



Shareholder letter and half-year report 2015

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Dear Shareholders

2015 began with the Swiss National Bank's decision to remove the euro exchange-rate floor of CHF 1.20. This had a major impact on all exporting companies in Switzerland, including Emmi.

Emmi addressed this challenge by implementing swift and decisive measures such as price increases abroad, cost-saving programmes at all of its facilities, as well as adapting milk prices for export products to the new market realities and negotiating prices with our international suppliers.

Strong response to currency challenges

Given the difficult currency situation, Emmi can be satisfied with the results achieved in the first half of 2015. Organic sales growth, EBIT and net profit were proportionately above the forecasts published for full-year 2015.

At Group level, sales reached CHF 1,563.0 million – a decrease of 3.8% compared with the first half of 2014. Adjusted for acquisition and currency effects, Emmi reported an organic decline of 1.7%, meaning that sales performance was slightly better than anticipated. This is primarily attributable to the business division Europe, which handled the currency shock better than expected. The performance of the business divisions Switzerland and Americas was within the target range.

Acquisition effects were attributable to the sale of Trentinalatte in Italy (October 2014), the sale of the business activities of Emmi Penn Yan in the United States (December 2014), Emmi's increased stake in Gläserne Molkerei in Germany (October 2014) and the purchase of the cheese business of J.L. Freeman in Canada. The latter was consolidated by mid-April 2015.

Improvement in earnings outside Switzerland

Adjusted net profit in the first half of the year amounted to CHF 46.6 million (previous year: CHF 45.2 million), corresponding to a year-on-year increase of 3.1%. The adjusted net profit margin amounted to 3.0% (previous year: 2.8%), which is slightly above the expectations published in March.

This encouraging performance is primarily down to the international business as well as a bundle of measures that have been consistently applied since the beginning of the year. The key drivers were earnings enhancements in the business divisions Europe and Americas as a result of price increases, efficiency measures, and last year's sale of entities with unsatisfactory earnings figures.

We are very satisfied to have managed this without shifting jobs abroad or extending contractual working hours.

Plenty of work still to do

Sales trends in the first six months of 2015 have been extremely volatile, and we will see over the coming months how well the Swiss economy and Emmi deal with the shock to the euro.

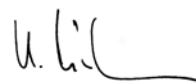
We expect the environment to remain challenging. Sales will be particularly impacted by the struggling cheese business, which usually tends to generate higher sales in the second half of the year, as well as the price-sensitive industrial business and falling sales in the food service sector. We anticipate that the negative effects of the strong Swiss franc on sales will be even greater in the second half of the year. Nevertheless, Emmi expects to achieve its sales targets and exceed the earnings forecasts for full-year 2015.

Emmi will do everything to ensure the competitiveness of its products outside Switzerland over the long term and to safeguard Switzerland's role as a production location. The focus therefore is on protecting products with above-average potential, as well as cost-conscious management.

In the past, Emmi and its employees have repeatedly shown that adversity makes them stronger. We aim to prove this once again – to ensure the health of our company and safeguard Switzerland as a powerful production location.



Konrad Graber
Chairman of the Board of Directors

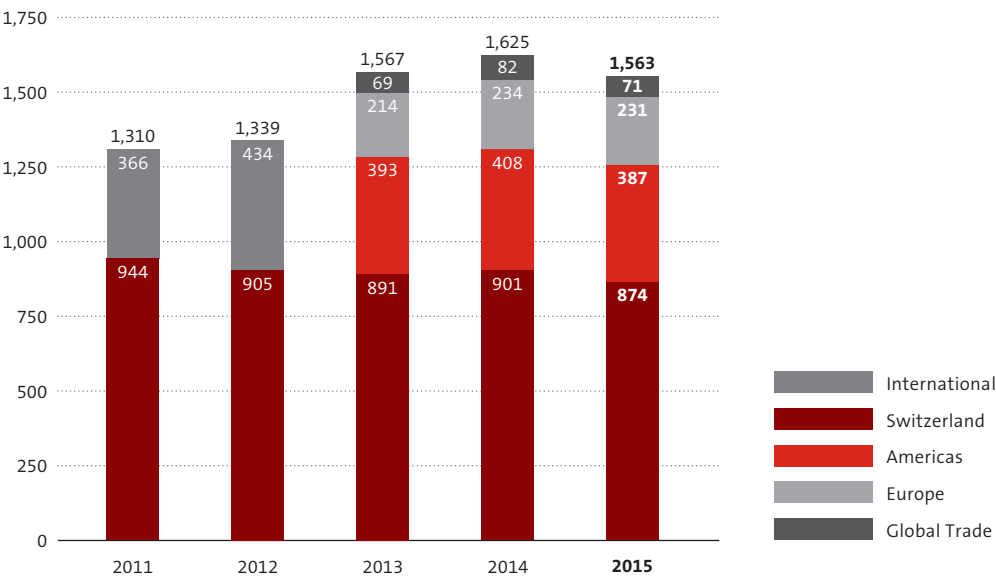


Urs Riedener
CEO

Emmi Group key figures

Net sales

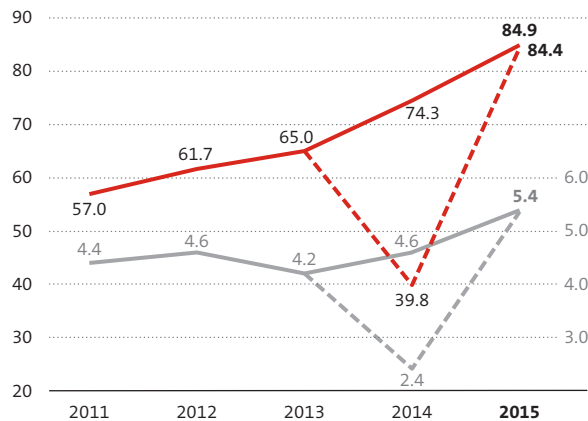
in CHF million, first six months



EBIT

in CHF million, first six months

as % of net sales

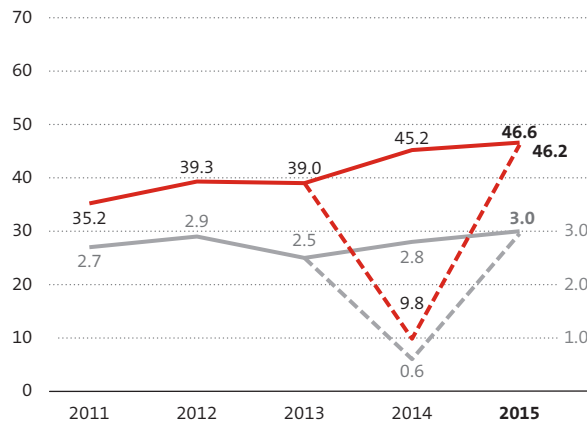


--- EBIT
 --- Adjusted EBIT
 --- EBIT as % of net sales
 --- Adjusted EBIT as % of net sales

