



Shareholder Letter and Half-year Report 2008

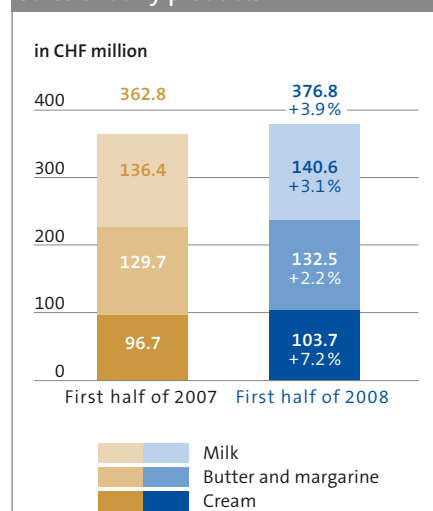


Key figures

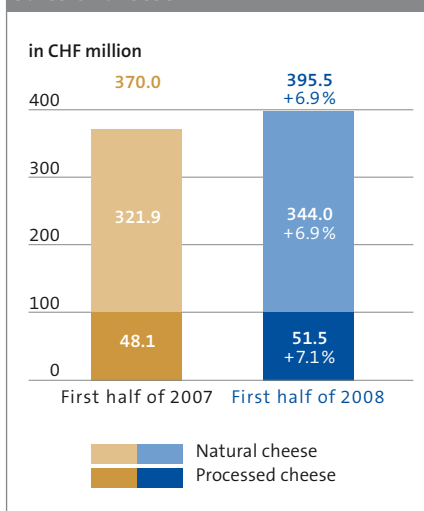
Amounts in CHF million

	2008 1st half of	2007 1st half of	Change in %
Net sales	1,289.3	1,199.0	7.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	85.7	68.2	25.7
as % of net sales	6.6	5.7	
Earnings before interest and taxes (EBIT)	47.9	32.0	49.7
as % of net sales	3.7	2.7	
Net profit	26.6	22.7	17.2
as % of net sales	2.1	1.9	
Headcount (full-time equivalents) as at 30.06.	3,351	3,337	0.4
	30 June 2008	31 December 2007	
Total assets	1,659.6	1,634.8	1.5
of which shareholder's equity incl. minority interests	802.0	783.7	2.3
as % of total assets	48.3	47.9	

Sales of dairy products



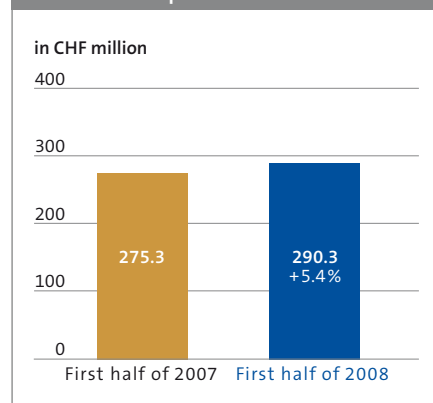
Sales of cheese



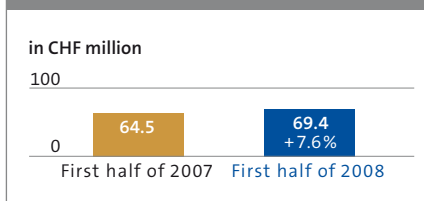
About Emmi

Emmi is the largest Swiss milk processor and one of the most innovative premium dairies in Europe. In Switzerland, Emmi 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 European and North American markets. The primary focus in fresh products is on lifestyle, convenience and health products. In the cheese business, Emmi positions itself as the leading company worldwide for Swiss cheese. Emmi's customers are primarily the retail trade, the food service sector and the industrial segment. In the first half of 2008, Emmi achieved net sales of CHF 1.3 billion and employed a total of 3,351 people (full-time equivalents) in Switzerland and abroad.

Sales of fresh products



Sales of fresh cheese



Emmi is well on track

Emmi grew by 7.5 % in the first half-year and achieved sales of CHF 1.3 billion. The Swiss market and the international business contributed equally to this growth.

The operating result improved significantly on the previous year. Net profit rose 17.2 % to CHF 26.6 million compared with the first half of the previous year, which corresponds to a net profit margin of 2.1 %. Following the unsatisfactory performance in 2007, this has put the company back on track.

Emmi anticipates substantial growth for the second half of 2008, although a slowdown in international business is foreseeable. Emmi forecasts sales growth of 6 – 8 %, which would exceed its objectives, and a net profit margin of over 2 % for 2008.



