

Alternative or attractive profit measures

APM - hvorfor aktuelt nå?

- Stadig mer utstrakt bruk av justerte tall i regnskap, års- og delårsrapporter og annen kommunikasjon av finansiell informasjon
- Høsten 2015: ESMA publiserte "Guidelines on Alternative Performance Measures".
 - ESMA = European Securities and Markets Authority
 - Retningslinjene gjelder for alle noterte og prospektpliktige foretak når de rapporterer alternative resultatmål i ledelsesrapportering eller i prospekter.
 - Finanstilsynet er ansvarlig for å overvåke at retningslinjene blir fulgt i det norske markedet.
 - Retningslinjene trådte i kraft 3. juli 2016 → Har nå sett hvordan det praktiseres i omtrent ett år
- IASB utreder bruk av APMer i regnskapet

Hva er et alternativt resultatmål?

- Et finansielt måltall hvis formål er å gi uttrykk for historisk eller fremtidig inntjening, finansiell stilling eller kontantstrømmer, som **ikke er definert eller spesifisert** i gjeldende rammeverk for regnskapsføring

- Revenue
- EBIT ✓
- EBIT before IAC ✓
- EBITDA ✓
- Net income
- EPS
- Margin ✓
- Net debt ✓
- Organic growth ✓
- Cash-earnings ✓
- Employees

Når regnskapet gir feil signal, er non-GAAP løsningen.....

BUSINESS DAY

The Accounting Tack That Makes PayPal's Numbers Look So Good

New York Times, 10/6-17



Q2 2017: EPS 6% bedre enn forventet
Aksjen handles opp 50% siden januar

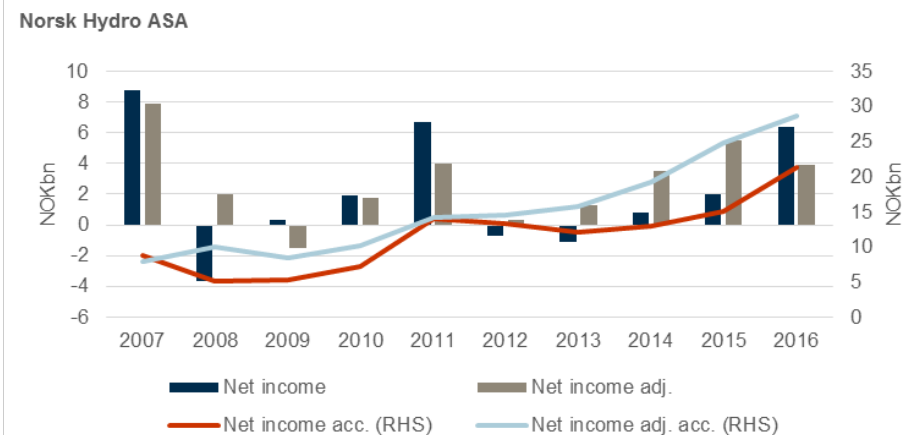
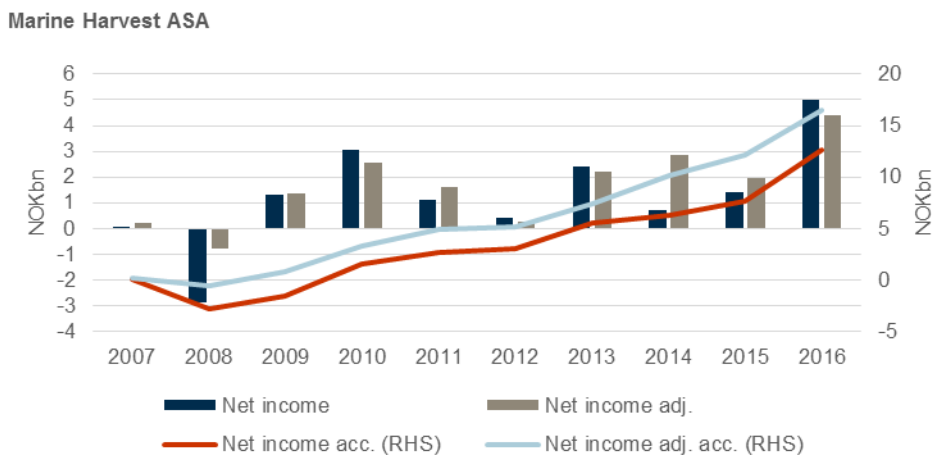
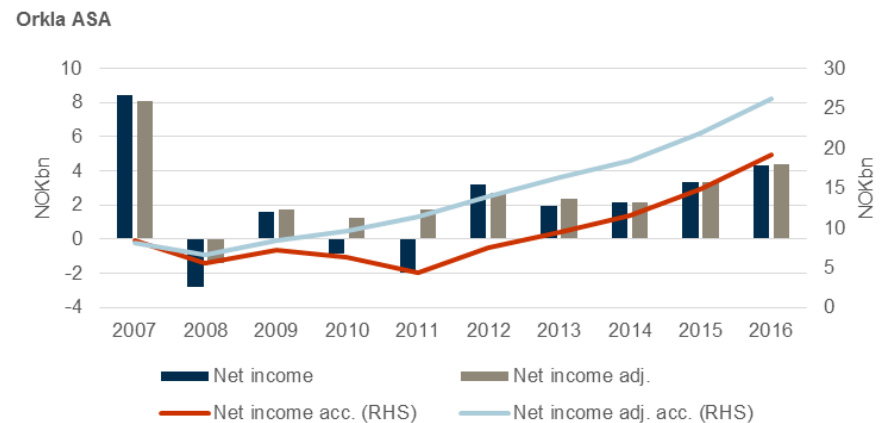
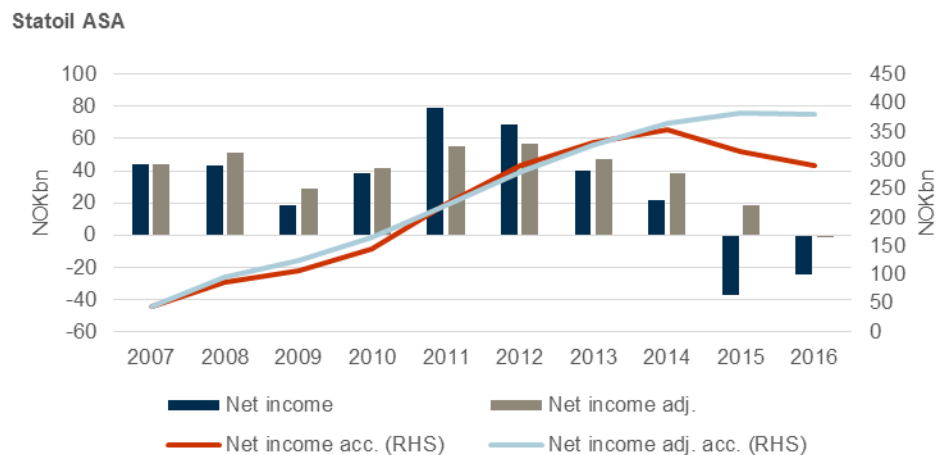
Q2 2017	Non-GAAP operating income	\$ 659 mill
Q2 2017	GAAP operating income	\$ 430 mill

