

elumeo

Explanations on
Alternative Performance Measures



Alternative Performance Measures

In its regulatory and mandatory publications, elumeo SE uses Alternative Performance Measures ("APMs"), which constitute non-GAAP measures. These performance measures are not defined in the applicable accounting standards in accordance with the International Financial Reporting Standards ("IFRS").

In the opinion of the elumeo Group, the Alternative Performance Measures represent important performance measures and useful information for the control system. The performance measures used are in general consistent with the accounting and valuation principles as applied in the annual report for the financial year ended on 31 December 2015, which was compiled in accordance with the IFRSs.

For an enhanced assessment of the asset, financial and earnings position of the elumeo Group, the performance measures should not be viewed in isolation, but rather supplementary to the earnings measures determined in accordance with the IFRSs. It should also be taken into account that the performance measures published by other companies under similar or identical names may be calculated differently and that their comparability may therefore be limited.

The elumeo Group uses the following fundamental Alternative Performance Measures:

- EBIT (Earnings before Interest and Taxes) | EBIT margin
- EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) | EBITDA margin
- EBT (Earnings before Taxes) | EBT margin
- Segment reconciliation items
- Segment EBITDA | segment EBITDA margin
- Special influences | before special influences
- Adjusted EBITDA | adjusted EBITDA margin
- Adjusted EBIT | adjusted EBIT margin
- Gross profit | gross profit margin
- Expense ratio
- Equity ratio
- Cash flow
- Cash flow from operating activities
- Cash flow from investing activities
- Cash flow from financing activities
- Working capital

The definition, use and limitations to the applicability of the Alternative Performance Measures will be explained in detail in the following.



Definitions and use

EBIT (Earnings before Interest and Taxes) | EBIT margin

EBIT is defined as earnings before interest and income taxes and is also referred to as the result of operating activities. Depreciation and amortization on non-current financial assets, property, plant and equipment and intangible assets ("depreciation and amortization on non-current assets") and, if applicable, reversal of impairment losses on non-current financial assets, property, plant and equipment and intangible assets ("write-ups on non-current assets") are included in EBIT.

EBIT is calculated from *revenue* less the items *cost of goods sold*, *selling expenses*, *administrative expenses* and *other operating expenses* plus the item *other operating income*.

The EBIT margin, expressed as a percentage, is defined as the quotient of *EBIT* and *revenue*.

EBIT and the EBIT margin, as relative performance measures, are used to explain the earnings situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) | EBITDA margin

EBITDA is defined as earnings before interest, income taxes, depreciation and amortization.

EBITDA is calculated from *EBIT* plus *depreciation and amortization on non-current assets* and, if applicable, less *write-ups on non-current assets*. EBITDA thus also represents a cash flow-oriented performance measure, since selected non-cash items are added to EBIT.

The EBITDA margin, expressed as a percentage, is defined as the quotient of *EBITDA* and *revenue*.

EBITDA and the EBITDA margin, as relative performance indicators, are used to explain the earnings situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.

EBT (Earnings before Taxes) | EBT margin

EBT is defined as earnings before income taxes.

EBT is calculated from *EBIT* less *financial result*.

The EBT margin, expressed as a percentage, is defined as the quotient of *EBT* and *revenue*.

EBT and the EBT margin, as relative performance measures, are used to explain the earnings situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.



Segment reconciliation items

For an enhanced assessment and period comparability of the operating performance of the elumeo Group's reportable segments in detail, selected earnings positions may be adjusted for so-called segment reconciliation items. Where applicable, a separate reconciliation statement is presented in the respective regulatory and mandatory publication, which illustrates the composition of the non-operational segment reconciliation items and the reconciliation of the relevant segment performance measure to the earnings positions of the elumeo Group.

Segment EBITDA | segment EBITDA margin

The elumeo Group uses segment EBITDA as a key performance measure of the internal control system in order to assess the operating financial performance of the reportable segments in detail and to be able to compare their performance over different periods. Segment EBITDA represents the share of earnings before interest, taxes, depreciation and amortization, which is attributable to the ordinary operating business of a particular segment.

Segment EBITDA is generally defined as *EBITDA of the reportable segment* after adjustment for *segment reconciliation items*. In assessing the operating performance of the segments, the following segment reconciliation items are generally identified as non-operational items:

- gains or losses from the disposal of non-current assets,
- gains or losses from foreign currency translation,
- impairment losses and writes-downs and gains from the reversal of impairments of assets,
- acquisition-related expenses, depreciation and income,
- transaction costs of equity transactions,
- expenses for share-based remunerations as well as
- by type and amount, one-time or non-recurring or extraordinary expenses, revenues and income (one-time effects) outside ordinary business operations (e.g. restructuring, business relocation, insurance cases, litigation), whose values can be unambiguously determined and taken directly from the accounting.