Four Swiss Fellow Citizens

For the first time, Emmi is presenting its four strategic cheese brands LUZERNER, WINZER, KALTBACH and SwissAlp in a joint advertising campaign. The «Four Swiss Fellow Citizens» campaign was announced through blogs.



Denise Biellmann (figure skater) and Beat Schlatter (comedian and actor) are involved in the current Benecol campaign in Switzerland to promote greater awareness of cholesterol. Accompanying the campaign is a test programme in which consumers can participate and seek advice on the topic via the website. Benecol is the special yoghurt drink containing stanol esters to help reduce cholesterol.

Dear Shareholders

Thanks to strong growth and a significantly better operating result, Emmi got back on track in the first half of 2008. A systematic market focus and strict cost management were major contributing factors in this regard. The Swiss market and the international business contributed in equal measure to the 7.5% increase in sales to CHF 1.3 billion. All product groups posted growth. Despite the negative currency effect, the net profit margin for the first half of 2008 stands at 2.1%.

Prices of raw materials rose at the start of the year and Emmi was able to pass on the full increase to the Swiss market and most of it to the international market too. The acquisition of the Belgian trading company Haerten & Interimex S.A. also enabled Emmi to strengthen its position in Belgium and Luxembourg.

Good growth in Switzerland and abroad

In the first half of 2008, Emmi posted sales growth of 7.5% to CHF 1.3 billion. All product groups and key markets played their part in this positive overall trend versus the previous year. Organic growth amounted to 6.5%, around half of which is inflation-related. The growth through acquisition is primarily due to the purchase of Appenzeller cheese specialist Walter Schmitt AG. Whilst sales growth in Switzerland significantly exceeded expectations at 7.7%, the 7.1% growth abroad was slightly below expectations due not least to negative currency effects and declining consumer sentiment. International growth was also slowed slightly by price increases abroad. The strategically important product groups of fresh products and cheese posted good international growth at 9.0% and 8.0% respectively.

Back on track with targeted measures

Gross profit rose 7.4% to CHF 402.1 million on the first half of 2007 (prior year: CHF 374.3 million). The gross profit margin was thus maintained at the prior-year level of 31.2%. Thanks to strict cost management, operating expenses showed a disproportionately low increase of 2.8% to CHF 317.2 million (prior year CHF 308.5 million) in the period under review. Personnel expenses rose by 3.6% to CHF 158.9 million due to the growth in production volume, and other operating expenses rose by 2.1% to CHF 158.3 million. Lower marketing and occupancy costs had a particularly positive impact on other operating expenses.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 25.7% to CHF 85.7 million (prior year CHF 68.2 million) due to flat cost trends and the EBITDA margin increased to 6.6% (prior year 5.7%). Amortization fell a marginal CHF 0.5 million to CHF 41.1 million, mainly due to the closure of the Lucerne production facility. Earnings before interest and taxes (EBIT) increased by 49.7% to CHF 47.9 million, with the EBIT margin rising significantly to 3.7% (prior year 2.7%).

Higher interest expenses and the currency effect from the weak US dollar and falling euro had a negative impact on the financial results amounting to CHF 11.6 million.

Net profit for the first half of 2008 rose to CHF 26.6 million (prior year CHF 22.7 million), corresponding to an increase of 17.2% on the first half of 2007. A net profit margin of 2.1% (prior year 1.9%) puts Emmi's profitability for the first half of 2008 above the prior-year level, which means it is well on track.

Despite the growth, the headcount was up a marginal 0.4% to 3,351 employees (prior year 3,337) by the end of June 2008.

Strengthening competitiveness

Emmi invests in its competitiveness and international expansion on an ongoing basis. On 1 January 2008, Emmi took over Brussels-based trading company Haerten & Interimex S.A. The acquisition of the former distributor has enabled Emmi to reinforce its market position in Belgium and Luxembourg. Emmi's acquisition of Walter Schmitt AG in Märwil on 1 January serves primarily to strengthen its international market position in Appenzeller cheese.

The merger of processed cheese production in Langnau i. E. by early 2010 at the latest, is going to plan. The shell of the proposed extension building was completed in May this year. In spring 2008, Fromco SA in Moudon VD, which is majority-owned by the Emmi Group, took the largest cheese ageing facility for Le Gruyère AOC into operation. Emmi will also expand the caves in Kaltbach from autumn 2008, thereby doubling capacity, so as to meet the rising demand for the Kaltbach specialities. Important steps were taken in the implementation of the Group-wide IT system with the launch of the new order processing system for export sales and electronic order processing for major customers.

