Alternative performance measures of the KPS Group

The KPS Group's management report and its financial statements are drawn up according to the applicable IFRS accounting standards. In addition to the information and figures required by these standards, KPS also publishes alternative performance measures (APM) which are not subject to these regulations and for which there are no generally accepted reporting standards. KPS produces the APMs in order to enable comparability of the key performance indicators over the course of time and by sector. Certain changes are made to the balance sheet and profit and loss positions drawn up according to the applicable accounting standards. The changes may result from different methods of calculation and valuation, uneven business activities and special effects which have an impact on the validity of these positions. The alternative performance measures calculated in this way apply to all periods and are used both internally for business management and externally for the assessment of the company's performance by analysts, investors and ratings agencies. KPS produces the following APMs:

- Change in revenues
- EBIT
- EBIT margin
- EBITDA
- EBIT (adjusted)
- Equity ratio
- Cashflow
- Operating cashflow
- Cashflow from investing activities
- Cashflow from financing activities

The **change in revenues** is a relative figure. It indicates the percentage change in revenues compared to the previous year.

Earnings before interest and taxes (**EBIT**) shows a company's operating result excluding the influence of effects from international non-uniform tax systems and various financing activities. EBIT is calculated as follow:

EBIT reconciliation statement

Earnings before taxes
+ / - financial result (financial income, financial expenditure)
= EBIT

The **EBIT margin** is calculated based on EBIT in relation to revenues.

Earnings before interest, taxes, depreciation and amortization (**EBITDA**) is a performance indicator which neutralizes – as well as the financial result – the distortive effects on operational business activities resulting from various amortization methods and valuation ranges. EBITDA is calculated on the basis of EBIT plus the income-statement-related depreciation and amortization recorded in the period or minus the reversal of impairment loss of intangible assets and property, plant and equipment.

EBITDA reconciliation statement

EBIT
+ / - depreciation / amortization / reversal of impairment loss of intangible assets and property, plant and equipment
= EBITDA

EBIT (adjusted) shows the performance of the operating result excluding the influence of depreciation from merger and acquisition processes. EBIT is increased by this depreciation in the calculation of this indicator.

The equity ratio indicates the proportion that equity capital makes up of overall capital.

$$\frac{\text{Equity capital}}{\text{Overall capital}} \quad X\ 100$$

The **cashflow** shows the net inflow of liquid funds over a period.

The **operating cashflow** shows the influx of funds from current business activities over a period.

operating cashflow

Annual profit
- non-cash income
+ non-cash expenditure
= operating cashflow

Cashflow from investing activities is disbursal on the acquisition of fixed assets and the income from the disposal of fixed assets over a period.

The **cashflow from financing activities** shows how investments in the reporting period were financed.

Cashflow from financing activities

Equity injections
- dividend payments
+inflow from outside creditors (e.g. loans)
- repayments on loans
= cashflow from financing activities