Net profit

in CHF million, first six months

as % of net sales

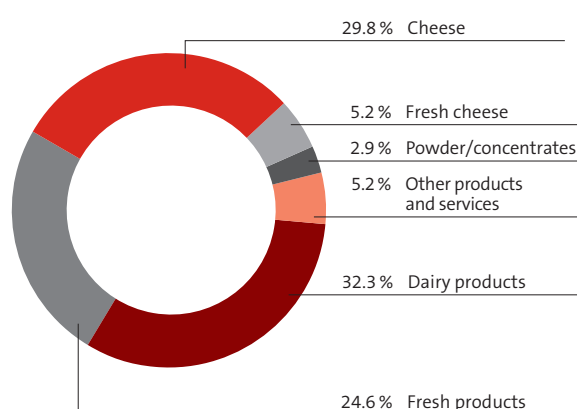


--- Net profit
 --- Adjusted net profit
 --- Net profit as % of net sales
 --- Adjusted net profit as % of net sales

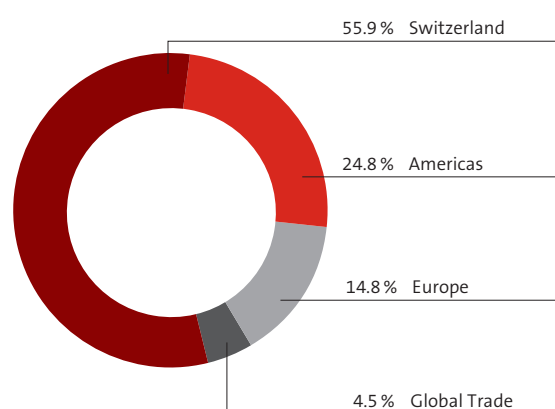
Amounts in CHF million	First 6 months 2015	First 6 months 2015 adjusted*	First 6 months 2014	First 6 months 2014 adjusted*
Net sales	1,563		1,625	
Acquisition effect in %	1.4		1.3	
Currency effect in %	-3.5		-1.7	
Net sales increase in organic terms (in loc. currency) in %	-1.7		4.1	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	142.0	142.5	133.8	132.7
as % of net sales	9.1	9.1	8.2	8.2
Earnings before interest and taxes (EBIT)	84.4	84.9	39.8	74.3
as % of net sales	5.4	5.4	2.4	4.6
Net profit	46.2	46.6	9.8	45.2
as % of net sales	3.0	3.0	0.6	2.8
	30.06.2015		31.12.2014	
Total assets	2,405		2,532	
of which shareholder's equity incl. minority interests	1,295		1,313	
as % of total assets	53.9		51.9	
Headcount (full-time equivalents)	5,307		5,310	

* Adjusted for non-recurring effects, which were minimal during the reporting period. The extraordinary sale of property, plant and equipment resulted in a loss of CHF -0.5 million at EBIT level and CHF -0.4 million at net profit level. By contrast, there were significant non-recurring effects in the prior-year period which had an impact of CHF -34.5 million on EBIT and CHF -35.4 million on net profit. Non-recurring effects in the previous year resulted from the extraordinary impairment in Italy as well as the extraordinary gains on the sale of property, plant and equipment.

Net sales by product group



Net sales by division



New products and campaigns



A happy end to hunger

Emmi says goodbye to hunger pangs and launches the protein-rich YoQua. Containing twice as much protein as standard yogurts and only 2 % fat, it is an ideal snack. Whether eaten in the morning, at lunchtime or after sport, YoQua contributes to a balanced, modern diet. The somewhat thicker yet creamy consistency means that YoQua is also ideal in cold dishes. Whether used as a basis for dressings and smoothies or served with fruit, great taste is guaranteed. YoQua is available in Blueberry, Raspberry, Peach and Original varieties from Swiss retailers. www.emmi-yoqua.com



Sunshine in a bottle

Aktifit Exotic brings a fresh and fruity flavour to the summer. The summer edition, made with peach, passion fruit, orange and pineapple, has a refreshing taste and also contains a dose of vitamin D, the sunshine vitamin, as well as vitamins B6, B12 and folic acid. Together with the probiotic lactic acid bacteria, the vitamins contribute to the normal functioning of the immune system, thus ensuring a perfect start to the day. The summer variety is available from Swiss retailers until October 2015. www.emmi-aktifit.ch

The Mozzarella family celebrates a new arrival

Mozzarella is the most popular cheese among the Swiss. Whether for drinks receptions, salads or main courses, this fresh cheese is always a perfect fit. Emmi has introduced a particularly fine version of this classic in the shape of Emmi Mozzarella Creminis. The consistency and fresh taste of these meltingly smooth, extra-creamy mozzarella balls with an extra dash of cream are delighting all mozzarella lovers. Resealable packs of six 30-gram balls of Emmi Mozzarella Creminis are available from Swiss retailers. www.emmi.com



Pure Swiss drinking yogurt pleasure

Following the successful launch of Emmi Pure Swiss Yogurt two years ago, the range has now been complemented with a drink: Emmi Pure Swiss Yogurt Drink. Based on the same, simple recipe, it contains only Swiss milk, fruit and sugar, with no hidden surprises. Alongside the traditional Raspberry and Strawberry flavours, the drink is also available in a Tropical variety – an exotic mix of pineapple, mango and passion fruit, for a fruity-fresh change. The practical 250 ml bottles are available from Swiss retailers. www.emmi-pur.ch



Fondue for all ages

Laughter, telling stories and spending an enjoyable time with friends or family are all part of a fondue evening: even after existing for more than a century, Gerber is in tune with current trends. A new, fresh design has visually rejuvenated the popular Swiss cheese fondue and ensures recognition on the shelf. At the same time, the new Gerber “For all ages” was launched. Its milder recipe makes it an ideal family fondue. It is available from Swiss retailers. www.emmi-gerber.ch

Tempting cheese slices

“Der scharfe Maxx” is the best known, meltingly smooth raw milk cheese from Eastern Switzerland, which matures for five months and is popular among gourmets both at home and abroad. Its extra tangy, spicy flavour delights its fans. The cheese recently also became available in slices. The resealable packaging means that it stays fresh for longer and makes it an ideal accompaniment for picnics or snacks on the go. Both the slices and other forms are available from Swiss retailers and selected German supermarkets. www.kaeserei-studer.ch