Dairy products: Market position expanded despite price pressure

Sales of dairy products rose by 3.9% to CHF 376.8 million (prior year: CHF 362.8 million) in the first half of the year. This growth can be attributed to higher volumes and to the fact that the price increases were passed on to the market with no impact on margins.

Emmi is the first company to introduce a new packaging system which enables the conventional Tetra Top packaging to be opened by one simple movement. This practical solution has enabled Emmi to strengthen its market position for dairy products in Switzerland.

Fresh products: Growth of Emmi Caffè Latte undiminished

The 5.4% increase in sales of fresh products to CHF 290.3 million (prior year CHF 275.3 million) is primarily attributable to organic growth in brand concepts and specialities. The growth of Emmi Caffè Latte continues undiminished. The probiotic yoghurt drink Aktifit has grown for the twelfth successive year since its launch. Sales of Swiss Müesli, which was launched last year, also performed well. Emmi plans to launch a new product in the functional food segment in autumn 2008.

In October last year, Emmi began producing Emmi Caffè Latte in the US for test sales in cooperation with a local partner. The market test will produce the first firm indicators of the concept's potential in the US by the end of 2008. Premium yoghurts, which are also produced locally in the US, are ahead of budget and the distribution thereof in various US retail chains has expanded markedly.

Toni yoghurt in a glass pot



Switzerland's most popular yoghurt is being awoken from its slumber with a broadly based billboard campaign. Emmi has been fortunate to acquire Jean Etienne Aebi for the realization; he was the creative brain behind a sensational series of posters for Toni back in the late eighties and during the nineties. The current advertising campaign follows on from this cult campaign.

Emmi ENERGY MILK



DJ BoBo has advertised Emmi ENERGY MILK for ten years now. Naturally the energy drink also features at the «Vampires Alive Tour». In the ENERGY MILK world, children are made up like vampires and the pictures posted on the website.

Cheese: Successful brand concepts and high competitive pressure

Despite the ongoing pressure on prices, Emmi managed to increase its cheese sales by 6.9% to CHF 395.5 million (prior year CHF 370.0 million). Growth was particularly high in the first quarter but levelled off in the second quarter after the price rises. Brand concepts such as the Kaltbach line, Emmi Fondue and traditional Swiss cheese continued to perform extremely well. The weak US dollar had a negative impact on the international cheese business overall.

Fresh cheese: Good position maintained

As a consequence of the liberalization of the European market, the proportion of imports increased in a growing market and fresh cheese prices came under pressure. Having acquired a new production order, Emmi recorded sales growth of 7.6% to CHF 69.4 million (prior year CHF 64.5 million).

Powder/concentrates: Growth thanks to good domestic business

Sales of powder/concentrates increased by 13.2% to CHF 45.3 million over the reporting period. The gain is primarily attributable to buoyant demand in Switzerland. Prices in international business fell sharply in the first six months of the year.

Positive performance from other products and services

Sales of other products and services increased by 29.6% to CHF 112.1 million (prior year CHF 86.5 million) in the first half of the year. The trading business posted encouraging growth in gastronomy and industrial catering.

Unstable trend in raw materials and increased import pressure

Following the massive milk price increases in the past year, international prices for milk and skimmed milk powder fell in the first quarter, mainly due to the high milk volumes, and stabilized in the second quarter. The price of the raw material milk increased substantially at the end of 2007. These price increases were passed on to the market and thus had no impact on margins in Switzerland and little impact on margins in international business. A further price increase in milk on 1 July 2008 was also passed on to the retail trade in Switzerland.

The high milk production in Switzerland (up 5.1% in the first half of the year versus the prior-year period) subsequently led to a rapid stockpiling of powder and butter and, to a slightly lesser extent, of cheese. This necessitated drastic cuts in the production of Emmentaler.

Due to Switzerland being at an increasing disadvantage versus the rest of Europe with respect to raw materials, the competitiveness of Swiss milk products trended downwards. Consequently, milk volumes and the milk price are coming under noticeably increased pressure.

