

Annual Report 2015



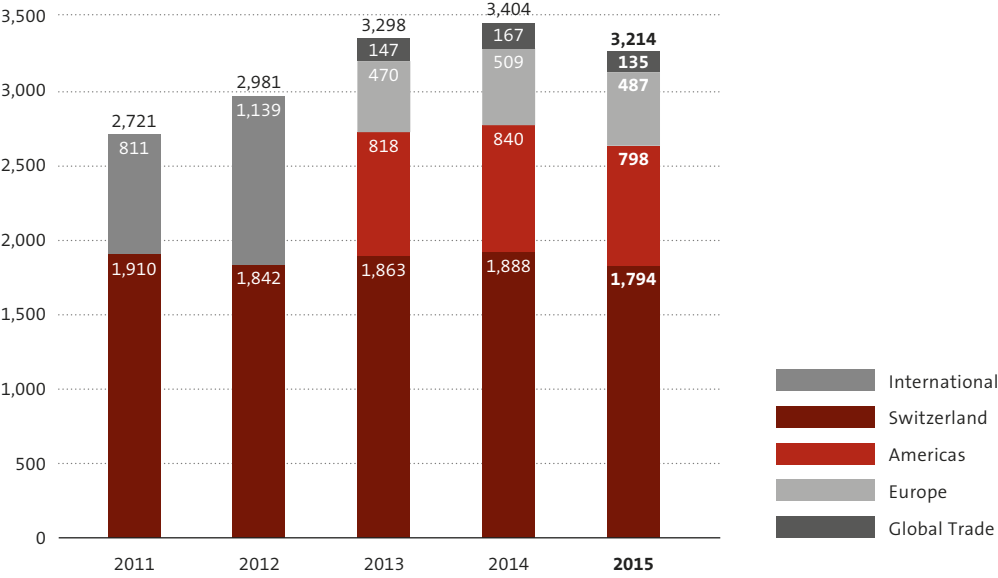
Emmi in brief

Net sales	CHF	3,214	million
EBITDA	CHF	315	million
EBIT	CHF	189	million
Net profit	CHF	120	million
Total assets	CHF	2,551	million
Shareholders' equity incl. minority interests	CHF	1,394	million
Headcount (full-time equivalents)		5,405	

Key figures Emmi Group

Net sales

in CHF million

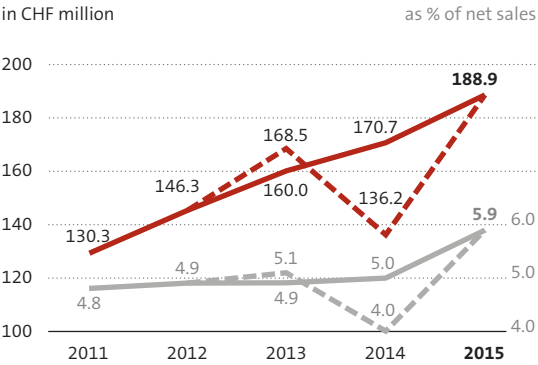


Amounts in CHF million	2015	2014	2014 adjusted*
Net sales	3,214	3,404	
Acquisition effect in %	0.6	1.3	
Currency effect in %	-3.2	-1.1	
Net sales increase in organic terms (in loc. currency) in %	-3.0	3.0	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	314.9	293.1	292.0
as % of net sales	9.8	8.6	8.6
Earnings before interest and taxes (EBIT)	188.9	136.2	170.7
as % of net sales	5.9	4.0	5.0
Net profit	120.2	78.9	109.4
as % of net sales	3.7	2.3	3.2
Investment in fixed assets (excl. acquisitions)	81.2	118.4	
as % of net sales	2.5	3.5	
Headcount (full-time equivalents) as at 31.12.	5,405	5,305	
Headcount (full-time equivalents) at yearly average	5,311	5,282	
Net sales per employee CHF 000s (average)	605	644	
Volume of milk processed in kg million	1,599	1,667	
	31.12.2015	31.12.2014	
Total assets	2,551	2,532	
of which shareholders' equity incl. minority interests	1,394	1,313	
as % of total assets	54.6	51.9	

* Adjusted for non-recurring effects. There were no significant non-recurring effects in the period under review. In the previous year, non-recurring effects had an impact of CHF -34.5 million on EBIT and CHF -30.5 million on net profit. These effects in 2014 resulted from the impairment charge in Italy as well as from the extraordinary gains and losses on the sale of entities, businesses, and property, plant and equipment.

EBIT

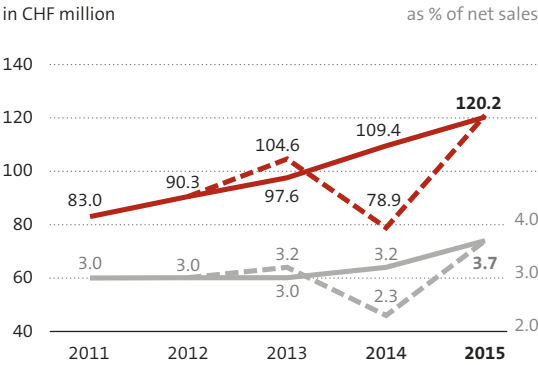
in CHF million



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

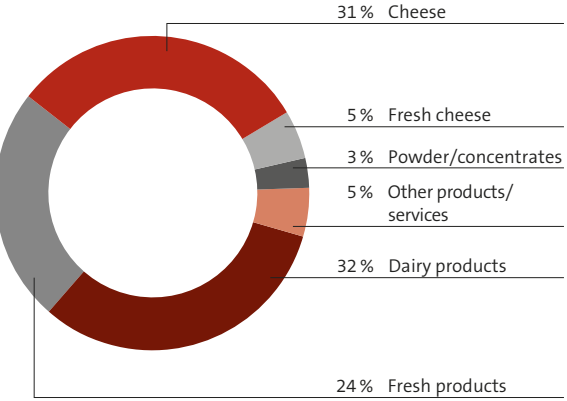
Net profit

in CHF million

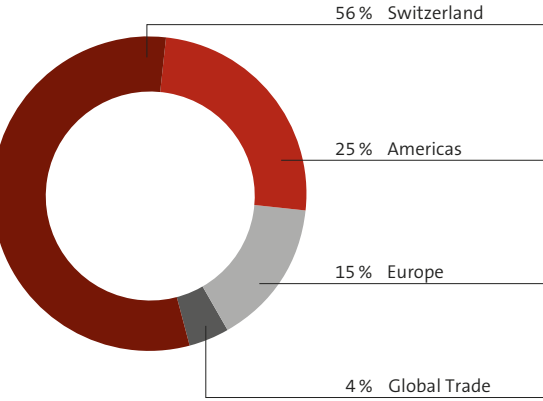


--- Net profit
--- Adjusted net profit
--- Net profit as % of net sales
--- Adjusted net profit as % of net sales

Net sales by product group



Net sales by business division



Emmi Group Annual Report 2015

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 the leading company for Swiss cheese worldwide.



Enjoyment without boundaries

Our products made from Swiss milk are important ambassadors throughout the world. At the same time, the know-how of our subsidiaries and holdings abroad inspires us. The images in this year's annual report represent the exchange of experiences and ideas through which we are able to improve ourselves as a Group and complement our range of products.

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Constant thirst for success



What began with a few tens of thousands of samples is now a success story totalling over 120 million cups in eight varieties. Emmi Caffè Latte is now winning over coffee lovers throughout Europe. Its twelfth year was also a lucky one: the cult drink saw double-digit sales growth in countries including the UK, Austria, Germany and Spain. The country of flamenco and castanets is now even the largest market outside of Switzerland. One thing is certain: the coffee classic made in Ostermundigen, Switzerland, is far from being outdated.

*Sending Swiss lifestyle
to the world*



Delighting with innovative products – now more than ever

Dear Shareholders

Like all exporting Swiss companies, Emmi was challenged by the strength of the Swiss franc in 2015.

Measures that were implemented from January 2015 included price increases abroad, cost-saving programmes in all Emmi facilities, the alignment of the milk price to the new market realities for the export range from Switzerland, and price negotiations with international suppliers. While the Swiss market struggled with the new conditions, European countries coped well with the euro shock.

Emmi generated net sales of CHF 3,213.9 million in 2015 – a decline of 5.6%. Adjusted for currency and acquisition effects, this resulted in an organic fall in sales of 3.0%. Earnings were slightly above the expectations announced in August 2015, with EBIT amounting to CHF 188.9 million and an EBIT margin of 5.9%.

This result is pleasing and can be attributed to the considerable improvement in earnings abroad. On the one hand, Emmi stepped up the Operational Excellence programme in its international subsidiaries. On the other, it sold Trentinalatte and Emmi Penn Yan in 2014, two business units with below-average earnings. These measures combined with strong brand concepts bore fruit in the past financial year.

Net earnings per share were CHF 22.46 (previous year adjusted: CHF 20.45). A proposal will be made to the General Meeting for a gross dividend of CHF 4.90 per registered share from the capital reserves (previous year: CHF 3.80).

“The higher earnings power abroad benefits Switzerland to a significant degree.”

Konrad Graber

Strong brands and a high level of cost awareness

Emmi vigorously pursues its course and does not let stumbling blocks knock it off its stride. We therefore continued to implement our strategy in 2015. We improved the quality of our product portfolio through targeted measures, and expanded it with innovations. One example is Yoqua, a protein-rich yogurt that became well established in the Swiss market within a few months. Such promising products can only be launched, because we can rely on a constant and stable supply of high-quality milk from our Swiss farmers. They deserve our special thanks.

Proven brand concepts such as Jogurtpur and Caffè Latte were also successful in Switzerland. Their increasing sales were partially able to compensate the losses in the industrial business and in the cheese segment.

The Emmi classic Caffè Latte, which is made in Ostermundigen, also held its own in the international markets, posting currency-adjusted sales growth in countries including Spain, the UK, Austria and Germany. The sales performance of the cave-aged Kaltbach cheeses also moved in the right direction. Among the products manufactured abroad, we were particularly pleased with the Italian dessert specialities, the yogurts and desserts of Tunisian subsidiary Vitalait, the lactose-free range from Kaiku in Spain, and Onken in the UK.

Added value through premium products

International growth is one of Emmi's three strategic pillars and a key target for the company. In addition to organic growth, acquisitions help to achieve this target. The cheese business of Canadian company J.L. Freeman became a member of the Emmi family in mid-April 2015, while US firm Redwood Hill Farm & Creamery, which manufactures high-quality goat's and cow's milk specialities, also came aboard at the end of the year. Swiss cheese also benefited from activities in the US. For example, our exports of Le Gruyère AOP to the US rose by 16% in 2015.

The international business not only increases sales but also helps to mitigate currency-related and other risks. The importance of this was demonstrated particularly clearly in 2015.

Profit gain abroad

We examined our production facilities abroad in the last two years, and defined measures to work even more efficiently and save costs. The resulting additional income is important in ensuring Emmi is able to continue to invest in the development of the company. The higher earnings power abroad consequently benefits Switzerland to a significant degree.

Switzerland as a production location

The currency fluctuations resulted in falling retail sales, retail tourism that has now reached some CHF 11 billion and markedly higher cheese imports. The increase in imports of semi-hard cheese amounted to 6%, and that of hard cheese to 24%. Swiss companies have been forced to shed thousands of jobs in Switzerland in recent months.

“Emmi continued to implement its strategy in 2015.”

Urs Riedener



Urs Riedener, CEO, and Konrad Graber, Chairman of the Board of Directors

At Emmi, we managed to navigate the difficult environment without shifting jobs abroad or extending contractual working hours. This makes us happy. We are doing everything we can to further develop Switzerland as a production location. To this end, every year we invest amounts in the high tens of millions in our operating infrastructure, prepare some 100 youngsters to start their careers and are a reliable employer for 3,000 people in Switzerland. This will remain the case. On a Group level, we have a headcount of 5,400 people.

Starting a challenging 2016 with a solid basis

Emmi expects similar economic conditions in Switzerland in 2016 to the previous year: import pressure, retail tourism and intense competition will continue. We are more optimistic with regard to the international business.

Emmi will continue to distinguish itself with its strong brands and operate as efficiently as possible. We are confident that we will make further progress towards our medium-term sales targets and be able to generate a solid result in 2016. We owe it to our customers, milk producers, suppliers, shareholders and employees to promote a healthy company. We look forward to tackling this challenge.

Konrad Graber
Chairman of the Board of Directors

Urs Riedener
CEO

The year 2015 at Emmi

Many small puzzle pieces fit together to create a coherent picture. 2015 was marked by various eventful occurrences and successes. They represent the culture of Emmi and the ambition to do something special. The following pages cover a small selection of them.



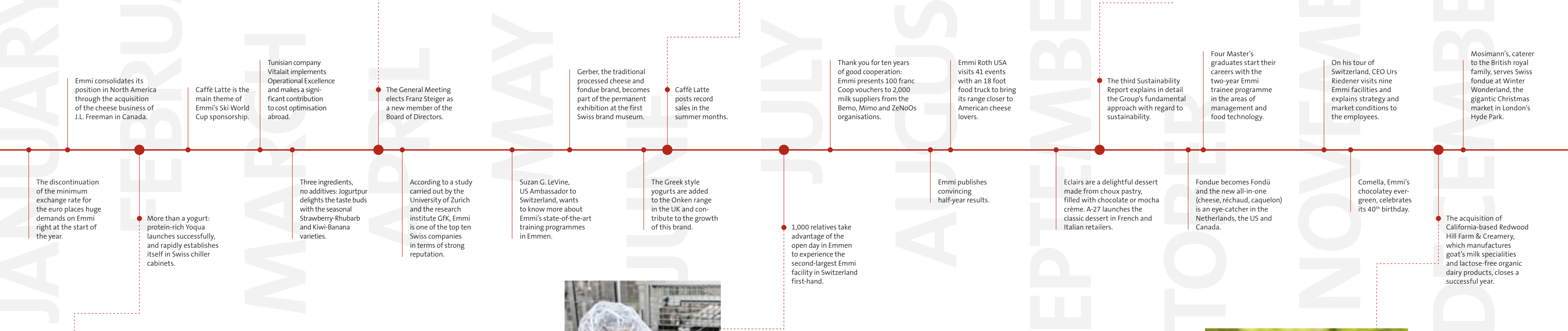
New to the Board of Directors
Franz Steiger works as an independent farmer on his dairy farm and is involved in various specialist bodies and associations of the Swiss dairy industry. He is an acknowledged expert on Swiss agricultural policy.



A perennial hit
The warmer the weather, the more popular Caffè Latte is. Europe's number one among chilled coffee drinks is exported to ten countries. This classic has seen significant sales increases in its most important markets and has not lost any of its freshness, even in its twelfth year.



Comprehensively sustainable
For years, Emmi has managed sustainability in the company in a targeted manner. Its commitment centres around four focal topics: reducing greenhouse gas emissions, sustainable milk, avoiding waste and developing employees.



More than a yogurt
Protein-rich foods are more filling. With at least 8% protein and only 2% fat, Yoqua has all the ingredients of a modern snack. Its high fruit content and creamy consistency mean it also tastes great.



Welcome to Emmi
3,000 employees work at Emmi in Switzerland every day. From time to time, Emmi therefore gives their relatives the opportunity to get a feel for the company and gain a first-hand impression of what goes on there. It's true that nobody is too young to be an Emmi fan.



Goat's milk specialties
With Cypress Grove Chevre and Redwood Hill in the US, AVH dairy and Bettinehoeve in the Netherlands and goat's cheese production in Kaltbach, Emmi has a good network in one of the most attractive international niches in the dairy industry.

