Scatec Solar Reporting Structure

Scatec Solar ASA

	Power Production	Operation & Maintenance	Development/ Construction	Corporate	Eliminations
Main activites	• Ownership and management of power producing assets	• Technical and operational services	• Project developement • Engineering and Procurement • Construction management • Quality assurance	• Corporate services • Management • Group finance	• Elimination of revenues and profits from internal transactions
Assets / projects with revenues recognized	**South Africa (39%):** Kalkbult, 75 MW Linde, 40 MW Dreunberg, 75 MW **Rwanda (54%):** ASYV, 9 MW **Czech Republic (100%):** Portfolio, 20 MW **Honduras (40%):** Agua Fria, 60 MW **Jordan:** Oryx, 10 MW (90%) EJRE/GLAE, 33 MW (50.1%)	**South Africa:** Kalkbult, 75 MW Linde, 40 MW Dreunberg, 75 MW **Rwanda:** ASYV, 9 MW **Czech Republic:** Portfolio, 20 MW **Honduras:** Agua Fria, 60 MW **Jordan:** Oryx, 10 MW	**Malaysia:** Quantum, 197 MW **Brazil:** Apodi, 162 MW **Honduras:** Los Prados (phase I), 35 MW **Backlog:** 749 MW **Pipeline:** 745 MW		

Power Production

Revenues in the Power Production segment reached NOK 1,120 million (1,011) [1] in 2017. Revenues increased from last year based on full year production of the Jordan plants but was also affected by the divestment of the 100 MW Utah plant at the end of 2016.

Power production reached 627 GWh in 2017 down from 791 GWh last year but up from 583 GWh excluding divestments. All solar plants have performed well with respect to plant availability and efficiency during the year. No new power plants were grid connected in 2017.

Operating expenses in the segment amounted to NOK 147 million (157) in 2017. Costs were reduced through the divestment of the Utah plant partly offset by a weakened NOK against ZAR.

Depreciation and amortisation decreased to NOK 310 million (352). An impairment charge of 43 million was recognized in the segment in 2016 following the exit from the US market. EBITDA amounted to NOK 973 million (853), and EBIT to NOK 663 million (501). The EBITDA margin reached 87% (84%).

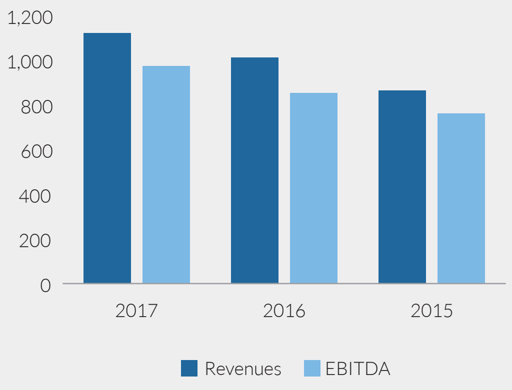
Scatec Solar's proportionate share of cash flow to equity from Power Production was NOK 142 million in 2017 down from NOK 148 million in 2016.

Key figures

NOK MILLION	2017	2016	2015
Total revenues and other income	**1,120.3**	1,010.6	863.0
Operating expenses	**-147.1**	-157.3	-102.9
EBITDA	**973.2**	853.4	760.1
D&A and impairment	**-310.2**	-352.0	-227.6
EBIT	**663.1**	501.4	532.5

Revenues & EBITDA by year

NOK MILLION



Key ratios

PERCENT	2017	2016	2015
EBITDA margin	**87%**	84%	88%
EBIT margin	**59%**	50%	62%

Production

MWH	2017	2016	2015
MWh produced	**627,130**	790,822	466,278
-net to Scatec Solar	**281,895**	462,699	196,420

1) Numbers in brackets refer to comparable information for the previous year.
2) Refer to appendix for definition of project milestones.

Operation & Maintenance

Revenues in the Operation & Maintenance segment reached NOK 69 million (62) in 2017.

The revenue increase from last year is mainly due to full year operation of the Oryx plant in Jordan.

Operating expenses amounted to NOK 41 million (31) in 2017. The increase is mainly due full year effect related to the Jordan plants and costs related to preparations for growth in the Operations & Maintenance portfolio.

