

Alternative Performance Measures

The Emmi Annual Report, the Emmi Half-Year Report and other communication from Emmi 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 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 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 2022 is as follows:

	First 6 months 2022	First 6 months 2021
Organic Growth	5.4%	3.7%
Acquisition effects	2.3%	3.2%
Currency effects	-0.6%	-0.7%
Sales development	7.1%	6.2%
Net Sales in CHF Mio.	2,016.5	1,883.6

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

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

in KCHF	First 6 months 2022	First 6 months 2021
Net Profit	78,134	98,685
Minority interests	2,912	8,391
Income taxes	17,191	21,159
Financial result	10,506	4,238
Income from associates and joint ventures	-105	-3,073
EBIT	108,638	129,400
Amortisation on intangible assets	6,193	4,774
Depreciation on property, plant and equipment	48,867	52,242
EBITDA	163,698	186,416

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

in KCHF	First 6 months 2022	First 6 months 2021
EBIT	108,638	129,400
Net sales	2,016,474	1,883,589
EBIT margin	5.4%	6.9%

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

in KCHF	First 6 months 2022	First 6 months 2021
EBITDA	163,698	186,416
Net sales	2,016,474	1,883,589
EBITDA margin	8.1%	9.9%

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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	30.06.2022	30.06.2021
Bank overdrafts	153,855	28,596
Finance lease liabilities	727	1,287
Loans	32	1,218
Current financial liabilities	154,614	31,101
Bank overdrafts	38,453	130,924
Finance lease liabilities	505	685
Loans	946	619
Bonds	499,520	299,520
Non-current financial liabilities	539,424	431,748
Financial liabilities	694,038	462,849
Cash and cash equivalents	-165,726	-249,924
Current securities	-2,946	-1,455
Non-current loans and receivables	-16,093	-14,776
Cash and cash equivalents, current securities and interest bearing loans and receivables	-184,765	-266,155
Net debt	509,273	196,694

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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	First 6 months 2022	First 6 months 2021
Cash flow from operating activities	53,401	100,116
Cash flow from investing activities	-107,204	-65,277
<i>Adding back:</i>		
Acquisition of consolidated companies	23,541	662
Free cash flow	-30,262	35,501

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	30.06.2022	30.06.2021
Trade receivables	459,895	430,393
Inventories	519,871	467,190
Trade payables	-335,285	-307,718
Operating net working capital	644,481	589,865