Reinterpreting tradition



Even traditional things can be given a modern interpretation. Consider the example of Emmi Fondue, which has been available as a table-ready fondue for 60 years and is now an indispensable popular dish. Emmi is constantly reinventing it, for example as an all-in-one pack that not only includes the familiar delicious blend of cheeses, but also the caquelon and tealights, or by introducing different blends of cheeses, that always make a well appreciated change. This removes obstacles to enjoying fondue, even for novices – including in the UK, one of our export markets for Emmi Fondue.



Locally rooted, internationally oriented

Strategy proves successful

Even though Emmi generates almost half of its sales in its international business, high-quality products made from Swiss milk continue to play a pivotal role. The subsidiaries abroad help to complement the product portfolio in a meaningful way. In addition, their purchase volumes and revenues make an important contribution to strengthening Switzerland as a location.

Focused on success

For years, Emmi's strategy has been based on three pillars: a strong position in the Swiss market, growth in international markets and rigorous cost management. Emmi has been resolutely pursuing this strategic path for years.

This focus has proven effective. The importance of increasing internationalisation and the overhaul of the product portfolio were clearly demonstrated in financial year 2015. Brand concepts such as Caffè Latte or the Italian speciality desserts – which are now number one in several European countries – grew at international level in spite of difficult economic conditions.

Emmi is now present in 12 countries in addition to Switzerland through its subsidiaries and holdings. These companies not only contribute to sales growth but also make an important contribution to Group income. Emmi has production sites in seven of the 12 international markets. These manufacture products which are sold under local brands.

Profit contribution from abroad

Rigorous cost management not only applies in Switzerland but also in particular to the companies abroad. Emmi has been extending its Operational Excellence measures on an international level since 2014. The following three key areas are relevant here:

Standardisation of purchasing: With a purchasing network between Emmi in Switzerland and its subsidiaries, raw material and investment costs are reduced and quality assurance standardised.

Multiplying winning formulas: Through internal consulting on project management and the exchange of best practices, risks are minimised, synergies achieved in maintenance and quality assurance improved.

Systematisation of operational processes: Through optimised production planning, consistent warehouse management and clear processes, raw material losses are reduced, utilisation improved and planning security enhanced.

Measures in Spain, Chile and the US are now proving very effective. The programme is set to be expanded to Italy from 2016.

Acquisitions in 2015

Cheese business of J.L. Freeman

J.L. Freeman is one of the leading cheese importers in Canada, based in Boucherville, Montreal. More than half of its imports are from Switzerland – in particular Le Gruyère AOP, Emmentaler AOP, Fondue and other specialities. Italian and French cheeses also account for a significant proportion of its business. Emmi acquired 100% of the shares in the cheese business of J.L. Freeman, which generates sales of around CHF 25 million.

This establishes another important base for Emmi in North America that will expand its strong position in the US and existing presence in Canada. The acquisition secures direct access to an interesting market, extends the value chain of speciality cheese exports to Canada, and creates the potential to export additional products from the Emmi Group.

Redwood Hill Farm & Creamery

The flagship company among manufacturers of goat's milk products is based in Sebastopol, California. Founded in 1968, Redwood Hill now generates annual sales of over CHF 20 million. Emmi has acquired a 100% stake in the company.

The goat's milk yogurts and kefir known under the Redwood Hill Farm® brand are market leaders in the US. The portfolio is complemented by lactose-free organic cow's milk products. Redwood Hill is committed to a consistent sustainability concept, which includes its own natural dairy production as well as comprehensive environmental protection measures.

Emmi now has a robust network of companies in premium and speciality markets in North America. In addition to Emmi Roth USA and the cheese business of J.L. Freeman, this also includes Cypress Grove Chevre and The Icelandic Milk and Skyr Corporation (22% stake).

A sustainable approach for better dairy products all round

Sustainability is more than just a buzzword at Emmi; the Group has been managing many sustainability aspects in a targeted manner for years. These efforts are based on the conviction that sustainable business is important to ensure the long-term existence of a company. This means we have a duty to practise all-round sustainable company management that is apparent not just from our words but from our deeds too.

Focus on what is important

There are many paths open to a company to promote its own sustainability. However, too great a variety of initiatives complicates management, control and communication. Through its centrally managed sustainability measures, Emmi therefore focuses on four topics where it can really make a difference: reducing greenhouse gas emissions, sustainable milk, avoiding waste and developing employees.

Reducing greenhouse gas emissions

The production of dairy products is an energy-intensive process. In production, heating and cooling raw materials during the processing phase uses a great deal of energy; in transport and storage, it is maintaining the cold chain that accounts for much of the power consumption.

Emmi primarily gears its environmental efforts towards improving energy efficiency and replacing fossil fuels with lower-emission alternatives. The CO₂ objectives agreed with the federal government are particularly important for the environmental measures implemented in Switzerland. To fulfil these agreements, Emmi is reducing its CO₂ emissions in Switzerland by an average of just under 500 tonnes every year.

Going forward, Emmi's efforts to reduce its CO₂ emissions will also include measures at the foreign production sites and a global CO₂ target.

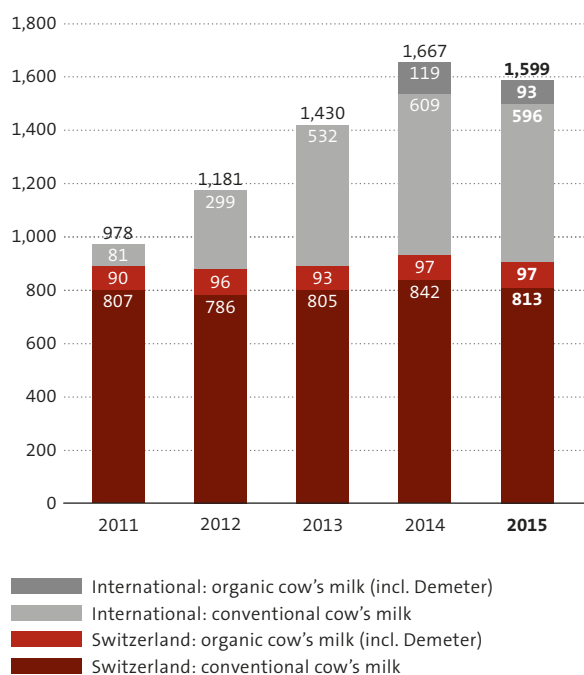
Sustainable milk

Every year around 3.4 million tonnes of cow's milk are produced in Switzerland, almost 1 million of which are delivered to Emmi's plants in Switzerland. Added to that is the milk that comes to Emmi in the form of purchased Swiss cheese, cream and milk powder. The company is aware of this important position and will focus more closely on the responsibilities associated with this role in future.

As a result of these efforts, Emmi is devising a comprehensive concept for sustainable Swiss milk. In the understanding of Swiss consumers, this includes milk from sustainable primary production. Social and ethical factors such as animal welfare are currently receiving particular attention. Emmi is examining options here that go beyond the Swiss standard, although this is already considered exemplary in international comparison. This is one way the company can differentiate itself from Swiss and foreign competitors in the domestic market and in exports. As the largest processor of organic Swiss milk

Trend in milk volumes: cow's milk

in kg millions



(just under 100 million kilograms per year) – including cow's, goat's and sheep's milk – Emmi is in a favourable starting position to achieve this.

The appropriate measures for Switzerland will be developed in consultation with internal and external stakeholder groups by mid-2016.

The milk volume processed by Emmi abroad has also risen continuously over recent years due to acquisitions: almost 50% of the total milk volume is processed at the various international production sites. In particular, this includes the Centrale Laitière de Mahdia (Vitalait) in Tunisia, Surlat in Chile and Lacteos de Navarra (Kaiku) in Spain, which are all part of the Kaiku Group and each process between 100 and 200 million kilograms of milk.

Goat's milk has reached a considerable volume abroad of over 10 million kilograms. Within the Emmi Group, goat's milk is primarily processed in the Netherlands (at Goat Milk Powder) and the US (at Cypress Grove Chevre). This segment will grow further through the acquisitions made at the end of 2015

and at the start of 2016 (Redwood Hill Farm & Creamery in the US and Bettinehoeve in the Netherlands). This is supplemented by the constantly increasing volumes of goat's and sheep's milk (around 7.5 million kilograms annually) distributed by Dutch company AVH dairy.

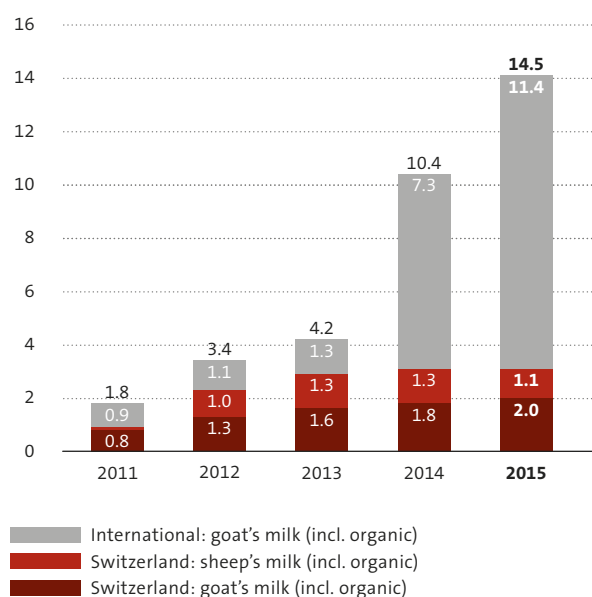
Sustainability aspects for the milk processed abroad can be seen in the organic area in particular. Most of the companies acquired by Emmi recently are active in this area (Bettinehoeve, Gläserne Molkerei, Redwood Hill Farm & Creamery, Rachelli), helping them to achieve steady, profitable growth. It therefore goes without saying that Emmi's sustainability commitment will also be expanded to the milk procured, processed and distributed abroad in the medium term.

Avoiding waste

Emmi has established a use-focused understanding of the term "waste" in the company. Avoiding waste is part of the Emmi Operational Excellence (EOE) initiative. The motto "Faster, better, cheaper!" is symbolic of numerous measures we have rolled out within the Group that take account of the cost requirements of the market. Avoiding all types of waste is a stated aim, and not just because of the difficult economic environment we are currently facing. In terms of sustainability, two issues will receive special attention in the period up to 2020: packaging and foods. Emmi is thus widening its field of vision beyond the waste generated in its own facilities (see section "Environmental impacts throughout the value chain", page 18).

Trend in milk volumes: goat's and sheep's milk

in kg millions



Developing employees

As an internationally successful milk processor, Emmi needs a wide variety of technical skills. The company recognises that its employees and their extensive skills and capabilities are the most important factor for its success. With this in mind, a great deal of importance is attached to the work done by the Human Resources function. In terms of sustainability, developing employees has a high priority.

Attracting new talent:

Apprenticeships represent the surest way of achieving a future supply of specialist competences. Emmi currently employs 101 apprentices in Switzerland. The most common apprenticeship at Emmi is dairy technologist (29 apprentices). This training is the ideal basis for developing further within the production structure of the company. Other apprenticeships essential for Emmi's success are those for logisticians (21), plant supervisors (14) and polymechanics (7).

The number of people learning these key jobs falls considerably short of the number of such specialists that will be required in the future. It is therefore Emmi's aim to increase the proportion of apprentices it employs after completion of training to 80% by 2020. Moreover, an additional 30 apprenticeships will be created by 2020. These apprenticeships must be made more attractive because – although Switzerland's dual professional education system is a proven success – apprenticeships are becoming increasingly difficult to fill.

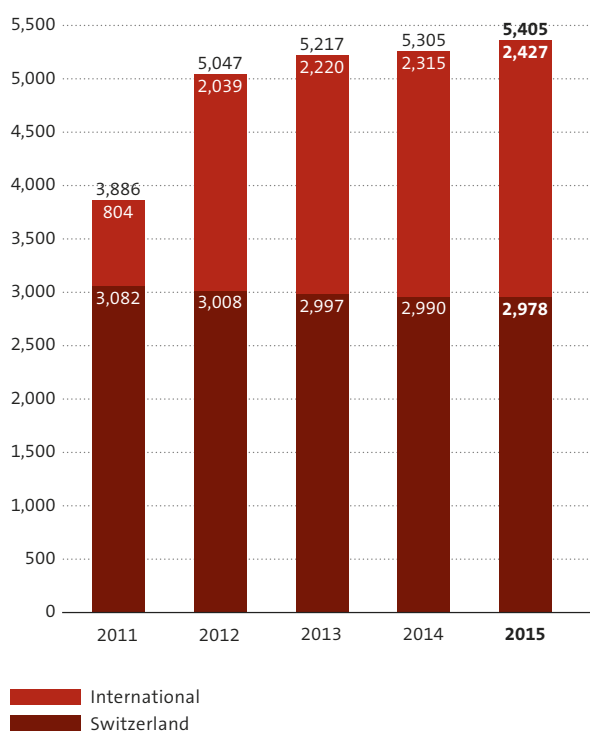
Emmi is making considerable investments to make its apprenticeships more attractive. In future, trainees will be able to take greater advantage of Emmi's international network, either during or immediately after their apprenticeship. The Young Professionals programme that was set up for this purpose enables young professionals from Switzerland to spend one year at a foreign subsidiary.

Of course, Emmi needs employees with an academic education as well, which is why, since 2011, it has also been offering university graduates attractive career entry opportunities in the form of trainee programmes. There are currently six graduates being trained at Emmi in Switzerland.

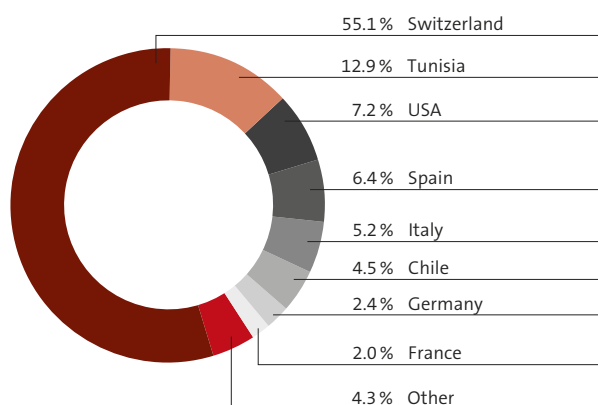
Food science and business-related competences are in high demand. Over a period of two years, trainees learn to link up their academic knowledge with practical knowledge in a variety of areas. The key objective is to ensure the trainees stay with the company after completing the training programme.

Headcount

Number of full-time equivalents (as at 31.12.)



Employees by country



Further developing existing talent:

Based on the corporate value “We are continually developing!”, Emmi strengthens the development of its employees by means of a range of measures. As part of its talent management, the internal advanced training programmes are being expanded and succession planning for Group-wide key positions is being addressed specifically, among other things.

The area of logistics in Switzerland, which is particularly affected by the shortage of skilled professionals, has taken a leading role in this initiative. Employees expand their knowledge through inter-location rotations. Their career planning is simplified by means of uniform, transparent job profiles in Switzerland. Employees are given clear career prospects, which motivate and integrate them.

It is not only the employees who are continually developing – the company is too. Various major projects such as the introduction over a number of years of SAP (OneERP project) result in sometimes far-reaching changes for many areas. Supporting this change, so that it is accepted by the employees, is a core responsibility of Human Resources at Emmi.

Environmental impacts throughout the value chain

Emmi’s facilities in Switzerland have been certified to the international environmental management standard ISO 14001 since 1997, and are audited accordingly. The company’s central environmental management keeps close track of all environmentally relevant resources and emissions. In its external communications, Emmi focuses on electricity consumption, water consumption and waste volumes. In a drive to improve the Group’s eco-balance, a wide range of measures to save water and energy as well as to reduce wastewater, waste and consumables have been implemented in recent years, particularly in Switzerland.

Electricity

Overall electricity consumption by all Emmi sites in Switzerland amounted to 115.4 GWh in 2015 (-2.0% or -2.3 GWh).

