

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 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 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 2023 is as follows:

	2023	2022
Organic growth	3.5%	7.0%
Acquisition effects	-1.0%	2.1%
Currency effects	-2.2%	-1.0%
Sales development	0.3%	8.1%
Net sales in CHF Mio.	4,242.4	4,230.0

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	2023	2022
Net profit	186,273	182,546
Minority interests	19,209	8,058
Income taxes	32,625	38,941
Financial result	24,021	23,268
Income from associates and joint ventures	-3,880	148
EBIT	258,248	252,961
Amortisation of intangible assets	12,867	12,969
Depreciation of property, plant and equipment	104,707	113,414
EBITDA	375,822	379,344

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

in KCHF	2023	2022
EBIT	258,248	252,961
Net sales	4,242,407	4,230,009
EBIT margin	6.1%	6.0%

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

in KCHF	2023	2022
EBITDA	375,822	379,344
Net sales	4,242,407	4,230,009
EBITDA margin	8.9%	9.0%

Adjusted EBITDA, adjusted EBIT, adjusted profit incl. minority interests and adjusted net profit

EBITDA, EBIT, profit incl. minority interests 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 2023, the loss from the disposal of Gläserne Molkerei and the gain from the disposal of the minority interest in Ambrosi S.p.A. are considered as non-recurring effect. In 2022, the impairment of non-current assets at Gläserne Molkerei is considered as a non-recurring effect. The income statement positions affected by these non-recurring effects are presented in the following tables:

in KCHF	2023	2022
EBITDA	375,822	379,344
Pre-tax loss from the disposal of Gläserne Molkerei (included in the position "Other operating expenses" in the income statement and in Note 3 respectively)	37,161	-
Adjusted EBITDA	412,983	379,344

in KCHF	2023	2022
EBIT	258,248	252,961
Pre-tax loss from the disposal of Gläserne Molkerei (included in the position "Other operating expenses" in the income statement and in Note 3 respectively)	37,161	-
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	295,409	266,122

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in KCHF	2023	2022
Profit incl. minority interests	205,482	190,604
Net profit	186,273	182,546
Pre-tax loss from the disposal of Gläserne Molkerei (included in the position "Other operating expenses" in the income statement and in Note 3 respectively)	37,161	-
Income tax effect related to the disposal of Gläserne Molkerei	-8,235	-
Pre-tax profit from the disposal of the minority interest in Ambrosi S.p.A. (included in the position "Income from associates and joint ventures")	-3,008	-
Income tax effect related to the disposal of the minority interest in Ambrosi S.p.A.	190	-
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 related to the impairment of non- current assets at Gläserne Molkerei	-	-1,438
Adjusted profit incl. minority interests	231,590	202,327
Adjusted net profit	212,381	194,269

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

in KCHF	2023	2022
Adjusted EBITDA	412,983	379,344
Adjusted EBIT	295,409	266,122
Adjusted net profit	212,381	194,269
Net sales	4,242,407	4,230,009
Adjusted EBITDA margin	9.7%	9.0%
Adjusted EBIT margin	7.0%	6.3%
Adjusted net profit margin	5.0%	4.6%

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	2023	2022
Earnings before taxes (EBT)	238,107	229,545
Pre-tax loss from the disposal of Gläserne Molkerei (included in the position "Other operating expenses" in the income statement and in Note 3 respectively)	37,161	-
Pre-tax profit from the disposal of the minority interest in Ambrosi S.p.A. (included in the position "Income from associates and joint ventures")	-3,008	-
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)	272,260	242,706

in KCHF	2023	2022
Income taxes	-32,625	-38,941
Income tax effect related to the disposal of Gläserne Molkerei	-8,235	-
Income tax effect related to the disposal of the minority interest in Ambrosi S.p.A.	190	-
Income tax effect related to the impairment of non- current assets at Gläserne Molkerei	-	-1,438
Adjusted income taxes	-40,670	-40,379

in KCHF	2023	2022
Adjusted earnings before taxes (EBT)	272,260	242,706
Adjusted income taxes	-40,670	-40,379
Adjusted average tax rate	14.9%	16.6%

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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	2023	2022
Bank overdrafts	68,475	45,424
Finance lease liabilities	430	677
Loans	500	26
Bonds	-	200,000
Current financial liabilities	69,405	246,127
Bank overdrafts	112,610	145,806
Finance lease liabilities	305	434
Loans	457	2,028
Bonds	499,520	299,520
Non-current financial liabilities	612,892	447,788
Financial liabilities	682,297	693,915
Cash and cash equivalents	-349,115	-202,195
Current securities	-22,210	-1,920
Non-current loans and other receivables	-12,715	-16,589
Cash and cash equivalents, current securities and interest bearing loans and other receivables	-384,040	-220,704
Net debt	298,257	473,211

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

in KCHF	2023	2022
Net debt	298,257	473,211
EBITDA	375,822	379,344
Net debt to EBITDA ratio	0.79	1.25

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	2023	2022
Cash flow from operating activities	370,145	208,348
Cash flow from investing activities	-135,828	-228,168
<i>Adding back:</i>		
Acquisition of consolidated investments/businesses	1,892	5,983
Acquisition of minority interests	2,855	17,558
Proceeds from sale of investments/businesses	11,607	-
Proceeds from sale of shares in associates	-27,147	-
Free cash flow	223,524	3,721

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	2023	2022
Trade receivables	473,665	533,584
Inventories	481,311	508,240
Trade payables	-301,841	-354,931
Operating net working capital	653,135	686,893