Forskjell: non-GAAP uten aksjebasert avlønning (ansatteopsjoner)

The concerns come as research shows the difference between stated and adjusted operating profits for the UK's top-100 quoted companies is at 51 per cent – the widest gap in a decade. In 2007 the split was just 15 per cent. *Financial Times, 24/8-17*

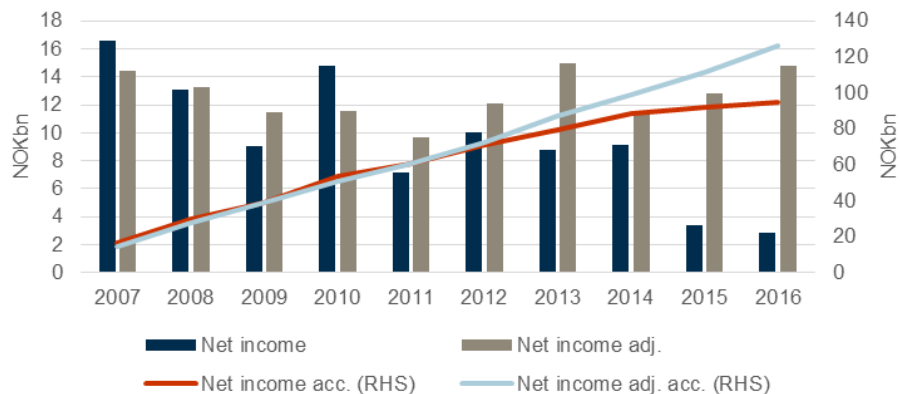
“Attractive profit measures”

Utvikling i nettoresultat vs. justert nettoresultat. *Største OSEBX selskaper med 10 år historikk*