The classic French dessert

Eclairs: the seductive smelling desserts made from choux pastry, filled with tempting chocolate or mocha crème and finished with a delicious glaze, are a must in every French patisserie – as they also soon will be in French and Italian retailers. A-27, an Emmi subsidiary, is launching the classic dessert in the autumn. Fresh pastel colours and an old-fashioned font characterise the traditional yet innovatively interpreted art of “made in Italy” desserts. All of the Bontà Divina-brand speciality desserts will also be getting a new look. www.bontadivina.it



The fruity creatives

Onken yogurts in large 450-gram pots are growing in popularity. Connoisseurs appreciate the mixture of mild and creamy natural yogurt and the creative fruity combinations. The creamy texture, fresh taste and high-quality fruit are guaranteed. However, there are no limits when it comes to the wide selection of flavours. Three Greek-style yogurts were added this year: Apple and spiced Cinnamon, Lemon and tangy Raspberry, and Rhubarb and fiery Ginger. They meet the needs of younger target groups, who are looking for new flavour combinations. The yogurts are available from British retailers. www.onken.co.uk

Sales performance reflects the challenging economic situation

In the first half of 2015, Emmi reported Group sales of CHF 1,563.0 million, which corresponds to a decline of 3.8% (first half of 2014: CHF 1,624.9 million). Adjusted for acquisition and currency effects, the decrease amounted to 1.7%. The business divisions Switzerland and Americas closed the period within the target range, while the decline in sales in the business division Europe was considerably lower than anticipated.

Acquisition effects are due to the following factors:

- the increased stake in German organic dairy Gläserne Molkerei as of October 2014 from 24% to 76% and the purchase of the cheese business of J.L. Freeman in Canada as of 15 April 2015, which had a positive effect, and
- the sale of Trentinalatte in Italy as of October 2014 and the sale of the business activities of Emmi Penn Yan as of December 2014, which had a negative effect.

The overall acquisition effect was positive at 1.4%. Developments in the business divisions Switzerland, Americas, Europe and Global Trade are explained in detail in the following.

Sales development Switzerland

Sales in the business division Switzerland amounted to CHF 874.2 million. This corresponds to a decrease of 3.0%, which is in line with Emmi's expectations. This performance reflects the declining retail business in Switzerland, the price war in the industrial business and modest consumption in the food services business. The business division Switzerland accounted for 56% of Group sales.

In **dairy products** (milk, cream, butter), sales in the first six months of 2015 fell by 3.3% to CHF 333.8 million, compared with CHF 345.2 million in the first half of 2014. This is attributable to lower milk prices and a slight decrease in volumes.

In the **cheese** segment, sales decreased from CHF 252.7 million to CHF 237.4 million, a decline of 6.0% compared with the first half of 2014. The reduction affected brand products, such as Kaltbach and Luzerner Rahmkäse, as well as AOP cheeses. This performance reflects the significant increase in imports of semi-hard and hard cheese and the related reduction in sales of Swiss cheese.

Fresh products saw sales remain almost stable at CHF 172.8 million compared with the prior-year period (first half of 2014: CHF 173.6 million, a decrease of 0.4%). Caffè Latte, Pure Swiss Yogurt and YoQua all made positive contributions. YoQua, a low-fat, high-protein yogurt launched at the beginning of 2015, has performed very well. By contrast, other drinks such as Energy Milk and Chai Latte posted a decline.

Sales of **fresh cheese** fell from CHF 63.9 million to CHF 60.2 million, which corresponds to a loss of 5.9% compared with the first six months of 2014 – although volumes remained virtually stable. This is a result of price reductions following the significant increase of mozzarella imports (+7.8% volume in the first half of the year).

In **powder/concentrates**, sales reached CHF 29.0 million compared with CHF 38.4 million in the first half of 2014. The fall of 24.3% is a result of the decline in the industrial business due to the intensive price competition.

In **other products/services**, sales grew by 51.6% to CHF 41.0 million, compared with CHF 27.1 million in the prior-year period. This increase is due to several factors, including non-dairy products and raw materials/ingredients.

Net sales by product group: Switzerland

in CHF million	Sales 1HY 2015	Sales 1HY 2014	Organic growth
Dairy products	333.8	345.2	-3.3%
Cheese	237.4	252.7	-6.0%
Fresh products	172.8	173.6	-0.4%
Fresh cheese	60.2	63.9	-5.9%
Powder/concentrates	29.0	38.4	-24.3%
Other products/services	41.0	27.1	51.6%
Total Switzerland	874.2	900.9	-3.0%

Sales development Americas

The business division Americas includes the markets US, Canada, Chile, Spain, France and Tunisia. Sales in this business division fell in the first six months of 2015 by 5.1 %, from CHF 408.2 million to CHF 387.3 million. In organic terms (excluding acquisition and currency effects), this represented an increase of 3.0 % compared with the first half of 2014. This growth is primarily attributable to the Tunisian, Spanish and US markets, where sales grew in organic terms. By contrast, Chile posted a decline in sales due to the stagnating economy, high milk prices and the resulting lack of competitiveness on an international level. The business division Americas accounted for 25 % of Group sales.

Net sales of **cheese** grew to CHF 151.9 million in the first half of 2015, compared with CHF 144.0 million in the prior-year period. This corresponds to an increase of 5.5 %, despite the significant drop in milk prices in the US and the income-neutral price reductions. The positive performance is attributable to growth in the US – both in terms of locally produced cheese and Swiss imported cheese – as well as the slightly positive acquisition effect from J.L. Freeman. In organic terms, sales grew by 2.8 %.

Dairy products achieved sales of CHF 117.7 million, compared with CHF 133.4 million in the previous year, corresponding to a reduction of 11.8 %. This was primarily due to the negative acquisition effect from the sale of the business activities of Emmi Penn Yan. By contrast, the Tunisian market posted encouraging growth. Organic growth amounted to 3.2 %.

Fresh products posted a decline of 11.6 % to CHF 86.1 million (first half of 2014: CHF 97.4 million), which was also due to the sale of the business activities of Emmi Penn Yan. Sales in Chile were also lower, as previously mentioned. The factors that made a positive contribution included the growth of yogurts and desserts in Tunisia as well as the growth of the lactose-free segment and Caffè Latte range in Spain. In organic terms, net sales increased by 5.1 %.

Sales of **powder/concentrates** amounted to CHF 0.6 million, corresponding to a decline of 86.0 % (in organic terms: 85.0 %) compared with CHF 4.4 million in the prior-year period.

Other products/services posted sales growth of 6.7 %, from CHF 29.0 million to CHF 31.0 million. Organic growth amounted to 8.1 %.

