Alternative Performance Measures

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

The purpose of APM's 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. APM's 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 the IFRS. Disclosures of APMs are subject to established internal control procedures.

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

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

EBIT: is defined as earnings before interest and tax and corresponds to operating profit in the consolidated statement of profit or loss.

EBIT margin: is defined as EBIT divided by total revenues and other income

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

Scatec Solar's proportionate share: is defined as the equity holders of the parent company's proportionate share of revenues, expenses, profits and cash flows from fully and equity consolidated investments.

Project equity: is defined as equity and shareholder loans.

Cash in power plant companies in operation: is defined as restricted cash in proceed accounts, debt service reserve accounts, disbursements accounts, maintenance and insurance reserve accounts and similar. These cash and cash equivalents are only available to the Group through distribution as determined by shareholder and non-recourse financing agreements.

Cash in power plant companies under development/construction: comprise shareholder financing and draw down on term loan facilities by power plant companies to settle outstanding external EPC invoices.

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 gain project sale: is defined as sales revenue less costs from sale of project assets.

Gross margin: 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) divided by total sales revenue, expressed as a percentage. The gross margin represents the percentage of total sales revenue that the Group retains after incurring the direct costs associated with producing the goods and services.

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.

Book equity ratio: is defined as total equity divided by total assets.

SSO Proportionate Financials: calculates revenues and profits for Scatec Solar based on the proportionate equity ownership in its subsidiaries without eliminations. The Group introduced SSO Proportionate Financials as the Group is of the opinion that this method improves earnings visibility. The consolidated revenues and profits are mainly generated in the Power Production segment. Activities in Operation & Maintenance and Development & Construction segment mainly reflect deliveries to other companies controlled by Scatec Solar (with from 39% to 100% ownership), for which revenues and profits are eliminated in the Consolidated Financial Statements.

Below is the reconciliation between SSO Proportionate Financial and consolidated financials for the Group:

FY 2017

	SSO PROPORTIONATE FINANCIALS	RESIDUAL OWNER SHIP INTERESTS	ELIMINATIONS	CONSOLIDATED FINANCIALS
Revenues	1,295.2	561.6	-735.8	1,121,1
Net gain/(loss) from sale of project assets	377.8	-	-	377.8
Net income/(loss) from associates	-5.4	2.1	-4.1	-7.4
Total revenues and other income	1,668.2	563.1	-739.9	1,491.5
Cost of sales	-612.0	21.8	590.2	-
Gross profit	1,056.2	584.9	-149.6	1,491.5
Operating expenses	-263.9	-67.5	81.3	-250.2
EBITDA	792.3	517.4	-68.4	1,241.3
Depreciation, amortisation and impairment	-160.4	-154.4	66.8	-248.1
Operating profit (EBIT)	631.8	363.0	-1.6	993.2
Profit/(loss)	325.9	120.1	-8.1	437.9
Net interest bearing debt	2.013	2,129	216	4,358

FY 2016

	SSO PROPORTIONATE FINANCIALS	RESIDUAL OWNER SHIP INTERESTS	ELIMINATIONS	CONSOLIDATED FINANCIALS
Revenues	1,169.0	512.7	-668.8	1,012.9
Net gain/(loss) from sale of project assets	8.3	-	67.1	75.4
Net income/(loss) from associates	-3.4	-	-	-3.4
Total revenues and other income	1,173.9	512.7	-601.7	1,084.9
Cost of sales	-539.6	-	539.6	0.0
Gross profit	634.3	512.7	-62.1	1,084.9
Operating expenses	-257.9	-63.7	69.7	-251.9
EBITDA	376.4	449.0	7.7	833.0
Depreciation, amortisation and impairment	-229.6	-135.8	95.4	-270.1
Operating profit (EBIT)	146.8	313.1	103.1	563.0
Profit/(loss)	-83.5	90.2	63.8	70.5
Net interest bearing debt	1,918	2,024	-	3,942

Cash flow to equity: is a measure that seeks to estimate value creation in terms of the company's ability to generate funds for equity investments in new solar power plant projects and/or for shareholder dividends over time. The measure is defined as EBITDA less normalised loan and interest repayments, less 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.

Net interest expense: is defined as interest income less interest expenses, excluding shareholder loan interest expenses and accretion expenses on asset retirement obligations.

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.

Normalised income tax payment: calculated as operating profit (EBIT) less normalized net interest expense multiplied with the nominal tax rate of the jurisdiction where the profit is taxed.

FY 2017

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL
EBITDA	973.2	27.5	159.7	-49.8	1,110.6
Net Interest expenses	-380.9	0.6	3.4	-36.5	-413.4
Normalised loan repayments	-232.6	-	-	-	-232.6
Normalised income tax payment	-67.2	-6.6	3.7	21.0	-49.0
Cash flow to equity	292.5	21.5	-12.3	-16.7	47.2
SSO average shareholding	49%	100%	100%	100%	
SSOs cash flow to equity	142.4	21.5	166.8	65.3	265.5

FY 2016

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL
EBITDA	853.4	31.6	-12.2	-47.4	825.4
Net Interest expenses	-386.5	-0.1	1.9	-37.0	-421.7
Normalised loan repayments	-232.7	-	-	-	-232.7
Normalised income tax payment	-41.6	-7.0	5.0	20.4	-23.2
Cash flow to equity	192.5	24.5	-5.3	-63.9	147.8
SSO average shareholding	77%	100%	100%	100%	
SSOs cash flow to equity	148.3	24.5	-5.3	-63.9	103.5

Definitions of financial covenants terms

Debt to Capitalisation Ratio: is defined as the Gross Debt of the Recourse Group divided by the Capitalization of the Recourse Group.

Cash Flow Interest Coverage Ratio: is defined as, for any Relevant Period, the Issuer`s aggregate Cash Flow to Equity from Power Production, O&M and Corporate (as reported in the Issuer`s quarterly statements and for Corporate adjusted by adding back any Net Interest Costs already deducted) divided by the Net Interest Costs of the Recourse Group.

Recourse Group: is defined as all entities in the Group, excluding the Solar Park Companies (each a Recourse Group Company).