

Consolidated Cash Flow Statement

in CHF 000s

	2014	2013
Profit incl. minority interests	97,082	123,550
Net interest expense	13,481	15,682
Income taxes	28,971	30,308
Gain on disposal of fixed assets	-4,347	-8,617
Result from sale of investments/businesses	-154	–
Depreciation and amortisation	120,365	111,027
Impairment charges	37,026	1,345
Write-back of negative goodwill	-463	-728
Change in provisions	-888	-2,950
Income from associates and joint ventures	-813	-1,079
Other non-cash adjustments	-6,586	3,229
Cash flow before changes in net working capital, interest and taxes	283,674	271,767
Change in inventories	-37,942	-9,499
Change in trade receivables	3,905	30,677
Change in other receivables, prepayments and accrued income	-4,753	17,382
Change in trade payables	7,955	8,915
Change in other payables, accrued liabilities and deferred income	25,748	-6,631
Interest paid	-16,692	-18,346
Taxes paid	-30,799	-30,048
Cash flow from operating activities	231,096	264,217
Investments in property, plant and equipment	-104,277	-116,667
Proceeds from disposal of property, plant and equipment	4,654	13,979
Purchase of securities	–	-1,824
Sale of securities	9,116	–
Investments in intangible assets	-14,126	-9,494
Purchase of investments in associates and joint ventures	–	-9,302
Proceeds from sale of investments in associates	7,698	111
Purchase of investments in subsidiaries	-50,294	-56,506
Proceeds from sale of investments/businesses	16,667	581
Grant of loans receivable	-1,877	-1,838
Dividend received	939	789
Interest received	2,403	2,198
Cash flow from investing activities	-129,097	-177,973
Change in other current financial liabilities	8,235	-15,064
Change in other non-current financial liabilities	-61,073	-7,793
Proceeds from bond issuance	–	198,524
Repayments of bonds	–	-125,000
Dividend paid to shareholders	-20,329	-19,259
Dividend paid to minority interests	-4,748	-4,736
Cash flow from financing activities	-77,915	26,672
Currency translation	2,329	-663
Net change in cash and cash equivalents	26,413	112,253
Cash and cash equivalents at beginning of period	283,894	171,641
Cash and cash equivalents at end of period	310,307	283,894

Consolidated Statement of Changes in Equity

in CHF 000s

	Share capital	Capital reserves (premium)	Retained earnings	Accumulated translation differences	Total profit reserves	Total excl. minority interests	Minority interests	Total incl. minority interests
Shareholders' equity as at 1 Jan. 2013	53,498	162,582	816,315	-44,575	771,740	987,820	177,296	1,165,116
Change in scope of consolidation	–	–	–	–	–	–	-940	-940
Profit incl. minority interests	–	–	104,560	–	104,560	104,560	18,990	123,550
Currency translation differences	–	–	–	-4,791	-4,791	-4,791	-648	-5,439
Dividend	–	-19,259	–	–	–	-19,259	-4,736	-23,995
Shareholders' equity as at 31 Dec. 2013	53,498	143,323	920,875	-49,366	871,509	1,068,330	189,962	1,258,292
Change in scope of consolidation	–	–	–	–	–	–	4,686	4,686
Acquisition of minority interests	–	–	–	–	–	–	-31,552	-31,552
Profit incl. minority interests	–	–	78,898	–	78,898	78,898	18,184	97,082
Currency translation differences	–	–	–	11,460	11,460	11,460	-2,086	9,374
Dividend	–	-20,329	–	–	–	-20,329	-4,748	-25,077
Shareholders' equity as at 31 Dec. 2014	53,498	122,994	999,773	-37,906	961,867	1,138,359	174,446	1,312,805

As at 31 December 2014, 5,349,810 registered shares with a par value of CHF 10 were issued (as at 31 December 2013 5,349,810). With regard to the rights associated with the shares, we refer to note 6 in the Corporate Governance report.

As of 31 December 2014, the accumulated non-distributable reserves amounted to CHF 46.5 million (previous year CHF 45.5 million).

Notes to the Consolidated Financial Statements

Principles of consolidation

General information

The Board of Directors of Emmi AG approved the Group financial statements on 27 February 2015. 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 2014, prepared on a uniform basis. The Group prepares its accounts in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations) and the provisions of Swiss law.

Valuation is based on historical cost (acquisition cost or production cost) or actual value. Pages 57 to 59 refer to the valuation principles of specific balance sheet items. The income statement is presented using the classification of expenses based on their nature. The consolidated financial statements are based on economic values and present a true and fair view of the company's assets, financial position and results of operations. They are prepared under the assumption of going concern.

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

Scope of consolidation

The consolidated financial statements include the annual accounts of Emmi AG as well as the Group companies in which Emmi AG directly or indirectly holds more than 50 % of the voting rights or where Emmi has a controlling influence over the financial and business policy of a company by contractual agreement. Investments in joint ventures and investments in associates where Emmi has significant influence (this is usually assumed when the Group owns 20 % to 50 % of the voting rights in the company) are accounted for using the equity method. Accounts based on or reconciliations to Swiss GAAP FER are used to calculate Emmi's proportionate share in shareholders' equity. Participations of less than 20 % are carried in the balance sheet at acquisition cost less any necessary adjustments for impairment. The consolidated companies are listed in the Notes to the Consolidated Financial Statements (note 31).

Changes to the scope of consolidation

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

Consolidated companies		Currency	Capital in thousands	Capital share 31.12.2014	Capital share 31.12.2013
Gläserne Molkerei Group					
Gläserne Meierei GmbH, D-Dechow ¹⁾	Partially acquired on 1.10.2014	EUR	375	76 %	24 %
Emmi Fondue AG, CH-Langnau	Partially acquired on 22.12.2014	CHF	15,000	99 %	65 %
Trentinalatte S.p.A., I-Roverè della Luna	Sale on 31.10.2014	EUR	520	–	100 %

¹⁾ Gläserne Molkerei Group consists, apart from the parent company mentioned above, of three further subsidiary companies. See note 31.

Associates and joint ventures

Yéo International S.A., F-Toulouse	Sale on 23.07.2014	EUR	10,000	–	38 %
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Consolidation method

Capital is consolidated using the purchase method.

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

Companies and businesses acquired during the course of the year are revalued on their acquisition date on the basis of uniform Group principles and consolidated as from that date. Any goodwill remaining after this revaluation (difference between the purchase price and the interest in revalued shareholders' equity) is recognised in the balance sheet and amortised in the income statement over its useful life of generally 5 to 20 years. Any negative goodwill is recognised as a provision and is released in the income statement over a five-year period. In a business acquisition achieved in stages (step acquisition), the goodwill of each separate transaction is determined at the acquisition date. Accordingly, the goodwill at the acquisition date consists of the sum of the goodwill generated on each separate transaction less amortisation. Companies sold during the year are excluded from the consolidated financial statements from the date of sale.

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

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

Translation of foreign currencies ¹⁾

Foreign currency transactions in Group companies

The foreign currency transactions and items contained in the individual financial statements of the consolidated companies are translated as follows: foreign currency transactions are translated into the functional currency at the exchange rate valid on the transaction date. At year-end, monetary assets and liabilities in foreign currency are measured using the exchange rate valid at the balance sheet date, with any

profit or loss from such valuation taken to the income statement. Foreign exchange gains and losses resulting from the measurement of intercompany loans in foreign currencies that are part of the net investment in a subsidiary are recognised in equity.

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

Translation of financial statements to be consolidated

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

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

Cash flow statement

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

¹⁾ Currency exchange rates in CHF

	Annual average rates		Year-end rates	
	2014	2013	31.12.2014	31.12.2013
1 EUR	1.21	1.23	1.20	1.23
1 GBP	1.51	1.45	1.54	1.47
1 USD	0.92	0.93	0.99	0.89
1 CAD	0.83	0.90	0.85	0.83
1 TND	0.54	0.57	0.53	0.54
100 CLP	0.16	0.19	0.16	0.17

Principles of valuation

Cash and cash equivalents

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

Securities (current)

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

Trade receivables

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

Inventories

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

Financial assets

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

Property, plant and equipment

Property, plant and equipment are valued at purchase cost less depreciation and any necessary impairment.