Net sales by product group: Americas

in CHF million	Sales 1HY 2015	Sales 1HY 2014	Difference 2015/2014	Acquisition effect	Currency effect	Organic growth
Cheese	151.9	144.0	5.5 %	1.7 %	1.0 %	2.8 %
Dairy products	117.7	133.4	-11.8 %	-4.1 %	-10.9 %	3.2 %
Fresh products	86.1	97.4	-11.6 %	-4.7 %	-12.0 %	5.1 %
Powder/concentrates	0.6	4.4	-86.0 %	—	-1.0 %	-85.0 %
Other products/services	31.0	29.0	6.7 %	1.7 %	-3.1 %	8.1 %
Total Americas	387.3	408.2	-5.1 %	-1.8 %	-6.3 %	3.0 %

Sales development Europe

The business division Europe includes the markets Benelux, Germany, the UK, Italy and Austria. Sales fell by 1.3 % to CHF 230.8 million (first half of 2014: CHF 233.9 million). Excluding acquisition and currency effects, there was only a slight decline of 0.7 % year-on-year. The result is impressive given the currency fluctuations and is attributable to the price increases implemented in the first half of 2015. Acquisition effects are attributable to the sale of Trentinalatte (negative effect) and the increased stake in Gläserne Molkerei (positive effect). The overall acquisition effect was positive. The business division Europe accounted for 15 % of Group sales.

Fresh products registered a sales decline of 21.2 % to CHF 102.1 million in the first half of 2015 (previous year: CHF 129.6 million), which was mainly due to the loss of sales from Trentinalatte. Growth was also held back by price increases in the Onken business in Germany. The lower sales figures, however, were offset by better margins. The factors that made a positive contribution included Caffè Latte in Austria, in the UK and in the Benelux countries, as well as the desserts business in Italy, all of which enjoyed organic growth. In organic terms, sales grew by 1.7 %.

Sales of **cheese** fell by 13.9 % to CHF 52.7 million (first half of 2014: CHF 61.3 million). This was a result of lower sales of all varieties of cheese, especially Emmentaler AOP, because of currency effects. By contrast, the increased stake in Gläserne Molkerei had a positive effect on sales performance. In organic terms, sales declined by 5.5 %.

In **dairy products**, Emmi grew from CHF 8.5 million to CHF 46.7 million in the first six months of 2015 (+450.8 %). This performance is attributable to the increased stake in Gläserne Molkerei and growth generated by AVH Dairy Trade in the Netherlands. In organic terms, growth was 18.7 %.

Sales of **fresh cheese** declined by 28.0 %, from CHF 29.6 million to CHF 21.3 million. This is attributable to the sale of Trentinalatte. In organic terms, the segment reported a decline of 17.0 %.

In the smaller product segments of the business division Europe, **powder/concentrates** achieved sales of CHF 5.4 million and **other products/services** CHF 2.6 million.

Net sales by product group: Europe

in CHF million	Sales 1HY 2015	Sales 1HY 2014	Difference 2015/2014	Acquisition effect	Currency effect	Organic growth
Fresh products	102.1	129.6	-21.2 %	-14.2 %	-8.7 %	1.7 %
Cheese	52.7	61.3	-13.9 %	4.1 %	-12.5 %	-5.5 %
Dairy products	46.7	8.5	450.8 %	516.9 %	-84.8 %	18.7 %
Fresh cheese	21.3	29.6	-28.0 %	0.1 %	-11.1 %	-17.0 %
Powder/concentrates	5.4	0.5	983.5 %	197.4 %	-166.9 %	953.0 %
Other products/services	2.6	4.4	-42.1 %	1.8 %	-8.9 %	-35.0 %
Total Europe	230.8	233.9	-1.3 %	12.5 %	-13.1 %	-0.7 %

Sales development Global Trade

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

Sales in this business division fell in the first half of 2015 from CHF 81.9 million to CHF 70.6 million, which corresponds to a decline of 13.8% (organic decrease of 13.3%). The losses in the two major product segments, **cheese** and **fresh products**, are a result of lower sales growth in Asia and in South American markets such as Brazil. The decline in **powder/concentrates** is the result of lower milk volumes in Switzerland and the associated reduction in milk powder exports.

Net sales by product group: Global Trade

in CHF million	Sales 1HY 2015	Sales 1HY 2014	Difference 2015/2014	Acquisition effect	Currency effect	Organic growth
Cheese	24.3	31.6	-23.0%	-1.4%	—	-21.6%
Fresh products	23.3	25.5	-8.7%	—	—	-8.7%
Powder/concentrates	9.9	14.5	-31.3%	—	—	-31.3%
Dairy products	6.0	6.1	-2.3%	—	—	-2.3%
Fresh cheese	0.3	—	na	na	—	na
Other products/services	6.8	4.2	60.9%	—	—	60.9%
Total Global Trade	70.6	81.9	-13.8%	-0.5%	—	-13.3%

Gross profit

Gross profit amounted to CHF 539.5 million, corresponding to a slight reduction of CHF 0.9 million compared with the previous year (first half of 2014: CHF 540.4 million). This figure was achieved despite lower sales thanks to the improved gross profit margin, which increased from 33.3 % in 2014 to 34.5 % in the reporting period. The encouraging performance is primarily attributable to the consistent implementation of a bundle of measures since the beginning of the year. The key drivers behind this were price increases in the international markets, lower procurement costs in Switzerland and abroad, as well as the disposal of entities with unsatisfactory levels of profitability towards the end of 2014.

Non-recurring effects in the 2015 half-year results

Non-recurring effects in the reporting period were minimal. The extraordinary sale of property, plant and equipment resulted in a net loss of CHF 0.5 million in the reporting period, which lowered EBITDA and EBIT by CHF 0.5 million and net profit by CHF 0.4 million.

By contrast, there were significant non-recurring effects in the previous year, when the difficult economic situation in Italy and the unsatisfactory business trend for the yogurt market necessitated a significant impairment charge on Trentinalatte totalling CHF 38.5 million. This effect had a significant impact on the 2014 income statement, while extraordinary gains on property plant and equipment, in particular a property in Küssnacht, had a mildly positive effect. Taken together, these two non-recurring effects increased EBITDA by CHF 1.1 million, but significantly reduced EBIT and net profit by CHF 34.5 million and CHF 35.4 million respectively.

Operating result

Year-on-year **operating expenses** fell by CHF 11.8 million to CHF 399.8 million. Excluding non-recurring effects, this reduction would have amounted to CHF 9.4 million. Operating expenses therefore declined virtually in line with sales.

Personnel expenses contracted by 0.5 % to CHF 201.7 million in the first half of 2015 (previous year: CHF 202.6 million). As a proportion of sales, however, personnel expenses rose from 12.5 % in the previous year to 12.9 %, reflecting, in particular, the company's decision to avoid shifting jobs abroad or extend contractual working hours, despite the strong Swiss franc.