An exceptional reduction in electricity consumption of over 1 GWh was recorded at the site in Suhr, which specialises in milk, cream and butter. Numerous energy optimisation measures were implemented there.

Waste

Waste management at Emmi follows the principle “avoid, reduce, recycle”. This means that the first priority is for unavoidable waste to be recycled or reintroduced into a productive cycle. Only where this is not possible is it recycled as energy – preferably in biogas plants. Technological progress is continually opening up new possibilities for profitably reusing residual materials that used to be disposed of. In this way, it has been possible almost to halve the waste volumes at Emmi’s Swiss production sites in the past five years.

In 2015, the waste volumes generated by all Emmi sites in Switzerland totalled 1,590 tonnes (-7.6% or -131 t).

Almost half of the reduction in waste was achieved in Emmen. Here, food waste was reduced by using more food for animal feed, while chads from coffee creamer portions are now collected separately and no longer disposed of as waste. These measures together saved a total of over 62 tonnes of waste.

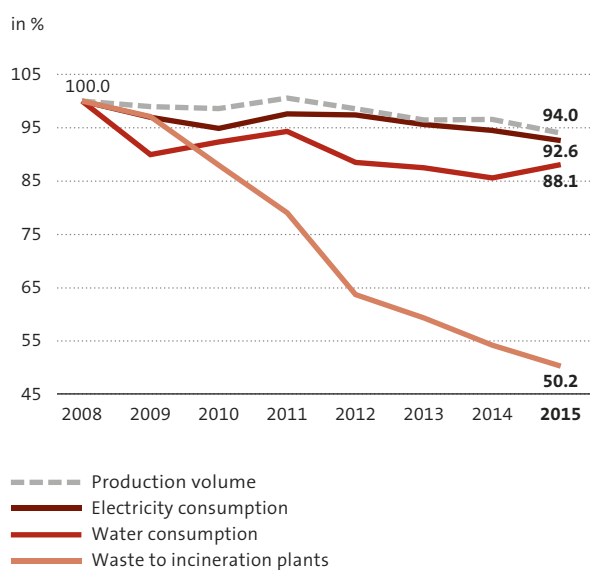
Water

Water is largely used at Emmi for cooling and heating processes and for maintaining hygiene. The optimisation processes focus mainly on improving wastewater quality and reducing both fresh water consumption and wastewater volumes.

Overall water consumption by all Emmi sites in Switzerland amounted to around 2.8 million cubic metres in 2015 (+2.7% or +80,000 m³).

This increase is primarily attributable to the Dagmersellen site, which uses significant volumes of water for cooling processes. The effects of the hot summer are clear here.

Environmental index Emmi in Switzerland

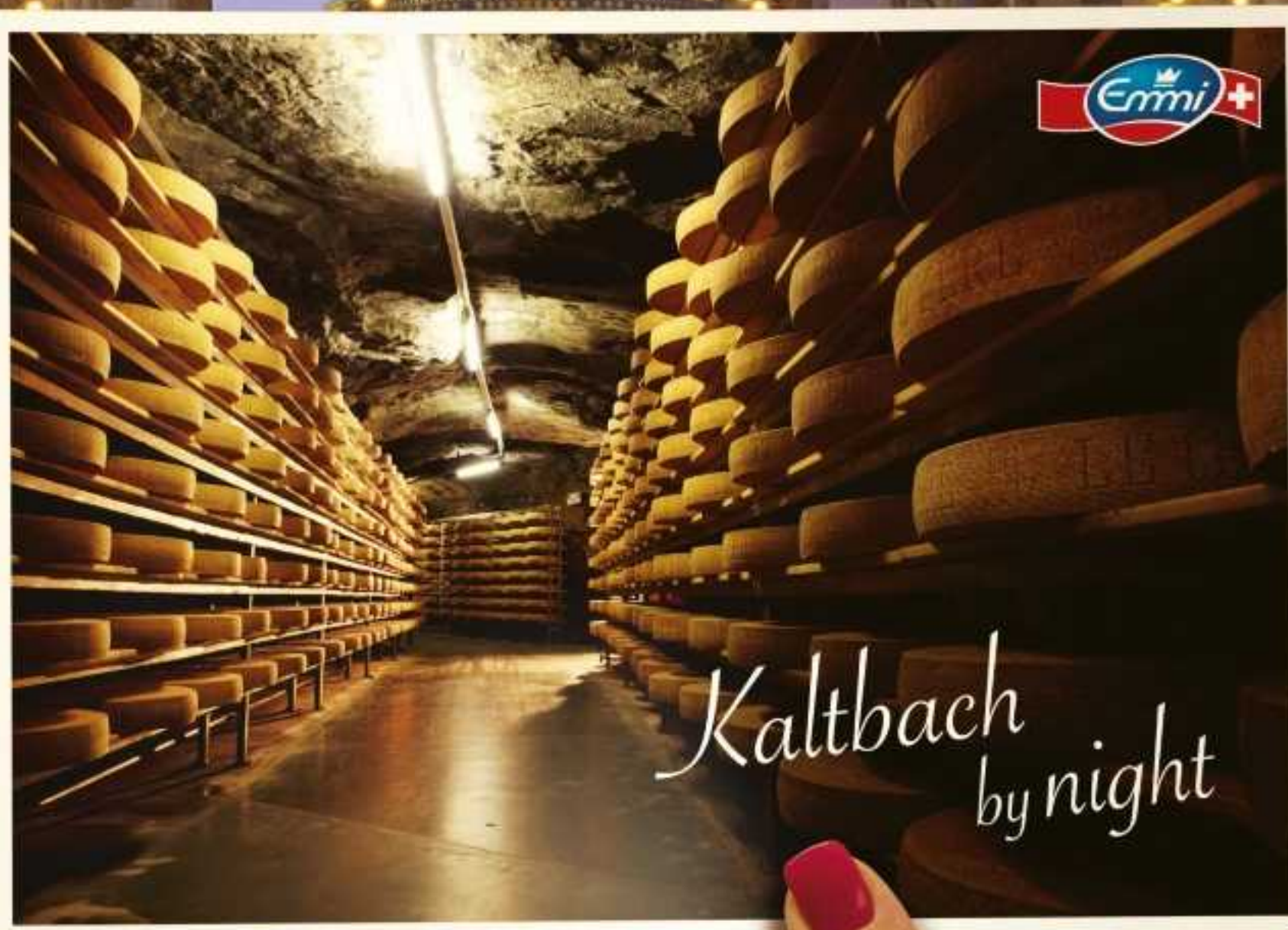




From a dark cave into the wide world



The Kaltbach sandstone cave, with its constant humidity of 96% and temperatures between 10 and 13 degrees Celsius, provides the basic conditions for making something very special from selected wheels of cheese. This process is enhanced by the specialist knowledge of the master cheesemaker, scrupulous care and a lot of time. Le Gruyère AOP and Emmentaler AOP only leave the cave and make their way out into the wide world after they have aged for 12 months. The Kaltbach specialities have not only made it to Switzerland's neighbours, but also as far as Down Under. The cave-aged masterpieces offer unbounded pleasure.



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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 2015.

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

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

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 97

📄 Consolidated companies, see pages 82 to 84

1.2 Significant shareholders

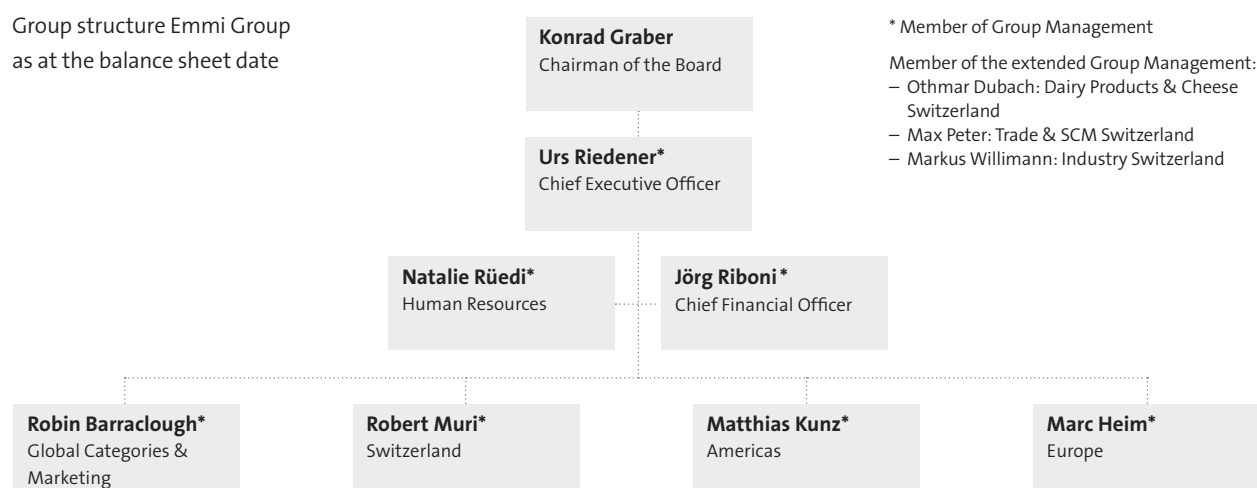
📄 Significant shareholders, see page 93 (“Share capital and significant shareholders”)

ZMP Invest AG, Lucerne, the Zentralschweizerischer Milchkaufverband, Willisau, and the MIBA Milchverband der Nordwestschweiz, Basel, form a group in the sense of Art. 20 SESTA. The group owns 62.1 % (previous year: 62.5 %) of the total voting rights. As at 27 January 2015, Capital Group Companies, Inc. informed us that it owned 271,591 registered shares of Emmi AG (5.1 %). As at 25 January 2016, Capital Group Companies, Inc., reported that it owned 263,500 registered shares of Emmi AG (4.9 %). No further disclosure notifications were made.

1.3 Cross-shareholdings

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

Group structure Emmi Group
as at the balance sheet date



* 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 2015, 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 2012 to 2015 can be found on page 90.

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 97

2.5 Dividend-right certificates

No dividend-right certificates exist.

2.6 Restrictions on transferability and nominee registrations

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

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

2.7 Convertible bonds and options

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

3. Board of Directors

All nine members of the Emmi Board of Directors (see table page 25) are non-executive members who were not previously members of Emmi Group Management or the management team of one of the subsidiaries. The basis for nomination as a member of the Board of Directors is the fulfilment of a specific profile of requirements.

Christian Arnold-Fässler, Thomas Oehen-Bühlmann and Franz Steiger 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 Milchkaufverband (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 right: Franz Steiger, Christian Arnold-Fässler, Stephan Baer, Monique Bourquin, Konrad Graber, Thomas Oehen-Bühlmann, Niklaus Meier, Diana Strebel, 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	Swiss	Business administration HWV Certified Auditor	2006 2009 Chairman
Thomas Oehen-Bühlmann Vice-Chairman of the Board of Directors	1958	Swiss	Certified Master Farmer	2009
Christian Arnold-Fässler	1977	Swiss	Certified Master Farmer	2012
Stephan Baer	1952	Swiss	Business Economist lic. oec. publ.	1999
Monique Bourquin	1966	Swiss	Business Economist lic. oec. HSG	2013
Niklaus Meier	1955	Swiss	Swiss certified expert in accounting and controlling	2012
Josef Schmidli	1957	Swiss	Federal Commercial Diploma Certified Master Cheesemaker	2003
Franz Steiger	1959	Swiss	Certified Master Farmer	2015
Diana Strebel	1960	Swiss	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 served 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, of which he is currently the Chair. 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 Küsnacht 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, Küsnacht am Rigi (since 2009, Chairman since 2009), Bio Partner Schweiz AG, Seon (since 2010), and Spichtig AG, Steinen (since 2011, Chairman from 2012 to 2015).

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.

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.

Franz Steiger

Member of the Board of Directors since 2015

Franz Steiger is a certified master farmer and works as an independent farmer and training instructor on his dairy and pig-breeding farm; since 2010 he has run this in the form of a joint business with a partner. He has been a member of the Board of the Central Switzerland Milk Producers Cooperative (ZMP) since 2000, and was its Vice President from 2006 until April 2015. He was also a member of ZMP's Human Resources Committee as well as of the Board of Directors of ZMP Invest AG. In addition, he has been a delegate of the Swiss Farmers' Union since 2006 and a member of the Board of the Emmentaler milk producers' organisation since 2009. Franz Steiger is also Treasurer of the Schlierbach-Krumbach dairy cooperative and has been Mayor of Schlierbach since 2008.

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 Publicis Group and a temporary assignment as CEO and member of the Board of Directors at Wunderman AG. Between 2003 and 2005, she completed studies in marketing 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 co-founded. 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

The members of the Board of Directors may hold a maximum of five mandates in listed legal entities and 15 mandates in non-listed legal entities.

3.4 Election and term of office

The first election of members can be seen in the table on page 25. The term of office of members of the Emmi Board of Directors is one year and lasts until the 2016 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	•	•		
Niklaus Meier Member	• (Chairman)			
Josef Schmidli Member		•		
Franz Steiger 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, one of whom is the Chairman of the Board of Directors. Its meetings are attended by the CEO, CFO, Head of Group Controlling, Head of Internal 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 auditors for consolidated subsidiaries where these differ from the Group auditors
- the list of counterparties and their credit limits for financial transactions.

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

- the organisation of accounting and the organisation and content of financial control, including internal auditing
- the effectiveness and independence of the internal auditors
- the selection of the Group auditors
- the effectiveness and independence of the external auditors

- the results of internal and external 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, one of whom 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 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, one of whom is the Chairman of the Board of Directors. Its meetings are attended by the CEO and the Chief Human Resources Officer on invitation.

The Personnel and Compensation Committee deliberates on and approves:

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

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 ceiling amounts for remuneration of the Board of Directors, the Agricultural Council and Group Management for approval by the Annual General Meeting (for approval model, see compensation report, page 41)
- 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 Agricultural Policy and the Head of 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, but at least quarterly. The Personnel and Compensation Committee and the Agricultural Council generally meet twice a year. In 2015, 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
- ceiling amounts for remuneration of the Board of Directors, the Agricultural Council and Group Management for approval by the Annual General Meeting (for approval model, see compensation report, page 41)
- 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
- approval of members of the Board of Directors of consolidated subsidiaries
- the proposal of candidates for the Board of Directors to the General Meeting.

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

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

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

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 from the members of Group Management about business developments and, with the authorisation of the Chairman, about individual transactions. The Chairman is kept up to date by the CEO on a regular basis, at least once every 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 80 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 participation in its meetings, which are held at least quarterly (five meetings in the year under review). The Audit Committee approves the auditing programme and the annual planning; it also receives all auditors' reports and is kept informed at its meetings of all findings and the resulting measures. In addition, the Head of Internal 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 together closely 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 right: Jörg Riboni, Robert Muri, Natalie Rüedi, Urs Riedener (CEO), Robin Barraclough, Marc Heim and Matthias Kunz.

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

4.2 Professional background and other activities and interests

Urs Riedener

CEO and Chairman of Group Management since 2008

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 2014 and a member of the Executive Committee of SMG (Schweizerische Management Gesellschaft) since 2015.

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, including 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, 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 Ruedi

Chief Human Resources Officer and member of Group Management since 2011

Natalie Ruedi taught at a primary school before becoming its headmistress between 1992 and 2000. She joined the Emmi Group 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 Ruedi 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). In addition, he is a member of the Advisory Committee for Agriculture and the Agriculture Research Council of the Swiss Confederation.

4.3 Permitted number of activities

The members of Group Management may hold a maximum of two mandates in listed and ten mandates in non-listed legal entities.

4.4 Management contracts

No management contracts exist.

5. Compensation, participations and loans

Information on remuneration, the definition process for compensation, statutory rules, participations, and loans and credits to members of the Board of Directors, Agricultural Council and Group Management can be found in the compensation report on pages 39 to 44.