Company-produced additions to plant and equipment are only recognised if they are clearly identifiable and the costs reliably determinable, and they bring a measurable benefit to the company over the course of several years. Depreciation is calculated on a straight-line basis over the useful life of the fixed asset.

The useful lives of assets have been determined as follows:

Land	no depreciation
Administrative and residential buildings	40 years
Industrial buildings, rock caves	25 to 40 years
Installations and fittings	15 years
Machinery and plant	10 to 15 years
Business infrastructure	5 to 10 years
Vehicles	4 to 7 years
Company-produced additions to plant and equipment	5 years

Intangible assets

This item includes mainly EDP software, trademarks and goodwill from acquisitions. Intangible assets are recognised if they are clearly identifiable and the costs reliably determinable, and they bring a measurable benefit to the company over the course of several years. Intangible assets are valued at purchase cost less amortisation and any necessary impairment.

Amortisation is calculated on a straight-line basis. The useful life of EDP software is 2 to 5 years. Goodwill from acquisitions and trademarks are amortised over 5 to 20 years. The expected useful life of other intangible assets is determined on a case-by-case basis and is usually between 5 and 10 years.

Impairment

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

Major goodwill items are tested for impairment annually, based on a value-in-use calculation. The value-in-use calculation is based on future cash flows for the next five years and the extrapolated values as of the sixth year.

Government grants

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

Liabilities

Group liabilities are recognised at their nominal values.

Leasing

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

Negative goodwill

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

Employee benefit plan liabilities

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

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

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

For further details with regard to the application of Swiss GAAP FER 16 “Employee benefit obligations”, we refer readers to note 20 of the consolidated financial statements.

Deferred taxes

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

Derivative financial instruments

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

Net sales and revenue recognition

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

Research and development

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

Contingent liabilities

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

Notes to the Consolidated Financial Statements

CHF 000s

1 Breakdown of net sales

By product group and division	2014	Switzerland 2013	2014	Americas 2013
Milk	273,202	262,102	233,246	229,967
Butter and margarine	249,218	253,667	–	–
Cream	187,650	182,249	33,859	32,501
Dairy products	710,070	698,018	267,105	262,468
As % of net sales	37.6	37.4	31.8	32.1
Fresh products	343,328	345,851	197,643	189,117
As % of net sales	18.2	18.6	23.5	23.1
Natural cheese	494,764	479,599	306,144	294,916
Processed cheese	60,102	62,083	9,275	8,847
Cheese	554,866	541,682	315,419	303,763
As % of net sales	29.3	29.1	37.5	37.2
Fresh cheese	125,928	121,492	–	–
As % of net sales	6.7	6.5	–	–
Powder/concentrates	73,248	72,369	5,527	6,012
As % of net sales	3.9	3.9	0.7	0.7
Other products	60,859	61,334	51,289	55,118
Sales of services	19,754	22,296	2,975	1,091
Other products and services	80,613	83,630	54,264	56,209
As % of net sales	4.3	4.5	6.5	6.9
Net sales	1,888,053	1,863,042	839,958	817,569
As % of Group net sales	55.5	56.5	24.7	24.8
By customer location	2014	in %	2013	in %
Switzerland	1,888,053	55.5	1,863,042	56.5
Europe excl. Switzerland	943,188	27.7	898,053	27.2
North and South America	408,514	12.0	384,020	11.7
Africa	131,150	3.8	123,242	3.7
Asia/Pacific	33,097	1.0	29,825	0.9
Total	3,404,002	100.0	3,298,182	100.0

	Europe		Global Trade		Group
2014	2013	2014	2013	2014	2013
30,447	9,892	3,374	4,020	540,269	505,981
7,192	1,701	7,755	1,243	264,165	256,611
4,397	4,471	219	44	226,125	219,265
42,036	16,064	11,348	5,307	1,030,559	981,857
8.2	3.4	6.8	3.6	30.3	29.8
257,489	238,497	49,422	47,045	847,882	820,510
50.6	50.8	29.5	31.9	24.9	24.9
115,789	121,175	57,699	53,038	974,396	948,728
20,489	23,132	14,846	15,895	104,712	109,957
136,278	144,307	72,545	68,933	1,079,108	1,058,685
26.8	30.7	43.4	46.7	31.7	32.1
56,849	53,195	25	—	182,802	174,687
11.2	11.3	—	—	5.4	5.3
7,024	6,147	24,353	13,085	110,152	97,613
1.4	1.3	14.6	8.8	3.2	2.9
7,035	8,647	9,122	12,192	128,305	137,291
2,140	3,087	325	1,065	25,194	27,539
9,175	11,734	9,447	13,257	153,499	164,830
1.8	2.5	5.7	9.0	4.5	5.0
508,851	469,944	167,140	147,627	3,404,002	3,298,182
14.9	14.2	4.9	4.5	100.0	100.0

2 Other operating income

	2014	2013
Company-produced additions to plant and equipment	947	1,028
Gain on disposal of fixed assets	4,347	8,617
Miscellaneous operating income	6,192	–
Total	11,486	9,645

Miscellaneous operating income mainly includes the gain on the sale of the Emmi Penn Yan business, which amounts to CHF 4.3 million.

3 Other operating expenses

	2014	2013
Marketing and sales related expenses	122,322	123,632
Occupancy expense, maintenance and repair, leasing	73,271	68,012
Insurance, fees and HGV road tax	14,414	14,451
Energy, operating material and supplies	66,745	66,721
Administrative expenses	38,101	34,797
Logistic expenses	99,118	95,042
Other operating expenses	28,816	17,724
Total	442,787	420,379

The loss on the sale of Tentinalatte, which amounts to CHF 4.2 million, is included in other operating expenses. The loss on the sale mainly resulted from the accumulated exchange differences repatriated in the income statement upon disposal.

4 Depreciation and amortisation

	2014	2013
Depreciation of property, plant and equipment	97,244	89,758
Impairment of property, plant and equipment	36,731	1,345
Amortisation of goodwill	13,547	12,558
Amortisation of other intangible assets	9,574	8,711
Impairment of other intangible assets	295	–
Total	157,391	112,372

The impairment of property, plant and equipment mainly consists of an impairment of CHF 35.6 million on the assets of Trentinalatte, which was required due to the difficult economic situation in Italy and the challenging local yogurt market.

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

5 Financial result

	2014	2013
Interest income	2,394	2,207
Other financial income	1,478	1,132
Total financial income	3,872	3,339
Interest expense	-15,875	-17,889
Bank charges and fees	-1,366	-1,080
Total financial expenses	-17,241	-18,969
Total excl. currency result	-13,369	-15,630
Currency result	2,395	-50
Financial result	-10,974	-15,680

6 Income taxes

	2014	2013
Current income taxes	33,290	28,833
Deferred income taxes	-4,319	1,475
Total	28,971	30,308
Average tax rate	23.0%	19.7%

Deferred income taxes are calculated for every company using the effective applicable tax rate. As at 31 December 2014, the resulting weighted average tax rate was 19.7% (previous year 19.2%). In 2014, non-recognised tax claims from tax losses carried forward increased from CHF 14.2 million to CHF 17.8 million. Deferred income tax assets include recognised tax claims from tax losses carried forward amounting to CHF 11.7 million (previous year CHF 5.3 million) and deferred income taxes on temporary differences in the amount of CHF 3.8 million (previous year CHF 11.8 million). Net accruals for current income taxes increased from CHF 18.0 million in 2013 to CHF 20.5 million in 2014.