Other operating expenses amounted to CHF 198.1 million (previous year: CHF 208.9 million), corresponding to a significant reduction in both absolute terms and as a proportion of sales. Marketing and sales-related expenses in the reporting period amounted to CHF 59.8 million, compared to CHF 61.8 million in the previous year. The range of measures implemented in response to the strong Swiss franc therefore focused on the other operating expense items. These savings and efficiency measures were implemented in all areas, sometimes resulting in substantially lower expenses. A further reduction resulted from the sale of Trentinalatte and the business activities of Emmi Penn Yan.

Other operating income registered a year-on-year decrease of CHF 2.7 million to CHF 2.2 million (previous year: CHF 4.9 million), which is primarily attributable to lower gains on the disposal of non-current assets.

Adjusted for non-recurring effects, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** rose by 7.4 % from CHF 132.7 million in the first half of 2014 to CHF 142.5 million. The adjusted EBITDA margin therefore amounted to 9.1 % compared with 8.2 % in the first half of 2014. Including non-recurring effects, EBITDA increased to CHF 142.0 million from CHF 133.8 million in the first half of 2014.

Depreciation of property, plant and equipment fell from CHF 83.2 million to CHF 45.8 million. This was primarily attributable to the extraordinary depreciation on property, plant and equipment of Trentinalatte from the previous year and, to a limited extent, the sale of the business activities Emmi Penn Yan. Excluding this effect, depreciation would only have decreased by around CHF 1.8 million. **Amortisation** on intangible assets increased by CHF 1.0 million to CHF 12.0 million (previous year: CHF 11.0 million), mainly due to the introduction of SAP in Switzerland.

Adjusted earnings before interest and taxes (EBIT) improved in the first half of 2015 from CHF 74.3 million to CHF 84.9 million, resulting in an adjusted EBIT margin of 5.4 % compared with 4.6 % in the first half of 2014. Including non-recurring effects, EBIT increased to CHF 84.4 million from CHF 39.8 million in the first half of 2014.

Financial result and income taxes

Net financial expenses increased by CHF 10.7 million versus the previous year to CHF 16.6 million, which can be attributed to currency losses due to the strong Swiss franc. External interest expenses, on the other hand, fell year-on-year.

Tax expense as a percentage of earnings before tax was 20.1%. The 46.6% tax rate in the previous year was heavily influenced by the aforementioned impairments in Italy. Adjusted for this effect, the tax rate in the previous year was 22.0%. The improvement in the current year was supported by optimised structures.

Net profit

Adjusted profit including minority interests amounted to CHF 55.3 million (previous year: CHF 53.8 million). After deduction of minority interests, which were up by CHF 0.1 million compared with the first half of 2014, **adjusted net profit** was CHF 46.6 million (prior-year period: CHF 45.2 million), which corresponds to an increase of 3.1%. The adjusted net profit margin rose to 3.0% (previous year: 2.8%). Including non-recurring effects, net profit was CHF 46.2 million (previous year: CHF 9.8 million).

Assets, financing and cash flow

Total assets as at 30 June 2015 were down by 5.0% compared to 31 December 2014, which was primarily due to the strength of the Swiss franc, as the assets and liabilities of most foreign companies are worth less in Swiss francs. By contrast, the strong Swiss franc had a positive impact on the equity ratio. The same is true for self-financing through retained earnings and the repayment of a bond amounting to EUR 27.5 million. Accordingly, the **equity ratio** rose to 53.9% versus 51.9% as at 31 December 2014. **Net debt** decreased from CHF 240.6 million as at 31 December 2014 to CHF 216.2 million as at 30 June 2015.

Cash flow from operating activities amounted to CHF 89.0 million and therefore remains virtually unchanged from the previous year (2014: CHF 89.1 million). Overall, the change in net working capital in the first half of the year was roughly the same as that in the previous year. However, this did not apply to the individual items. While the seasonal increase in inventories (in particular cheese and butter) was weaker than in the previous year, trade receivables decreased far more significantly. These positive effects were, however, offset by the reduction in accounts payable as at the reporting

date. At CHF 60.1 million, **cash outflow from investing activities** was higher than in the previous year (CHF 47.2 million), albeit with significantly lower investments in property, plant and equipment. This is mainly linked to the fact that, in the previous year, cash outflows for acquisition activities were higher and significantly more securities were sold. **Cash outflow from financing activities** amounted to CHF 47.9 million (previous year: CHF 75.0 million). As in the previous year, funds were used to repay loans and pay out dividends. In addition, minority shareholders in Kaiku, Spain, participated in the company's capital increase with EUR 6.0 million.

Outlook for 2015 as a whole

Emmi anticipates that markets will remain tense in financial year 2015. The increase in retail tourism and import pressure will remain very strong in Switzerland. The same applies to the price competition in the industrial business and declining consumption in the food service sector. We expect the negative effects of the strong Swiss franc on sales in Switzerland to probably intensify in the second half of the year.

In the business division Americas we anticipate good organic growth, especially in Tunisia, but a rather weak development in Chile and France. In the business division Europe, the northern European markets should prove more stable than their southern counterparts. Pressure is set to be highest in financially strapped Italy and price-sensitive Germany, while the UK will benefit from its non-eurozone status. We believe Europe will continue to cope with the currency shock well, overall.

At Group level, we maintain our sales target and continue to expect an organic decline in sales of between -3% and -2%.

We anticipate EBIT of between CHF 170 and CHF 180 million (previously between CHF 150 and CHF 160 million). Our net profit margin is expected to be slightly over 3%.

Consolidated income statement

CHF 000s

	First 6 months 2015	%	First 6 months 2014	%
Sales of products	1,549,713		1,611,362	
Sales of services	13,257		13,526	
Net sales	1,562,970	100.0	1,624,888	100.0
Change in inventories of semi-finished and finished products	24,847	1.6	56,114	3.5
Cost of materials and services	-1,048,273	67.1	-1,140,610	70.2
Gross operating profit	539,544	34.5	540,392	33.3
Other operating income	2,173	0.1	4,926	0.3
Personnel expenses	-201,683	12.9	-202,603	12.5
Other operating expenses	-198,077	12.6	-208,940	12.9
Operating expenses	-399,760	25.5	-411,543	25.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	141,957	9.1	133,775	8.2
Depreciation on property, plant and equipment	-45,846	2.9	-83,218	5.1
Amortisation on intangible assets	-12,009	0.8	-11,021	0.7
Write-back of negative goodwill	315	–	233	–
Earnings before interest and taxes (EBIT)	84,417	5.4	39,769	2.4
Income from associates and joint ventures	829		667	
Financial result	-16,600		-5,920	
Earnings before taxes (EBT)	68,646	4.4	34,516	2.1
Income taxes	-13,778		-16,073	
Profit incl. minority interests	54,868	3.5	18,443	1.1
Minority interests	-8,690		-8,626	
Net profit	46,178	3.0	9,817	0.6
Earnings per share (diluted/basic in CHF)	8.63		1.84	

