

## 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 second edition is published together with the Annual Report 2019.

### 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 financial year 2019 is as follows:

	<b>2019</b>	<b>2018</b>
<b>Organic Growth</b>	<b>2.2%</b>	<b>2.3%</b>
Acquisition effects	0.4%	0.1%
Currency effects	-1.5%	0.4%
<b>Sales development in %</b>	<b>1.1%</b>	<b>2.8%</b>
Net Sales in CHF Mio.	3,494.0	3,457.4

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 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.

in KCHF	2019	2018
<b>Net profit</b>	<b>166,242</b>	<b>233,276</b>
Minority interests	8,972	5,073
Income taxes	34,784	50,221
Financial result	6,754	6,497
Income from associates and joint ventures	1,091	-78,343
<b>EBIT</b>	<b>217,843</b>	<b>216,724</b>
Write-back of negative goodwill	-310	-311
Amortisation on intangible assets	38,781	39,456
Depreciation on property, plant and equipment	96,598	96,973
<b>EBITDA</b>	<b>352,912</b>	<b>352,842</b>

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

in KCHF	2019	2018
EBIT	217,843	216,724
Net sales	3,493,963	3,457,412
<b>EBIT margin</b>	<b>6.2%</b>	<b>6.3%</b>

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

in KCHF	2019	2018
EBITDA	352,912	352,842
Net sales	3,493,963	3,457,412
<b>EBITDA margin</b>	<b>10.1%</b>	<b>10.2%</b>

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### Adjusted net profit

The net profit is adjusted for material non-recurring effects. An example for non-recurring effects are profits 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 2019, no such effects were noted. In 2018, the sale from the minority stake in The Icelandic Milk and Skyr Corporation "siggi's" was considered as a non-recurring effect.

in KCHF	2019	2018
Net profit	166,242	233,276
Pre-tax profit from the sale of the minority stake in "siggi's" (included in the position "Income from associates and joint ventures")	-	-79,425
Income taxes on the profit from the sale of the minority stake in "siggi's"	-	21,635
<b>Adjusted net profit</b>	<b>166,242</b>	<b>175,486</b>

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

in KCHF	2019	2018
Adjusted net profit	166,242	175,486
Net sales	3,493,963	3,457,412
<b>Adjusted net profit margin</b>	<b>4.8%</b>	<b>5.1%</b>

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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	2019	2018
Bank overdrafts	44,614	21,526
Finance lease liabilities	796	966
Loans	1,540	2,790
Bonds	-	100,000
<b>Current financial liabilities</b>	<b>46,950</b>	<b>125,282</b>
Bank overdrafts	132,634	129,948
Finance lease liabilities	751	1,092
Loans	3,099	51,729
Bonds	300,000	300,000
<b>Non-current financial liabilities</b>	<b>436,484</b>	<b>482,769</b>
<b>Financial liabilities</b>	<b>483,434</b>	<b>608,051</b>
Cash and cash equivalents	-378,112	-451,399
Current securities	-4,743	-2,500
Non-current loans and receivables	-11,532	-52,366
<b>Cash and cash equivalents, current securities and interest bearing loans and receivables</b>	<b>-394,387</b>	<b>-506,265</b>
<b>Net debt</b>	<b>89,047</b>	<b>101,786</b>

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

in KCHF	2019	2018
Net debt	89,047	101,786
EBITDA	352,912	352,842
<b>Net debt to EBITDA ratio</b>	<b>0.25</b>	<b>0.29</b>

### **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	<b>2019</b>	<b>2018</b>
Cash flow from operating activities	303,300	291,904
Cash flow from investing activities	-226,317	-5,681
<i>Adding back:</i>		
Acquisition of consolidated companies	138,342	18,514
Purchase of shares in associates and joint ventures	727	-
Proceeds from sale of consolidated companies	-5,342	-
Proceeds from sale of shares in associates	-879	-81,114
<b>Free cash flow</b>	<b>209,831</b>	<b>223,623</b>

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### 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	2019	2018
Trade receivables	447,939	424,112
Inventories	371,879	357,006
Trade payables	-301,449	-294,045
<b>Operating net working capital</b>	<b>518,369</b>	<b>487,073</b>