7 Earnings per share

	2014	2013
Number of shares on 1.1.	5,349,810	5,349,810
Number of shares on 31.12.	5,349,810	5,349,810
Average number of shares	5,349,810	5,349,810
Net profit in CHF	78,898,313	104,559,827
Earnings per share (in CHF)	14.75	19.54

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

8 Trade receivables

	2014	2013
Third parties	415,102	398,432
Associates	18,047	22,847
Shareholders	927	770
Other related parties	3	14
Allowance for doubtful accounts	-12,877	-7,809
Total	421,202	414,254

9 Other receivables

	2014	2013
Third parties	27,998	33,495
Associates	3,476	3,571
Total	31,474	37,066

10 Inventories

	2014	2013
Finished products	120,402	90,580
Merchandise	10,751	15,514
Raw materials, semi-finished products and packaging material	240,703	219,486
Other inventories	1,835	1,939
Allowance for market price adjustments	-15,664	-12,255
Total	358,027	315,264

11 Prepayments and accrued income

	2014	2013
Income taxes	4,115	4,412
Other – third parties	21,474	17,824
Other – associates	482	203
Total	26,071	22,439
Thereof current prepayments and accrued income	17,974	13,914
Non-current prepayments and accrued income	8,097	8,525

Other prepayments and accrued income consist mainly of refunds of CO₂ tax, accrued promotion costs, VAT and prepayments of insurance premiums.

12 Loans and other receivables

	2014	2013
Third parties	47,706	46,150
Associates	17,697	13,270
Adjustments	-1,717	-1,827
Total	63,686	57,593

13 Property, plant and equipment

2014	Undeveloped land	Properties/ Buildings	Plant/ Equipment	Tangible fixed assets under construction	Other tangible assets	Total
Acquisition costs at 1.1.2014	2,684	741,563	1,343,239	58,900	58,689	2,205,075
Change in scope of consolidation	–	-16,821	4,615	36	71	-12,099
Additions	–	9,796	21,835	69,119	3,527	104,277
Disposals	–	-31,299	-61,086	–	-5,835	-98,220
Reclassification	1,836	8,140	58,072	-71,483	3,435	–
Currency translation differences	-2	2,192	444	25	-107	2,552
As at 31 December 2014	4,518	713,571	1,367,119	56,597	59,780	2,201,585
Accumulated depreciation at 1.1.2014	1,038	311,865	872,706	–	43,599	1,229,208
Change in scope of consolidation	–	-24,822	-4,426	–	66	-29,182
Depreciation	–	16,884	75,049	–	5,311	97,244
Impairment charges	–	25,467	11,143	–	121	36,731
Disposals	–	-25,593	-51,751	–	-5,548	-82,892
Reclassification	26	-27	1	–	–	–
Currency translation differences	-1	-145	-829	–	-73	-1,048
As at 31 December 2014	1,063	303,629	901,893	–	43,476	1,250,061
Net book value at 31 December 2014	3,455	409,942	465,226	56,597	16,304	951,524
Thereof finance lease	–	–	4,934	–	–	4,934

2013	Undeveloped land	Properties/ Buildings	Plant/ Equipment	Tangible fixed assets under construction	Other tangible assets	Total
Acquisition costs at 1.1.2013	4,132	714,824	1,285,630	58,080	57,414	2,120,080
Change in scope of consolidation	–	12,234	7,493	60	14	19,801
Additions	–	10,970	29,551	74,697	1,449	116,667
Disposals	-1,450	-10,142	-28,552	–	-2,395	-42,539
Reclassification	–	15,849	55,145	-73,560	2,566	–
Currency translation differences	2	-2,172	-6,028	-377	-359	-8,934
As at 31 December 2013	2,684	741,563	1,343,239	58,900	58,689	2,205,075
Accumulated depreciation at 1.1.2013	1,327	301,846	836,663	–	41,338	1,181,174
Change in scope of consolidation	–	1,956	-5,255	–	-303	-3,602
Depreciation	–	15,799	69,019	–	4,940	89,758
Impairment charges	–	–	1,345	–	–	1,345
Disposals	-290	-6,700	-27,963	–	-2,224	-37,177
Reclassification	–	-796	766	–	30	–
Currency translation differences	1	-240	-1,869	–	-182	-2,290
As at 31 December 2013	1,038	311,865	872,706	–	43,599	1,229,208
Net book value at 31 December 2013	1,646	429,698	470,533	58,900	15,090	975,867
Thereof finance lease	–	–	5,697	–	–	5,697
					2014	2013
Fire insurance values					2,535,619	2,282,662

14 Intangible assets

2014	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Acquisition costs at 1.1.2014	105,099	53,322	289,229	33,097	322,326	6,838	487,585
Change in scope of consolidation	–	44	-4,128	-5,011	-9,139	–	-9,095
Additions	–	13,987	–	–	–	139	14,126
Disposals	–	-25,792	–	–	–	-3,687	-29,479
Currency translation differences	-200	464	1,548	–	1,548	1,485	3,297
As at 31 December 2014	104,899	42,025	286,649	28,086	314,735	4,775	466,434
Accumulated amortisation 1.1.2014	21,493	37,870	91,985	9,886	101,871	4,284	165,518
Change in scope of consolidation	–	43	-15,042	–	-15,042	–	-14,999
Amortisation	4,388	4,438	13,547	1,384	14,931	748	24,505
Impairment charges	295	–	–	–	–	–	295
Disposals	–	-25,792	–	–	–	-3,687	-29,479
Currency translation differences	59	47	251	–	251	1,274	1,631
As at 31 December 2014	26,235	16,606	90,741	11,270	102,011	2,619	147,471
Net book value at 31 December 2014	78,664	25,419	195,908	16,816	212,724	2,156	318,963

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

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

15 Trade payables

	2014	2013
Third parties	305,746	296,139
Associates	9,957	9,787
Shareholders	21,677	22,438
Other related parties	92	4
Total	337,472	328,368

16 Other payables

	2014	2013
Third parties	17,553	30,440
Other related parties	2,716	2,616
Total	20,269	33,056

17 Accrued liabilities and deferred income

	2014	2013
Interest	4,945	5,762
Income taxes	24,645	22,451
Liabilities to employees and social security accruals	28,911	29,428
Contractual discounts	38,833	30,930
Other – third parties	39,711	32,542
Other – associates	1,534	2,061
Total	138,579	123,174
Thereof current accrued liabilities and deferred income	135,183	119,938
Non-current accrued liabilities and deferred income	3,396	3,236

Other accrued liabilities and deferred income of the current and previous period comprise in particular contributions to cheese brand organisations, energy, heavy vehicle charges (LSVA) and various services.

18 Financial liabilities**18.1 Bonds**

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

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

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

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

Bond type	Bond with reopening option
Nominal amount	CHF 125 million
Securities number	2673417/ISIN CH0026734175
Interest rate	3.0 %
Term	13 September 2006 to 13 September 2013
Maturity	13 September 2013 at par value

This bond was repaid on 13 September 2013.

18.2 Maturing structure of financial liabilities

2014	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	Total	Thereof secured by pledge of real estate	Interest rate in %
Bank overdrafts	68,986	34,889	—	103,875	27,281	
Finance lease liabilities	2,344	3,888	289	6,521	—	
Bonds	—	250,000	200,000	450,000	—	
Loans from third parties	266	4,975	49,942	55,183	47,580	
Loans from associates	—	4,874	—	4,874	—	
Total	71,596	298,626	250,231	620,453	74,861	0.9–5.6

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

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

19 Provisions

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred taxes	Total provisions
As at 1 January 2014	3,244	864	16,021	87,152	107,281
Change in scope of consolidation	—	—	-326	357	31
Additions	146	1,552	5,585	4,157	11,440
Utilisation	-2,171	—	-3,032	-9,561	-14,764
Release	-84	-518	-1,099	—	-1,701
Currency translation differences	—	—	-252	104	-148
As at 31 December 2014	1,135	1,898	16,897	82,209	102,139
Thereof current provisions	566	657	4,600	—	5,823
Non-current provisions	569	1,241	12,297	82,209	96,316

The restructuring provisions recognised as at 31 December 2014 relate in particular to costs in connection with the discontinuance of the frozen products distribution business (2014: CHF 1.0 million, 2013: CHF 2.3 million).