Consolidated balance sheet

CHF 000s

Assets	30.06.2015	%	31.12.2014	%
Cash and cash equivalents	281,561		310,307	
Securities	6,507		5,752	
Trade receivables	339,025		421,202	
Other receivables	33,987		31,474	
Inventories	385,561		358,027	
Prepayments and accrued income	27,427		17,974	
Current assets	1,074,068	44.7	1,144,736	45.2
Investments in associates and joint ventures	24,886		24,929	
Loans and other receivables	65,452		63,686	
Securities	2,170		2,237	
Employer contribution reserves	2,047		2,045	
Deferred tax assets	12,373		15,500	
Total financial assets	106,928		108,397	
Prepayments and accrued income	9,854		8,097	
Property, plant and equipment	902,028		951,524	
Intangible assets	311,973		318,963	
Non-current assets	1,330,783	55.3	1,386,981	54.8
Total assets	2,404,851	100.0	2,531,717	100.0

Liabilities and shareholders' equity

Bank overdrafts	31,094		68,986	
Finance lease liabilities	1,472		2,344	
Loans	189		266	
Trade payables	259,727		337,472	
Other payables	19,516		20,269	
Accrued liabilities and deferred income	160,324		135,183	
Provisions	5,017		5,823	
Current liabilities	477,339	19.8	570,343	22.5
Bank overdrafts	30,267		34,889	
Finance lease liabilities	4,606		4,177	
Loans	52,383		59,791	
Bonds	450,000		450,000	
Accrued liabilities and deferred income	7,219		3,396	
Provisions	87,802		96,316	
Non-current liabilities	632,277	26.3	648,569	25.6
Liabilities	1,109,616	46.1	1,218,912	48.1
Share capital	53,498		53,498	
Capital reserves	102,665		122,994	
Retained earnings	960,603		961,867	
Shareholders' equity excl. minority interests	1,116,766	46.5	1,138,359	45.0
Minority interests	178,469	7.4	174,446	6.9
Shareholders' equity incl. minority interests	1,295,235	53.9	1,312,805	51.9
Total liabilities and shareholders' equity	2,404,851	100.0	2,531,717	100.0

Consolidated cash flow statement

CHF 000s

	First 6 months 2015	First 6 months 2014
Profit incl. minority interests	54,868	18,443
Net interest expense	6,037	7,087
Income taxes	13,778	16,073
Gain on disposal of fixed assets	-306	-4,054
Depreciation and amortisation	56,925	58,591
Impairment charges	930	35,648
Write-back of negative goodwill	-315	-233
Change in provisions	-3,165	3,327
Income from associates and joint ventures	-829	-667
Other non-cash adjustments	8,775	82
Cash flow before changes in net working capital, interest and taxes	136,698	134,297
Change in inventories	-34,714	-68,330
Change in trade receivables	62,048	34,704
Change in other receivables, prepayments and accrued income	-17,373	-7,691
Change in trade payables	-66,061	-18,297
Change in other payables, accrued liabilities and deferred income	38,727	40,500
Interest paid	-7,776	-9,474
Taxes paid	-22,525	-16,614
Cash flow from operating activities	89,024	89,095
Investments in property, plant and equipment	-25,553	-50,243
Proceeds from disposal of property, plant and equipment	1,272	8,313
Purchase of securities	-2,942	—
Sale of securities	3,460	10,232
Investments in intangible assets	-8,222	-6,647
Proceeds from sale of investments in associates	488	—
Purchase of investments in subsidiaries	-24,229	-6,900
Grant of loans receivable	-5,294	-3,362
Dividends received	53	258
Interest received	863	1,122
Cash flow from investing activities	-60,104	-47,227
Change in other current financial liabilities	-29,795	-24,776
Change in other non-current financial liabilities	-187	-25,139
Share of minority interests in capital increase of a group company	6,350	—
Dividends paid to shareholders	-20,329	-20,329
Dividends paid to minority interests	-3,947	-4,776
Cash flow from financing activities	-47,908	-75,020
Currency translation	-9,758	-66
Net change in cash and cash equivalents	-28,746	-33,218
Cash and cash equivalents at beginning of period under review	310,307	283,894
Cash and cash equivalents at end of period under review	281,561	250,676

Consolidated statement of changes in equity

CHF 000s

	Share capital	Capital reserves (premium)	Retained earnings	Accumulated translation differences	Total profit reserves	Total excl. minority interests	Minority interests	Total incl. minority interests
Shareholders' equity at January 1, 2014	53,498	143,323	920,875	-49,366	871,509	1,068,330	189,962	1,258,292
Profit incl. minority interests	—	—	9,817	—	9,817	9,817	8,626	18,443
Currency translation differences	—	—	—	-1,484	-1,484	-1,484	-1,572	-3,056
Dividend	—	-20,329	—	—	—	-20,329	-4,776	-25,105
Shareholders' equity at June 30, 2014	53,498	122,994	930,692	-50,850	879,842	1,056,334	192,240	1,248,574
Shareholders' equity at January 1, 2015	53,498	122,994	999,773	-37,906	961,867	1,138,359	174,446	1,312,805
Change in ownership structure of a group company	—	—	-469	—	-469	-469	7,037	6,568
Profit incl. minority interests	—	—	46,178	—	46,178	46,178	8,690	54,868
Currency translation differences	—	—	—	-46,973	-46,973	-46,973	-7,757	-54,730
Dividend	—	-20,329	—	—	—	-20,329	-3,947	-24,276
Shareholders' equity at June 30, 2015	53,498	102,665	1,045,482	-84,879	960,603	1,116,766	178,469	1,295,235

Segment reporting

CHF 000s

By product groups and divisions	First 6 months 2015	Switzerland	First 6 months 2015	Americas
		First 6 months 2014		First 6 months 2014
Dairy products	333,743	345,224	117,707	133,389
As % of net sales	38.2	38.3	30.4	32.7
Fresh products	172,808	173,563	86,089	97,376
As % of net sales	19.8	19.3	22.2	23.9
Cheese	237,444	252,709	151,931	143,970
As % of net sales	27.1	28.0	39.2	35.2
Fresh cheese	60,173	63,947	–	–
As % of net sales	6.9	7.1	–	–
Powder/concentrates	29,044	38,392	617	4,415
As % of net sales	3.3	4.3	0.2	1.1
Other products and services	41,010	27,053	30,985	29,046
As % of net sales	4.7	3.0	8.0	7.1
Net sales	874,222	900,888	387,329	408,196
As % of group net sales	55.9	55.5	24.8	25.1