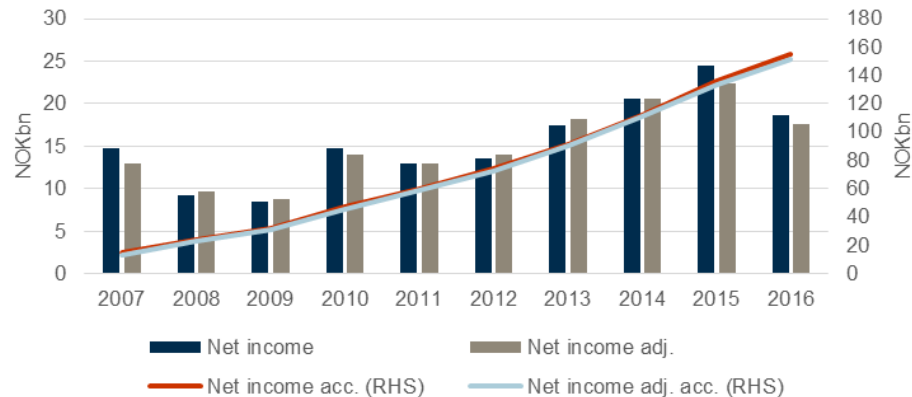


Flest med best justert nettoresultat over tid, men ikke alle

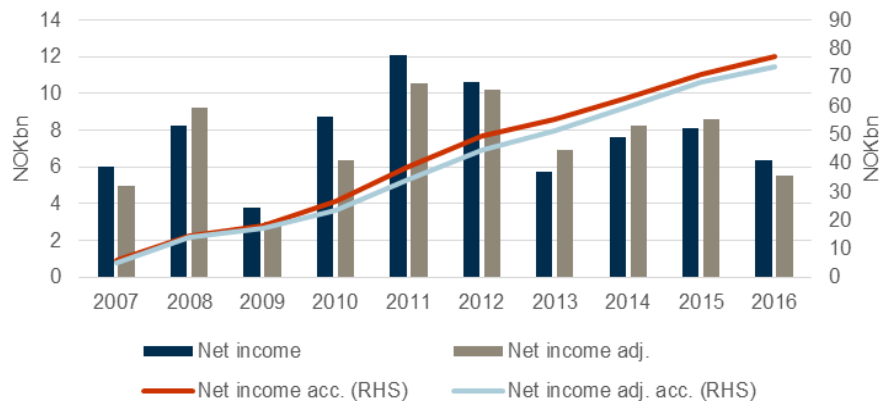
Telenor ASA



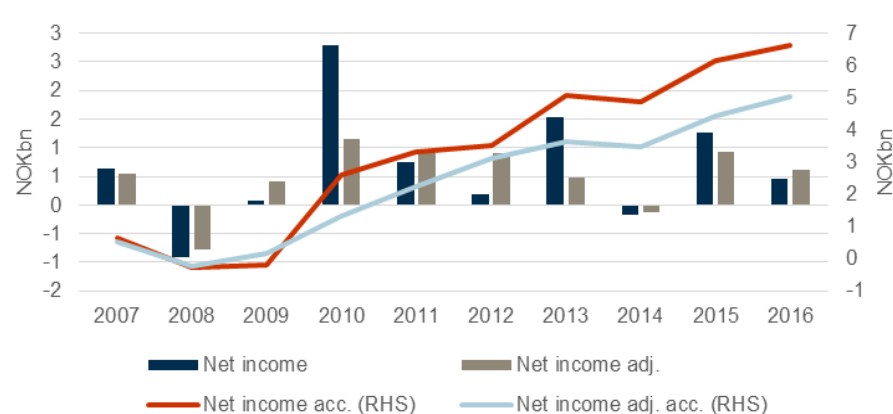
DNB ASA



Yara International ASA



Schibsted Asa Class A



Hvordan bruker investorer og analytikere APM?