Other provisions include in particular provisions for pending legal matters and business disputes (2014: CHF 7.4 million, 2013: CHF 8.0 million), and liabilities for staff expenses in foreign countries as required by law (2014: CHF 3.7 million, 2013: CHF 5.5 million). In all cases, the likelihood of such events occurring has been assessed at above 50%.

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

20 Employee benefit schemes

	Nominal value ECR	Waiver of usage	Other value adjustments	Balance sheet	Balance sheet	Result from ECR in personnel expenses	
Employer contribution reserve (ECR)	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2013	2014	2013
Pension schemes without excess/insufficient cover (domestic)	1,489	—	—	1,489	1,489	—	—
Pension schemes with excess cover (domestic)	556	—	—	556	556	—	—
Total	2,045	—	—	2,045	2,045	—	—

	Excess/insufficient cover as per Swiss GAAP FER 26	Economic benefit/obligation for the company	Change vs. previous year or taken to the income statement in the FY	Contributions limited to the period ¹⁾	Pension expenses in personnel expenses	
Economic benefit/economic obligation and pension expenses	31.12.2014	31.12.2014	31.12.2013		2014	2013
Welfare funds	41,859	—	—	—	—	28
Pension schemes without excess/insufficient cover (domestic)	—	—	—	—	18,870	17,966
Pension schemes without excess/insufficient cover (abroad)	—	—	—	—	834	924
Pension schemes with excess cover (domestic)	96	—	—	—	117	50
Total	41,955	—	—	—	19,821	18,968

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

Breakdown of pension expenses 2014

	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	18,987	834	19,821
Contributions to pension plans from employer contribution reserves	–	–	–
Total contributions	18,987	834	19,821
Change in ECR due to asset performance, value adjustments, etc.	–	–	–
Contributions and change to employer contribution reserves	18,987	834	19,821
Increase in economic benefit to the company due to excess cover	–	–	–
Reduction in economic obligations of the company due to insufficient cover	–	–	–
Total change in economic impact arising from excess/insufficient cover	–	–	–
Pension expenses in personnel expenses for the period	18,987	834	19,821

Breakdown of pension expenses 2013

	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	18,044	924	18,968
Contributions to pension plans from employer contribution reserves	–	–	–
Total contributions	18,044	924	18,968
Change in ECR due to asset performance, value adjustments, etc.	–	–	–
Contributions and change to employer contribution reserves	18,044	924	18,968
Increase in economic benefit to the company due to excess cover	–	–	–
Reduction in economic obligations of the company due to insufficient cover	–	–	–
Total change in economic impact arising from excess/insufficient cover	–	–	–
Pension expenses in personnel expenses for the period	18,044	924	18,968

21 Acquisitions

The companies acquired by Emmi in 2014 and 2013, respectively, reported the following main balance sheet items at the date of acquisition:

	2014	2013		
	Gläserne Molkerei Group	AVH dairy trade BV.	Studer Group	Rachelli Group
Cash	2,921	308	5,023	10,208
Trade receivables	11,101	1,083	2,230	6,037
Inventories	4,615	–	5,620	2,786
Other current assets	575	119	312	5,241
Non-current assets	19,464	47	18,914	7,495
Trade payables	7,268	1,127	1,330	6,295
Other current liabilities	11,508	228	5,156	9,096
Non-current liabilities	357	–	4,138	1,750
Shareholders' equity	19,543	202	21,475	14,626
Balance sheet total	38,676	1,557	32,099	31,767

On 1 October 2014, Emmi increased its stake in the German Gläserne Molkerei Group from 24 % to 76 % and therefore obtained control over it. The Gläserne Molkerei Group has sites in Münchehofe (Brandenburg) and Dechow (Mecklenburg-West Pomerania). It is a leading organic milk processor in Northeast Germany, with a premium range of milk, cheese and other dairy products.

22 Disposal of companies

	2014	2013
	Trentinalatte	
Cash and cash equivalents	1,083	—
Trade receivables	92	—
Inventories	2,246	—
Other current assets	9,162	—
Non-current assets	2,252	—
Trade payables	5,110	—
Other current liabilities	8,302	—
Non-current liabilities	1,737	—
Shareholders' equity	-314	—
Balance sheet total	14,835	—

On 31 October 2014, Emmi Holding Italia S.r.l. sold its 100 % stake in the yogurt manufacturer Trentinalatte S.p.A. in Roverè della Luna, Italy, to LIVIA Group, based in Munich and Vienna. Because of the difficult economic situation and the challenging yogurt market in Italy, Emmi was required to record an impairment on Trentinalatte in the 2014 half-year results.

On 1 April 2013, Emmi AG sold its 60 % stake in Nutrifrais SA. This transaction did not have a significant impact on the consolidated financial statements of Emmi Group.

23 Unsettled derivative financial instruments

	2014			2013		
	Positive value	Negative value	Purpose	Positive value	Negative value	Purpose
Forward currency transactions	99	2,035	Hedging	1,203	12	Hedging
Other forward transactions	1,885	—	Hedging	613	—	Hedging
Total forward transactions	1,984	2,035	—	1,816	12	—
of which to hedge future cash flows	1,900	1,687	—	1,143	—	—
Total recognised in the balance sheet	84	348	—	673	12	—

Similar to the underlying transactions, currency forwards used to hedge future cash flows are not recognised in the balance sheet. The result of these derivative financial instruments is recognised in the income statement upon occurrence of the transaction hedged. Derivative financial instruments used to hedge balance sheet positions in foreign currencies are recognised as securities in the current assets. Corresponding changes in value are recognised in the income statement (financial result).

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

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 the operating activities or on the Group's financial situation. Expected outgoing payments are provided for accordingly. Emmi is committed, in relation with the application for a government grant, to indemnify a third-party investor for damages up to CHF 18.5 million (2013: CHF 16.7 million) in case Emmi does not comply with the conditions attached to the grant. As at the date of the financial statements, the Group had no major contingent assets.

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

Pledged assets	2014	2013
Pledges on property, nominal values	206,375	293,391
Thereof used as security for own liabilities	74,861	63,437
Off-balance sheet leasing/rental obligations		
1 to 2 years	22,032	20,544
3 to 5 years	22,928	22,876
over 5 years	32,141	26,408
Total	77,101	69,828

26 Investment obligations and off-balance sheet liabilities

	2014	2013
Investment obligations in connection with previously concluded agreements	18,295	35,257
Long-term commodity contracts	767	878
Cooperation agreements with suppliers/customers	p.m.	p.m.

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

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 2014 and 2013, and consist of deliveries of products and raw materials, loans and services to and from related parties. The corresponding receivable and payable balances are reported separately in the financial statements (see notes 8, 9, 11, 12, 15, 16, 17 and 18).

Transactions with associates	2014	2013
Net sales	81,232	84,885
Cost of materials and services	90,920	94,525
Other expenses	10,824	13,058
Financial income	504	509
Financial expenses	131	168

Transactions with shareholders	2014	2013
Net sales	6,833	7,090
Cost of materials and services	244,764	238,156
Other expenses	130	354
Financial expenses	25	26

Transactions with other related parties	2014	2013
Net sales	4,640	4,365
Cost of materials and services	4,018	643
Other expenses	309	457

Milk purchases from the main shareholder are included in cost of materials under transactions with shareholders. These are made at arm's length conditions. Emmi Group is jointly and severally liable for the VAT liabilities of the Genossenschaft Zentralschweizer Milchproduzenten ZMP and ZMP Invest AG.

Other transactions

The compensation paid to members of the Board of Directors and Group Management is disclosed in the Compensation Report of Emmi AG on page 89.

28 Shareholders

Nominal capital	2014	%	2013	%
ZMP Invest AG , Lucerne ¹⁾	29,015	54.2	29,031	54.3
Zentralschweizer Milchkäuferverband, Willisau ¹⁾	2,500	4.7	2,500	4.7
MIBA Milchverband der Nordwestschweiz, Basel ¹⁾	1,931	3.6	1,931	3.6
Other	20,052	37.5	20,036	37.4
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Basel, form a group in the sense of Article 20 SESTA. The Group owns 62.5% (previous year 62.6%) of the total voting rights.