By country group	First 6 months 2015	in %	First 6 months 2014	in %
Switzerland	874,222	55.9	900,888	55.5
Europe excl. Switzerland	405,735	26.0	451,987	27.8
North and South America	198,395	12.7	192,312	11.8
Africa	67,772	4.3	66,566	4.1
Asia/Pacific	16,846	1.1	13,135	0.8
Total	1,562,970	100.0	1,624,888	100.0

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

		Europe		Global Trade		Group	
First 6 months 2015	First 6 months 2014	First 6 months 2015	First 6 months 2014	First 6 months 2015	First 6 months 2014	First 6 months 2015	First 6 months 2014
46,701	8,478	5,957	6,098	504,108	493,189		
20.2	3.6	8.4	7.4	32.3	30.3		
102,104	129,650	23,311	25,530	384,312	426,119		
44.2	55.4	33.0	31.2	24.6	26.2		
52,742	61,278	24,288	31,559	466,405	489,516		
22.9	26.2	34.4	38.6	29.8	30.1		
21,287	29,577	316	4	81,776	93,528		
9.2	12.7	0.5	–	5.2	5.8		
5,417	500	9,936	14,460	45,014	57,767		
2.4	0.2	14.1	17.7	2.9	3.6		
2,581	4,458	6,779	4,212	81,355	64,769		
1.1	1.9	9.6	5.1	5.2	4.0		
230,832	233,941	70,587	81,863	1,562,970	1,624,888		
14.8	14.4	4.5	5.0	100.0	100.0		

Notes to the half-year results

Principles of consolidation

Accounting principles

These consolidated interim financial statements comprise the unaudited half-year results of Emmi AG and its subsidiaries for the period ending 30 June 2015. The consolidated interim financial statements for 2015 have been prepared in compliance with Swiss GAAP FER 31 “additional accounting and reporting recommendations for listed companies” and the consolidation and accounting principles described in the 2014 consolidated financial statements. Income taxes are calculated based on an estimate of the expected income tax rate for the full-year 2015. The consolidated half-year results should be read in conjunction with the consolidated financial statements compiled for the financial year ending 31 December 2014, as they represent an update of the last complete financial statements and therefore do not contain all information and disclosures required in the year-end consolidated financial statements.

Emmi has applied Swiss GAAP FER 31 since 1 January 2015. This standard requires additional disclosures; however, it does not have any significant impact on the balance sheet and income statement of Emmi Group.

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

The consolidated interim financial statements were approved by the Board of Directors on 17 August 2015.

Changes to the scope of consolidation

9314-8591 Québec Inc. (cheese business of J.L. Freeman)

On 15 April 2015, Emmi Canada Inc. acquired the cheese business of J.L. Freeman, based in Boucherville, Canada. The company is Canada's leading importer of speciality cheeses, primarily from Switzerland. J.L. Freeman generates annual sales of slightly above CAD 38 million (approximately CHF 29 million) in its cheese business and employs 18 members of staff.

As Emmi had already generated sales with J.L. Freeman in previous years, the net effect of this acquisition on net sales in the half-year results only amounted to around CHF 2.0 million.

Comercial Hoffmann, S.A.

Eurolac Chile, S.A., sold its minority interest in Comercial Hoffmann, S.A., on 1 June 2015. This transaction did not have any significant impact on the 2015 consolidated interim financial statements.

Changes in the financial year 2014

We refer to the consolidated financial statements 2014 for the changes to the scope of consolidation in the financial year 2014.

Change in capital share in Kaiku Group

On 31 March 2015, the Basque investment company Ekarpen purchased a EUR 6 million stake in Kaiku Corporación Alimentaria, S.L., the parent company of Kaiku Group. This corresponds to a capital share of 7.3 %. At the same time, Emmi AG invested a further EUR 10 million in the company. The new ownership structure reduces Emmi's stake in the aforementioned company and therefore the Kaiku Group from 76.1 % to 73.5 %.

Contingent liabilities

Emmi is currently involved in legal disputes in connection with ordinary operating activities. Although the outcome of the lawsuits currently cannot be predicted with certainty, Emmi assumes that none of the disputes will have any fundamental negative impact on operating activities or on the Group's financial situation. Expected outgoing payments are provided for accordingly.

