

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 2021.

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 2021 is as follows:

	2021	2020
Organic Growth	3.6 %	1.9 %
Acquisition effects	2.3 %	8.7 %
Currency effects	-0.3 %	-4.5 %
Sales development in %	5.6 %	6.1 %
Net Sales in CHF Mio.	3,911.9	3,706.1

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) on property plant and equipment
- Amortisation (including impairment charges) on intangible assets
- Write-back of negative goodwill

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

in KCHF	2021	2020
Net profit	216,738	188,392
Minority interests	13,948	13,228
Income taxes	45,202	40,637
Financial result	11,920	13,384
Income from associates and joint ventures	-3,718	966
EBIT	284,090	256,607
Amortisation on intangible assets	9,538	11,030
Depreciation on property, plant and equipment	101,121	108,702
EBITDA	394,749	376,339

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

in KCHF	2021	2020
EBIT	284,090	256,607
Net sales	3,911,861	3,706,061
EBIT margin	7.3 %	6.9 %

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

in KCHF	2021	2020
EBITDA	394,749	376,339
Net sales	3,911,861	3,706,061
EBITDA margin	10.1 %	10.2 %

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Adjusted EBITDA, EBIT and net profit

EBITDA, 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.

In 2021, no such effects were noted. In 2020, the loss on sale of the majority stake in Lácteos Caprinos S.A. is considered as a non-recurring effect. The income statement positions affected by this non-recurring effect are presented in the following tables.

in KCHF	2021	2020
EBITDA	394,749	376,339
EBIT	284,090	256,607
Pre-tax loss from the sale of the majority stake in Lácteos Caprinos S.A. (included in the position "Other operating expenses" in the income statement and in Note 3 respectively)	-	14,545
Adjusted EBITDA	394,749	390,884
Adjusted EBIT	284,090	271,152

in KCHF	2021	2020
Net profit	216,738	188,392
Pre-tax loss from the sale of the majority stake in Lácteos Caprinos S.A. (included in the position "Other operating expenses" in the income statement and in Note 3 respectively)	-	14,545
Income tax effect on the loss on sale of the majority stake in Lácteos Caprinos S.A.	-	-378
Adjusted net profit	216,738	202,559

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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	2021	2020
Adjusted EBITDA	394,749	390,884
Adjusted EBIT	284,090	271,152
Adjusted net profit	216,738	202,559
Net sales	3,911,861	3,706,061
Adjusted EBITDA margin	10.1 %	10.5 %
Adjusted EBIT margin	7.3 %	7.3 %
Adjusted net profit margin	5.5 %	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 and the previous year, please refer to the information above).

in KCHF	2021	2020
Earnings before taxes (EBT)	275,888	242,257
Pre-tax loss from the sale of the majority stake in Lácteos Caprinos S.A. (included in the position "Other operating expenses" in the income statement and in Note 3 respectively)	-	14,545
Adjusted earnings before taxes (EBT)	275,888	256,802

in KCHF	2021	2020
Income taxes	-45,202	-40,637
Income tax effect on the loss on sale of the majority stake in Lácteos Caprinos S.A.	-	-378
Adjusted income taxes	-45,202	-41,015

in KCHF	2021	2020
Adjusted earnings before taxes (EBT)	275,888	256,802
Adjusted income taxes	-45,202	-41,015
Adjusted average tax rate	16.4 %	16.0 %

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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	2021	2020
Bank overdrafts	104,623	34,761
Finance lease liabilities	550	1,431
Loans	1,217	1,303
Current financial liabilities	106,390	37,495
Bank overdrafts	51,258	131,300
Finance lease liabilities	387	916
Loans	888	2,116
Bonds	499,520	299,520
Non-current financial liabilities	552,053	433,852
Financial liabilities	658,443	471,347
Cash and cash equivalents	-247,281	-294,671
Current securities	-9,287	-1,362
Non-current loans and other receivables	-12,475	-12,191
Cash and cash equivalents, current securities and interest bearing loans and other receivables	-269,043	-308,224
Net debt	389,400	163,123

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

in KCHF	2021	2020
Net debt	389,400	163,123
EBITDA	394,749	376,339
Net debt to EBITDA ratio	0.99	0.43

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	2021	2020
Cash flow from operating activities	259,906	342,570
Cash flow from investing activities	-428,659	-326,780
<i>Adding back:</i>		
Acquisition of consolidated companies	276,832	201,067
Proceeds from sale of consolidated companies	-	901
Proceeds from sale of shares in associates	-	-3,126
Free cash flow	108,079	214,632

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	2021	2020
Trade receivables	475,084	464,794
Inventories	434,844	390,126
Trade payables	-320,578	-312,946
Operating net working capital	589,350	541,974