As at 31 December 2014 and as at 31 December 2013, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 16,000 shares of Emmi AG.

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 workshops and individual interviews according to the extent of the potential damage and their likelihood of occurrence. This process is divided into two subprocesses: risk analysis and definition of measures. The first subprocess includes risk identification, assessment and classification. Risks are classified according to whether they are strategic, operational, financial or compliance related. The second subprocess, definition of measures, covers how to deal with risks and the creation of a catalogue of measures per risk, as well as risk reporting.

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

- Price collapse of generic products: national and international product tenders exert price pressure, which could lead to a loss of margin mainly for generic products. However, with the established Emmi brands, a long-term value creation potential is ensured.
- Milk price difference in Switzerland: as a result of the deregulation of the milk market, there is a risk that Emmi cannot purchase milk at the same favourable conditions as its competitors in Switzerland. However, with a well-functioning Swiss Milk Sector Organisation (BOM), the distortions are not as large. Although the full liberalisation of the Swiss milk market remains a long-term risk, this is reduced through targeted and sustainable growth abroad. The risks related to the international growth of Emmi Group are minimised by aligning focusing consistently on the Group strategy and its implementation.

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

To ensure that the consolidated financial statements are in accordance with the applicable accounting standards and reported accurately, Emmi Group has set up effective internal control and management systems, which are reviewed regularly. The accounting and valuation includes estimates and assumptions regarding the future. These are based on the knowledge possessed by the respective employees and are regularly examined with a critical eye. Where a financial position includes a major valuation uncertainty that could lead to a significant change of 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 at year-end.

30 Subsequent events

Emmi acquires the cheese business of J.L. Freeman

On 12 January 2015, Emmi acquired 100 % of the shares in the cheese business of J.L. Freeman, based in Boucherville, Canada. The company is one of Canada's leading importers of speciality cheeses, primarily from Switzerland. J.L. Freeman generates sales of around CAD 38 million and employs 18 members of staff in its cheese business.

Development of the Swiss Franc in 2015

As a result of the discontinuation of the EUR/CHF floor by the Swiss National Bank on 15 January 2015, the EUR/CHF exchange rate significantly decreased and is at the time of approval of the consolidated financial statements (on 27 February 2015) much lower than as per 31 December 2014. Since the abrupt change in the exchange rate was triggered only after the balance sheet date, this event is not recognised in the 2014 consolidated financial statements.

Like other exporting companies in Switzerland, Emmi is negatively impacted by the strength of the Swiss franc. The weak euro affects roughly CHF 400 million of export sales. Emmi has put together a package of measures to address this issue. This includes price increases for export products, additional efficiency programmes at facility level, price cuts for milk processed for export products and price negotiations with international suppliers. Emmi is doing everything in its power to ensure that Swiss dairy products continue to have sufficient sales potential in international markets. Nevertheless, currency effects will have a negative impact on Emmi's sales performance. Given the various measures it has put in place, however, the company is confident that its 2015 net profit will be just below 3.0 %.

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 27 February 2015, no other major events occurred which could adversely affect the validity of the annual financial statements for 2014 or which would have to be disclosed.

31 Summary of consolidated companies, associates and joint ventures

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2014	Capital share 31.12.2014	Capital share 31.12.2013
Switzerland						
Emmi AG	Lucerne	Holding	CHF	53,498	100 %	100 %
Baumann Käse AG	Zollikofen	Trade	CHF	100	100 %	100 %
Emmi Finanz AG	Lucerne	Service	CHF	100	100 %	100 %
Emmi Fondue AG	Langnau i.E.	Production	CHF	15,000	99 %	65 %
Emmi Frischprodukte AG	Lucerne	Production	CHF	6,000	100 %	100 %
Emmi Frisch-Service AG	Schlieren	Trade	CHF	1,000	100 %	100 %
Emmi International AG	Lucerne	Service	CHF	5,000	100 %	100 %
Emmi Käse AG	Lucerne	Prod. and trade	CHF	11,400	100 %	100 %
Emmi Logistik AG	Lucerne	Service	CHF	2,000	100 %	100 %
Emmi Management AG	Lucerne	Service	CHF	500	100 %	100 %
Emmi Milch AG	Lucerne	Production	CHF	4,000	100 %	100 %
Emmi Schweiz AG	Lucerne	Service	CHF	5,700	100 %	100 %
FDS Fromagerie de Saignelégier SA	Saignelégier	Production	CHF	1,050	86 %	86 %
Fromco S.A. Moudon	Moudon	Production	CHF	2,100	60 %	60 %
Holding der Schweizerischen Milchproduzenten	Münchenbuchsee	Service	CHF	100	100 %	100 %
Käserei Studer AG	Hefenhofen	Prod. and trade	CHF	240	100 %	100 %
Lesà Lataria Engiadinaisa SA	Bever	Prod. and trade	CHF	1,500	80 %	80 %
Mittelland Molkerei AG	Suhr	Production	CHF	20,000	60 %	60 %
Molkerei Biedermann AG	Bischofzell	Prod. and trade	CHF	1,010	100 %	100 %
MOPRO Luzern AG	Lucerne	Service	CHF	120	100 %	100 %
Regio Molkerei beider Basel AG	Frenkendorf	Production	CHF	3,000	80 %	80 %
Studer Holding AG	Hefenhofen	Service	CHF	720	100 %	100 %
Studer Käsemarketing AG	Hefenhofen	Service	CHF	100	100 %	100 %
SWEET PORT SERVICES SA	Lugano	Trade	CHF	250	100 %	100 %
Swissexport, Aktiengesellschaft Schweizerischer Käseexporteure	Berne	Service	CHF	100	79 %	79 %
Walter Schmitt AG ¹⁾	Märwil	Trade	CHF	–	–	100 %
Spain						
Admilac Servicios Profesionales, S.L.	San Sebastian	Service	EUR	3	76 %	76 %
Altamira Alimentaria, S.L.	Renedo	Trade	EUR	3	76 %	76 %
Emmi Lacteos España, S.L.U.	Pamplona	Trade	EUR	50	100 %	100 %
Kaiku Corporación Alimentaria, S.L.	San Sebastian	Service and Trade	EUR	66,110	76 %	76 %
Kaiku Internacional, S.L.	San Sebastian	Service and Trade	EUR	39,800	76 %	76 %
Lacteos de Navarra, S.L.	Pamplona	Production	EUR	9,647	76 %	75 %