6. Shareholders' rights of co-determination

6.1 Restrictions on voting rights and proxies

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

6.2 Statutory quorum

Unless the law stipulates otherwise, the General Meeting passes its resolutions and performs its elections by an absolute majority of the voting rights represented, not taking into account blank and invalid votes. In addition to the legal exceptions, the resolution concerning the amendment of the provision of the Articles of Association relating to the restrictions on registration (see "Nominees", page 24) 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: <https://group.emmi.com/en/media-ir/dates/>

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 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 terms of the Auditor in charge

At the 2014 General Meeting, KPMG, Lucerne, were appointed as the new statutory auditors for the financial year. They were reappointed in 2015. According to the Articles of Association, their term ends with the approval of the financial statements for the relevant financial year. The Auditor in Charge, Thomas Affolter, has been in office since 2014. According to the provisions of the Swiss Code of Obligations, he may execute this mandate for a maximum of seven years. Thomas Affolter will therefore be responsible for the audit of the Emmi Group until the end of the 2020 financial year at the latest.

8.2 Audit fees

For the 2015 reporting year, the agreed audit fee for the performance of their mandate as statutory auditors (including the audit of the consolidated financial statements) amounted to KCHF 1,040.

8.3 Additional fees

During the year under review, KPMG charged a total of KCHF 246 for additional services beyond the scope of their statutory mandate. This fee includes KCHF 104 for tax advice and KCHF 142 for other consulting and audit-related services.

8.4 Information tools used by the external auditors

The supervision and monitoring of the auditors is exercised by the full Board of Directors. The Board of Directors' Audit Committee assesses the performance, invoicing and independence of the external auditors and provides the Board of Directors with corresponding recommendations. It also annually reviews the scope of the audit, the audit plans and the relevant procedures, and discusses the audit reports with the Auditor in Charge. Details of the term of the Auditor in Charge can be found in section 8.1. The report on the final audit of the annual accounts is also sent to all members of the Board of Directors for the final approval of the Annual Report. The Auditor in Charge attended two meetings of the Audit Committee in 2015. Details on Internal Auditing are provided in section 3.7.

9. Information policy

Investor Relations guidelines: Emmi strives to maintain open and ongoing communication with shareholders, existing and potential investors, and other stakeholder groups. Emmi's aim is to provide rapid, real-time and transparent information about the company, its strategy and business developments, and to offer a truthful picture of Emmi's performance in the past and the present, as well as its future prospects. This picture is intended to reflect the assessment of the current situation of the company by Group Management and the Board of Directors.

Methodology: Emmi publishes an extensive Annual Report every year that presents operating activities, corporate governance and financial reporting for the current year, drafted and audited in accordance with Swiss GAAP FER. A half-year report is also published.

Furthermore, media releases are published about events relevant to the share price, such as acquisitions, minority or majority shareholdings, joint ventures and alliances in accordance with guidelines relating to ad-hoc publicity. Important announcements, in particular half- and full-year results, are accompanied by presentations together with press and analyst conferences or analyst calls.

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

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

🔗 <https://group.emmi.com/en/media-ir/news-service/>

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

🔗 <https://group.emmi.com/en/media-ir/media-releases/>

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

🔗 http://www.six-swiss-exchange.com/shares/security_info_en.html?id=CH0012829898CHF4

Contact for Investor Relations:

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

The General Meeting will take place on 21 April 2016. All registered shareholders will receive an invitation to the General Meeting by post.

The next business results (2016 half-year results) will be published on 23 August 2016.

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1. Guidelines

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

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

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

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

2. Remuneration system

2.1 Remuneration components

The remuneration of the Board of Directors and the Agricultural Council is fixed remuneration. The remuneration of Group Management comprises a fixed and a variable component. Variable means: depending on success and performance in the previous financial year in connection with defined objectives ("bonus"). The variable remuneration of a member of Group Management should amount to a maximum of 50% of his/her fixed remuneration. No long-term variable component has been implemented. For further information on this topic see section 2.3.

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

2.2 Remuneration of the Board of Directors and the Agricultural Council

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

Once a year, the Personnel and Compensation Committee assesses the remuneration of the Board of Directors compared to listed (small cap) and private Swiss companies. In doing so, it takes into account companies from the consumer goods sector with a similar level of internationalisation, together with firms based in the region from various sectors and of different sizes. Approximately 20 companies meeting the criteria given above, primarily from the food, machinery, plastics and retail industries, served as the comparison group. In addition, the Committee has access to a benchmark study from 2014 which compared the compensation of the Emmi Board of Directors to external salaries and analysed whether the current remuneration and remuneration structure were in line with the market. In the year under review, no external advisor was consulted regarding the remuneration structure.

The basic remuneration, social security contributions and expenses are components of the fixed remuneration according to the table "Remuneration for the year under review" on page 43. The General Meeting approves this fixed remuneration as a maximum ceiling amount for the current financial year.

2.3 Remuneration of Group Management

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

The basic remuneration reflects the experience, knowledge and continuing performance of members of Group Management as well as the competitiveness in external market comparisons based on function-related salary benchmarks. The Personnel and Compensation Committee has available to it a study from 2014 for the purpose of comparing the adequacy and competitiveness of the total remuneration. The same comparison group is used for the function-related salary benchmark and for the assessment of the remuneration of the Board of Directors. In the year under review, no external advisor was consulted regarding the remuneration structure.

The basic remuneration, non-cash benefits (company car), expense allowance and the relevant social security contributions and benefits are part of the fixed remuneration according to the table on page 43. The General Meeting approves this fixed remuneration prospectively as a maximum ceiling amount for the coming financial year.

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

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

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 ongoing development with a view to providing the core business with continuously better support.

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

3. Responsibilities and definition process

3.1 Approval model of the General Meeting

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

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

The following approval model clarifies which remuneration components and for which period the shareholders will vote on at the 2016 Ordinary General Meeting.

3.2 Decision-making process

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

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

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

3.3 The Personnel and Compensation Committee

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

Composition of the Personnel and Compensation Committee

Election by the 2015 General Meeting until the 2016 General Meeting

Konrad Graber Chairman	Independent member and Chairman of the Board of Directors
Stephan Baer Member	Independent member of the Board of Directors
Thomas Oehen-Bühlmann Member	Independent member and Vice-Chairman of the Board of Directors

Approval model for the General Meeting 2016



4. Loans and credits

Article 29c of the Articles of Association stipulates that the members of the Board of Directors, Agricultural Council and Group Management may be granted advance payments up to a maximum of KCHF 1,000, in particular in the form of advances on costs for litigation connected to the activity of the person concerned as a member of the Board of Directors, Agricultural Council or Group Management.

5. Proposals to the General Meeting

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

5.1 Board of Directors

Approval of the total amount of fixed remuneration of the Board of Directors up to a maximum of KCHF 810 for financial year 2016.

Proposal to GM 2016 for full year 2016	Remuneration paid 2015 (see opposite)	Proposal to GM 2015 for full year 2015
810 (ceiling amount)	771	805 (ceiling amount)

5.2 Agricultural Council

Approval of the total amount of fixed remuneration of the Agricultural Council up to a maximum of KCHF 29 for financial year 2016.

Proposal to GM 2016 for full year 2016	Remuneration paid 2015 (see opposite)	Proposal to GM 2015 for full year 2015
29 (ceiling amount)	24	29 (ceiling amount)

5.3 Group Management fixed remuneration

Approval of the total amount of fixed remuneration of Group Management up to a maximum of KCHF 4,570 for financial year 2017.

Proposal to GM 2016 for full year 2017	Proposal to GM 2015 for full year 2016
4,570 (ceiling amount)	4,638 (ceiling amount)

5.4 Group Management variable remuneration

Approval of the total amount of variable remuneration of Group Management of KCHF 839 for financial year 2015.

Proposal to GM 2016 for full year 2015 (see opposite)	Remuneration paid 2014	Proposal to GM 2015 for full year 2014
839	874	874

6. Remuneration for the year under review

in CHF 000s

Board of Directors	Fixed remuneration			Variable remuneration				Total previous year
	Basic remuneration ¹⁾	Non-cash benefits	Other remuneration ²⁾	Total fixed ³⁾	Bonus ¹⁾	Total variable	Total fixed and variable	
Konrad Graber Chairman	246	—	—	246	—	—	246	240
Thomas Oehen-Bühlmann Vice-Chairman	68	—	20	88	—	—	88	83
Christian Arnold Member	47	—	14	61	—	—	61	54
Stephan Baer Member	68	—	1	69	—	—	69	71
Monique Bourquin Member	49	—	16	65	—	—	65	61
Hans Herzog (Member until 22.04.2015)	20	—	5	25	—	—	25	78
Niklaus Meier Member	54	—	17	71	—	—	71	71
Josef Schmidli Member	42	—	13	55	—	—	55	54
Franz Steiger (Member since 22.04.2015)	27	—	8	35	—	—	35	n.a.
Diana Strebel Member	42	—	14	56	—	—	56	55
Total Board of Directors	663	—	108	771	—	—	771	767
Agricultural Council								
Christophe Eggenschwiler	5	—	1	6	—	—	6	6
Pirmin Furrer	5	—	1	6	—	—	6	6
Kurt Nüesch	6	—	—	6	—	—	6	6
Markus Zemp	5	—	1	6	—	—	6	6
Total Agricultural Council	21	—	3	24	—	—	24	24
Group Management								
Urs Riedener, CEO	830	3	210	1,043	320	320	1,363	1,436
Other members	1,975	21	728	2,724	519	519	3,243	3,172
Total Group Management	2,805	24	938	3,767	839	839 ⁴⁾	4,606	4,608

¹⁾ Basic remuneration and bonuses comprise payments and social security and pension contributions made by the employee.

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

³⁾ The remuneration of the Board of Directors also includes work in the committees, in the Agricultural Council (allocation of duties, see page 28 of this Annual Report), in a subsidiary as well as in the two pension fund foundations. Emmi Group employees who are members of the Agricultural Council do not receive any compensation for their work on the Agricultural Council.

⁴⁾ Subject to approval by the General Meeting.

Loans and credits in the year under review

No loans or credits were granted or made to members of the Board of Directors, Agricultural Council or Group Management in the year under review, and none were outstanding as at 31 December 2015. In addition, no loans or credits have been made to former members of the Board of Directors,

Agricultural Council or Group Management, or related parties of current or former members of the Board of Directors, Agricultural Council or Group Management, and none were outstanding as at 31 December 2015.

7. Auditors' report



Report of the Statutory Auditor to the General Meeting of

Emmi AG, Lucerne

We have audited the remuneration report of Emmi AG for the year ended December 31, 2015. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the section 6 on page 43 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended December 31, 2015 of Emmi AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

A handwritten signature in blue ink, appearing to read 'T. Affolter', written over a light blue grid background.

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'S. Masciarucci', written over a light blue grid background.

Sandro Masciarucci
Licensed Audit Expert

Lucerne, February 26, 2016

Standing still is prohibited



Emmi acquires companies with potential and invests in additional infrastructure – including in the US. With Cypress Grove Chevre and Redwood Hill Farm & Creamery, Emmi has two strong pillars in the area of goat's milk specialities in its largest international market. They help the Group to gain more knowledge in an attractive niche market. Emmi has now also established a successful goat's cheese brand in Switzerland in the form of Le Petit Chevrier and will build up further competences in Europe through the recently acquired stake in Bettinehoeve. Promising trends need to be recognised in good time.



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Income statement

Operating section

Emmi generated net sales of CHF 3,213.9 million in 2015, a fall of 5.6% on the previous year. In organic terms, i.e. adjusted for currency and acquisition effects, Group sales fell by 3.0%. Sales were supported by the foreign business and brand products such as Caffè Latte, Kaltbach and Jogurtpur.

The challenging economic environment affected the individual product segments to varying degrees. Fresh products achieved organic growth in sales despite the weak euro, while cheese came under strong pressure.

The following positive acquisitional effects were relevant in financial year 2015:

- the increased stake in Gläserne Molkerei, Germany (as at 1 October 2014)
- the purchase of the cheese business of J.L. Freeman, Canada (as at 15 April 2015)

The following negative acquisitional effects were relevant in financial year 2015:

- the sale of Trentinalatte, Italy (as at 31 October 2014)
- the sale of Emmi Penn Yan, USA (as at 18 December 2014)

Sales development Switzerland

The business division Switzerland produced sales of CHF 1,793.3 million compared with CHF 1,888.1 million in the previous year. The resulting decline of 5.0% (-3.3% volume effects and -1.7% price effect) is significantly higher than the expected -4% to -3%.

The domestic market was largely impacted by marked pricing and cost pressure in the wake of rising imports and the increase in shopping tourism in bordering countries.

Despite the difficult circumstances, sales of fresh products rose. This encouraging development is due to proven brand concepts such as Caffè Latte and Jogurtpur. Yoqua – the protein-rich yogurt – has built up a strong position in the retail trade within a short amount of time.

In the cheese segment, specialities such as Kaltbach and Der Scharfe Maxx posted slightly higher sales, while AOP cheeses fell sharply. The same was true for fresh cheeses (mozzarella). Pressure from imports remained high on both cheese and fresh cheese.

The decline in respect of dairy products was partly due to lower sales (itself in part from shopping tourism) and lower milk prices.

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

Sales by product group: Switzerland

in CHF million	Sales 2015	Sales 2014	Organic growth
Dairy products	678.5	710.1	-4.5 %
Cheese	503.5	554.9	-9.3 %
Fresh products	350.5	343.3	2.1 %
Fresh cheese	116.6	126.0	-7.4 %
Powder/concentrates	61.9	73.2	-15.4 %
Other products/services	82.3	80.6	2.1 %
Total Switzerland	1,793.3	1,888.1	-5.0 %

Sales development Americas

The business division Americas includes not only the US, Canada and Chile, but also Spain, France and Tunisia. It achieved sales of CHF 798.1 million, compared with CHF 840.0 million in the previous year, which corresponds to a decline of 5.0%.

In organic terms, i.e. adjusted for currency and acquisition effects, sales grew by 2.8%. The increase was lower than the originally forecasted 3% to 5%, which was primarily due to the low milk price. There were strong negative currency effects in all markets except for the US.

The Tunisian and US markets performed well. Adjusted for currency effects, Tunisia posted significantly higher sales for yogurts, milk and desserts marketed under the Vitalait brand.

This boosted the dairy and fresh product segments. The fresh product segment also benefited from growth in lactose-free products from Kaiku and significant double-digit growth in Caffè Latte in Spain.

Growth in cheese exports out of Switzerland and the pleasing development in locally produced cow's and goat's milk cheese were good news for the cheese segment.

The Chilean and French markets disappointed as a result of tough economic conditions.

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

Sales by product group: Americas

in CHF million	Sales 2015	Sales 2014	Difference 2015/2014	Acquisition effect	Currency effect	Organic growth
Cheese	329.5	315.4	4.5 %	3.2 %	0.1 %	1.2 %
Dairy products	239.1	267.1	-10.5 %	-4.3 %	-10.1 %	3.9 %
Fresh products	175.5	197.7	-11.2 %	-6.6 %	-10.8 %	6.2 %
Powder/concentrates	1.1	5.5	-80.8 %	—	-1.8 %	-79.0 %
Other products/services	52.9	54.3	-2.4 %	—	-5.6 %	3.2 %
Total Americas	798.1	840.0	-5.0 %	-1.7 %	-6.1 %	2.8 %

Sales development Europe

In the business division Europe sales contracted from CHF 508.8 million to CHF 487.3 million. This was a decline of 4.2% or, in organic terms, of 0.8%. This slight fall was remarkable and less pronounced than expected given the weakness of the euro, low European milk prices and across-the-board price increases on exports from Switzerland. The original forecast for organic sales growth had been from -4% to -2%.