- Bruker du APM-informasjon i analyser eller vurdering av aksjer?
 - Ja, særlig EBITDA, daglig kostnad per rigg
 - Ja, EBITDA er det første jeg ser på
 - Ja, APM er avgjørende for mine vurderinger
 - Ja, ser en del på bankenes leverage ratios fordi svenske og norske banker bruker ulike risikovekter. Men ser mer på rapporterte tall en APM.
 - Ja, det er avgjørende. Trenger mer og oftere fra selskapene. Ofte lange perioder uten data.
- Hva er viktig når APM presenteres i kvartals-/årsrapporter?
 - Det er viktig, og her er det et stort forbedringspotensiale, at det opplyses hva man justerer for i APM
 - Dersom APM vises, f.eks. cash cost, Pris/Nav, EV/GWh etc. er det viktig at selskapet informerer om hvilke tall som inngår i beregningene.
 - Ikke glem i notene i årsregnskapet, og del av slidene ved resultatpresentasjon. Åpenhet er viktig.
 - Konsistens er viktig

Praksis

- ▶ APMer presenteres til tider mer fremtredende enn GAAP – mål.
- ▶ Flere typer driftskostnader ekskluderes fra disse alternative resultatmålene
- ▶ APMer anvendes ikke nødvendigvis likt fra periode til periode, eller mellom foretak
- ▶ APMer kan være misledende
- ▶ Informasjon om hvorfor alternative resultatmål er relevant, hvordan de er målt og komponert kan være mangelfull.

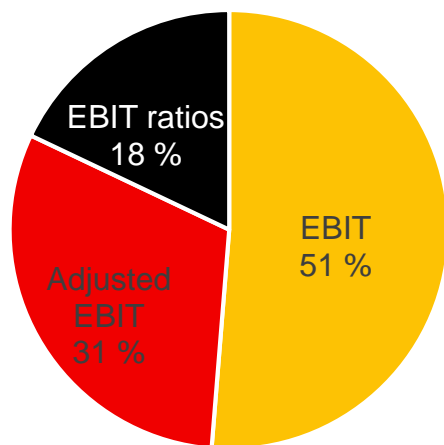
KFI mener

- ▶ Tydelige og forståelige definisjoner av alternative resultatmål må gis
- ▶ Definisjoner og beregning av alternative resultatmål må anvendes likt over tid
- ▶ Avstemme alternative resultatmål mot mest nærliggende regnskapspost eller mellomsum i finansregnskapet. Vesentlige avstemmingsposter må forklares
- ▶ Inkludere forklaring på hvorfor alternative resultatmål gir relevant informasjon

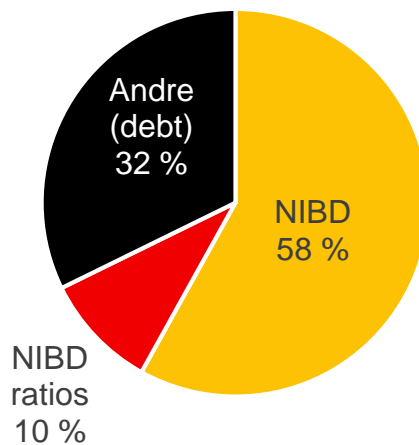
EYs praksisundersøkelse 2017 (2016 årsrapporter)

- Snitt APMer (utenfor regnskapet) (OBX) = 7,6 (maks 14 og min 1)
- Mest vanlig – EBIT, deretter EBITDA og gjeld – i ulike varianter
- Snitt avvik mellom justerte og ujusterte tall: EBIT = 32%, EBITDA = 26%
- Mange APMer ikke definert og mange ikke avstemt