Consolidated companies	Head Office	Function	Currency	Capital	Capital share	Capital share
				in 000s 31.12.2014	31.12.2014	31.12.2013
Llet Nostra Alimentaria, S.L.	Barcelona	Trade	EUR	3	34%	34%
SDA Bilbao, S.L.	Bilbao	Service	EUR	3	76%	76%
SDA Catalunya	Barcelona	Trade	EUR	3	55%	55%
SDA Guipuzkoa, S.L.	Bilbao	Service	EUR	3	76%	76%
Sociedad Distribuidora Alimentaria, S.L.	Bilbao	Service and Trade	EUR	625	76%	76%
Soc. Servicios Logísticos SDA Central, S.L.	Bilbao	Service	EUR	3	76%	76%
Tecnología y Calidad Láctea, S.L.	San Sebastian	Service	EUR	3	76%	76%
Germany						
Emmi Deutschland GmbH	Essen	Trade	EUR	75	100%	100%
Gläserne Meierei GmbH	Dechow	Prod. and trade	EUR	375	76%	24%
Gläserne Molkerei GmbH	Münchehofe	Prod. and trade	EUR	100	76%	24%
Hofmolkerei Münchehofe GmbH	Münchehofe	Trade	EUR	25	76%	24%
Meierei Mecklenburg GmbH	Dechow	Trade	EUR	25	76%	24%
Molkerei Biedermann GmbH	Constance	Trade	EUR	25	100%	100%
Rutz Käse GmbH	Constance	Trade	EUR	25	100%	100%
Italy						
A-27 S.p.A.	Rancio Valcuvia	Prod. and trade	EUR	1,000	100%	100%
Emmental S.r.l. in Liq.	Milan	Trade	EUR	520	100%	100%
Emmi Holding Italia S.r.l.	Milan	Service	EUR	1,714	100%	100%
Emmi Italia S.p.A.	Milan	Trade	EUR	500	100%	100%
Eurogel S.r.l.	Pero	Trade	EUR	40	100%	100%
Rachelli Italia S.r.l.	Pero	Production	EUR	52	100%	100%
Trentinalatte S.p.A. ²⁾	Rovère della Luna	Production	EUR	–	–	100%
France						
Distribution Frais Disfrais SAS	Avignon	Trade	EUR	192	63%	63%
EAF Immo 84 SCI	Nice	Service	EUR	270	63%	63%
Emmi France SAS	Rungis	Trade	EUR	40	100%	100%
Ets. Schoepfer SAS	Avignon	Trade	EUR	1,252	63%	63%
SAS Emmi Ambrosi France E.A.F.	Nice	Service	EUR	100	63%	63%
Netherlands						
AVH dairy trade B.V.	Bergen	Prod. and trade	EUR	18	70%	70%
Emmi Finance Netherlands B.V.	Tiel	Service	EUR	p.m.	95%	95%
Emmi Benelux B.V.	Tiel	Trade	EUR	523	100%	100%
Rachelli International B.V.	Amsterdam	Trade	EUR	18	100%	100%
Belgium						
Emmi Belux SA	Brussels	Trade	EUR	62	100%	100%
Austria						
Emmi Österreich GmbH	Nüziders	Trade	EUR	2,800	100%	100%
United Kingdom						
Emmi UK Limited	London	Trade	GBP	4,717	100%	100%
Tunisia						
Centrale Laitière de Mahdia, S.A.	Mahdia	Production	TND	23,000	35%	35%
Société tunisienne d'engraissement des veaux S.A.R.L.	Mahdia	Production	TND	140	31%	31%

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2014	Capital share 31.12.2014	Capital share 31.12.2013
United States						
Cypress Grove Chevre, Inc.	Arcata	Prod. and trade	USD	202	100 %	100 %
Emmental Cheese Corp.	Orangeburg	Trade	USD	6	100 %	100 %
Emmi Holding (USA), Inc.	Orangeburg	Service	USD	p.m.	100 %	100 %
Emmi Penn Yan LLC	Penn Yan	Production	USD	2,390	100 %	100 %
Emmi Platteville, Inc.	Delaware	Service	USD	p.m.	100 %	100 %
Emmi Roth USA, Inc.	Monroe	Prod. and trade	USD	2	100 %	100 %
Emmi USA Inc.	Orangeburg	Trade	USD	800	100 %	100 %
Switzerland Cheese Marketing (USA) Inc.	Orangeburg	Trade	USD	1	79 %	79 %
Zingg + Co. Inc.	Orangeburg	Trade	USD	1	100 %	100 %
Chile						
Eurolac Chile, S.A.	Santiago	Service	CLP	12,292,103	76 %	76 %
Surlat Comercial, S.A.	Santiago	Trade	CLP	6,934,524	46 %	46 %
Surlat Industrial, S.A.	Pitrufrquen	Production	CLP	13,310,392	46 %	46 %
Canada						
Emmi Canada Inc.	Quebec	Trade	CAD	p.m.	100 %	100 %
Switzerland Cheese Marketing Inc.	Quebec	Trade	CAD	1	79 %	79 %

¹⁾ Walter Schmitt AG was merged with Emmi Käse AG on 1 January 2014.

²⁾ Trentinalatte S.p.A. was sold on 31 October 2014.

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

Associates and joint ventures	Head Office	Function	Currency	Capital in 000s 31.12.2014	Capital share 31.12.2014	Capital share 31.12.2013
Switzerland						
BO Butter GmbH	Berne	Service	CHF	500	20%	20%
Cetra Alimentari SA	Lugano	Trade	CHF	250	34%	34%
Emmentaler Schaukäserei AG	Affoltern i.E.	Prod. and trade	CHF	4,954	36%	36%
FDC Fromagerie de Courgenay SA	Courgenay	Service	CHF	990	25%	25%
Sbrinz Käse GmbH	Sursee	Service	CHF	180	24%	24%
Switzerland Cheese Marketing AG	Berne	Service	CHF	290	23%	23%
Thurgauische Käse-Reifungs AG	Weinfelden	Service	CHF	2,000	25%	25%
Vermo Tiefkühl Pool AG	Lucerne	Trade	CHF	2,500	35%	35%
Italy						
Ambrosi S.p.A.	Brescia	Prod. and trade	EUR	10,000	25%	25%
Sepa S.r.l.	Pieve Porto Morone	Prod. and trade	EUR	10	40%	40%
Venchiaredo S.p.A.	Ramuscello	Prod. and trade	EUR	4,500	24%	24%
Germany						
Carl Fr. Scheer GmbH + Co. KG	Willstätt	Trade	EUR	500	25%	25%
Scheer						
Verwaltungs- und Beteiligungs-GmbH	Willstätt	Service	EUR	26	25%	25%
Spain						
Batiovo I.A.E.	Madrid	Trade	EUR	12	38%	38%
Serkolat Bide, S.L.	San Sebastian	Service	EUR	8	38%	19%
France						
Yéo International S.A. ¹⁾	Toulouse	Production	EUR	–	–	38%
Netherlands						
Goat Milk Powder B.V.	Etten-Leur	Production	EUR	1	35%	35%
United States						
Big Red Cheese Company LLC	Monroe	Trade	USD	p.m.	50%	50%
The Icelandic Milk and Skyr Corporation	New York	Production	USD	p.m.	24%	24%
White Hill Cheese Company LLC	Shullsburg	Production	USD	7,000	50%	50%
Chile						
Comercial Hoffmann, S.A.	Valdivia	Trade	CLP	384,033	17%	19%
SDA Chile, S.A.	Santiago	Trade	CLP	798,271	34%	34%
Mexico						
Mexideli 2000 Holding S.A. de C.V.	Mexico-City	Trade	MXN	101,759	50%	50%

¹⁾ Yéo International S.A. was sold on 23 July 2014.

Auditors' Report



Report of the Statutory Auditor to the General Meeting of Shareholders of

Emmi AG, Lucerne

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Emmi AG, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes, as set out on pages 51 to 78 for the year ended December 31, 2014

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Other matter

The consolidated financial statements of Emmi AG for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2014.

Report on Other Legal Requirements

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

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

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

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Sandro Masciarucci
Licensed Audit Expert

Lucerne, February 27, 2015

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Income Statement

in CHF 000s

	2014	2013
Income from investments	81,501	74,912
Financial income	13,882	15,767
Other income	6,966	6,710
Total income	102,349	97,389
Personnel expenses	-860	-833
Financial expenses	-19,989	-9,770
Administrative expenses	-1,366	-1,374
Amortisation	-451	-451
Total expenses	-22,666	-12,428
Ordinary profit before taxes	79,683	84,961
Income taxes	-1,382	-1,271
Net profit	78,301	83,690

Balance Sheet

in CHF 000s

Assets

	Notes	31.12.2014	%	31.12.2013	%
Cash and cash equivalents		240		12,878	
Securities		250		250	
Other receivables from third parties		762		2,610	
Other receivables from consolidated companies		20,748		–	
Prepayments and accrued income		264		246	
Current assets		22,264	2.9	15,984	2.0
Loans to consolidated companies	4	380,567		454,736	
Loans to third parties		–		700	
Investments	2	373,997		319,640	
Financial assets		754,564		775,076	
Prepayments and accrued income		71		113	
Intangible assets		452		903	
Non-current assets		755,087	97.1	776,092	98.0
Total assets		777,351	100.0	792,076	100.0