Adjusted for currency effects, fresh products posted sales growth in Caffè Latte and Onken (in the UK) and the Italian speciality desserts from A-27 and Rachelli. Accordingly, the

fresh product segment performed well. The cheese segment's figures were positively impacted by the Kaltbach specialties and Der Scharfe Maxx. Both markets proved very robust, growing in both Germany and Austria.

However, the AOP cheese business was negatively affected by unfavourable exchange rates. The organic fall in dairy products was primarily due to the lack of supply of organic milk at Gläserne Molkerei.

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

Sales by product group: Europe

in CHF million	Sales 2015	Sales 2014	Difference 2015/2014	Acquisition effect	Currency effect	Organic growth
Fresh products	212.2	257.5	-17.6 %	-11.6 %	-8.1 %	2.1 %
Cheese	122.6	136.3	-10.0 %	2.8 %	-11.7 %	-1.1 %
Dairy products	91.1	42.0	116.8 %	153.7 %	-29.8 %	-7.1 %
Fresh cheese	39.9	56.8	-29.8 %	0.2 %	-9.7 %	-20.3 %
Powder/concentrates	14.9	7.0	111.7 %	17.8 %	-29.0 %	122.9 %
Other products/services	6.6	9.2	-28.5 %	1.8 %	-9.8 %	-20.5 %
Total Europe	487.3	508.8	-4.2 %	7.9 %	-11.3 %	-0.8 %

Sales development Global Trade

The business division Global Trade comprises direct sales from Switzerland to clients mainly in countries in which Emmi has no subsidiaries. These include the Asian and eastern European markets, most South American countries and the Arabian Peninsula.

Sales stood at CHF 135.2 million, compared with CHF 167.1 million in the previous year. This corresponds to a decline of 19.1 %, or 17.3 % in organic terms.

In Asia, sales of Swiss premium yogurts increased, primarily in China.

A significant year-on-year drop in butter and milk powder exports was the main drag on sales. Other constraints were the reduction in contract manufacturing and the economic slowdown in countries such as Japan, Brazil and Russia.

The business division Global Trade accounted for 4 % of total Group sales (previous year: 5 %).

Sales by product group: Global Trade

in CHF million	Sales 2015	Sales 2014	Difference 2015/2014	Acquisition effect	Organic growth
Cheese	54.3	72.6	-25.2 %	-4.0 %	-21.2 %
Fresh products	46.5	49.4	-5.8 %	—	-5.8 %
Powder/concentrates	13.2	24.4	-46.1 %	—	-46.1 %
Dairy products	9.3	11.3	-17.6 %	—	-17.6 %
Fresh cheese	0.4	—	—	—	—
Other products/services	11.5	9.4	22.2 %	—	22.2 %
Total Global Trade	135.2	167.1	-19.1 %	-1.8 %	-17.3 %

Gross profit

In the year under review, gross profit fell by CHF 11.4 million to CHF 1,117.7 million, compared with CHF 1,129.1 million in the previous year. The corresponding gross profit margin amounted to 34.8 %, versus 33.2 % in 2014. This pleasing margin improvement made it possible to limit the decline in gross profit as a consequence of lower sales. All business divisions made a positive contribution in this respect. The margin improvement was achieved in particular thanks to price increases abroad, lower procurement costs in Switzerland and abroad, the successful implementation of rationalisation and productivity-raising measures as well as the discontinuation of business with insufficient margins. The strong sales of brand products in the period under review also had a positive impact on the gross profit margin.

Non-recurring effects in the consolidated financial statements

No significant non-recurring effects were recorded in the period under review. For this reason, Emmi has opted not to disclose adjusted earnings.

In 2014, 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. Of this, CHF 35.6 million represented impairments on property, plant and equipment, while CHF 2.9 million was recorded in other operating expenses for financial year 2014. 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 was included in other operating expenses in 2014. Also included in this position were 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, 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, was included in other operating income for financial year 2014. Taken together, these non-recurring effects increased EBITDA by CHF 1.1 million in 2014, but significantly reduced EBIT and net profit by CHF 34.5 million and CHF 30.5 million respectively.

Operating result

Operating expenses declined significantly by CHF 38.1 million or 4.5 % in 2015 to CHF 809.4 million, compared with CHF 847.5 million in the previous year. Excluding non-recurring effects from the previous year, this reduction would have amounted to 3.6 %. Despite this clear reduction, operating expenses increased slightly as a proportion of sales, which meant that the margin gain compared to 2014 was slightly reduced.

In the period under review, **personnel expenses** amounted to CHF 402.3 million, compared with CHF 404.7 million in 2014. Since the decrease of 0.6 % is disproportionately low in comparison with the development in sales, the ratio of personnel expenses to sales increased from 11.9 % to 12.5 % in the period under review. This reflected the company's decision to avoid shifting jobs abroad or extend contractual working hours, despite the strong Swiss franc.

Other operating expenses decreased markedly by CHF 35.7 million or 8.1 % in the period under review to CHF 407.1 million, compared with CHF 442.8 million in the previous year. Even when adjusted for non-recurring effects, the reduction in other operating expenses of 6.4 % was disproportionately high in relation to sales. Accumulated marketing and sales-related expenses amounted to CHF 119.4 million, compared to CHF 122.3 million in the previous year. The range of measures which were rapidly implemented in response to the strong Swiss franc therefore focused in particular on the other operating expense items. These savings and efficiency measures were implemented in virtually all areas, sometimes resulting in substantially lower expenses. Expenditure on logistics, for instance, decreased by 7.6 %, while occupancy expense, maintenance and repair and leasing fell by 12.1 %.

Other operating income registered a year-on-year decline of CHF 4.8 million to CHF 6.7 million.

As a consequence of this development, **earnings before interest, taxes, depreciation and amortisation (EBITDA)** increased by CHF 21.8 million to CHF 314.9 million, from CHF 293.1 million in the previous year. This led to an improvement in the **EBITDA margin**, which increased from 8.6 % to 9.8 %.

Depreciation and amortisation fell by CHF 30.7 million in the period under review to a total of CHF 126.7 million. Excluding the impairment charges on property, plant and equipment for Trentinalatte in the previous year, however, an increase of CHF 4.9 million would have been recorded. Overall, the depreciation on property, plant and equipment remained at the same level as in the previous year, while amortisation on intangible assets increased by CHF 4.9 million, due primarily to the SAP project in Switzerland.

Earnings before interest and taxes (EBIT) amounted to CHF 188.9 million in the period under review, which was CHF 52.7 million higher than the EBIT of CHF 136.2 million in the previous year. The **EBIT margin** therefore increased from 4.0 % to 5.9 %. Adjusted for non-recurring effects, EBIT would have increased by CHF 18.2 million, while the EBIT margin would have risen from 5.0 % to 5.9 %.

Financial result

Net financial expenses rose significantly by CHF 11.1 million versus the previous year to CHF 22.1 million, which was mainly due to the strong Swiss franc and the resulting currency losses. The currency result was therefore down by CHF 12.2 million compared to 2014. The interest result, however, improved by CHF 1.8 million, following the repayment of borrowed funds in the period under review.

Income taxes

In the period under review, **income taxes** increased by CHF 2.8 million to CHF 31.8 million. In contrast, the tax rate decreased from 23.0% to 19.0%. Adjusted for non-recurring effects, the tax rate in the previous year was 20.5%. The reduction in the tax rate was made possible primarily due to more favourable structures.

Net profit

Net profit including minority interests amounted to CHF 136.0 million, up CHF 38.9 million from the previous year's level of CHF 97.1 million. After deduction of minority interests of CHF 15.8 million, **net profit** amounted to CHF 120.2 million. This represents an increase of CHF 41.3 million from the previous year, or an increase of CHF 10.8 million when adjusted for non-recurring effects. Accordingly, the **net profit margin** improved to 3.7% in the year under review (previous year adjusted: 3.2%).

Assets, financing and cash flow

Total assets increased by CHF 19.6 million, or 0.8%, year-on-year as a consequence of operating activities and the acquisitions carried out. Essentially, this increase in total assets can be attributed to the higher level of cash and cash equivalents, which more than offset the reduction in property, plant and equipment. Overall net working capital remained at the same level as in 2014.

Property, plant and equipment decreased by CHF 42.5 million in the period under review, of which CHF 19.1 million was attributable to currency effects. Depreciation of a total amount of CHF 98.4 million clearly exceeded the investment volume in the period under review (CHF 66.2 million). The acquisitions made in 2015 led to an increase of CHF 10.2 million in property, plant and equipment. Intangible assets rose by CHF 7.0 million. Adjusted for currency effects, an increase of CHF 27.9 million would have been recorded. This is due primarily to the acquisitions made in the period under review, which led to an increase of CHF 42.4 million in intangible assets. An additional CHF 14.9 million was invested almost exclusively in software during the period under review. Amortisation on intangible assets amounted to CHF 29.5 million in total. The decrease in financial assets of CHF 5.2 million is attributable primarily to the lower level of deferred tax assets.

In respect of trade receivables, inventories and trade payables, net working capital remained almost stable at CHF 444.2 million, compared with CHF 441.8 million in the previous year. The fact that this item did not develop in line with sales is due primarily to the increase in inventories (in particular cheese and butter).

With regard to financing, financial liabilities of a net total of CHF 47.2 million were repaid in financial year 2015. The **equity ratio** was notably strengthened and was 54.6% as at the end of 2015, compared with 51.9% in the previous year, mainly as a result of self-financing through retained earnings.

Further growth can be funded on the basis of this very solid financing. This is also underpinned by the fact that, at CHF 111.6 million (previous year: CHF 240.6 million), **net debt** to EBITDA decreased further, from 0.82 to 0.35. Cash and cash equivalents increased by CHF 78.5 million in financial year 2015, from CHF 310.3 million to CHF 388.8 million.

Cash inflow from operating activities amounted to CHF 272.8 million in the period under review, which represented an increase of CHF 41.7 million compared to 2014. Cash flow before changes in net working capital, interest and taxes increased by CHF 27.7 million versus the previous year, essentially reflecting the operational improvement achieved at EBITDA level. Although the year-on-year change in net working capital is positive, it is considered unsatisfactory given the recorded sales performance, and will need greater attention in future.

Cash outflow from investing activities amounted to CHF 122.0 million (2014: CHF 129.1 million). CHF 66.2 million was invested in property, plant and equipment in financial year 2015, which represents a significant reduction from the previous year's figure of CHF 104.3 million. This is primarily attributable to a few large projects whose realisation was delayed. CHF 14.9 million was invested in intangible assets (previous year: CHF 14.1 million). Acquisition activities in the period under review resulted in a cash outflow of CHF 47.9 million (previous year: CHF 25.9 million).

Not including the outflow of funds resulting from acquisition activities, the level of **free cash flow** generated in 2015 amounted to CHF 198.6 million, compared with CHF 127.9 million in 2014.

Cash outflow from financing activities amounted to CHF 65.3 million (2014: CHF 77.9 million). Financial liabilities totalling a net CHF 47.2 million were paid back in 2015. A further CHF 24.4 million was paid out in dividends, CHF 20.3 million of which went to the shareholders of Emmi AG. In addition, minority shareholders in Kaiku, Spain, participated in the company's capital increase with CHF 6.4 million.

Outlook 2016

Emmi does not expect the economic conditions to change significantly in the 2016 financial year. The competitive environment will continue to be a determining factor, with the euro likely to remain at its current level. Strong brand concepts with high added value and an acute awareness of costs will continue to be key to achieving success.

Markets

Import pressure will persist in Switzerland and may increase slightly. The same applies to retail tourism. We therefore expect a very challenging year for the business division Switzerland, particularly as the consequences of the weak euro in 2015 only manifested themselves in the second half of the year.

In the non-European markets, the company expects stable consumer behaviour in the US and a sustained positive performance in Tunisia. In Chile, the economic environment is showing some signs of recovery.

In Europe, Emmi expects to see a positive performance in locally produced goods from our Italian dessert companies. As far as exports from Switzerland are concerned, strong brand concepts with considerable potential for differentiation – such as Caffè Latte and Kaltbach – are expected to hold up well, while more easily substitutable products will once again be exposed to strong pressure.

Sales and profit development

Emmi will work hard to ensure that Swiss dairy products continue to have sufficient sales potential abroad. However, sales performance in 2016 will be influenced strongly by the challenging situation in the domestic market. The international business, in particular the business division Americas, will have a stabilising effect. At Group level, we expect to see overall sales for the current financial year driven by organic activity, which should remain more or less unchanged from 2015.

The company wants to achieve further improvements in efficiency in the current financial year, with a strong focus on foreign subsidiaries. Combined with an acute awareness of costs at all Emmi facilities, this will strengthen the earnings performance. Earnings from international markets will once again have an important role in 2016 in strengthening Switzerland as a production location. A slight improvement in profitability in the current financial year compared with 2015 is therefore expected.

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

– Group	2 % to 3 %
– Switzerland	0 % to 1 %
– Americas	6 % to 8 %
– Europe	1 % to 3 %

Strong brand concepts in and from Switzerland, specialities produced locally abroad, and the further development of recent acquisitions will help to achieve the company's targets. Innovations in fresh products and cheese will add to the product portfolio in the domestic market and at international level. Ongoing stringent cost management and further efficiency measures will be required to achieve the targeted earnings in the competitive market environment.

Through organic growth and further acquisitions, the international business will continue to gain in importance.

Consolidated income statement

in CHF 000s

	Notes	2015	%	2014	%
Sales of products		3,188,315		3,378,808	
Sales of services		25,585		25,194	
Net sales	1	3,213,900	100.0	3,404,002	100.0
Change in inventories of semi-finished and finished products		586		-51,427	1.5
Cost of materials and services		-2,096,786	65.2	-2,223,438	65.3
Gross operating profit		1,117,700	34.8	1,129,137	33.2
Other operating income	2	6,660	0.2	11,486	0.3
Personnel expenses		-402,272	12.5	-404,694	11.9
Other operating expenses	3	-407,141	12.7	-442,787	13.0
Operating expenses		-809,413	25.2	-847,481	24.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		314,947	9.8	293,142	8.6
Depreciation on property, plant and equipment	4	-98,440	3.0	-133,975	3.9
Amortisation on intangible assets	4	-28,275	0.9	-23,416	0.7
Write-back of negative goodwill		630		463	
Earnings before interest and taxes (EBIT)		188,862	5.9	136,214	4.0
Income from associates and joint ventures		1,058		813	
Financial result	5	-22,053		-10,974	
Earnings before taxes (EBT)		167,867	5.2	126,053	3.7
Income taxes	6	-31,848		-28,971	
Profit incl. minority interests		136,019	4.2	97,082	2.9
Minority interests		-15,838		-18,184	
Net profit		120,181	3.7	78,898	2.3
Earnings per share (diluted/basic in CHF)	7	22.46		14.75	

Consolidated balance sheet

in CHF 000s

Assets	Notes	31.12.2015	%	31.12.2014	%
Cash and cash equivalents		388,822		310,307	
Securities		2,236		5,752	
Trade receivables	8	387,199		421,202	
Other receivables	9	31,962		31,474	
Inventories	10	367,202		358,027	
Prepayments and accrued income	11	28,634		17,974	
Current assets		1,206,055	47.3	1,144,736	45.2
Investments in associates and joint ventures	31	24,785		24,929	
Loans and other receivables	12	64,812		63,686	
Securities		1,543		2,237	
Employer contribution reserves	20	2,045		2,045	
Deferred tax assets	6	9,969		15,500	
Total financial assets		103,154		108,397	
Prepayments and accrued income	11	7,071		8,097	
Property, plant and equipment	13	909,024		951,524	
Intangible assets	14	325,967		318,963	
Non-current assets		1,345,216	52.7	1,386,981	54.8
Total assets		2,551,271	100.0	2,531,717	100.0