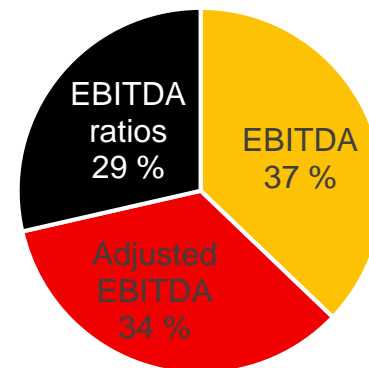
EBIT



Debt

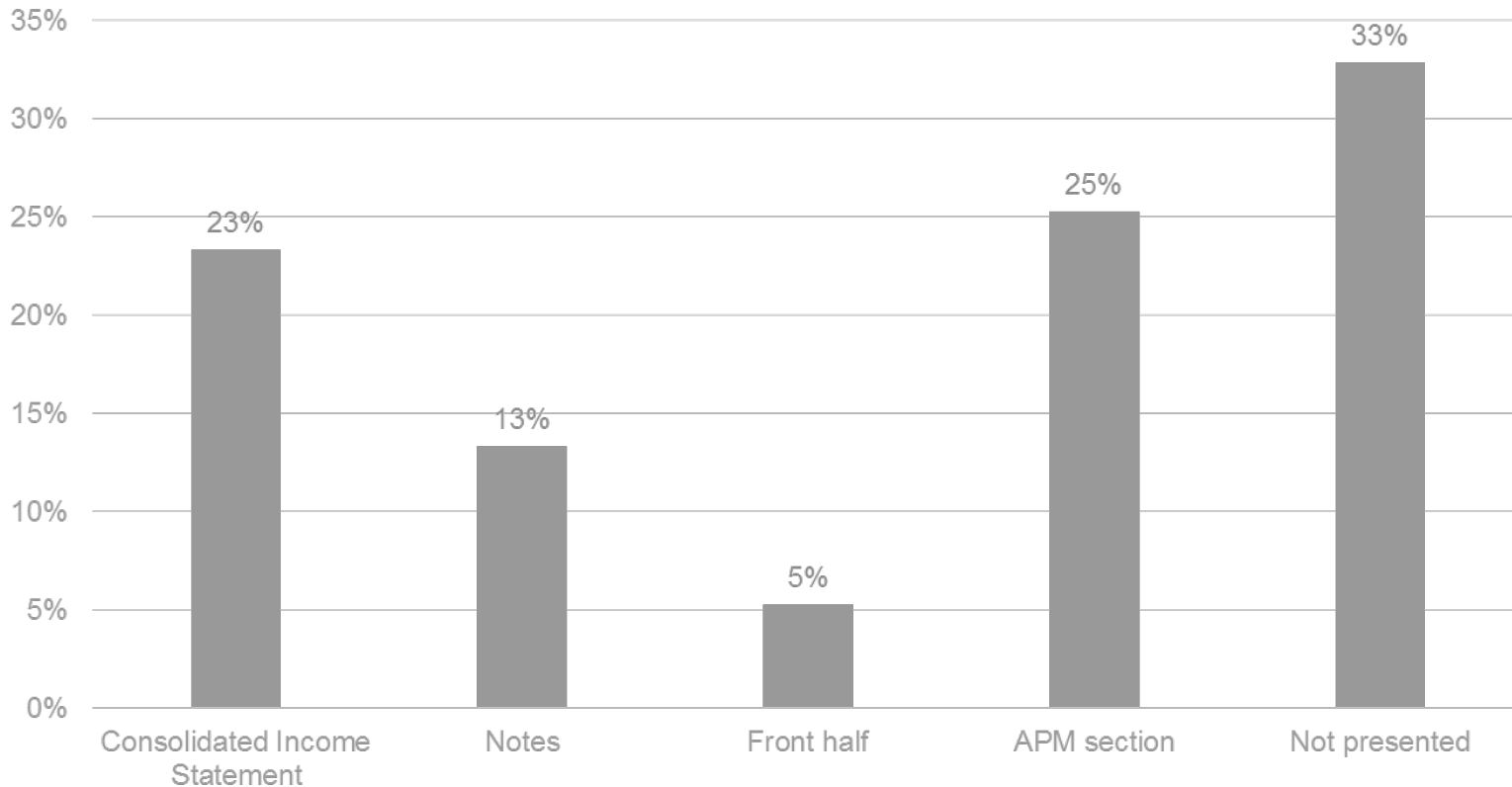


EBITDA



Relating to the ESMA Guidelines - Reconciliations

Where was the reconciliation provided?



God praksis – Dong Energy – god avstemming

Income statement

1 January - 30 June

Note	(DKK million)	H1 2017			H1 2016		
		Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
4	Revenue	32,037	1,314	33,351	32,409	(1,612)	30,797
5	Cost of sales	(22,166)	(424)	(22,590)	(20,186)	1,056	(19,130)
	Other external expenses	(2,074)	-	(2,074)	(1,986)	-	(1,986)
	Employee costs	(1,595)	-	(1,595)	(1,483)	-	(1,483)
	Share of profit (loss) in associates and joint ventures	1	-	1	15	-	15
6	Other operating income	1,585	-	1,585	1,275	-	1,275
6	Other operating expenses	(58)	-	(58)	(344)	-	(344)
	Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)	7,730	890	8,620	9,700	(556)	9,144
	Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	(2,837)	-	(2,837)	(2,391)	-	(2,391)
	Operating profit (loss) (EBIT)	4,893	890	5,783	7,309	(556)	6,753
	Gain on divestment of enterprises	(17)	-	(17)	16	-	16
	Share of profit (loss) in associates and joint ventures	(45)	-	(45)	(1)	-	(1)
11	Financial income	1,392	-	1,392	2,211	-	2,211
11	Financial expenses	(1,807)	-	(1,807)	(2,512)	-	(2,512)
	Profit (loss) before tax	4,416	890	5,306	7,023	(556)	6,467
12	Tax on profit (loss) for the period	(696)	(196)	(892)	(1,370)	122	(1,248)
	Profit (loss) for the period from continuing operations	3,720	694	4,414	5,653	(434)	5,219
9	Profit (loss) for the period from discontinued operations	3,910	(594)	3,316	715	(1,607)	(892)
	Profit (loss) for the period	7,630	100	7,730	6,368	(2,041)	4,327
	Profit (loss) for the period is attributable to:						
	Shareholders of DONG Energy A/S	7,387	100	7,487	6,166	(2,041)	4,125
	Interest payments and costs after tax, hybrid capital holders of DONG Energy A/S	255	-	255	255	-	255
	Non-controlling interests	(12)	-	(12)	(53)	-	(53)
	Profit (loss) per share, DKK:	17.6		17.8	14.8		9.9
	From continuing operations	8.3		9.9	13.0		12.0
	From discontinued operations	9.3		7.9	1.7		(2.1)
	Diluted profit (loss) per share, DKK:	17.6		17.8	14.7		9.8
	From continuing operations	8.3		9.9	13.0		11.9
	From discontinued operations	9.3		7.9	1.7		(2.1)