EBITDA reached to NOK 28 million (32) in 2017, corresponding to an EBITDA margin of 40% (51%).

Depreciation and amortisation in 2017 amounted to NOK 1 million (2.3), and EBIT was NOK 27 million (29).

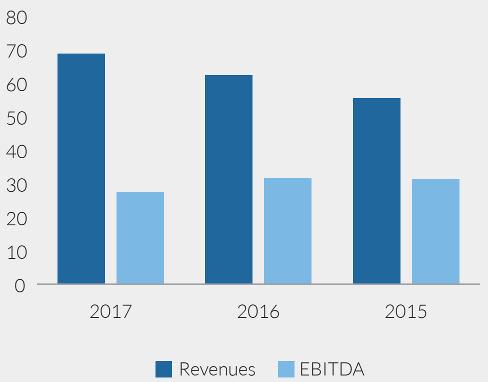
Scatec Solar's proportionate share of cash flow to equity from O&M was NOK 22 million in 2017, broadly in line with NOK 24 million in 2016.

Key figures

NOK MILLION	2017	2016	2015
Total revenues and other income	**68.6**	62.2	55.4
Operating expenses	**-41.2**	-30.6	-24.0
EBITDA	**27.5**	31.6	31.4
D&A and impairment	**-0.7**	-2.3	-2.6
EBIT	**26.7**	29.3	28.8

Revenues & EBITDA by year

NOK MILLION



Key ratios

PERCENT	2017	2016	2015
EBITDA margin	**40%**	51%	57%
EBIT margin	**39%**	47%	52%

Development & Construction

Revenues in the Development & Construction (D&C) segment amounted to NOK 1,029 million (604) in 2017.

Revenues in the D&C segment is reflecting project development margins and progress on projects under construction. The increase in revenues from last year mainly reflects financial close for projects in Egypt, Brazil and Malaysia and the start of construction in these countries. Refer to later sections for status on project backlog and pipeline.

In September 2017, Scatec Solar entered into an agreement to establish a 50/50 joint venture with Statoil to build, own and operate large scale solar plants in Brazil. As a first step of the agreement Statoil acquired 40% of the project rights in Scatec Solar's 162 MW Apodi project. The net gain of the transaction was NOK 375 million.

Cost of sales related to both project development and construction amounted to NOK 590 million (540) in 2017, generating a gross margin of 43% (11%).

Operating expenses were NOK 80 million (77) in 2017. Operating expenses related to construction amounted to NOK 36 million while operating expenses for early stage project development came to NOK 44 million.

EBITDA reached NOK 359 million (-12) in 2017. Depreciation, amortisation and impairment amounted to NOK 3 million (10), and EBIT was NOK 356 million (-23).

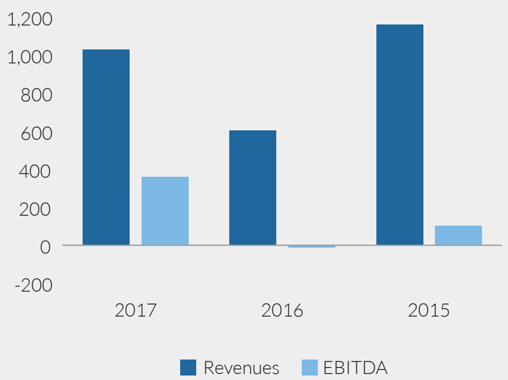
Scatec Solar's proportionate share of cash flow to equity from D&C was NOK 167 million in 2017, up from negative NOK 5 million in 2016.

Key figures

NOK MILLION	2017	2016	2015
Total revenue and other income	**1,029.4**	603.9	1,160.5
Cost of sales	**-590.2**	-539.6	-989.7
Gross profit	**439.1**	64.4	170.8
Operating expenses	**-80.4**	-76.6	-69.7
EBITDA	**358.7**	-12.2	101.2
D&A and impairment.	**-2.6**	-10.4	-6.5
EBIT	**356.1**	-22.7	94.6

Revenues & EBITDA by year

NOK MILLION



Key ratios

PERCENT	2017	2016	2015
Gross margin	**43%**	11%	15%
EBITDA margin	**35%**	-2%	9%
EBIT margin	**35%**	-4%	8%

Corporate & Eliminations

Corporate activities mainly relate to corporate services, management and group finance. The segment reported an operating loss of NOK -51 million (-48) in 2017.management and group finance. The segment reported an operating loss of NOK -51 million (-48) in 2017.