Liabilities and shareholders' equity

Bank overdrafts	18	39,640		68,986	
Finance lease liabilities	18	2,851		2,344	
Loans external	18	4,092		266	
Trade payables	15	310,204		337,472	
Other payables	16	16,548		20,269	
Accrued liabilities and deferred income	17	162,911		135,183	
Provisions	19	4,980		5,823	
Current liabilities		541,226	21.2	570,343	22.5
Bank overdrafts	18	12,808		34,889	
Finance lease liabilities	18	2,189		4,177	
Loans	18	56,213		59,791	
Bonds	18	450,000		450,000	
Accrued liabilities and deferred income	17	4,887		3,396	
Provisions	19	90,221		96,316	
Non-current liabilities		616,318	24.2	648,569	25.6
Liabilities		1,157,544	45.4	1,218,912	48.1
Share capital		53,498		53,498	
Capital reserves		102,665		122,994	
Retained earnings		1,051,605		961,867	
Shareholders' equity excl. minority interests		1,207,768	47.3	1,138,359	45.0
Minority interests		185,959	7.3	174,446	6.9
Shareholders' equity incl. minority interests		1,393,727	54.6	1,312,805	51.9
Total liabilities and shareholders' equity		2,551,271	100.0	2,531,717	100.0

Consolidated cash flow statement

in CHF 000s

	2015	2014
Profit incl. minority interests	136,019	97,082
Net interest expense	11,725	13,481
Income taxes	31,848	28,971
Gain on disposal of fixed assets	-694	-4,347
Result from sale of investments/businesses	–	-154
Depreciation and amortisation	116,817	120,365
Impairment charges	9,898	37,026
Write-back of negative goodwill	-630	-463
Change in provisions	3,596	-888
Income from associates and joint ventures	-1,058	-813
Other non-cash adjustments	3,879	-6,586
Cash flow before changes in net working capital, interest and taxes	311,400	283,674
Change in inventories	-11,673	-37,942
Change in trade receivables	20,590	3,905
Change in other receivables, prepayments and accrued income	-12,192	-4,753
Change in trade payables	-19,056	7,955
Change in other payables, accrued liabilities and deferred income	27,813	25,748
Interest paid	-14,229	-16,692
Taxes paid	-29,899	-30,799
Cash flow from operating activities	272,754	231,096
Investments in property, plant and equipment	-66,238	-104,277
Proceeds from disposal of property, plant and equipment	1,895	4,654
Sale of securities	4,142	9,116
Investments in intangible assets	-14,937	-14,126
Proceeds from sale of shares in associates	488	7,698
Acquisition of group companies	-48,390	-50,294
Proceeds from sale of investments/businesses	–	16,667
Grant of loans receivable	-1,676	-1,877
Dividend received	574	939
Interest received	2,112	2,403
Cash flow from investing activities	-122,030	-129,097
Change in other current financial liabilities	-26,679	8,235
Change in other non-current financial liabilities	-20,562	-61,073
Share of minority interests in capital increase of a group company	6,350	–
Dividend paid to shareholders	-20,329	-20,329
Dividend paid to minority interests	-4,037	-4,748
Cash flow from financing activities	-65,257	-77,915
Currency translation	-6,952	2,329
Net change in cash and cash equivalents	78,515	26,413
Cash and cash equivalents at beginning of period	310,307	283,894
Cash and cash equivalents at end of period	388,822	310,307

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. 2014	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
Change in ownership structure of a group company	—	—	-687	—	-687	-687	7,059	6,372
Profit incl. minority interests	—	—	120,181	—	120,181	120,181	15,838	136,019
Currency translation differences	—	—	—	-29,756	-29,756	-29,756	-7,347	-37,103
Dividend	—	-20,329	—	—	—	-20,329	-4,037	-24,366
Shareholders' equity as at 31 Dec. 2015	53,498	102,665	1,119,267	-67,662	1,051,605	1,207,768	185,959	1,393,727

As at 31 December 2015, 5,349,810 registered shares with a par value of CHF 10 were issued (as at 31 December 2014 5,349,810). With regard to the rights associated with the shares, we refer to note 2 in the Corporate Governance report.

As of 31 December 2015, the accumulated non-distributable reserves amounted to CHF 34.8 million (previous year CHF 46.5 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 26 February 2016. 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 2015, 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.

Emmi has applied Swiss GAAP FER 31 “additional accounting and reporting recommendations for listed companies” 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.

Valuation is based on historical cost (acquisition cost or production cost) or actual value. Pages 63 to 65 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 31.12.2015	Capital share 31.12.2014
9314 — 8591 Québec Inc., Boucherville, Canada	Acquired on 15.4.2015	CAD	3,137	100 %	—
Redwood Hill Farm & Creamery, Inc., Sebastopol, United States	Acquired on 31.12.2015	USD	835	100 %	—
Associates and joint ventures					
Comercial Hoffmann, S.A., Valdivia, Chile	Sale on 1.6.2015	CLP	384,033	—	17 %

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 currencies¹⁾

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 de-recognised 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	
	2015	2014	31.12.2015	31.12.2014
1 EUR	1.07	1.21	1.08	1.20
1 GBP	1.47	1.51	1.47	1.54
1 USD	0.96	0.92	0.99	0.99
1 CAD	0.75	0.83	0.72	0.85
1 TND	0.49	0.54	0.49	0.53
100 CLP	0.15	0.16	0.14	0.16

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 buildings 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 an impairment charge.

Major goodwill items are tested for impairment annually, based on a value-in-use calculation. The value-in-use calculation is based on 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 divided into 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 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.

Deferred income taxes

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

Derivative financial instruments

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

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

in CHF 000s

1 Segment reporting

By product groups and divisions	2015	Switzerland 2014	2015	Americas 2014	2015	Europe 2014	2015	Global Trade 2014	2015	Group 2014
Milk	262,080	273,202	208,693	233,246	71,612	30,447	3,738	3,374	546,123	540,269
Butter and margarine	236,444	249,218	–	–	15,891	7,192	5,546	7,755	257,881	264,165
Cream	179,917	187,650	30,399	33,859	3,633	4,397	27	219	213,976	226,125
Dairy products	678,441	710,070	239,092	267,105	91,136	42,036	9,311	11,348	1,017,980	1,030,559
As % of net sales	37.8	37.6	30.0	31.8	18.7	8.2	6.9	6.8	31.7	30.3
Fresh products	350,508	343,328	175,540	197,643	212,204	257,489	46,538	49,422	784,790	847,882
As % of net sales	19.5	18.2	22.0	23.5	43.5	50.6	34.4	29.5	24.4	24.9
Natural cheese	446,323	494,764	314,841	306,144	106,013	115,789	43,744	57,699	910,921	974,396
Processed cheese	57,178	60,102	14,626	9,275	16,570	20,489	10,558	14,846	98,932	104,712
Cheese	503,501	554,866	329,467	315,419	122,583	136,278	54,302	72,545	1,009,853	1,079,108
As % of net sales	28.1	29.3	41.3	37.5	25.2	26.8	40.2	43.4	31.4	31.7
Fresh cheese	116,611	125,928	–	–	39,919	56,849	390	25	156,920	182,802
As % of net sales	6.5	6.7	–	–	8.2	11.2	0.3	–	4.9	5.4
Powder/concentrates	61,932	73,248	1,059	5,527	14,868	7,024	13,163	24,353	91,022	110,152
As % of net sales	3.5	3.9	0.1	0.7	3.1	1.4	9.7	14.6	2.8	3.2
Other products	61,654	60,859	49,990	51,289	4,917	7,035	11,189	9,122	127,750	128,305
Sales of services	20,641	19,754	2,946	2,975	1,645	2,140	353	325	25,585	25,194
Other products and services	82,295	80,613	52,936	54,264	6,562	9,175	11,542	9,447	153,335	153,499
As % of net sales	4.6	4.3	6.6	6.5	1.3	1.8	8.5	5.7	4.8	4.5
Net sales	1,793,288	1,888,053	798,094	839,958	487,272	508,851	135,246	167,140	3,213,900	3,404,002
As % of Group net sales	55.8	55.5	24.8	24.7	15.2	14.9	4.2	4.9	100.0	100.0
By country group	2015	in %	2014	in %						
Switzerland	1,793,288	55.8	1,888,053	55.5						
Europe excl. Switzerland	839,196	26.1	943,188	27.7						
North and South America	405,830	12.6	408,514	12.0						
Africa	136,836	4.3	131,150	3.8						
Asia/Pacific	38,750	1.2	33,097	1.0						
Total	3,213,900	100.0	3,404,002	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.

2 Other operating income

	2015	2014
Company-produced additions to plant and equipment	958	947
Gain on disposal of fixed assets	694	4,347
Miscellaneous operating income	5,008	6,192
Total	6,660	11,486

3 Other operating expenses

	2015	2014
Marketing and sales related expenses	119,381	122,322
Occupancy expense, maintenance and repair, leasing	64,422	73,271
Insurance, fees and HGV road tax	15,250	14,414
Energy, operating material and supplies	61,343	66,745
Administrative expenses	35,641	38,101
Logistic expenses	91,575	99,118
Other operating expenses	19,529	28,816
Total	407,141	442,787

4 Depreciation and amortisation

	2015	2014
Depreciation of property, plant and equipment	90,774	97,244
Impairment of property, plant and equipment	7,666	36,731
Amortisation of goodwill	12,742	13,547
Impairment of goodwill	1,270	–
Amortisation of other intangible assets	13,301	9,574
Impairment of other intangible assets	962	295
Total	126,715	157,391

Amortisation of goodwill related to investments which are accounted for using the equity method is included in the position "Income from associates and joint ventures" of the income statement.

The impairment of property, plant and equipment of the previous year 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.

5 Financial result

	2015	2014
Interest income	2,316	2,394
Other financial income	1,041	1,478
Total financial income	3,357	3,872
Interest expense	-14,041	-15,875
Bank charges and fees	-1,570	-1,366
Total financial expenses	-15,611	-17,241
Total excl. currency result	-12,254	-13,369
Currency result	-9,799	2,395
Financial result	-22,053	-10,974

6 Income taxes

	2015	2014
Current income taxes	33,358	33,290
Deferred income taxes	-1,510	-4,319
Total	31,848	28,971
Average tax rate	19.0%	23.0%

Net accruals for current income taxes increased from CHF 20.5 million in 2014 to CHF 24.0 million in 2015. Deferred income taxes are calculated for every company using the effective applicable tax rate. As at 31 December 2015, the resulting weighted average tax rate was 19.5% (previous year 19.7%). Deferred income tax assets include recognised tax claims from tax loss carryforwards amounting to CHF 5.9 million (previous year CHF 11.7 million) and deferred income taxes on temporary differences in the amount of CHF 4.1 million (previous year CHF 3.8 million).

Details on change of tax claims from tax loss carryforwards	2015	2014
Recognised tax claims from tax loss carryforwards	5,914	11,749
Unrecognised tax claims from tax loss carryforwards	23,206	17,795
Total tax claims from tax loss carryforwards	29,120	29,544
Recognised tax claims from loss carryforwards at 1.1.	11,749	5,273
Additions	69	5,597
Reductions	-2,803	-2,286
Reassessments	-1,956	3,306
Other adjustments	-1,145	-141
Recognised tax claims from loss carryforwards at 31.12.	5,914	11,749

The net change of tax claims from tax loss carryforwards increased the income taxes of the current period by CHF 5.8 million.

7 Earnings per share

	2015	2014
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 000s	120,181	78,898
Earnings per share (in CHF)	22.46	14.75

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

8 Trade receivables

	2015	2014
Third parties	373,279	415,102
Associates	17,214	18,047
Shareholders	581	927
Other related parties	–	3
Allowance for doubtful accounts	-3,875	-12,877
Total	387,199	421,202

A major part of the decrease of the allowance for doubtful accounts is based on the conversion of a – since previous year impaired – receivable into a loan.

9 Other receivables

	2015	2014
Third parties	28,555	27,998
Associates	3,407	3,476
Total	31,962	31,474

10 Inventories

	2015	2014
Finished products	118,569	120,402
Merchandise	19,546	10,751
Raw materials, semi-finished products and packaging material	244,733	240,703
Other inventories	1,612	1,835
Allowance for market price adjustments	-17,258	-15,664
Total	367,202	358,027

11 Prepayments and accrued income

	2015	2014
Income taxes	5,056	4,115
Other – third parties	30,484	21,474
Other – associates	165	482
Total	35,705	26,071
Thereof current prepayments and accrued income	28,634	17,974
Thereof non-current prepayments and accrued income	7,071	8,097

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

12 Loans and other receivables

	2015	2014
Third parties	46,729	45,989
Associates	18,083	17,697
Total	64,812	63,686

The carrying amount of loans and other receivables from third parties includes impaired loans in the amount of CHF 7.1 million (previous year CHF 1.7 million). A major part of the increase of the impaired loans is based on the conversion of a – since previous year impaired – receivable into an impaired loan.

13 Property, plant and equipment

2015	Undeveloped land	Properties/ Buildings	Plant/ Equipment	Tangible fixed assets under construction	Other tangible assets	Total
Purchase value at 1.1.2015	4,518	713,571	1,367,119	56,597	59,780	2,201,585
Change in scope of consolidation	—	—	14,900	86	243	15,229
Additions	—	874	7,190	56,334	1,840	66,238
Disposals	—	-25,736	-76,966	—	-7,260	-109,962
Reclassification	—	8,167	59,111	-69,785	2,507	—
Currency translation differences	-13	-12,373	-22,130	-532	-1,213	-36,261
As at 31 December 2015	4,505	684,503	1,349,224	42,700	55,897	2,136,829
Accumulated depreciation at 1.1.2015	1,063	303,629	901,893	—	43,476	1,250,061
Change in scope of consolidation	—	—	4,943	—	136	5,079
Depreciation	—	16,576	68,952	—	5,246	90,774
Impairment charges	—	5,041	2,552	—	73	7,666
Disposals	—	-24,702	-76,700	—	-7,196	-108,598
Reclassification	—	—	—	—	—	—
Currency translation differences	-5	-3,087	-11,958	—	-2,127	-17,177
As at 31 December 2015	1,058	297,457	889,682	—	39,608	1,227,805
Net book value at 31 December 2015	3,447	387,046	459,542	42,700	16,289	909,024
Thereof finance lease	—	—	4,064	—	—	4,064

2014	Undeveloped land	Properties/ Buildings	Plant/ Equipment	Tangible fixed assets under construction	Other tangible assets	Total
Purchase value 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

14 Intangible assets

2015	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value at 1.1.2015	104,899	42,025	286,649	28,086	314,735	4,775	466,434
Change in scope of consolidation	–	7,926	40,783	–	40,783	1,584	50,293
Additions	–	14,801	–	–	–	136	14,937
Disposals	-11	-265	–	–	–	-124	-400
Reclassification	-4,062	879	–	–	–	3,183	–
Currency translation differences	-7,891	-709	-15,631	–	-15,631	-441	-24,672
As at 31 December 2015	92,935	64,657	311,801	28,086	339,887	9,113	506,592
Accumulated amortisation 1.1.2015	26,235	16,606	90,741	11,270	102,011	2,619	147,471
Change in scope of consolidation	–	7,877	–	–	–	–	7,877
Amortisation	4,460	7,936	12,742	1,177	13,919	905	27,220
Impairment charges	–	962	1,270	–	1,270	–	2,232
Disposals	-11	-265	–	–	–	-124	-400
Reclassification	-3,138	109	–	–	–	3,029	–
Currency translation differences	-897	-408	-2,397	–	-2,397	-73	-3,775
As at 31 December 2015	26,649	32,817	102,356	12,447	114,803	6,356	180,625
Net book value at 31 December 2015	66,286	31,840	209,445	15,639	225,084	2,757	325,967

All intangible assets were acquired. Amortisation of goodwill related to investments which are accounted for using the equity method is included in the position “Income from associates and joint ventures” of the income statement.

