

# Alternative Performance Measures

Scatec Solar discloses alternative performance measures (APMs) in addition to those normally required by IFRS. This is based on the Group's experience that APMs are frequently used by analysts, investors and other parties for supplemental information.

The purpose of APMs is to provide an enhanced insight into the operations, financing and future prospect of the Group. Management also uses these measures internally to drive performance in terms of long-term target setting. APMs are adjusted IFRS measures that are defined, calculated and used in a consistent and transparent manner over the years and across the Group where relevant.

Financial APMs should not be considered as a substitute for measures of performance in accordance with IFRS. Disclosures of APMs are subject to established internal control procedures.

## Definition of alternative performance measures used by the Group for enhanced financial information

**Cash flow to equity:** is a measure that seeks to estimate value creation in terms of the Group's ability to generate funds for equity investments in new solar power plant projects and/or for shareholder dividends over time. Management believes that the cash flow to equity measure provide increased understanding of the Group's ability to create funds from its investments. The measure is defined as EBITDA less net interest expense, normalised loan repayments and normalised income tax payments. The definition excludes changes in net working capital, investing activities and fair value adjustment of first-time recognition of joint venture investments. Normalised loan repayments are calculated as the annual repayment divided by four quarters for each calendar year. However, loan repayments are normally made bi-annually. Loan repayments will vary from year to year as the payment plan is based on a sculpted annuity. Net interest expense is here defined as interest income less interest expenses, excluding shareholder loan interest expenses and accretion expenses on asset retirement obligations. Normalised income tax payment is calculated as operating profit (EBIT) less normalized net interest expense multiplied with the nominal tax rate of the jurisdiction where the profit is taxed.

**EBITDA:** is defined as operating profit adjusted for depreciation, amortisation and impairments.

**EBITDA margin:** is defined as EBITDA divided by total revenues and other income.

**Gross profit:** is defined as total sales revenue including net gain/loss from sale of project assets and net gain/loss from associates minus the cost of goods sold (COGS). The measurement of gross profit is used to measure project profitability in the D&C segment. Refer to note 4 Operating Segments for further details.

**Gross interest-bearing debt:** is defined as the Group's total debt obligations and consists of non-current and current external non-recourse financing and external corporate financing, irrespective of its maturity as well as bank overdraft and discounted notes.

**Net interest-bearing debt (NIBD):** is defined as total interest-bearing debt, less cash and cash equivalents. NIBD does not include shareholder loans.

**Net working capital** includes trade- and other receivables, other current assets, trade- and other payables, income tax payable, other current liabilities and intercompany receivables and payables.

**SSO Proportionate Financials:** Calculates proportionate revenues and profits for Scatec Solar based on its economic interest in the subsidiaries. The Group introduced SSO Proportionate Financials as the Group is of the opinion that this method improves earnings visibility. For further description of the proportionate financials as well as a reconciliation between proportionate financials and the consolidated financials please refer to note 4 Operating segments.

## Reconciliation of Alternative Performance Measures (consolidated figures)

NOK million	2019	2018
<b>EBITDA</b>		
Operating profit (EBIT)	874	629
Depreciation, amortisation and impairment	512	273
EBITDA	1,386	902
Total revenues and other income	1,783	1,213
EBITDA margin	78%	74%
<b>Gross profit</b>		
Total revenues and other income	1,783	1,213
Cost of sales	-	-
Gross profit	1,783	1,213
<b>Gross interest-bearing debt</b>		
Non-recourse project financing	12,228	8,643
Bonds	745	743
Non-recourse project financing - current	837	364
Gross interest-bearing debt	13,810	9,750
<b>Net interest-bearing debt</b>		
Gross interest-bearing debt	13,810	9,750
Cash and cash equivalents	2,824	3,303
Net interest-bearing debt	10,986	6,447
<b>Net working capital</b>		
Trade and other receivables	461	279
Other current assets	1,211	711
Trade and other payables	-888	-162
Income tax payable	-92	-34
Other current liabilities	-902	-1,230
Non-recourse project financing-current	-837	-364
Net working capital	-1,047	-799

## Break-down of proportionate cash flow to equity

2019					
NOK million	Power Production	Operation & Maintenance	Development & Construction	Corporate	Total
Proportionate EBITDA <sup>1)</sup>	994	45	589	-58	<b>1,571</b>
Net interest expenses	-333	2	4	-61	<b>-388</b>
Normalised loan repayments	-229	-	-	-	<b>-229</b>
Normalised income tax payment	-55	-10	-122	27	<b>-159</b>
Cash flow to equity	376	37	471	-91	<b>794</b>

2018					
NOK million	Power Production	Operation & Maintenance	Development & Construction	Corporate	Total
Proportionate EBITDA <sup>1)</sup>	492	34	488	-53	<b>961</b>
Net interest expenses	-162	-	3	-58	<b>-217</b>
Normalised loan repayments	-136	-	-	-	<b>-136</b>
Normalised income tax payment	-38	-8	-108	26	<b>-127</b>
Cash flow to equity	157	26	383	-85	<b>481</b>

1) Refer to Note 4 Operating Segments