# Alternative Performance Measures

Scatec 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 provides 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, non-recurring fees and accretion expenses on asset retirement obligations. Normalised income tax payment is calculated as operating profit (EBIT) less normalised 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.

EBITDA and EBITDA margin are used for providing consistent information of operating performance which is comparable to other companies and frequently used by other stakeholders.

**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, and other current liabilities.

**Proportionate Financials:** The group's segment financials are reported on a proportionate basis. The consolidated revenues and profits are mainly generated in the Power Production segment. Activities in Services and Development & Construction segment mainly reflect deliveries to other companies controlled by Scatec (with from 39% to 100% economic interest), for which revenues and profits are eliminated in the Consolidated Financial Statements. With proportionate financials Scatec reports its share of revenues, expenses, profits and cash flows from its subsidiaries without eliminations based on Scatec's economic interest in the subsidiaries. The Group introduced Proportionate Financials as the Group is of the opinion that this method improves earnings visibility. The key differences between the proportionate and the consolidated IFRS financials are that;

- Internal gains are eliminated in the consolidated financials but are retained in the proportionate financials. These internal gains primarily relate to gross profit on D&C goods and services delivered to project companies which are eliminated as a reduced group value of the solar plant compared to the stand-alone book value. Similarly, the consolidated financials have lower solar plant depreciation charges than the proportionate financials since the proportionate depreciations are based on solar plant values without elimination of internal gain. Internal gain eliminations also include profit on Services delivered to project companies.

- The consolidated financials are presented on a 100% basis, while the proportionate financials are presented based on Scatec's ownership percentage/economic interest.

- In the consolidated financials joint venture companies (Brazil and Argentina) are equity consolidated and are presented with Scatec's share of the net profit on a single line in the statement of profit or loss. In the proportionate financials the joint venture companies are presented in the same way as other subsidiaries on a gross basis in each account in the statement of profit or loss.

For 2020 Scatec reports a proportionate operating profit of NOK 690 million compared with an operating profit of NOK 1,292 million in the consolidated financials. To arrive at the proportionate operating profit from the consolidated operating profit the Group has;

1. added back to the proportionate statement of profit or loss the internal gain on transactions between group companies with a negative amount of NOK 68 million [1],

2. removed the non-controlling interests share of the operating profit of NOK 565 million to only leave the portion corresponding to Scatec's ownership share,

3. replaced the consolidated net profit from joint venture companies of negative NOK 16 million with Scatec's share of the Operating profit from the joint venture companies with NOK 15 million.

See Note 4 for further information on the reporting of proportionate financial figures, including reconciliation of the proportionate financials against the consolidated financials.

A bridge from proportionate to consolidated key figures including APMs like gross interest-bearing debt, net interest-bearing debt and net-working capital is included in the Q4 report for 2020 on page 19.

1) Where NOK 109 million comprise Scatec's share of gross profit on D&C contracts, NOK -129 million comprise increased depreciation charges from internal gains and NOK -48 million comprise other items.

Reconciliation of Alternative Performance Measures (consolidated figures)

| NOK million | 2020 | 2019 |
|---|---|---|
| **EBITDA** | | |
| Operating profit (EBIT) | 1,292 | 874 |
| Depreciation, amortisation and impairment | 777 | 512 |
| EBITDA | 2,069 | 1,386 |
| Total revenues and other income | 2,754 | 1,783 |
| EBITDA margin | 75% | 78% |
| **Gross profit** | | |
| Total revenues and other income | 2,754 | 1,783 |
| Cost of sales | - | - |
| Gross profit | 2,754 | 1,783 |
| **Gross interest-bearing debt** | | |
| Non-recourse project financing | 11,350 | 12,228 |
| Bonds | 748 | 745 |
| Non-recourse project financing - current | 913 | 837 |
| Gross interest-bearing debt | 13,011 | 13,810 |
| **Net interest-bearing debt** | | |
| Gross interest-bearing debt | 13,011 | 13,810 |
| Cash and cash equivalents | 7,788 | 2,824 |
| Net interest-bearing debt | 5,223 | 10,986 |
| **Net working capital** | | |
| Trade and other receivables | 623 | 461 |
| Other current assets | 663 | 1,211 |
| Trade and other payables | -760 | -888 |
| Income tax payable | -90 | -92 |
| Other current liabilities | -852 | -902 |
| Non-recourse project financing-current | -913 | -837 |
| Net working capital | -1,330 | -1,047 |

Break-down of proportionate cash flow to equity

| FY 2020<br>NOK million | Power Production | Operation & Maintenance | Development & Construction | Corporate | Total |
|---|---|---|---|---|---|
| EBITDA | 1,404 | 82 | -28 | -153 | **1,306** |
| Net interest expenses | -542 | 1 | 1 | -58 | **-598** |
| Normalised loan repayments | -382 | - | - | - | **-382** |
| Normalised income tax payment | -53 | -18 | 12 | 58 | **-2** |
| Cash flow to equity | 427 | 65 | -15 | -153 | **324** |

| FY 2019 1)<br>NOK million | Power Production | Operation & Maintenance | Development & Construction | Corporate | Total |
|---|---|---|---|---|---|
| EBITDA | 976 | 64 | 589 | -58 | **1,571** |
| Net interest expenses | -333 | 2 | 4 | -61 | **-388** |
| Normalised loan repayments | -229 | - | - | - | **-229** |
| Normalised income tax payment | -53 | -12 | -122 | 27 | **-160** |
| Cash flow to equity | 361 | 53 | 471 | -91 | **794** |

1) 2019 is restated in line with the new segment structure