CORPORATE - KEY FIGURES

NOK MILLION	2017	2016	2015
Total revenues	13.1	9.8	7.5
Operating expenses	-62.8	-57.2	-44.8
D&A and impairment	-1.4	-0.8	-0.5
EBIT	-51.1	-48.1	-37.8
Net external interest expenses	-36.5	-37.2	-

The revenues are mainly related to sale of corporate services within the group. Corporate incurred NOK 63 million in operating expenses, an increase of 10% compared to last year. The increase reflects higher business activity for the group overall requiring additional resources across all corporate functions. Net external interest expenses are primarily related to corporate funding and the NOK 750 million senior unsecured green bond.

ELIMINATIONS - KEY FIGURES

NOK MILLION	2017	2016	2015
Revenues	-739.9	-601.7	-1,205.5
Cost of sales	590.2	539.6	989.7
Operating expenses	81.3	69.7	58.8
EBITDA	-68.4	7.7	-156.9
D&A	66.8	95.4	61.6
EBIT	-1.6	103.1	-95.4

Gross profits (i.e. revenues and cost of sales) generated in the D&C segment are eliminated in the consolidated income statement and reduce the consolidated book value of the solar power plants. The gross profits generated through project development and plant construction is thus improving the consolidated operating profit through lower depreciation charges over the economic life of the solar power plants. In 2017 this effect amounted to NOK 67 million (95).

The internal revenues generated in the Corporate and O&M segments are eliminated in the consolidated income statement with corresponding elimination of operating expenses, which amounted to NOK 81 million (70) in 2017.

Consolidated financial statements

Consolidated income statement

Unless otherwise indicated, the below information describes the development for the continuing operations of the Scatec Solar Group in 2017, and the corresponding figures for 2016.

Revenues

Scatec Solar reported net revenues of NOK 1,492 million (1,085) in 2017, mainly reflecting sales of electricity from solar power plants in the Czech Republic, South Africa, Rwanda, Honduras, and Jordan. The growth from 2016 reflects the gain from the partial sale of the Apodi project in Brazil of NOK 375 million in the third quarter, increased power production revenues from the Jordan plants, offset by the sale of the Utah Red Hills plant.

Net income from associated companies was a negative NOK 7 million in 2017, compared to a negative NOK 3 million in 2016. Net gain from sale of project assets amounted to NOK 378 million (75) in 2017.

Operating expenses

Operating expenses (personnel and other operating expenses) amounted to NOK 250 million in 2017, compared to NOK 252 million in 2016. The consolidated cost base consists of around NOK 120 million (128) related to operation of existing power plants, NOK 44 million (27) for the development of new projects, NOK 36 million (49) related to construction of new solar power plants, NOK 50 million (47) in general corporate costs.

Personnel expenses totalled NOK 95 million (86), with the average number of permanent full-time employee equivalents increasing to 184 in 2017 from 149 in 2016.

Other operating expenses amounted to NOK 156 million, compared to NOK 166 million in 2016.

The company is not engaged in research activities and has not recognized such costs in 2017 or 2016.

Operating profit

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached NOK 1,241 million in 2017, an increase from the EBITDA of NOK 833 million in 2016. The increased profitability compared to last year is primarily reflects the growth in sales of power from the Jordan plants as well as the gain from the partial sale of the project in Brazil. Positive translation effects particularly related to the ZAR has also had an impact.

Depreciation, amortisation and impairment amounted to NOK 248 million in 2017, compared to NOK 270 million in 2016. The decrease is mainly explained by reduced impairment charges following the exit of the US market. Depreciation came in at NOK 246 million, compared to NOK 248 million in 2016.

Operating profit (EBIT) ended at NOK 993 million in 2017, up from a NOK 563 million in 2016.

