

Alternative Performance Measures

The Annual Report, the Half-Year Report and other communication 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 Annual Report 2022.

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 twelve months following the business combination. Net sales of a divested business are removed from comparatives (previous year) for the twelve months prior to the divestment. Supply agreements related to the divested business are included in acquisitions and divestments during twelve 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 financial year 2022 is as follows:

	2022	2021
Organic growth	7.0%	3.6%
Acquisition effects	2.1%	2.3%
Currency effects	-1.0%	-0.3%
Sales development in%	8.1%	5.6%
Net sales in CHF Mio.	4,230.0	3,911.9

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

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 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	2022	2021
Net profit	182,546	216,738
Minority interests	8,058	13,948
Income taxes	38,941	45,202
Financial result	23,268	11,920
Income from associates and joint ventures	148	-3,718
EBIT	252,961	284,090
Amortisation of intangible assets	12,969	9,538
Depreciation of property, plant and equipment	113,414	101,121
EBITDA	379,344	394,749

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

in KCHF	2022	2021
EBIT	252,961	284,090
Net sales	4,230,009	3,911,861
EBIT margin	6.0%	7.3%

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

in KCHF	2022	2021
EBITDA	379,344	394,749
Net sales	4,230,009	3,911,861
EBITDA margin	9.0%	10.1%

Adjusted EBIT and net profit

EBIT and net profit are adjusted for material non-recurring effects. Examples for non-recurring effects are gains or losses made on the sale of non-current assets such as stakes in group companies, associates, joint ventures or on property, plant and equipment or material impairments of non-current assets.

In 2022, the impairment of non-current assets at Gläserne Molkerei is considered as a non-recurring effect. In 2021, no such effects were noted. The income statement positions affected by this non-recurring effect are presented in the following tables:

in KCHF	2022	2021
EBIT	252,961	284,090
Impairment of non-current assets at Gläserne Molkerei (included in the position "Depreciation of property, plant and equipment" and "Amortisation of intangible assets" in the income statement and in "Impairment of property, plant and equipment" and "Impairment of intangible assets" Note 4 respectively)	13,161	-
Adjusted EBIT	266,122	284,090

in KCHF	2022	2021
Net profit	182,546	216,738
Impairment of non-current assets at Gläserne Molkerei (included in the position "Depreciation of property, plant and equipment" and "Amortisation of intangible assets" in the income statement and in "Impairment of property, plant and equipment" and "Impairment of intangible assets" Note 4 respectively)	13,161	-
Income tax effect on the impairment of non-current assets at Gläserne Molkerei	-1,438	-
Adjusted net profit	194,269	216,738

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Adjusted EBIT margin and net profit margin is when adjusted EBIT and net profit is calculated as percentage of net sales:

in KCHF	2022	2021
Adjusted EBIT	266,122	284,090
Adjusted net profit	194,269	216,738
Net sales	4,230,009	3,911,861
Adjusted EBIT margin	6.3%	7.3%
Adjusted net profit margin	4.6%	5.5%

Adjusted average tax rate

The reported average tax rate is adjusted for material non-recurring effects (for examples as well as non-recurring effects defined for the reporting year, please refer to the information above).

in KCHF	2022	2021
Earnings before taxes (EBT)	229,545	275,888
Impairment of non-current assets at Gläserne Molkerei (included in the position "Depreciation of property, plant and equipment" and "Amortisation of intangible assets" in the income statement and in "Impairment of property, plant and equipment" and "Impairment of intangible assets" Note 4 respectively)	13,161	-
Adjusted earnings before taxes (EBT)	242,706	275,888

in KCHF	2022	2021
Income taxes	-38,941	-45,202
Income tax effect on the impairment of non-current assets at Gläserne Molkerei	-1,438	-
Adjusted income taxes	-40,379	-45,202

in KCHF	2022	2021
Adjusted earnings before taxes (EBT)	242,706	275,888
Adjusted income taxes	-40,379	-45,202
Adjusted average tax rate	16.6%	16.4%

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Net debt

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

in KCHF	2022	2021
Bank overdrafts	45,424	104,623
Finance lease liabilities	677	550
Loans	26	1,217
Bonds	200,000	-
Current financial liabilities	246,127	106,390
Bank overdrafts	145,806	51,258
Finance lease liabilities	434	387
Loans	2,028	888
Bonds	299,520	499,520
Non-current financial liabilities	447,788	552,053
Financial liabilities	693,915	658,443
Cash and cash equivalents	-202,195	-247,281
Current securities	-1,920	-9,287
Non-current loans and other receivables	-16,589	-12,475
Cash and cash equivalents, current securities and interest bearing loans and other receivables	-220,704	-269,043
Net debt	473,211	389,400

Net debt to EBITDA ratio is when net debt is divided by EBITDA.

in KCHF	2022	2021
Net debt	473,211	389,400
EBITDA	379,344	394,749
Net debt to EBITDA ratio	1.25	0.99

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 and 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	2022	2021
Cash flow from operating activities	208,348	259,906
Cash flow from investing activities	-228,168	-428,659
<i>Adding back:</i>		
Acquisition of consolidated investments/businesses	5,983	261,823
Acquisition of minority interests	17,558	15,009
Free cash flow	3,721	108,079

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	2022	2021
Trade receivables	533,584	475,084
Inventories	508,240	434,844
Trade payables	-354,931	-320,578
Operating net working capital	686,893	589,350