Profit (loss) for the period for our continuing operations

The Oil & Gas segment is presented as discontinued operations. Comparative figures for H1 2016 have been restated.

The Group's business performance EBITDA has consequently been reduced by Oil & Gas' share corresponding to DKK 5,047 million in H1 2017.

God praksis – Aker Solutions – Bra avstemming og klart definert

Alternative performance measures are frequently used by securities analysts, investors and other interested parties and they are meant to provide an enhanced insight into the operations, financing and future prospects of the company.

Profit Measures

EBITDA and EBIT terms are presented as they are commonly used by financial analysts and investors. Special items are excluded from EBITDA and EBIT as alternative measures to provide enhanced insight into the underlying financial development of the business operations and to improve comparability between different periods.

EBITDA is short for earnings before interest, taxes, depreciation and amortization. EBITDA corresponds to the "operating income before depreciation, amortization and impairment" in the consolidated income statement.

EBIT is short for earnings before interest and taxes. EBIT corresponds to "operating income" in the consolidated income statement.

Margins such as EBITDA margin and EBIT margin is used to compare relative profit between periods. EBITDA margin and EBIT margin are calculated as EBITDA or EBIT divided by revenue.

Special items may not be indicative of the ongoing operating result or cash flows of the company. Profit measure excluding special items are presented as alternative measures to improve comparability of the underlying business performance between the periods.

Special Items Impacting Revenue

	Aker Solutions group		Subsea		Field Design	
	2016	2015	2016	2015	2016	2015
<i>Amounts in NOK million</i>						
Revenue	25,557	31,896	14,996	19,101	10,670	12,920
Non-qualifying hedges - "other" segment	26	-123				
Gain/loss sale of PPE	-36		-36			
Other	12		12			
Sum of special items ex. from revenue	2	-123	-24	0	0	0
Revenue ex. special items	25,559	31,772	14,972	19,101	10,670	12,920

Special Items Impacting EBITDA

	Aker Solutions group		Subsea		Field Design	
	2016	2015	2016	2015	2016	2015
<i>Amounts in NOK million</i>						
EBITDA	1,929	1,841	1,417	1,778	730	543
Onerous lease cost	82	265			2	
Restructuring cost	163	416	31	166	62	250
Non-qualifying hedges	(44)	94				
Gain/loss sale of PPE	(36)		(36)			
Demerger and other costs	26	22	12			
Sum of special items ex. from EBITDA	192	797	7	166	64	250
EBITDA ex. special items	2,121	2,638	1,425	1,944	795	793
EBITDA margin	7.5%	5.8%	9.5%	9.3%	6.8%	4.2%
EBITDA margin ex. special items	8.3%	8.3%	9.5%	10.2%	7.4%	6.1%

God praksis – Petroleum Geo-Services – Godt definert og greit avstemt

Alternative Performance Measures

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. The Company has defined and explained the purpose of the following APMs:

EBITDA

EBITDA, when used by the Company, means EBIT excluding other charges, impairment and loss on sale of long-term assets and depreciation and amortization. EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because management believes that the measure provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

EBIT excluding impairments and other charges

Management believes that EBIT excluding impairments and other charges is a useful measure because it provides an indication of the profitability of the Company's operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently.

