

Alternative Performance Measures

The Emmi Annual Report, the Emmi Half-Year Report and other communication from Emmi to investors and analysts contain alternative performance measures (APM), which management uses to assess the financial performance of the Group and which are not defined by Swiss GAAP FER, the recognized accounting standard Emmi applies. Such APM can be income statement, balance sheet or cash flow figures. Management believes that these non-Swiss GAAP FER performance measures provide useful information regarding the Group's financial performance. Such measures may not be comparable to similar measures presented by other companies. The APM used by Emmi are explained and/or reconciled to Swiss GAAP FER performance measures in this document.

Foreword

This edition is published together with the Half-Year Report 2023.

Organic Growth

Organic growth represents the net sales growth after excluding the impacts of (a) acquisitions and divestments of businesses (referred to as «acquisition effects» in Emmi's communication) and (b) movements in foreign currency exchange rates (referred to as «currency effects» in Emmi's communication).

(a) Acquisition effects: For calculating organic growth, the net sales of an acquired business are excluded for the 12 months following the business combination. Net sales of a divested business are removed from comparatives (previous year) for the 12 months prior to the divestment. Supply agreements related to the divested business are included in acquisitions and divestments during 12 months following the divestment.

(b) Currency effects: The effects of changes in foreign currency exchange rates are calculated as the difference between the current year net sales (including effects of acquired and divested businesses) converted into Swiss Francs at the current year's average exchange rates and the current year's net sales (including effects of acquired and divested businesses) converted at the prior year's average exchange rates.

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For Emmi Group, the reconciliation of organic growth to the sales development (in %) for the first semester of 2023 is as follows:

	First 6 months 2023	First 6 months 2022
Organic Growth	6.5%	5.4%
Acquisition effects	-	2.3%
Currency effects	-2.2%	-0.6%
Sales development	4.3%	7.1%
Net Sales in CHF Mio.	2,103.4	2,016.5

Similar reconciliations for the business divisions Switzerland, Americas, Europe and Global Trade can be found in the media release.

Earnings before interest and taxes (EBIT)

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

EBIT is commonly defined as Earnings before interest and taxes and EBITDA as Earnings before interest, taxes, depreciation and amortisation.

Emmi Group uses EBIT and EBITDA as important financial measures, where EBIT is defined as the operating profit and EBITDA is used as an operating cash flow indicator.

EBIT is defined as net profit before:

- Minority interests
- Income taxes
- Financial result
- Income from associates and joint ventures

EBITDA is defined as EBIT before:

- Depreciation (including impairment charges) of property plant and equipment
- Amortisation (including impairment charges) of intangible assets

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A reconciliation table between net profit and EBITDA is presented below.

in KCHF	First 6 months 2023	First 6 months 2022
Net Profit	97,806	78,134
Minority interests	8,594	2,912
Income taxes	21,032	17,191
Financial result	12,044	10,506
Income from associates and joint ventures	-932	-105
EBIT	138,544	108,638
Amortisation of intangible assets	6,124	6,193
Depreciation of property, plant and equipment	50,246	48,867
EBITDA	194,914	163,698

EBIT margin is when EBIT is calculated as percentage of net sales:

in KCHF	First 6 months 2023	First 6 months 2022
EBIT	138,544	108,638
Net sales	2,103,377	2,016,474
EBIT margin	6.6%	5.4%

EBITDA margin is when EBITDA is calculated as percentage of net sales:

in KCHF	First 6 months 2023	First 6 months 2022
EBITDA	194,914	163,698
Net sales	2,103,377	2,016,474
EBITDA margin	9.3%	8.1%

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Net debt

Net debt is a measure to show the net level of financial debt with external parties after considering cash, current securities readily convertible into cash and interest bearing loans and receivables.

in KCHF	30.06.2023	30.06.2022
Bank overdrafts	53,504	153,855
Finance lease liabilities	444	727
Loans	-	32
Bonds	200,000	-
Current financial liabilities	253,948	154,614
Bank overdrafts	154,182	38,453
Finance lease liabilities	258	505
Loans	525	946
Bonds	299,520	499,520
Non-current financial liabilities	454,485	539,424
Financial liabilities	708,433	694,038
Cash and cash equivalents	-232,891	-165,726
Current securities	-8,250	-2,946
Non-current loans and receivables	-19,024	-16,093
Cash and cash equivalents, current securities and interest bearing loans and receivables	-260,165	-184,765
Net debt	448,268	509,273

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Cash flow before changes in net working capital, interest and taxes

This is a subtotal used in the determination of the cash flow from operating activities and is defined as cash flow from operating activities before changes in net working capital, interest paid and taxes paid. The positions included in this subtotal are visible directly in the consolidated cash flow statement.

Free cash flow

Free cash flow represents the cash generating capability of the Emmi Group to acquire companies, acquire stakes in associates or joint ventures, pay dividends or repay providers of capital.

As per the table below, Free Cash Flow therefore equals Cash Flow from operating activities plus Cash Flow from investing activities adding back the cash outflows and inflows from the acquisition activity (consolidated companies, associates, joint ventures).

in KCHF	First 6 months 2023	First 6 months 2022
Cash flow from operating activities	167,802	53,401
Cash flow from investing activities	-70,768	-107,204
<i>Adding back:</i>		
Acquisition of consolidated investments/businesses	1,636	5,983
Acquisition of minority interests	1,659	17,558
Free cash flow	100,329	-30,262

Operating net working capital

Emmi Group monitors its operating net working capital in order to assess how efficient it is managing its operating cash conversion cycle. Operating net working capital is the sum of trade receivables and inventories minus trade payables.

in KCHF	30.06.2023	30.06.2022
Trade receivables	473,725	459,895
Inventories	567,967	519,871
Trade payables	-318,173	-335,285
Operating net working capital	723,519	644,481