

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 Half-year Report 2020.

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 2020 is as follows:

	First 6 months 2020	First 6 months 2019
Organic Growth	2.0%	1.6%
Acquisition effects	9.5%	-0.9%
Currency effects	-4.9%	-1.4%
Sales development in %	6.6%	-0.7%
Net Sales in CHF Mio.	1,773.5	1,663.3

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
- Write-back of negative Goodwill

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

	First 6 months 2020	First 6 months 2019 (restated)
in KCHF		
Net Profit	81,322	86,960
Minority interests	5,451	3,040
Income taxes	17,151	14,472
Financial result	7,653	3,047
Income from associates and joint ventures	443	-2,246
EBIT	112,020	105,273
Write-back of negative goodwill	-	-155
Amortisation on intangible assets	50,433	47,112
Depreciation on property, plant and equipment	5,646	7,332
EBITDA	168,099	159,562

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

	First 6 months 2020	First 6 months 2019 (restated)
in KCHF		
EBIT	112,020	105,273
Net sales	1,773,540	1,663,293
EBIT margin	6.3%	6.3%

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

	First 6 months 2020	First 6 months 2019
in KCHF		
EBITDA	168,099	159,562
Net sales	1,773,540	1,663,293
EBITDA margin	9.5%	9.6%

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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	30.06.2020	31.12.2019
Bank overdrafts	52,235	44,614
Finance lease liabilities	829	796
Loans	1,447	1,540
Current financial liabilities	54,511	46,950
Bank overdrafts	137,485	132,634
Finance lease liabilities	782	751
Loans	1,879	3,099
Bonds	299,520	300,000
Non-current financial liabilities	439,666	436,484
Financial liabilities	494,177	483,434
Cash and cash equivalents	-368,790	-378,112
Current securities	-3,248	-4,743
Non-current loans and receivables	-13,256	-11,532
Cash and cash equivalents, current securities and interest bearing loans and receivables	-385,294	-394,387
Net debt	108,883	89,047

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.

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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 2020	First 6 months 2019
Cash flow from operating activities	125,998	103,186
Cash flow from investing activities	-65,433	-47,679
<i>Adding back:</i>		
Acquisition of consolidated companies	-1,556	13,420
Purchase of shares in associates and joint ventures	-	739
Proceeds from sale of consolidated companies	-	-7,108
Proceeds from sale of shares in associates	-	-884
Free cash flow	59,009	61,674

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	30.06.2020	31.12.2019
Trade receivables	399,578	447,939
Inventories	393,423	371,879
Trade payables	-261,513	-301,449
Operating net working capital	531,488	518,369