

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

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

Book equity: is the total book equity of the recourse group less investments in subsidiaries within the recourse group at the end of any relevant period and in accordance with IFRS. In case a subsidiary is not wholly owned, the book equity of that subsidiary is adjusted to reflect the issuer's pro rate ownership of the book equity in that subsidiary.

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

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. The measure is defined as EBITDA less normalized loan and interest repayments, less normalized 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. See table below for a detailed specification of cash flow to equity.

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.

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) 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 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 normalised net interest expense multiplied with the nominal tax rate of the jurisdiction where the profit is taxed.

Scatec Solar's economic interest: Scatec Solar's share of the total estimated economic return from its subsidiaries. For projects in development and construction the economic interest is subject to change from the development of the financial model.

SSO Proportionate Financials: From first quarter 2018 the segment financials have been reported on a proportionate basis in line with how the management team assesses the segment performance. With proportionate financials Scatec Solar reports its share of revenues, expenses, profits and cash flows from its subsidiaries without eliminations, based on Scatec Solar's economic interest in the subsidiaries. The Group uses proportionate financials to improve transparency on underlying value creation across Scatec Solar's business activities. The consolidated revenues and profits, on the other hand, 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 43.4% to 100% ownership), for which revenues and profits are eliminated in the Consolidated Financial Statements.

A reconciliation between SSO Proportionate Financials and the consolidated financials for the Group is included in note 3 Operating segments.

Break-down of proportionate cash flow to equity

FY 2018

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL
EBITDA	492	33	488	-53	961
Net interest expenses	-162	-	3	-58	-217
Normalized loan repayments	-136	-	-	-	-136
Normalized income tax payments	-38	-8	-108	26	-127
Cash flow to Equity	157	26	383	-85	481

FY 2017

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL
EBITDA	454	28	361	-50	792
Adjustments ¹⁾	-	-	-201	-	-201
EBITDA adjusted	454	28	160	-50	592
Net interest expenses	-171	1	3	-37	-203
Normalized loan repayments	-113	-	-	-	-113
Normalized income tax payments	-28	-7	4	21	-10
Cash flow to Equity	142	22	167	-65	265

1) Adjustments include changes in net working capital, investing activities and fair value adjustment of first-time recognition of joint venture investments.

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).