2014	Trademarks	Software	Goodwill fully consolidated	Goodwill equity consolidated	Total goodwill	Other intangible assets	Total
Purchase value 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

15 Trade payables

	2015	2014
Third parties	278,917	305,746
Associates	9,448	9,957
Shareholders	21,429	21,677
Other related parties	410	92
Total	310,204	337,472

16 Other payables

	2015	2014
Third parties	13,763	17,553
Associates	128	—
Other related parties	2,657	2,716
Total	16,548	20,269

17 Accrued liabilities and deferred income

	2015	2014
Interest	4,757	4,945
Income taxes	29,045	24,645
Liabilities to employees and social security accruals	29,114	28,911
Contractual discounts	57,728	38,833
Other – third parties	45,388	39,711
Other – associates	1,766	1,534
Total	167,798	138,579
Thereof current accrued liabilities and deferred income	162,911	135,183
Thereof non-current accrued liabilities and deferred income	4,887	3,396

Other accrued liabilities and deferred income of the current and previous period comprise in particular contributions to cheese brand organisations, energy, advertising costs, 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 CH0214926088
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.

18.2 Maturing structure of financial liabilities

2015	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	Total	Thereof secured by real property liens	Interest rate in %
Bank overdrafts	39,640	12,415	393	52,448	27,715	0.7–7.2
Finance lease liabilities	2,851	2,100	89	5,040	–	3.0–8.0
Bonds	–	250,000	200,000	450,000	–	1.6–2.1
Loans from third parties	4,092	4,997	46,742	55,831	46,910	1.7–5.4
Loans from associates	–	4,474	–	4,474	–	2.0
Total	46,583	273,986	247,224	567,793	74,625	–

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.

In the year under review, financial liabilities were reduced by CHF 52.7 million due to agreed repayments and the impact of foreign exchange rates. 80.2 % (previous year 73.9 %) of the financing is denominated in Swiss Francs, mainly through the two bonds in the amount of CHF 450.0 million. 9.3 % (previous year 7.8 %) of the financial liabilities are denominated in US Dollar, 6.1 % (previous year 13.3 %) in Euro and 4.4 % (previous year 5.0 %) in other currencies such as Chilean Peso or Tunisian Dinar.

2014	Residual terms up to 1 year	Residual terms 1 to 5 years	Residual terms over 5 years	Total	Thereof secured by real property liens	Interest rate in %
Bank overdrafts	68,986	34,889	–	103,875	27,281	1.1–6.9
Finance lease liabilities	2,344	3,888	289	6,521	–	3.1–9.1
Bonds	–	250,000	200,000	450,000	–	1.6–2.1
Loans from third parties	266	4,975	49,942	55,183	47,580	1.7–4.0
Loans from associates	–	4,874	–	4,874	–	2.0
Total	71,596	298,626	250,231	620,453	74,861	–

19 Provisions

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred income taxes	Total provisions
As at 1 January 2015	1,135	1,898	16,897	82,209	102,139
Change in scope of consolidation	–	–	337	212	549
Additions	2,515	–	7,460	3,102	13,077
Utilisation	-76	–	-3,995	–	-4,071
Release	-490	-657	-2,157	-11,601	-14,905
Currency translation differences	–	–	-1,041	-547	-1,588
As at 31 December 2015	3,084	1,241	17,501	73,375	95,201
Thereof current provisions	563	310	4,107	–	4,980
Thereof non-current provisions	2,521	931	13,394	73,375	90,221

The restructuring provisions recognised as at 31 December 2015 relate in particular to costs in connection with the decision to merge production sites as well as remaining costs relating to the discontinuance of the frozen products distribution business.

Other provisions include in particular provisions for pending legal matters and business disputes (2015: CHF 8.0 million, 2014: CHF 7.4 million), and liabilities for staff expenses in foreign countries as required by law (2015: CHF 4.0 million, 2014: CHF 3.7 million). In all cases, the likelihood of such events occurring has been assessed at above 50 %.

	Ongoing restructuring	Negative goodwill	Other provisions	Deferred income 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
Thereof non-current provisions	569	1,241	12,297	82,209	96,316

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)	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2014	2015	2014
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	31.12.2015	31.12.2015	31.12.2014			2015	2014
Welfare funds	38,702	—	—	—	—	—	—
Pension schemes without excess/insufficient cover (domestic)	—	—	—	—	19,525	19,525	18,870
Pension schemes without excess/insufficient cover (abroad)	—	—	—	—	934	934	834
Pension schemes with excess cover (domestic)	184	—	—	—	155	155	117
Total	38,886	—	—	—	20,614	20,614	19,821

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

Breakdown of pension expenses 2015

	Domestic	Abroad	Total
Contributions to pension plans at cost to the companies	19,680	934	20,614
Contributions to pension plans from employer contribution reserves	—	—	—
Total contributions	19,680	934	20,614
Change in ECR due to asset performance, value adjustments, etc.	—	—	—
Contributions and change to employer contribution reserves	19,680	934	20,614
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	19,680	934	20,614

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

21 Acquisitions

The companies acquired by Emmi in 2015 and 2014, respectively, reported the following main balance sheet items at the date of acquisition:

	2015	2014
	Redwood Hill Farm & Creamery, Inc.	9314 — 8591 Québec Inc. Gläserne Molkerei Group
Cash	482	—
Trade receivables	1,661	1,913
Inventories	2,194	1,797
Other current assets	71	1,462
Non-current assets	10,092	1,691
Trade payables	772	3,298
Other current liabilities	9,564	259
Non-current liabilities	359	190
Shareholders' equity	3,805	3,116
Balance sheet total	14,500	6,863

On 15 April 2015, Emmi acquired through its acquisition of the company 9314 — 8591 Québec Inc. based in Boucherville, Canada, the cheese business of J.L. Freeman. The company is Canada's leading importer of speciality cheeses, primarily from Switzerland.

On 31 December 2015, Emmi acquired all shares of Redwood Hill Farm & Creamery, Inc. based in Sebastopol, USA. The company has been a pioneer in building up expertise in goat's milk products in the USA.

On 1 October 2014, Emmi increased its stake in the German Gläserne Molkerei Group from 24 % to 76 % and therefore obtained control over it.

22 Disposal of companies

	2015	2014
		Trentinalatte S.p.A.
Cash	—	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 Italian yogurt manufacturer Trentinalatte S.p.A. in Roverè della Luna, Italy, to LIVIA Group, based in Munich and Vienna.

23 Unsettled derivative financial instruments

	31.12.2015			31.12.2014		
	Positive value	Negative value	Purpose	Positive value	Negative value	Purpose
Forward currency transactions	1,633	600	Hedging	99	2,035	Hedging
Other forward transactions	—	781	Hedging	1,885	—	Hedging
Total forward transactions	1,633	1,381	—	1,984	2,035	—
of which to hedge future cash flows	1,451	1,086	—	1,900	1,687	—
Total recognised in the balance sheet	182	295	—	84	348	—

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 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 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 to the application for a government grant, to indemnify a third-party investor for damages up to CHF 18.6 million (2014: CHF 18.5 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 obligations

Pledged assets	31.12.2015	31.12.2014
Pledges on property, nominal values	288,102	264,538
Pledges on other assets	12,881	16,698
Thereof used as security for own liabilities	74,625	74,861
Off-balance sheet leasing/rental obligations		
1 to 2 years	23,258	22,032
3 to 5 years	22,705	22,928
over 5 years	34,596	32,141
Total	80,559	77,101

26 Investment obligations and off-balance sheet liabilities

	31.12.2015	31.12.2014
Investment obligations in connection with previously concluded agreements	16,710	18,295
Long-term commodity contracts	745	767
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 2015 and 2014, 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	2015	2014
Net sales	72,426	81,232
Cost of materials and services	80,561	90,920
Other expenses	10,276	10,824
Financial income	541	504
Financial expense	87	131
Transactions with shareholders	2015	2014
Net sales	5,840	6,833
Cost of materials and services	221,488	244,764
Other expenses	12	130
Financial income	200	—
Financial expense	—	25
Transactions with other related parties	2015	2014
Net sales	2,965	4,640
Cost of materials and services	3,546	4,018
Other expenses	77	309

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 43.

28 Shareholders

Nominal capital	31.12.2015	%	31.12.2014	%
ZMP Invest AG, Lucerne ¹⁾	29,077	54.3	29,015	54.2
Zentralschweizer Milchkäuferverband, Willisau ¹⁾	2,250	4.2	2,500	4.7
MIBA Milchverband der Nordwestschweiz, Basel ¹⁾	1,906	3.6	1,931	3.6
Other	20,265	37.9	20,052	37.5
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 of the SESTA. The Group owns 62.1 % (previous year 62.5 %) of the total voting rights.

As at 27 January 2015, Capital Group Companies, Inc. informed us that it owned 271,591 shares of Emmi AG (5.1 %). As at 25 January 2016, Capital Group Companies, Inc. reported that it owned 263,500 shares of Emmi AG (4.9 %). These disclosure notifications were made in accordance with Article 21 of the SESTA.

As at 31 December 2015, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares (previous year 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 and currency risk: national and international product tenders exert price pressure, which could lead to a loss of margin mainly for generic products. Because of the exchange rate development, this effect has increased dramatically in the period under review. If the prices of the products of Emmi in foreign currency remain stable, this leads to a margin loss. If the prices are increased, market shares might be lost. However, with the established Emmi brands, a long-term value creation potential is ensured. In addition, the increase in purchases in foreign currencies ensures a natural hedge. Furthermore, based on the strategy of Emmi, the expenses and production in foreign currency zones will be increased through capital expenditures and acquisitions.
- Milk price difference in Switzerland and internationally: the Swiss and international milk markets face additional challenges this year because of the exchange rate development. Although the full liberalisation of the Swiss milk market remains a long-term risk, this risk is absorbed 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

Complete takeover of Gläserne Molkerei Group

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

Acquisition of Bettinehoeve Group and increase of stake in Goat Milk Powder

On 2 February 2016, Emmi acquired a stake of 60 % in the Dutch Bettinehoeve Group, based in Etten-Leur, the Netherlands. The company manufactures fresh and ripened goat cheese at its two Dutch production locations. Bettinehoeve employs some 115 staff and generates sales of around EUR 40 million per year.

In connection with this transaction, AVH dairy trade B.V. increased its stake in Goat Milk Powder B.V. from 50 % to 60 % and therefore took over control. Goat Milk Powder B.V. is specialised in the manufacture of goat's milk powder and whey protein concentrate from conventional and organic goat's milk.

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 26 February 2016, no other major events occurred which could adversely affect the validity of the annual financial statements for 2015 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 31.12.2015	Capital share 31.12.2015	Capital share 31.12.2014
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%	99%
Emmi Frischprodukte AG ¹⁾	Lucerne	Production	CHF	—	—	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 ¹⁾	Lucerne	Prod. and trade	CHF	—	—	100%
Emmi Logistik AG ¹⁾	Lucerne	Service	CHF	—	—	100%
Emmi Management AG	Lucerne	Service	CHF	500	100%	100%
Emmi Milch AG ¹⁾	Lucerne	Production	CHF	—	—	100%
Emmi Schweiz AG	Lucerne	Prod. and trade	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 Latoria Engiadinaisa SA	Bever	Prod. and trade	CHF	1,500	80%	80%
Mittelland Molkerei AG	Suhr	Production	CHF	20,000	60%	60%
Molkerei Biedermann AG	Bischofszell	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%
Spain						
Admilac Servicios Profesionales, S.L. ²⁾	San Sebastian	Service	EUR	3	73%	76%
Altamira Alimentaria, S.L. ²⁾	Renedo	Trade	EUR	3	73%	76%
Emmi Lacteos España, S.L.U. in liq.	Pamplona	Trade	EUR	50	100%	100%
Kaiku Corporación Alimentaria, S.L. ²⁾	San Sebastian	Service and Trade	EUR	82,110	73%	76%
Kaiku Internacional, S.L. ²⁾	San Sebastian	Service and Trade	EUR	39,800	73%	76%
Lacteos de Navarra, S.L. ²⁾	Pamplona	Production	EUR	9,647	73%	76%

¹⁾ Emmi Frischprodukte AG, Emmi Käse AG, Emmi Logistik AG and Emmi Milch AG were merged into Emmi Schweiz AG on 1 January 2015.

²⁾ On 31 March 2015, the Basque investment company Ekarpin purchased a EUR 6.0 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 10.0 million in the company. The new ownership structure reduces Emmi's stake in the aforementioned company and therefore the Kaiku Group from 76% to 73%.

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2015	Capital share 31.12.2015	Capital share 31.12.2014
Llet Nostra Alimentaria, S.L. ²⁾	Barcelona	Trade	EUR	3	33 %	34 %
SDA Bilbao, S.L. ²⁾	Bilbao	Service	EUR	3	73 %	76 %
SDA Catalunya ²⁾	Barcelona	Trade	EUR	3	53 %	55 %
SDA Gipuzkoa, S.L. ²⁾	Bilbao	Service	EUR	3	73 %	76 %
Sociedad Distribuidora Alimentaria, S.L. ²⁾	Bilbao	Service and Trade	EUR	625	73 %	76 %
Soc. Servicios Logísticos SDA Central, S.L. ²⁾	Bilbao	Service	EUR	3	73 %	76 %
Tecnología y Calidad Láctea, S.L. ²⁾	San Sebastian	Service	EUR	3	73 %	76 %
Germany						
Emmi Deutschland GmbH	Essen	Trade	EUR	75	100 %	100 %
Gläserne Meierei GmbH	Dechow	Prod. and trade	EUR	375	76 %	76 %
Gläserne Molkerei GmbH	Münchehofe	Prod. and trade	EUR	100	76 %	76 %
Hofmolkerei Münchehofe GmbH	Münchehofe	Trade	EUR	25	76 %	76 %
Meierei Mecklenburg GmbH	Dechow	Trade	EUR	25	76 %	76 %
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 %
France						
Distribution Frais Disfrais SAS ³⁾	Avignon	Trade	EUR	192	66 %	63 %
EAF Immo 84 SCI ³⁾	Nice	Service	EUR	270	66 %	63 %
Emmi France SAS	Rungis	Trade	EUR	40	100 %	100 %
Ets Schoepfer SAS ³⁾	Avignon	Trade	EUR	1,252	66 %	63 %
SAS Emmi Ambrosi France E.A.F. ³⁾	Nice	Service	EUR	100	66 %	63 %
Netherlands						
AVH dairy trade B.V.	Bergen	Prod. and trade	EUR	18	70 %	70 %
Emmi Benelux B.V.	Tiel	Trade	EUR	523	100 %	100 %
Emmi Finance Netherlands B.V.	Tiel	Service	EUR	p.m.	95 %	95 %
Rachelli International B.V.	Amsterdam	Trade	EUR	18	100 %	100 %
Belgium						
Emmi Belux SA	Brussels	Trade	EUR	62	100 %	100 %
United Kingdom						
Emmi UK Limited	London	Trade	GBP	4,717	100 %	100 %
Austria						
Emmi Österreich GmbH	Nüziders	Trade	EUR	2,800	100 %	100 %
Tunisia						
Centrale Laitière de Mahdia, S.A. ²⁾	Mahdia	Production	TND	26,000	33 %	35 %
Société tunisienne d'engraissement des veaux S.A.R.L. ²⁾	Mahdia	Production	TND	140	30 %	31 %

²⁾ On 31 March 2015, the Basque investment company Ekarpen purchased a EUR 6.0 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 10.0 million in the company. The new ownership structure reduces Emmi's stake in the aforementioned company and therefore the Kaiku Group from 76 % to 73 %.