In determining the segment EBITDA, selected transactions are reclassified or eliminated between the reportable segments in such a way as if the relevant expenses and income had already been reported, economically in accordance with the principle of causation, under the relevant expense and income positions of the respective segment. In addition, the remaining gross profits of the Group's production and supply companies, which arise from intra-Group supply and service relations, are allocated to the individual segments.

The segment EBITDA margin, expressed as a percentage, is defined as the quotient of *segment EBITDA* and *segment-specific revenue*.

Segment EBITDA and the segment EBITDA margin, as relative performance measures, are used to explain the earnings situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.



Special influences | before special influences

For an enhanced assessment and period comparability of the operating performance of the elumeo Group as a whole, selected earnings positions may be adjusted for so-called special influences and marked "before special influences" or "adjusted." Where applicable, a separate reconciliation statement is presented in the respective regulatory and mandatory publication, which illustrates the composition of the special influences and the reconciliation of the relevant performance measure before special influences to the earnings positions of the elumeo Group.

Adjusted EBITDA | adjusted EBITDA margin

The elumeo Group uses adjusted EBITDA as a key performance measure of the internal control system in order to assess the operating financial performance of the elumeo Group as a whole and to compare its performance over different periods. Adjusted EBITDA represents the share of earnings before interest, taxes, depreciation and amortization, which is attributable to the ordinary operating business of the elumeo Group.

Adjusted EBITDA is generally defined as *EBITDA before special influences*. In assessing the operating performance, the same non-operational items as in the determination of segment EBITDA are identified as special influences. In addition to this general rule, additional items derived from accounting may be adjusted as special influences to the extent to which this may be necessary to derive a key performance measure that is suitable for internal control purposes in order to assess the operating performance of the elumeo Group as a whole.

As a result, the adjusted EBITDA of the elumeo Group may be identical to the total segment EBITDA of the reportable segments. For a clear separation of terms, the performance measure "special influences" in connection with the adjusted earnings measures of the elumeo Group and "segment reconciliation items" in connection with the earnings measures of the reportable segment were defined.

The adjusted EBITDA margin, expressed as a percentage, is defined as the quotient of *adjusted EBITDA* and *revenue*.

Adjusted EBITDA and the adjusted EBITDA margin, as relative performance measures, are used to explain the earnings situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.

Adjusted EBIT

Adjusted EBIT is calculated from *adjusted EBITDA* less *depreciation and amortization on non-current assets* and, if applicable, plus *write-ups on non-current assets*.

The adjusted EBIT margin, expressed as a percentage, is defined as the quotient of *adjusted EBIT* and *revenue*.

Adjusted EBIT and the adjusted EBIT margin, as relative performance measures, are used to explain the earnings situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.



Gross profit

Gross profit is calculated from *revenue less cost of goods sold*.

The gross profit margin, expressed as a percentage, is defined as the quotient of *gross profit* and *revenue*.

Gross profit and the gross profit margin, as relative performance measures, are used to explain the earnings situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.

Within the scope of segment reporting, the items revenue, cost of goods sold, gross profit and gross profit margin are superseded by their corresponding segment-specific figures.

Expense ratio

Expense ratios in general, expressed as a percentage, are defined as the quotient of a *specific expense figure* and *revenue*. In principle, the numerator (expense figure) can be defined differently, but will, within the scope of the regulatory and mandatory publication of the elumeo Group, often refer to the items cost of goods sold, selling expenses, administrative expenses and other operating expenses or selected cost components contained therein.

The various expense ratios, as relative performance measures, are used to explain the earnings situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.

Equity ratio

The equity ratio, expressed as a percentage, is defined as the quotient of *balance sheet equity* and *total equity & liabilities* (balance sheet total).

The equity ratio, as a relative performance measure, is used to explain the asset and liability situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.

Cash flow

Cash flow is an economic measure which shows the net inflow of cash and cash equivalents (also cash inflow) or the net outflow (also cash outflow) respectively during a period.

Cash flow serves as a profit indicator and, as a relative performance measure, is used to explain the liquidity situation of the elumeo Group, including in particular also its development when compared over different periods as well as externally.



