

Alternative performance measures to be used in Asiakastieto Group's financial reporting

The new guidelines of the European Securities and Markets Authority, ESMA for alternative performance measures¹ become effective for the financial year 2016. In accordance with this, Asiakastieto Group Plc publishes the explanation of the use of alternative performance measures used by the company, definitions of the performance measures used and reconciliation with the IFRS financial statement.

Asiakastieto Group Plc discloses alternative performance measures to depict the financial development of its business operations and to improve comparability between different periods. Alternative measures should not be considered replacing indicators compared to the performance measures defined in the IFRS financial statements norms.

Alternative performance measures i.e. performance measures not based on financial statements standards provide meaningful supplemental information to management and investors, security analysts and other interested parties regarding the Company by excluding items that may not be indicative of the operating result or cash flows of the Group. EBITDA, adjusted EBITDA, adjusted EBIT, return on equity, return on capital employed and gross investments are presented as alternative performance measures as the Company believes they enhance an understanding of the Group's operating performance and are frequently used by securities analysts, investors and other interested parties.

Free cash flow and cash conversion are presented as alternative performance measures as the Company believes they provide a good representation of the operational cash flow needs of the Group and are frequently used by securities analysts, investors and other interested parties.

Net debt, net debt to adjusted EBITDA, equity ratio and gearing are presented as alternative performance measures as the Company believes they are useful indicators of the Group's ability to obtain financing and service its debts and are frequently used by securities analysts, investors and other interested parties.

Certain business transactions, which are not part of the actual business operations or asset impairments, which do not have an impact on the cash flow, but which do have a significant impact on the profit and loss statement of the period, have been adjusted as items impacting the comparability, if they are caused by:

- profit from the sale of office premises as non-recurring transaction
- negotiated redundancy payments not part of the operative cost structure
- compensations for damages as non-recurring transactions
- legal proceedings as non-recurring transactions
- management fees omitted permanently from the Group's cost structure
- the Company's listing as non-recurring transaction
- discount for the personnel in the personnel offering in connection with the listing as non-recurring transaction

¹ Alternative measures refer to a financial measures, which is some other than the financial measure defined or titled in the IFRS norms.

Alternative performance measures are defined in the following way:

- *EBITDA*
EBITDA is calculated as profit (loss) for the period before (i) income tax expenses, (ii) finance income and expenses and (iii) depreciation and amortisation.
- *Adjusted EBITDA*
Adjusted EBITDA is calculated as EBITDA excluding (i) the management fees that have been payable by the Company to its former owner Investcorp for advisory services since the Company acquired the former parent company of Suomen Asiakastieto Oy in 2008 and which will no longer be incurred following the listing, (ii) expenses incurred in connection with the listing, (iii) legal and other advisers' fees, (iv) severance payments, (v) paid damages and (vi) the cost effect of the discount obtained by the personnel in the personnel offering.
- *Adjusted EBIT*
Adjusted EBIT is calculated as operating profit (EBIT) excluding (i) the management fees that have been payable by the Company to its former owner Investcorp for advisory services since the Company acquired the former parent company of Suomen Asiakastieto Oy in 2008 and which will no longer be incurred following the listing, (ii) expenses incurred in connection with the listing, (iii) legal and other advisers' fees, (iv) severance payments, (v) paid damages and (vi) the cost effect of the discount obtained by the personnel in the personnel offering.
- *Net sales from new products and services*
New products and services is an important growth driver in the business and consumer market. The impact of new products and services is especially strong in weak economic times as they help to offset the impact of weak economy on the sales of existing products and services. New products and services either substitute or improve existing products and services. They are often more sophisticated compared to existing products and services or they are used to address white spaces in the market. The development of new products and services is driven both by customers' needs as well as identification of opportunities by service providers. The Company believes that the Finnish business and consumer information market is somewhat undeveloped compared to many other European countries, and there is potential for new products and services.
- *Net sales from value-added services*
Net sales from value-added services is calculated as net sales from services customised for specific purposes or include intelligent functionalities, such as credit scores or decision-making systems. Examples of value-added services include combined packages of data, standardised scoring and decision-making services and outsourced solutions hosted by Asiakastieto Group. It is not possible to categorize part of the Group's net sales into processed services or basic data services, e.g. due to subscription fees or fixed-priced customer agreements covering the entire product and service range of the Group. These are not calculated in the net sales from value-added services.
- *Free cash flow*
Free cash flow is calculated as net cash generated in operating activities before (i) interest and other finance expenses paid, (ii) interest and other finance income received and (iii) income taxes paid, deducted by (iv) purchases of tangible assets and intangible assets.
- *Cash conversion*
Cash conversion is calculated by dividing free cash flow by EBITDA.
- *Net debt*
Net debt is calculated as difference between interest-bearing debts and cash and cash equivalents. Interest-bearing debts include loans from financial institutions (current and non-current loans) and cash and cash equivalents include short-term deposits, cash funds and bank accounts.

- *Net debt to adjusted EBITDA*
Net debt to adjusted EBITDA is calculated as net debt divided by adjusted EBITDA.
- *Return on equity*
Return on equity is calculated as (i) profit (loss) for the period divided by (ii) average total equity for the period.
- *Return on capital employed*
Return on capital employed is calculated as (i) profit (loss) before taxes plus financial expenses divided by (ii) average of total assets less non-interest bearing liabilities for the opening and the closing balance for the period.
- *Gearing*
Gearing is calculated as net debt divided by total equity.
- *Equity ratio*
Equity ratio is calculated as (i) total equity divided by (ii) total assets less advances received.
- *Gross investments*
Gross investments are acquisitions of fixed assets with long-term effects, from which sales of property or business divestments have not been deducted. Fixed assets mainly comprises tangible assets, intangible assets as well as investments and non-current receivables.