Business performance in the second half of 2008 and outlook for the year as a whole

Emmi anticipates substantial growth for the second half of the year, which tends to be seasonally stronger, although a slowdown is foreseeable in international business due to the decline in consumer sentiment. In order to reinforce the market position for Swiss cheese in the US, a review will be undertaken in the next few weeks into whether the current minority stake in the US cheese specialist Roth Käse Ltd. should be substantially expanded.

Emmi forecasts overall growth of 6–8% for 2008, which would exceed its objectives, and thanks to ongoing systematic cost management, a net profit margin of over 2%.



Fritz Wyss
Chairman of the Board of Directors



Urs Riedener
CEO



1 competition and 11,111 prizes:
The Emmi Caffè Latte summer competition on www.emmi-caffelatte.com has attracted around 250,000 consumers in Switzerland and Germany.

Urs Riedener is the new CEO of the Emmi Group – succession planning for the Chairman of the Board of Directors

Urs Riedener took over operational management of the Emmi Group as CEO at the beginning of March. Before joining Emmi, Urs Riedener was a Member of the Executive Board of the Migros Cooperative and Head of its Marketing Department. The Chairman of the Board of Directors of Emmi AG, Fritz Wyss, has informed the Board that he will not be standing for re-election at the 2009 General Meeting. The Board of Directors of Emmi AG nominates Konrad Graber for election by shareholders to the role of Chairman of the Board of Directors at the General Meeting in 2009. Konrad Graber (1958) was elected to the Board of Directors of Emmi AG in 2006 and has been Chairman of the Controlling Committee of the Board of Directors since 2007.

Consolidated Financial Statements of Emmi Group

Consolidated Income Statement

	January–June 2008		January–June 2007	
	CHF 000s	%	CHF 000s	%
Total sales of products	1,273,012		1,183,587	
Sales from services	16,281		15,442	
Net sales	1,289,293	100.0	1,199,029	100.0
Changes to inventories of semi-finished and finished products	– 65,942	– 5.1	– 21,561	– 1.8
Cost of sales and outside services	953,160	73.9	846,315	70.6
Gross operating profit	402,075	31.2	374,275	31.2
Company-produced additions to plant and equipment	472		587	
Income from the disposal of fixed assets	363	0.0	1,779	0.2
Personnel expenses	158,916	12.3	153,418	12.8
Other operating expenses	158,333	12.3	155,040	12.9
Operating expenses	317,249	24.6	308,458	25.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	85,661	6.6	68,183	5.7
Depreciation and amortization	41,142	3.2	41,595	3.5
Write-back of negative goodwill	3,338	0.3	5,452	0.5
Earnings before interest and taxes (EBIT)	47,857	3.7	32,040	2.7
Gains from associated companies	490		428	
Financial result	– 11,600		– 1,512	
Income before taxes	36,747	2.9	30,956	2.6
Extraordinary income/expenses	– 71		– 310	
Net income before taxes (EBT)	36,676	2.8	30,646	2.6
Income tax	6,336		5,295	
Net profit before minority interests	30,340	2.4	25,351	2.1
Minority interests	3,747		2,661	
Net profit	26,593	2.1	22,690	1.9

Consolidated Balance Sheet

	30.06.2008		31.12.2007	
	CHF 000s	%	CHF 000s	%
Assets				
Cash	72,723		99,346	
Securities	8,067		7,547	
Trade accounts receivable	332,224		347,344	
Other receivables	25,152		27,774	
Inventories	327,473		261,071	
Accrued income and prepaid expense	15,067		11,080	
Current assets	780,706	47.0	754,162	46.1
Associated companies	45,703		45,352	
Loans	20,951		18,372	
Securities	3,217		3,201	
Employer contribution reserves	1,589		1,589	
Deferred tax assets	467		488	
Financial assets	71,927		69,002	
Tangible assets	749,634		758,163	
Intangible assets	57,342		53,471	
Fixed assets	878,903	53.0	880,636	53.9
Total assets	1,659,609	100.0	1,634,798	100.0
Liabilities				
Bank overdrafts	62,127		36,454	
Trade accounts payable	235,899		237,891	
Leasing liabilities	1,388		1,544	
Other current payables	14,468		28,197	
Accrued expenses and deferred income	96,861		76,950	
Provisions	6,543		9,132	
Current liabilities	417,286	25.2	390,168	23.9
Bank overdrafts	208,348		223,440	
Leasing liabilities	17,460		19,102	
Loans	4,597		6,775	
Bond	125,000		125,000	
Provisions	8,350		10,072	
Provisions for deferred taxes	76,550		76,520	
Long-term liabilities	440,305	26.5	460,909	28.2
Liabilities	857,591	51.7	851,077	52.1
Share capital	53,498		53,498	
Capital reserves	180,771		180,771	
Retained earnings	475,477		466,260	
Shareholders' equity excl. minority interests	709,746	42.7	700,529	42.8
Minority interests	92,272	5.6	83,192	5.1
Shareholders' equity incl. minority interests	802,018	48.3	783,721	47.9
Total liabilities	1,659,609	100.0	1,634,798	100.0