Cash flow from operating activities

The cash flow from operating activities is an economic measure that shows the cash inflow or cash outflow from operating activities. It is calculated according to the indirect method from *EBIT* plus (+) or less (-):

- *depreciation and amortization on non-current assets (+),*
- *write-ups on non-current assets (-),*
- *net increase (+) or net decrease (-) in provisions,*
- *equity-settled share-based remuneration (+),*
- *net losses (+) or net gains (-) from the disposal of non-current assets,*
- *other non-cash net expenses (+) or net income (-),*
- *proceeds from interest income (+),*
- *interest expenses paid (-),*
- *proceeds from income tax refunds (+),*
- *income taxes paid (-),*
- *net increase (-) or net decrease (+) in inventories,*
- *net increase (-) or net decrease (+) in other assets as well as*
- *net increase (+) or net decrease (-) in other liabilities.*

Alternatively, the cash flow from operating activities may be determined by using *EBT*. In this case, *EBT* is increased by *non-cash interest expenses* and reduced by *non-cash interest income*. In the following, the cash flow is determined in the same way as by using *EBIT* as the starting point.

The cash flow from operating activities, as a relative performance measure, is used to assess the internal financing capability of the elumeo Group, including in particular also its development when compared over different periods as well as externally.

Cash flow from investing activities

Cash flow from investing activities is an economic measure that summarizes the *payments for investments in non-current assets* and the *proceeds from sale of non-current assets*.

If liabilities arising from the acquisition or receivables arising from the sale of non-current assets are due for payment in a subsequent period, the cash flow will deviate from the elumeo Group's presentation of the development of non-current assets.

Cash flow from investing activities, as a relative performance measure, is used to assess the elumeo Group's capability to make replacement and expansions investments, including in particular also its development when compared over different periods as well as externally.



Cash flow from financing activities

Cash flow from financing activities is an economic measure that reflects the changes in equity and debt financing. It is calculated from:

- *proceeds from capital increases* plus
- *proceeds from the exercising of stock option rights* less
- *dividend payments* plus
- *proceeds from the increase in financial debt and other financial liabilities* less
- *payments for the redemption of financial debt, other financial liabilities and liabilities from finance leases.*

Current account bank overdrafts that are regularly used as short-term financing instruments are included as negative components in the cash and cash equivalents.

Cash flow from financing activities, as a relative performance measure, is used to assess the capability of the elumeo Group to distribute profits to shareholders and to redeem its financial debt and other financial obligations, including in particular also their development when compared over different periods as well as externally.

Working Capital

Working capital is calculated from the *total current assets* (before cash and cash equivalents including deferred expenses) less current liabilities from *provisions, liabilities due to related parties, trade payables* and *other non-financial liabilities* (including deferred income, where applicable).

Working capital is a liquidity indicator and, as a relative performance measure, serves to explain the financial and asset position of the elumeo Group, including in particular also their development when compared over different periods as well as externally.



Limitations to applicability

An isolated consideration of individual performance measures cannot ensure a fair and reliable assessment of the asset, financial and earnings position of the elumeo Group. Therefore, the performance measures of the elumeo Group must always be considered as a whole and in combination with one another as well as in particular supplementary to the earnings positions and performance measures determined in accordance with the IFRSs.

In principle, performance measures represent purposive information. In order to prevent misinterpretations, the performance measures must be critically examined with respect to their respective informational or analytical purpose.

The expense and income positions of the elumeo Group may generally be affected by special influences, one-time or foreign currency translation effects. In any such case, the consideration of certain performance measures may not be conclusive, so that a fair and reliable assessment of the operating financial performance or the profitability of the elumeo Group as a whole or the reportable segments in detail may only be obtained by taking into consideration additional performance measures.

The performance measures constitute relative performance indicators. Their informative value may be limited if assessed from a static view and may only evolve if compared over different periods as well as externally with the performance measures of other market participants.

In addition it must be emphasized, that the earnings positions and performance measures disclosed by other companies under similar or identical names, may be calculated differently due to differences in the interpretation and application of accounting and valuation principles, the general design of the internal control system or the establishment of criteria for the adjustment of earnings positions. As a result, the external comparability of the earnings positions and performance measures of the elumeo Group may be limited.

In principle, performance measures may be subject to fluctuations, which cannot or can only to some extent be managed by the elumeo Group, such as foreign currency risks as well as market and price risks. Since adjustments of such fluctuations may not be practicable (e.g. translation risk from translation of foreign subsidiaries), the comparability of the performance measures over different periods may be limited.

The mere use of historical performance measures is not suitable for deriving forward-looking statements and forecasts, because future developments depend on a variety of factors, risks and uncertainties and require assumptions, which may deviate from the earnings positions, performance measures and experiences of the past or which may prove incorrect.

In cases where forward-looking performance measures are used, such as earnings forecasts, these measures can potentially not be reconciled to the earnings positions of the elumeo Group, since it is in the nature of things that they have not been derived from the consolidated financial statements compiled in accordance with the IFRSs.



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