Liabilities and shareholders' equity

Payables from consolidated companies		837		69,228	
Other payables		198		210	
Accrued liabilities and deferred income		3,435		2,449	
Current liabilities		4,470	0.5	71,887	9.1
Bank overdrafts		60,139		61,314	
Loans from consolidated companies		–		4,105	
Provisions		1,000		1,000	
Non-current liabilities		61,139	7.9	66,419	8.4
Liabilities		65,609	8.4	138,306	17.5
Share capital	6	53,498		53,498	
General legal reserves					
– Legal reserves		2,886		2,886	
– Capital contribution reserve	8	129,200		149,529	
Total general legal reserves		132,086		152,415	
Free reserves		445,000		360,000	
Retained earnings		2,857		4,167	
Net profit		78,301		83,690	
Accumulated profit		81,158		87,857	
Shareholders' equity		711,742	91.6	653,770	82.5
Total liabilities and shareholders' equity		777,351	100.0	792,076	100.0

Statement of Changes in Equity

in CHF 000s

	Share capital	General legal reserves		Free reserves	Available earnings	Total
		Legal reserves	Capital contribution reserve			
Shareholders' equity as at 1 January 2011	53,498	189,863	–	235,000	45,785	524,146
Allocation/reclassification	–	-186,977	186,977	25,000	-25,000	–
Dividend	–	–	–	–	-18,189	-18,189
Net profit	–	–	–	–	37,540	37,540
Shareholders' equity as at 31 December 2011	53,498	2,886	186,977	260,000	40,136	543,497
Allocation	–	–	–	35,000	-35,000	–
Dividend	–	–	-18,189	–	–	-18,189
Net profit	–	–	–	–	64,031	64,031
Shareholders' equity as at 31 December 2012	53,498	2,886	168,788	295,000	69,167	589,339
Allocation	–	–	–	65,000	-65,000	–
Dividend	–	–	-19,259	–	–	-19,259
Net profit	–	–	–	–	83,690	83,690
Shareholders' equity as at 31 December 2013	53,498	2,886	149,529	360,000	87,857	653,770
Allocation	–	–	–	85,000	-85,000	–
Dividend	–	–	-20,329	–	–	-20,329
Net profit	–	–	–	–	78,301	78,301
Shareholders' equity as at 31 December 2014	53,498	2,886	129,200	445,000	81,158	711,742

As at 31 December 2014, 5,349,810 registered shares with a par value of CHF 10 were issued (as at 31 December 2013: 5,349,810).

Notes to the Financial Statements

CHF 000s

1. Accounting law

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

2. Significant investments

	Function	Currency	Capital in 000s 31.12.2014	Capital share 31.12.2014	Capital share 31.12.2013
Switzerland					
Baumann Käse AG , Zollikofen	Trade	CHF	100	100 %	100 %
Cetra Alimentari SA , Lugano	Trade	CHF	250	34 %	34 %
Emmi Finanz AG , Lucerne	Service	CHF	100	100 %	100 %
Emmi Fondue AG , Langnau i.E.	Production	CHF	15,000	99 %	65 %
Emmi Frischprodukte AG , Lucerne	Production	CHF	6,000	100 %	100 %
Emmi Frisch-Service AG , Schlieren	Trade	CHF	1,000	100 %	100 %
Emmi International AG , Lucerne	Service	CHF	5,000	100 %	100 %
Emmi Käse AG , Lucerne	Production and trade	CHF	11,400	100 %	100 %
Emmi Logistik AG , Lucerne ¹⁾	Service	CHF	–	–	91 %
Emmi Management AG , Lucerne	Service	CHF	500	100 %	100 %
Emmi Milch AG , Lucerne	Production	CHF	4,000	100 %	100 %
Emmi Schweiz AG , Lucerne	Service	CHF	5,700	100 %	100 %
Fromco S.A. Moudon, Moudon	Production	CHF	2,100	60 %	60 %
Holding der Schweizerischen Milchproduzenten, Münchenbuchsee	Service	CHF	100	100 %	100 %
Mittelland Molkerei AG , Suhr	Production	CHF	20,000	60 %	60 %
Molkerei Biedermann AG , Bischofszell	Production and trade	CHF	1,010	100 %	100 %
MOPRO Luzern AG , Lucerne	Service	CHF	120	100 %	100 %
Studer Holding AG , Hefenhofen	Service	CHF	720	100 %	100 %
Switzerland Cheese Marketing AG, Berne	Service	CHF	290	23 %	23 %
Vermo Tiefkühl Pool AG , Lucerne	Trade	CHF	2,500	35 %	35 %
Italy					
Emmi Holding Italia S.r.l., Milan	Service	EUR	1,714	70 %	70 %
Netherlands					
Emmi Finance Netherlands B.V., Tiel	Service	EUR	p.m.	80 %	80 %
Spain					
Kaiku Corporación Alimentaria, S.L., San Sebastián	Service and Trade	EUR	66,110	76 %	76 %
United Kingdom					
Emmi UK Limited, London	Trade	GBP	4,717	100 %	100 %

¹⁾ Emmi Logistik AG was transferred to Emmi Frischprodukte AG on 22 December 2014.

3. Sureties granted and guarantees in favour of Group companies

	31.12.2014	31.12.2013
Guarantees and joint liability for loans of Group companies	604,185	625,385
Of which used by Group companies	450,773	451,760
Other guarantees for Group companies	1,050	1,050

4. Subordinated loans

Loans to Group companies include subordinated loans amounting to CHF 17.0 million (previous year CHF 12.9 million).

5. Bond

Bond type	Bond with reopening option
Nominal amount	CHF 125 million
Securities number	2673417/ISIN CH0026734175
Interest rate	3.0%
Maturity	13 September 2006 to 13 September 2013
Redemption	13 September 2013 at par value

This bond was repaid on 13 September 2013.

6. Shareholders

Nominal capital	2014	%	2013	%
ZMP Invest AG, Lucerne ¹⁾	29,015	54.2	29,031	54.3
Zentralschweizer Milchkäuferverband, Willisau ¹⁾	2,500	4.7	2,500	4.7
MIBA Milchverband der Nordwestschweiz, Basel ¹⁾	1,931	3.6	1,931	3.6
Other	20,052	37.5	20,036	37.4
Total	53,498	100.0	53,498	100.0

¹⁾ ZMP Invest AG, Lucerne, the Zentralschweizer Milchkäuferverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Basel, from a group in the sense of Article 20 of the SESTA. The group owns 62.5 % (previous year 62.6 %) of the total voting rights.

7. Contingent liabilities

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

8. Capital contribution reserve

	31.12.2014	31.12.2013
Confirmed by the tax authorities	123,428	143,757
Not confirmed by the tax authorities	5,772	5,772
Total	129,200	149,529

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

9. Participations of members of the Board of Directors, the Council and Group Management

As at 31 December 2014, 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 31.12.2014	No of shares 31.12.2013
Board of Directors		
Konrad Graber, Chairman	950	950
Thomas Oehen, Vice-Chairman	610	610
Christian Arnold, member	30	30
Stephan Baer, member	49,000	49,000
Monique Bourquin, member (since 25 April 2013)	–	–
Hans Herzog, member	540	540
Niklaus Meier, member	200	200
Josef Schmidli, member	74	74
Diana Strebel, member	–	–
Agricultural Council		
Christophe Eggenschwiler	–	–
Pirmin Furrer	–	–
Kurt Nüesch (since 1 January 2014)	–	n.a.
Markus Zemp	–	–
Group Management		
Urs Riedener, CEO	–	–
Robert Muri, Deputy CEO	100	100
Robin Barraclough, member	20	20
Othmar Dubach (until 31 December 2013)	n.a.	176
Marc Heim, member	150	150
Matthias Kunz, member	27	27
Max Peter (until 31 December 2013)	n.a.	100
Jörg Riboni, member	–	–
Natalie Rüedi, member	–	–
Markus Willimann (until 31 December 2013)	n.a.	44

The members of the Board of Directors, the Agricultural Council and Group Management own a total of 51,701 shares (previous year 52,021 shares) and thus hold 1.0 % of the voting rights (previous year 1.0 %).

10. Risk management

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

Further details on risk management can be found in section 29 of the Notes to the Consolidated Financial Statements (page 73).