Notes to the Half-year Results as at 30 June 2008

1. Accounting principles

These consolidated financial statements comprise the unaudited half-year results of Emmi AG and its subsidiaries for the period to 30 June 2008.

The half-year statements are prepared in compliance with the existing guidelines of the Swiss GAAP ARR 12 (Swiss Accounting and Reporting Recommendations) for interim reports.

The half-year statements should be read in conjunction with the consolidated financial statements compiled for the financial year ending 31 December 2007 as they represent an update of the last complete financial statements. The consolidated half-year statements were approved by the Board of Directors on 3 September 2008.

2. Changes to the group of consolidated companies

The following changes took place in the group of consolidated companies in the year under review.

	Acquired on	Currency	Capital in 000s	Capital share
Consolidated companies				
Haerten & Interimex S.A., B-Brüssel	01.01.2008	EUR	500	100 %
Walter Schmitt AG, CH-Märwil	01.01.2008	CHF	150	100 %
Associated companies				
Carl Fr. Scheer GmbH & Co. KG, D-Willstätt	21.02.2008	EUR	260	25 %
Scheer Verwaltungs- und Beteiligungsgesellschaft mbH, D-Willstätt	21.02.2008	EUR	26	25 %

On 1 January 2008, Ostrimo AG (100% stake) was integrated into Emmi Frischprodukte AG.

Likewise, on 1 January 2008 Chäsbueb AG (100% stake) was integrated into Baumann Käse AG.

3. Currency exchange rates in CHF

	Income statement		Balance sheet	
	2008	Average rates 2007	Rates on balance sheet day 30.6.2008	31.12.2007
1 EUR	1.63	1.63	1.61	1.65
1 GBP	2.17	2.42	2.03	2.25
1 USD	1.09	1.24	1.02	1.13
1 CAD	1.09	1.08	1.01	1.13
1 SEK	0.17	0.18	0.17	0.18

4. Net sales per product group in Switzerland and abroad (in CHF 000s)

	Switzerland		International		Group	
	2008	2007	2008	2007	2008	2007
Milk	140,431	136,236	150	172	140,581	136,408
Butter and margarine	132,482	129,503	37	190	132,519	129,693
Cream	100,167	92,950	3,536	3,768	103,703	96,718
Dairy products	373,080	358,689	3,723	4,130	376,803	362,819
as % of net sales	37.4	38.7	1.3	1.5	29.2	30.3
Fresh products	177,660	171,942	112,676	103,394	290,336	275,336
as % of net sales	17.8	18.5	38.6	38.0	22.5	22.9
Natural cheese	223,328	207,751	120,627	114,119	343,955	321,870
Processed cheese	22,286	23,424	29,226	24,679	51,512	48,103
Cheese	245,614	231,175	149,853	138,798	395,467	369,973
as % of net sales	24.6	25.0	51.4	50.9	30.7	30.9
Fresh cheese	68,130	64,453	1,238	4	69,368	64,457
as % of net sales	6.8	7.0	0.4	0.0	5.4	5.4
Powder/concentrates	42,256	34,559	3,002	5,425	45,258	39,984
as % of net sales	4.3	3.7	1.0	2.0	3.5	3.3
Other products	75,365	50,784	20,415	20,234	95,780	71,018
Sales from services	15,406	14,904	875	538	16,281	15,442
Other products and services	90,771	65,688	21,290	20,772	112,061	86,460
as % of net sales	9.1	7.1	7.3	7.6	8.7	7.2
Net sales	997,511	926,506	291,782	272,523	1,289,293	1,199,029
as % of Group	77.4	77.3	22.6	22.7	100.0	100.0

5. Contingent liabilities

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

6. Post-balance-sheet events

The stake in Baer AG (35%) was sold on 1 July 2008.



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The shareholder letter and half-year report 2008 of Emmi is available in German, English, French and Italian. The German version is legally binding.
The reports can be ordered from info@emmi.ch