³⁾ The increase of the stake in Distribution Frais Disfrais SAS, EAF Immo 84 SCI, Ets Schoepfer SAS and SAS Emmi Ambrosi France E.A.F. occurred indirectly through an associated company.

Consolidated companies	Head Office	Function	Currency	Capital in 000s 31.12.2015	Capital share 31.12.2015	Capital share 31.12.2014
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	1	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%
Redwood Hill Farm & Creamery, Inc. ⁴⁾	Sebastopol	Prod. and trade	USD	835	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. ²⁾	Santiago	Service	CLP	12,292,103	73%	76%
Surlat Comercial, S.A. ²⁾	Santiago	Trade	CLP	6,934,524	44%	46%
Surlat Industrial, S.A. ²⁾	Pitrufrquén	Production	CLP	13,310,392	44%	46%
Canada						
Emmi Canada Inc.	Saint-Laurent	Trade	CAD	33,152	100%	100%
Switzerland Cheese Marketing Inc.	Saint-Laurent	Trade	CAD	1	79%	79%
9314 — 8591 Québec Inc. ⁵⁾	Boucherville	Trade	CAD	3,137	100%	—

²⁾ On 31 March 2015, the Basque investment company Ekarpen purchased a EUR 6.0 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 10.0 million in the company. The new ownership structure reduces Emmi's stake in the aforementioned company and therefore the Kaiku Group from 76 % to 73 %.

⁴⁾ Redwood Hill Farm & Creamery, Inc. was acquired on 31 December 2015.

⁵⁾ 9314 — 8591 Québec Inc. was acquired on 15 April 2015.

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 companies.

Associates and joint ventures	Head Office	Function	Currency	Capital in 000s 31.12.2015	Capital share 31.12.2015	Capital share 31.12.2014
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	5,158	24%	24%
Germany						
Carl Fr. Scheer GmbH + Co. KG	Willstätt	Trade	EUR	500	25%	25%
Scheer Verwaltungs u. Beteiligungs GmbH	Willstätt	Service	EUR	26	25%	25%
Spain						
Batiovo I.A.E. ²⁾	Madrid	Trade	EUR	12	37%	38%
Serkolat Bide, S.L. ²⁾	San Sebastian	Service	EUR	8	37%	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 ⁶⁾	New York	Production	USD	p.m.	22%	24%
White Hill Cheese Company LLC	Shullsburg	Production	USD	7,000	50%	50%
Chile						
Comercial Hoffmann, S.A. ⁷⁾	Valdivia	Trade	CLP	—	—	17%
SDA Chile, S.A. ²⁾	Santiago	Trade	CLP	798,271	33%	34%
Mexico						
Mexideli 2000 Holding S.A. de C.V.	Mexico-City	Trade	MXN	101,759	50%	50%

²⁾ On 31 March 2015, the Basque investment company Ekarpen purchased a EUR 6.0 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 10.0 million in the company. The new ownership structure reduces Emmi's stake in the aforementioned company and therefore the Kaiku Group from 76% to 73%.

⁶⁾ The reduction of the stake in The Icelandic Milk and Skyr Corporation from 24% to 22% in 2015 occurred due to the existing employee participation scheme of this company.

⁷⁾ The stake in Comercial Hoffmann, S.A. was sold on 1 June 2015.

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 57 to 85 for the year ended December 31, 2015.

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. These 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, 2015 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.

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 Masciarelli
Licensed Audit Expert

Lucerne, February 26, 2016

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Income statement

in CHF 000s

	Notes	2015	2014
Income from investments	2.1	56,938	81,501
Other financial income	2.2	15,832	13,882
Other operating income		6,617	6,966
Total income		79,387	102,349
Financial expenses	2.3	-23,145	-19,989
Personnel expenses		-875	-860
Other operating expenses		-1,259	-1,366
Amortisation		-503	-451
Direct taxes		–	-1,382
Total expenses		-25,782	-24,048
Net profit		53,605	78,301

Balance sheet

in CHF 000s

Assets	Notes	31.12.2015	%	31.12.2014	%
Cash and cash equivalents		3,691		240	
Securities listed on a stock exchange		–		250	
Other short-term receivables from third parties		592		762	
Other short-term receivables from companies in which the entity holds an investment		135,946		20,748	
Prepayments and accrued income		425		264	
Current assets		140,654	18.1	22,264	2.9
Loans to companies in which the entity holds an investment	2.4	248,614		380,567	
Investments in subsidiaries and associates	2.5	386,222		373,997	
Financial assets		634,836		754,564	
Intangible assets		–		452	
Prepayments and accrued income		21		71	
Non-current assets		634,857	81.9	755,087	97.1
Total assets		775,511	100.0	777,351	100.0
Liabilities and shareholders' equity					
Other current payables due to third parties		171		198	
Other current payables due to companies in which the entity holds an investment		–		837	
Accrued liabilities and deferred income		4,459		3,435	
Current liabilities		4,630	0.6	4,470	0.5
Non-current interest-bearing debts due to third parties		24,360		60,139	
Provisions		1,503		1,000	
Non-current liabilities		25,863	3.3	61,139	7.9
Liabilities		30,493	3.9	65,609	8.4
Share capital	2.6	53,498		53,498	
Legal capital reserves					
– Reserves from capital contributions	2.7	108,871		129,200	
Legal retained earnings reserve		2,886		2,886	
Voluntary retained earnings					
– Free reserves		525,000		445,000	
– Available earnings					
– Profit brought forward		1,158		2,857	
– Net profit		53,605		78,301	
Shareholders' equity		745,018	96.1	711,742	91.6
Total liabilities and shareholders' equity		775,511	100.0	777,351	100.0

Statement of changes in equity

in CHF 000s

	Share capital	Legal capital reserves	Legal retained earnings reserve	Free reserves	Available earnings	Total
Shareholders' equity as at 1 January 2012	53,498	186,977	2,886	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	168,788	2,886	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	149,529	2,886	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	129,200	2,886	445,000	81,158	711,742
Allocation	—	—	—	80,000	-80,000	—
Dividend	—	-20,329	—	—	—	-20,329
Net profit	—	—	—	—	53,605	53,605
Shareholders' equity as at 31 December 2015	53,498	108,871	2,886	525,000	54,763	745,018

Notes to the financial statements

in CHF 000s

1. Principles

1.1 General aspects

These financial statements were for the first time prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). For the purpose of maintaining comparability, the balance sheet and income statement figures for the previous year were adjusted to the new presentation rules.

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

1.2 Securities listed on a stock exchange

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

1.3 Financial assets

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

1.4 Non-current interest-bearing debts

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

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

As Emmi AG has prepared its consolidated financial statements in accordance with a recognised accounting standard (Swiss GAAP FER), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

2. Information on balance sheet and income statement items

2.1 Income from investments

This position includes dividend income from investments.

2.2 Other financial income

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

2.3 Financial expenses

Financial expenses mainly comprise interest expenses and foreign currency losses.

2.4 Loans to companies in which the entity holds an investment

Loans to companies in which the entity holds an investment include subordinated loans in the amount of CHF 40.0 million (previous year CHF 17.0 million).

2.5 Investments

	Function	Currency	Capital in 000s 31.12.2015	Capital share 31.12.2015	Capital share 31.12.2014
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 %	99 %
Emmi Frischprodukte AG, Lucerne ¹⁾	Production	CHF	–	–	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 ¹⁾	Production and trade	CHF	–	–	100 %
Emmi Management AG, Lucerne	Service	CHF	500	100 %	100 %
Emmi Milch AG, Lucerne ¹⁾	Production	CHF	–	–	100 %
Emmi Schweiz AG, Lucerne	Production and trade	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 ²⁾	Service and Trade	EUR	82,110	73 %	76 %
United Kingdom					
Emmi UK Limited, London	Trade	GBP	4,717	100 %	100 %

¹⁾ Emmi Frischprodukte AG, Emmi Käse AG and Emmi Milch AG were merged into Emmi Schweiz AG on 1 January 2015.

²⁾ On 31 March 2015, the Basque investment company Ekarpen purchased a EUR 6.0 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 10.0 million in the company. The new ownership structure reduces Emmi's stake in the aforementioned company and therefore the Kaku Group from 76 % to 73 %.

2.6 Share capital and significant shareholders

The share capital of KCHF 53,498 as at 31 December 2015 consists of 5,349,810 registered shares with a nominal value of CHF 10 (31 December 2014: 5,349,810 registered shares with a nominal value of CHF 10).

Nominal capital	31.12.2015	%	31.12.2014	%
ZMP Invest AG, Lucerne ¹⁾	29,077	54.3	29,015	54.2
Zentralschweizer Milchkäuferverband, Willisau ¹⁾	2,250	4.2	2,500	4.7
MIBA Milchverband der Nordwestschweiz, Basel ¹⁾	1,906	3.6	1,931	3.6
Other	20,265	37.9	20,052	37.5
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 of the SESTA. The Group owns 62.1 % (previous year 62.5 %) of the total voting rights.

As at 27 January 2015, Capital Group Companies, Inc. informed us that it owned 271,591 shares of Emmi AG (5.1 %). As at 25 January 2016, Capital Group Companies, Inc. reported, that it owned 263,500 shares of Emmi AG (4.9 %). These disclosure notifications were made in accordance with Article 21 of the SESTA.

As at 31 December 2015, Emmi Wohlfahrtsfonds (welfare fund) owned a total of 6,000 shares (previous year 16,000 shares) of Emmi AG.

2.7 Capital contribution reserve

	31.12.2015	31.12.2014
Confirmed by the tax authorities	103,099	123,428
Not confirmed by the tax authorities	5,772	5,772
Total	108,871	129,200

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

3. Other disclosures

3.1 Full-time equivalents

In 2015 and in the previous year, Emmi AG employed fewer than 10 employees on average.

3.2 Collateral provided for liabilities of third parties

	31.12.2015	31.12.2014
Guarantees and joint liability for loans of Group companies	604,185	604,185
Of which used by Group companies	450,765	450,773
Other guarantees for Group companies	1,050	1,050

3.3 Contingent liabilities

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

3.4 Net release of hidden reserves

In the period under review, hidden reserves in the amount of KCHF 2,700 were released (previous year KCHF 0).

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

As at 31 December 2015, 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 31.12.2015	No of shares 31.12.2014
Board of Directors		
Konrad Graber, Chairman	950	950
Thomas Oehen, Vice-Chairman	610	610
Christian Arnold, member	30	30
Stephan Baer, member	34,500	49,000
Monique Bourquin, member	–	–
Hans Herzog, member (until 22 April 2015)	n.a.	540
Niklaus Meier, member	200	200
Josef Schmidli, member	74	74
Franz Steiger, member (since 22 April 2015)	400	n.a.
Diana Strebel, member	–	–
Agricultural Council		
Christophe Eggenschwiler	–	–
Pirmin Furrer	–	–
Kurt Nüesch	–	–
Markus Zemp	–	–
Group Management		
Urs Riedener, CEO	–	–
Robert Muri, Deputy CEO	100	100
Robin Barraclough, member	20	20
Marc Heim, member	150	150
Matthias Kunz, member	27	27
Jörg Riboni, member	–	–
Natalie Rüedi, member	–	–

The members of the Board of Directors, the Agricultural Council and Group Management own a total of 37,061 shares (previous year 51,701 shares) and thus hold 0.7 % of the voting rights (previous year 1.0 %).

3.6 Significant events after the balance sheet date

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

Proposed appropriation of available earnings

in CHF 000s

Available earnings	31.12.2015	31.12.2014
Retained earnings carried forward	1,158	2,857
Net profit	53,605	78,301
Available for distribution by the Annual General Meeting	54,763	81,158

Appropriation of available earnings

The Board of Directors proposes that the Annual General Meeting approve the distribution of a dividend of CHF 4.90 (previous year CHF 3.80) gross per registered share for the 2015 financial year on 5,349,810 shares entitled to dividends. The Board of Directors likewise proposes that the distribution of CHF 4.90 per share be paid, in its entirety, out of the capital contribution reserve.

Earnings available for distribution by the Annual General Meeting	54,763	81,158
Allocation from confirmed capital contribution reserve	26,214	20,329
Dividend	-26,214	-20,329
Allocation to free reserves	-50,000	-80,000
Carried forward to new account	4,763	1,158
Total distribution	26,214	20,329
Of which from confirmed capital contribution reserve (exempt from withholding tax)	-26,214	-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 88 to 94 for the year ended December 31, 2015.

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 these 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, 2015 comply with Swiss law and the company's articles of incorporation.

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 Mascianucci
Licensed Audit Expert

Lucerne, February 26, 2016

Share information of Emmi AG

Stock exchange information		2015	2014	2013	2012	2011
Share price on 31.12.	in CHF	450.25	351.00	273.50	230.00	187.90
Year's high (end-of-day position)	in CHF	452.25	375.00	297.00	238.50	220.90
Year's low (end-of-day position)	in CHF	288.75	271.00	230.00	176.60	164.50
Market capitalisation on 31.12.	in CHF million	2,409	1,878	1,463	1,230	1,005
Average trading volume	Units	5,518	3,286	3,290	1,795	3,018

Key share data

Net income per share	in CHF	22.46	14.75	19.54	19.86	15.51
Shareholders' equity per share	in CHF	225.76	212.78	199.69	184.65	168.39
Return on shareholders' equity ¹⁾	in %	4.99	4.20	7.15	8.63	8.25
Distribution	in CHF	4.90	3.80	3.80	3.60	3.40
Distribution rate ²⁾	in %	21.81	18.58	20.83	21.33	21.92
Dividend return ³⁾	in %	1.09	1.08	1.39	1.57	1.81

¹⁾ Profit per share/year-end closing price

²⁾ Distribution per share/adjusted net profit per share

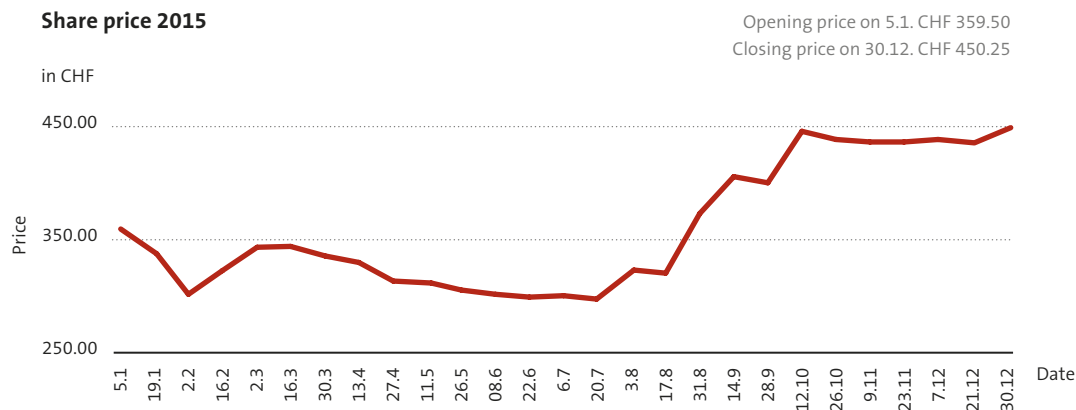
³⁾ Distribution per share/year-end closing price

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 SIX Swiss Exchange Local Caps segment on the SIX Swiss Exchange
Index inclusion	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index

Share price 2015



Mutual learning helps everyone



Enhancing its product portfolio is one of Emmi's stated aims. At Vitalait in Tunisia, this was achieved with the launch of a new dessert line and the strengthening of the yogurt range. Vitalait is now the number two in its home market in these areas. Emmi's expertise in recipe creation and simplifying production processes contributed to this. Today, Vitalait is a Group-wide example of how Operational Excellence can be effectively implemented. The cost savings this achieves play an important role in enabling Emmi to invest a figure in the high tens of millions in Switzerland as a production location every year.



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