Proposed Appropriation of Available Earnings

CHF 000s

Available earnings	31.12.2014	31.12.2013
Retained earnings carried forward	2,857	4,167
Net profit	78,301	83,690
Available for distribution by the Annual General Meeting	81,158	87,857

Appropriation of available earnings

The Board of Directors proposes that the Annual General Meeting approve the distribution of a dividend of CHF 3.80 (previous year CHF 3.80) gross per registered share for the 2014 financial year on 5,349,810 shares entitled to dividends. The Board of Directors likewise proposes that the distribution of CHF 3.80 per share be paid, in its entirety, out of the capital contribution reserve.

Earnings available for distribution by the Annual General Meeting	81,158	87,857
Allocation from confirmed capital contribution reserve	20,329	20,329
Dividend	-20,329	-20,329
Allocation to free reserves	-80,000	-85,000
Carried forward to new account	1,158	2,857
Total distribution	20,329	20,329
Of which from confirmed capital contribution reserve (exempt from withholding tax)	-20,329	-20,329
Share other available earnings	–	–

Auditors' report



Report of the Statutory Auditor to the General Meeting of Shareholders of

Emmi AG, Lucerne

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Emmi AG, which comprise the income statement, balance sheet, statement of changes in equity and notes, as set out on pages 81 to 86 for the year ended December 31, 2014.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2014 comply with Swiss law and the company's articles of incorporation.

Other matter

The financial statements of Emmi AG for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2014.

Report on Other Legal Requirements

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

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

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

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Sandro Masciarucci
Licensed Audit Expert

Lucerne, February 27, 2015

Compensation Report of Emmi AG

	Basic compensation	Variable compensation	Non-cash benefits	Other compensation ¹⁾	Total 2014	Total 2013
Board of Directors						
Konrad Graber, Chairman	240	–	–	–	240	225
Thomas Oehen, Vice-Chairman	65	–	–	18	83	68
Christian Arnold, member	41	–	–	13	54	52
Stephan Baer, member	70	–	–	1	71	65
Monique Bourquin, member (since 25 April 2013)	46	–	–	15	61	35
Joseph Deiss, member (until 25 April 2013)	n.a.	n.a.	n.a.	n.a.	n.a.	30
Hans Herzog, member	63	–	–	15	78	72
Niklaus Meier, member	54	–	–	17	71	55
Josef Schmidli, member	42	–	–	12	54	52
Diana Strebel, member	42	–	–	13	55	53
Total Board of Directors	663	–	–	104	767	707
Agricultural Council ²⁾						
Christophe Eggenschwiler	5	–	–	1	6	6
Pirmin Furrer	5	–	–	1	6	6
Kurt Nüesch (since 1 January 2014)	6	–	–	–	6	n.a.
Albert Rösti (until 30 June 2013)	n.a.	n.a.	n.a.	n.a.	n.a.	3
Markus Zemp	5	–	–	1	6	6
Total Agricultural Council	21	–	–	3	24	21
Group Management ³⁾						
Urs Riedener, CEO	830	332	3	271	1,436	1,398
Other members	1,899	542	21	710	3,172	4,515
Total Group Management	2,729	874	24	981	4,608	5,913

¹⁾ Other compensation consists of social security contributions and expenses.

²⁾ Compensation paid to the external members of the Agricultural Council are disclosed in this table. Members of the Agricultural Council who are members of the Board of Directors as well receive compensation for their work for the Agricultural Council, which is included in the compensation paid to the Board of Directors. Emmi employees who are members of the Agricultural Council do not receive any compensation for their work on the Agricultural Council.

³⁾ In 2013, Group Management still consisted of ten members. Since 1 January 2014, Group Management has only comprised seven members. Furthermore, compensation for 2014 includes, unlike in 2013, capital payments relating to pensions. In 2013, these would have amounted to CHF 32 thousand.

For further information on the compensation system, please refer to chapter 5 of the Corporate Governance report on page 37.

Auditors' report



Report of the Statutory Auditor to the General Meeting of

Emmi AG, Lucerne

We have audited the accompanying remuneration report, set out on page 89 of Emmi AG for the year ended December 31, 2014.

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 December 31, 2014 of Emmi AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Other matter

The corresponding figures stated in the compensation report of Emmi AG for the year ended December 31, 2014 were formerly included in the financial statements of Emmi AG for the year ended December 31, 2013. These financial statements were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2014.

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Sandro Mascarucci
Licensed Audit Expert

Lucerne, February 27, 2015

Share information of Emmi AG

Stock exchange information		2014	2013	2012	2011	2010
Share price on 31.12.	in CHF	351.00	273.50	230.00	187.90	210.00
Year's high (end-of-day position)	in CHF	375.00	297.00	238.50	220.90	225.00
Year's low (end-of-day position)	in CHF	271.00	230.00	176.60	164.50	125.00
Market capitalisation on 31.12.	in CHF million	1,878	1,463	1,230	1,005	1,123
Average trading volume	Units	3,286	3,290	1,795	3,018	2,742

Key share data

Net income per share	in CHF	14.75	19.54	19.86	15.51	16.10
Shareholders' equity per share	in CHF	212.78	199.69	184.65	168.39	157.54
Return on shareholders' equity ¹⁾	in %	4.20	7.15	8.63	8.25	7.67
Distribution	in CHF	3.80	3.80	3.60	3.40	3.40
Distribution rate ²⁾	in %	18.58	20.83	21.33	21.92	21.12
Return on dividends ³⁾	in %	1.08	1.39	1.57	1.81	1.62

¹⁾ Profit per share/year-end closing price

²⁾ Distribution per share/adjusted net profit per share

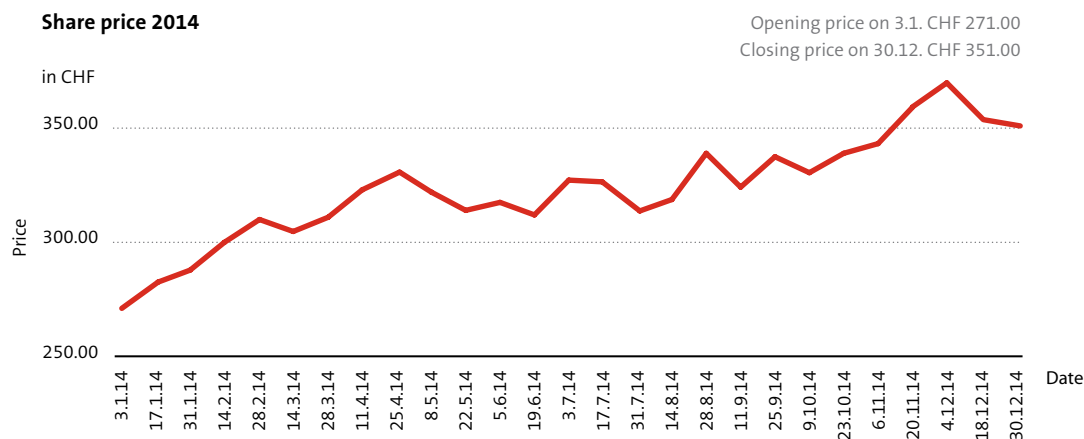
³⁾ Distribution per share/year-end closing price

Capital structure on 31.12.

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

Share ranking for dividends	All
Voting rights	All registered shareholders have full voting rights
Securities number	1.282.989
ISIN code	CH0012829898
Ticker	EMMN
Common code	20592664
Traded	in the Local Caps segment on the SIX Swiss Exchange
Index inclusion	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index

Share price 2014



Innovative strength as part of our DNA



You seldom get a second chance to make a good first impression. Product development therefore requires time and money. Emmi invests around CHF 120 million every year, much of which is in Switzerland – including in new products. Making an idea tangible is a complex interaction that may take up to two years. Is it only us who thinks this is a good idea, or does it meet a real consumer need? How much investment is required? It is a case of defining recipes, testing their suitability for production and tracking down the perfect raw materials. To find the perfect fruit, our experts try up to 20 varieties. Consumer tests, sample production, revised recipes, suitable packaging, the right messages... Surprising connoisseurs challenges us time and again.



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in German and English.

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