MultiClient prefunding level

The MultiClient prefunding level is calculated by dividing the MultiClient prefunding revenues by the cash investment in MultiClient library, as reported in the Statements of Cash Flows. Management believes that the MultiClient prefunding percentage is a useful measure in that provides some indication of the extent to which the Company's financial risk is reduced on new MultiClient investments.

Net Interest Bearing Debt

Net interest bearing debt is defined as the sum of long-term and short-term interest bearing debt, less cash and cash equivalents and restricted cash. Management believes that Net Interest Bearing Debt (NIBD) is a useful measure because it provides indication of the hypothetical minimum necessary debt financing to which the Company is subject at balance sheet date.

Capital expenditures, whether paid or not

Capital expenditures means investments in property and equipment irrespective of whether paid in the period, but excluding capitalized interest cost.

Liquidity reserve

Liquidity reserve is defined as the sum of cash and cash equivalents and the un-drawn part of the Revolving Credit Facility. Management believes that Liquidity reserve is a useful measure because it provides an indication of the amount of funds readily available to the Company in the very short term at balance sheet date.

Gross cash costs and Net operating expenses

Gross cash costs are defined as the sum of reported net operating expenses (excluding depreciation, amortization, impairments and other charges, net) and the cash operating costs capitalized as investments in the MultiClient library as well as capitalized development costs. Management believes that the gross cash costs figure is a useful measure because it provides an indication of the level of cash costs incurred by the Company irrespective of the extent to which the fleet is working on MultiClient projects or the extent to which its R&D expenditures qualify for capitalization.

Net operating expenses is defined as gross cash costs (as per above) less capitalized investments in the MultiClient library and capitalized development costs. Management believes this figure is a useful measure because it provides an indication of the level of net cash costs incurred by the Company in running current period commercial activities that are not devoted to investment.

Order book

Order book is defined as the aggregate value of future work on signed customer contracts or letters of award. Management believes that the Order Book figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

God praksis – Norsk Hydro – God granularitet i spesielle poster og bruk av APMer gjort rede for

Alternative Performance Measures (APMs)

Alternative performance measures, i.e. financial performance measures not within the applicable financial reporting framework, are used by Hydro to provide supplemental information, by excluding items that, in Hydro's view, does not give an indication of the periodic operating results or cash flows of Hydro. Financial APMs are intended to enhance comparability of the results and cash flows from period to period, and it is Hydro's experience that these are frequently used by analysts, investors and other parties. Management also uses these measures internally to drive performance in terms of long-term target setting and as basis for performance related pay. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant. Operational measures such as, but not limited to, volumes, prices per mt, production costs and improvement programs are not defined as financial APMs. To provide a better understanding of the company's underlying financial performance for the relevant period, Hydro focuses on underlying EBIT in the discussions on periodic underlying financial and operating results and liquidity from the business areas and the group, while effects excluded from underlying EBIT and net income (loss) are discussed separately in the section on reported EBIT and net income. 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.

Hydro's financial APMs

- **Underlying EBIT:** EBIT +/- identified items to be excluded from underlying EBIT as described below
- **EBITDA:** EBIT + depreciation, amortization and impairments
- **Underlying EBITDA:** EBITDA +/- identified items to be excluded from underlying EBIT as described below + impairments
- **Underlying net income (loss):** Net income (loss) +/- items to be excluded from underlying income (loss) as described below
- **Underlying earnings per share:** Underlying net income/loss divided by a weighted average of outstanding shares.
- **Investments:** Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments
- **Adjusted net cash (debt):** Short- and long-term interest-bearing debt adjusted for Hydro's liquidity positions, and for liquidity positions regarded unavailable for servicing debt, pension obligation and other obligations which are considered debt-like in nature
- **Adjusted net cash (debt) to equity ratio:** Adjusted net cash debt/total equity.
- **Funds from operations to adjusted net cash (debt) ratio:** Cash generation from Hydro's wholly and partly owned operating assets before changes in net operating capital, including the contribution from equity accounted investments, and after current tax expense/adjusted net cash (debt).
- **(Underlying) RoCE:** (Underlying) RoCE is defined as (underlying) "Earnings after tax" divided by average "Capital employed". (Underlying) "Earnings after tax" is defined as (underlying) "Earnings before financial items and tax" less "Adjusted income tax expense". Since RoCE represents the return to the capital providers before dividend and interest payments, adjusted income tax expense excludes the tax effects of items reported as "Financial income (expense), net" and in addition, for underlying figures, the tax effect of items excluded. "Capital Employed" is defined as "Shareholders' Equity", including non-controlling interest plus long-term and short-term interest-bearing debt less "Cash and cash equivalents" and "Short-term investments". Capital Employed can be derived by deducting "Cash and cash equivalents", "Short-term investments" and "Short-term and long-term interest free liabilities" (including deferred tax liabilities) from "Total assets". The two different approaches yield the same value.