Alternative performance measures as such are not included in the consolidated financial statements prepared in accordance with IFRS but they are derived from the IFRS consolidated financial statements or interim reports by adjusting the line items of the primary statements or notes and/or by calculating relations among the measures. Alternative performance measures should not be considered as an alternative to (i) operating profit (EBIT) or profit (loss) for the period as a measure of operating performance, (ii) cash flow from operating, investing or financing activities as a measure of the ability to meet the cash needs, or (iii) any other measures of performance under IFRS, or as measures of profitability and liquidity. Because all companies do not calculate alternative performance measures on a consistent basis, the alternative performance measures used by the Company may not be comparable to similarly titled measures used by other companies. Accordingly, the alternative performance measures used by the Company should be viewed by taking into consideration the factors that may have an impact on the comparability of equivalent financial measures used by other companies.

Formulas for performance measures:

EBITDA	EBIT + Depreciation and amortisation
Adjusted EBITDA	EBITDA + (i) the management fees that have been payable by the Company to its former owner Investcorp for advisory services since the Company acquired the former parent company of Suomen Asiakastieto Oy in 2008 and which will no longer be incurred following the listing, (ii) expenses incurred in connection with the listing, (iii) legal and other advisers' fees, (iv) severance payments, (v) paid damages and (vi) the cost effect of the discount obtained by the personnel in the personnel offering.
Adjusted EBIT	EBIT + (i) the management fees that have been payable by the Company to its former owner Investcorp for advisory services since the Company acquired the former parent company of Suomen Asiakastieto Oy in 2008 and which will no longer be incurred following the listing, (ii) expenses incurred in connection with the listing, (iii) legal and other advisers' fees, (iv) severance payments, (v) paid damages and (vi) the cost effect of the discount obtained by the personnel in the personnel offering.
Net sales from new products and services	Net sales from new products and services is calculated as net sales of products and services introduced within past 12 months, added by the change in net sales of products and services introduced within 12 months preceding this period.
Net sales from value-added services	Net sales generated from value-added services during the period
Free cash flow	Cash flows before change in working capital +/- Change in working capital – Capital expenditure on tangible assets – Capital expenditure on intangible assets
Cash conversion, %	$\frac{\text{Free cash flow}}{\text{EBITDA}} \times 100$
Net debt	Interest-bearing liabilities – Cash and cash equivalents
Net debt to adjusted EBITDA, x	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$
Return on equity, %	$\frac{\text{Profit (loss) for the period}}{\text{Total equity (average for the period)}} \times 100$
Return on capital employed, %	$\frac{\text{Profit (loss) before taxes + Financial expenses}}{\text{Total assets – Non-interest-bearing liabilities (average for the period)}} \times 100$
Gearing, %	$\frac{\text{Interest-bearing liabilities – Cash and cash equivalents}}{\text{Total equity}} \times 100$
Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets – Advances received}} \times 100$
Gross investments	Acquisitions of fixed assets with long-term effects, from which sales of property or business divestments have not been deducted. Fixed assets mainly comprises tangible assets, intangible assets as well as investments and non-current receivables.

The tables below illustrate the matching of the performance measures adjusted EBIT, adjusted EBITDA and free cash flow to the closest IFRS measure:

Adjusted EBIT						
EUR thousand	Q1 2016	2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
EBIT	5 030	15 767	4 854	4 436	4 362	2 115
Management fees	-	25	-	-	-	25
IPO expenses	-	2 079	-	-	119	1 960
Discount related to personnel offering	-	151	-	-	-	151
Legal and other advisers' fees, severance payments and paid damages	12	269	-	6	228	35
Adjusted EBIT	5 042	18 290	4 854	4 441	4 709	4 286

EBITDA and adjusted EBITDA						
EUR thousand	Q1 2016	2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
EBIT	5 030	15 767	4 854	4 436	4 362	2 115
Depreciation and amortisation	586	2 259	538	576	559	586
EBITDA	5 616	18 026	5 392	5 011	4 921	2 701
Management fees	-	25	-	-	-	25
IPO expenses	-	2 079	-	-	119	1 960
Discount related to personnel offering	-	151	-	-	-	151
Legal and other advisers' fees, severance payments and paid damages	12	269	-	6	228	35
Adjusted EBITDA	5 629	20 549	5 392	5 017	5 268	4 872

Free cash flow						
EUR thousand	Q1 2016	2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net cash generated in operating activities	5 295	15 314	4 700	3 967	2 798	3 849
Interests and other finance expenses paid	267	1 266	281	328	335	321
Interests and other finance income received	0	-4	-2	-1	-1	0
Purchases of tangible and intangible assets	-1 605	-2 789	-311	-438	-1 198	-842
Free cash flow	3 957	13 787	4 667	3 857	1 935	3 328

The matching of the performance measures presented in the tables are unaudited. The amounts presented are rounded, so the sum of individual figures may differ from the sum reported. The amounts are consolidated figures.

For the part of other alternative performance measures than the ones presented above (excluding net sales from value-added services and net sales from new products and services), the performance measures are calculated from the items of the Consolidated statement of comprehensive income and the Consolidated statement of financial position in accordance with the formulas.