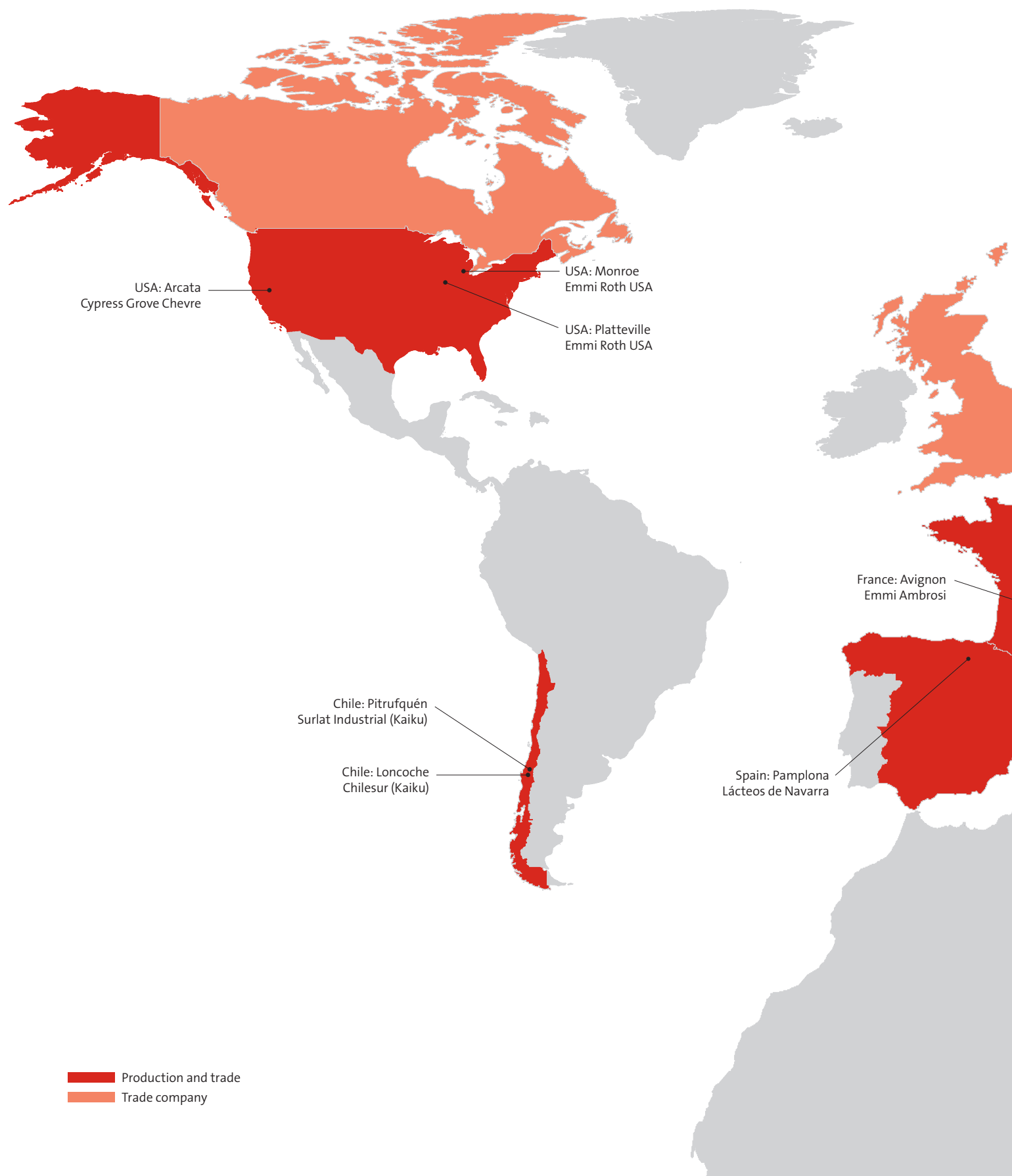
Subsequent events

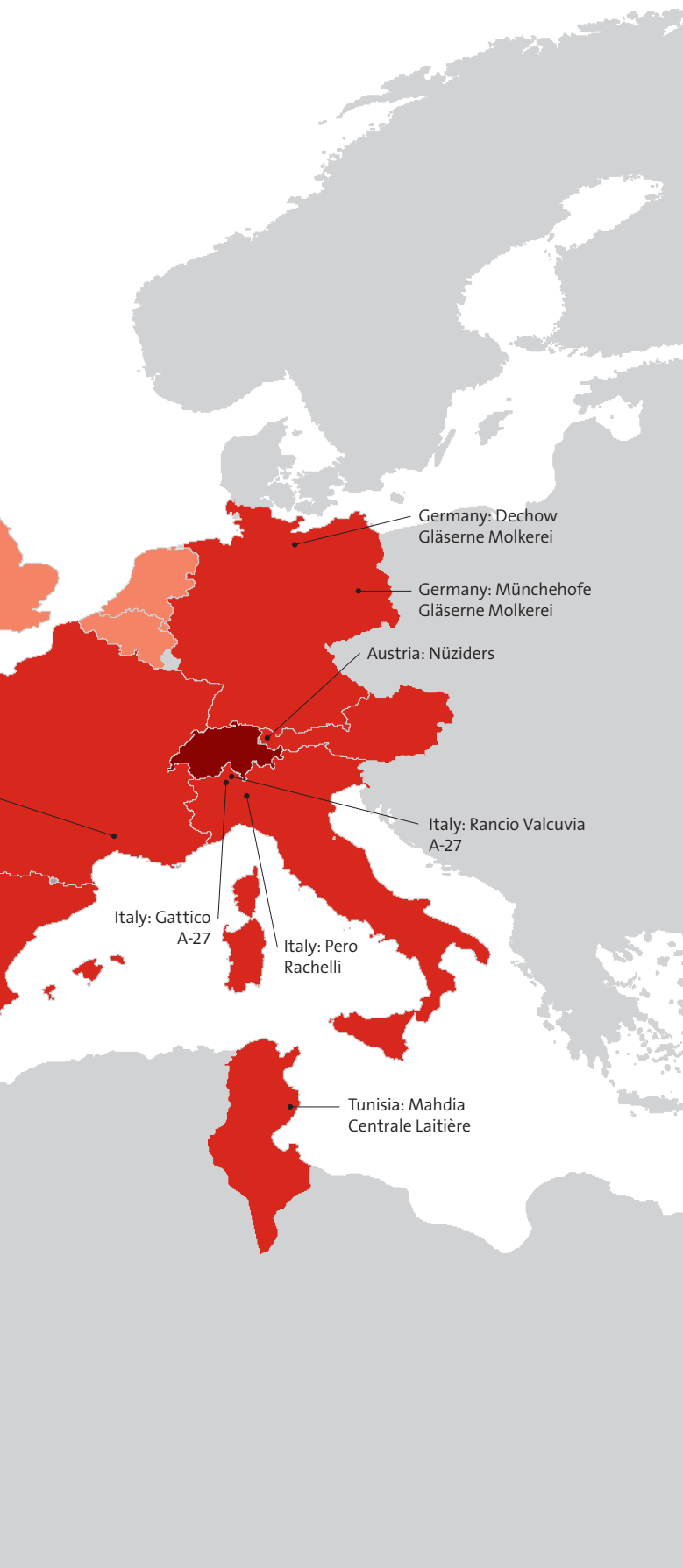
From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 17 August 2015, no major events have occurred which could adversely affect the validity of the consolidated interim financial statements for 2015.

Currency exchange rates in CHF

	First 6 months average rates		End rates	
	2015	2014	30.06.2015	31.12.2014
1 EUR	1.06	1.22	1.04	1.20
1 GBP	1.44	1.49	1.47	1.54
1 USD	0.95	0.89	0.93	0.99
1 CAD	0.77	0.81	0.76	0.85
1 TND	0.49	0.55	0.48	0.53
100 CLP	0.15	0.16	0.15	0.16

Geographical presence





Key production sites in Switzerland

Bever

Production of cheese, dairy and fresh products

Bischofszell

Production of organic dairy and fresh products

Dagmersellen

Production of milk powder and fresh cheese

Emmen

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

Frenkendorf

Production of cheese, dairy and fresh products

Hatswil

Production and maturation of cheese

Kaltbach

Production and maturation of cheese

Kirchberg

Pre-packing of cheese, export

Landquart

Production and maturation of cheese

Moudon

Maturation of Le Gruyère AOP

Langnau

Production of processed cheese and fondue

Ostermundigen

Production of fresh products and ice cream

Saignelégier

Production of Tête de Moine AOP

Suhr

Production of dairy products



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

Editing

Emmi Group Communications & IR, Lucerne

Concept, design and production

Farner Consulting AG, Zurich

Translation

CLS Communication AG, Basel

Printing

Heller Druck AG, Cham

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

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