Items excluded from underlying EBIT, EBITDA, net income (loss) and earnings per share

Hydro has defined two categories of items which are excluded from underlying results in all business areas, equity accounted investments and at group level. One category is the timing effects, which are unrealized changes to the market value of certain derivatives and the metal effect in Rolled Products. When realized, effects of changes in the market values since the inception are included in underlying EBIT. Changes in the market value of the trading portfolio are included in underlying results. The other category includes material items which are not regarded as part of underlying business performance for the period, such as major rationalization charges and closure costs, major impairments of property, plant and equipment, effects of disposals of businesses and operating assets, as well as other major effects of a special nature. Materiality is defined as items with a value above NOK 20 million. All items excluded from underlying results are reflecting a reversal of transactions recognized in the financial statements for the current period, except for the metal effect. Part-owned entities have implemented similar adjustments.

Items excluded from underlying net income¹⁾

NOK million	Year 2016	Year 2015
Unrealized derivative effects on LME related contracts	(401)	415
Unrealized derivative effects on power and raw material contracts	(61)	(419)
Metal effect, Rolled Products	(91)	458
Significant rationalization charges and closure costs	192	-
Impairment charges (PP&E and equity accounted investments)	426	-
(Gains)/losses on divestment	(314)	365
Other effects	(223)	285
Items excluded in equity accounted investment	(113)	294
Items excluded from underlying EBIT	(586)	1 398
Net foreign exchange (gain)/loss	(2 266)	4 397
Calculated income tax effect	841	(1 418)
Other adjustments to net income ²⁾	(700)	-
Items excluded from underlying net income	(2 712)	4 377
Income (loss) tax rate	28 %	32 %
Underlying income (loss) tax rate	38 %	27 %

1) Negative figures indicate reversal of a gain and positive figures indicate reversal of a loss.

2) Hydro recognized approximately NOK 600 million in reduced tax expense and approximately NOK 100 million in interest income following a tax dispute that was ruled in favor of Hydro in April 2016.

- **Unrealized derivative effects on LME related contracts** include unrealized gains and losses on contracts measured at market value, which are used for operational hedging purposes related to fixed-price customer and supplier contracts, where hedge accounting is not applied. Also includes elimination of changes in fair value of certain internal physical aluminium contracts.
- **Unrealized derivative effects on power and raw material contracts** include unrealized gains and losses on embedded derivatives in raw material and power contracts for Hydro's own use and for financial power contracts used for hedging purposes, as well as elimination of changes in fair value of embedded derivatives within certain internal power contracts.
- **Metal effect in Rolled Products** is an effect of timing differences resulting from inventory adjustments due to changing aluminium prices during the production, sales and logistics process, lasting two to three months. As a result, margins are impacted by timing differences resulting from the FIFO inventory valuation method (first in, first out), due to changing aluminium prices during the process. The effect of inventory write-downs is included. Decreasing aluminium prices in Euro results in a negative metal effect on margins, while increasing prices have a positive effect.
- **Significant rationalization charges and closure costs** include costs related to specifically defined major projects, and not considered to reflect periodic performance in the individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceed legal liabilities, etc. Costs related to regular and continuous improvement initiatives are included in underlying results.
- **Impairment charges (PP&E and equity accounted investments)** relate to significant write-downs of assets or groups of assets to estimated recoverable amounts in the event of an identified loss in value. Gains from reversal of impairment charges are simultaneously excluded from underlying results.
- **(Gains) losses on divestments** include a net gain or loss on divested businesses and/or individual major assets.
- **Other effects** include recognition of pension plan amendments and related curtailments and settlements, insurance proceeds covering asset damage, legal settlements, etc. Insurance proceeds covering lost income are included in underlying results.
- **Items excluded in equity accounted investments** reflects Hydro's share of items excluded from underlying net income in Sapa and Qatalum and are based on Hydro's definitions, including both timing effects and material items not regarded as part of underlying business performance for the period.
- **Net foreign exchange (gain) loss:** Realized and unrealized gains and losses on foreign currency denominated accounts receivable and payable, funding and deposits, embedded currency derivatives in certain power contracts and forward currency contracts purchasing and selling currencies that hedge net future cash flows from operations, sales contracts and operating capital.