Net financial items

NET FINANCIAL ITEMS – KEY FIGURES

NOK MILLION	2017	2016	2015
Interest income	**50.9**	50.4	63.9
Other financial income	**0.4**	0.4	0.5
Financial income	**51.2**	50.8	64.4
Interest expenses	**-482.1**	-496.3	-395.5
Forward exchange contracts	**-**	-	-3.0
Other financial expenses	**-41.7**	-8.5	-9.6
Financial expenses	**-523.8**	-504.8	-408.1
Foreign exchange gains/(losses)	**-59.9**	-10.1	40.5
Net financial expenses	**-532.3**	-464.1	-303.1

Net financial items amounted to a negative NOK 532 million in 2017, compared to a negative NOK 464 million in 2016.

Financial income came in at NOK 51 million (51) for 2017, mainly reflecting interest income on cash balances. Financial expenses totalled to NOK 524 million (505), of which 482 (496) million is interest expenses on project financing and corporate bonds. These were reduced from 2016 following the sale of the Utah Red Hills plant ultimo 2016.

Foreign exchange losses, which mainly relates to revaluation of intercompany balances, increased from NOK 10 million in 2016 to NOK 60 million in 2017.

Profit before tax and net profit

Profit before income tax was positive at NOK 461 million in 2017, up from NOK 99 million in 2016.

Income tax expense amounted to NOK 23 million (28) in 2017, equivalent to an effective tax rate of 5%. The tax rate was primarily influenced by non-taxable gain on sale of projects, intercompany transactions subject to different tax rates, valuation allowances, permanent differences as well as losses in high tax jurisdictions. The underlying nominal tax rates in the countries of operation are in the range of zero to 35%. In some markets Scatec Solar receives special tax incentives intended to promote investments in renewable energy.

The net profit was thus NOK 438 million in 2017, compared to NOK 70 million in 2016.

A profit of NOK 339 million (4) for 2017 was attributable to Scatec Solar ASA, and a profit of NOK 99 million (67) was attributable to non-controlling interests (NCIs). NCIs represent financial investors in the individual solar power plants and partners in some development projects. The allocation of profits between NCIs and Scatec Solar is generally affected by the fact that NCIs only have shareholdings in solar power plants, while Scatec Solar also carries the cost of project development and corporate functions.

Consolidated statement of comprehensive income

Other comprehensive income comprises items that may subsequently be reclassified to profit or loss, amounted to negative NOK 14 million in 2017 (-77). This relates to after-tax net movement of cash flow hedges of NOK 45 million (82) offset by foreign currency translation differences of NOK 31 million (5).

Total comprehensive income was thus NOK 424 million for 2017, of which NOK 336 million was attributable to Scatec Solar, while NOK 88 million is attributable to non-controlling interests. This compares to a total comprehensive income of a negative NOK 7 million for 2016, attributable to a negative NOK 69 million to Scatec Solar and a negative NOK 62 million to non-controlling interests.

Consolidated statement of cash flow

Cash flow

Net cash flow from operating activities ended at NOK 844 million (732), compared to EBITDA of NOK 1,241 million. The difference between the cash flow and EBITDA is primarily affected by the net gain from sale of project assets.

Net cash flow from investing activities was NOK -874 million (-582), reflecting construction activities related to the plants in Malaysia, Brazil and Honduras.

Net cash flow from financing activities amounted to NOK 1,640 million (-660), of which NOK 1,743 million (85) is attributable to net proceeds from non-recourse project financing and NOK 227 million (0) of net proceeds from the corporate bond issue. In 2017, the equity contributions from NCIs were NOK 31 million and in 2016 this amounted to zero. Further, interest of NOK 476 million (509) and dividends of NOK 259 million (236) were paid in 2017. The group raised NOK 373 million (0) from the private placement that was successfully completed in 2017.

In total, the Group's cash balance increased by NOK 1,610 million (-510). Of the total cash balance of NOK 2,863 million (1,137), NOK 2,117 million (715) was restricted cash in power plant companies, NOK 58 million (118) represented other restricted cash while NOK 688 million (304) represented free cash.

Scatec Solar's proportionate share of cash flow to equity

Scatec Solar's proportionate share of cash flow to equity, defined as EBITDA minus interest expenses, normalised debt instalments and tax (i.e. before changes in net working capital), is a non-GAAP measure that seeks to estimate the company's ability to generate funds for equity investments in new solar power plant projects and/or for shareholder dividends over time.

NOK MILLION	2017	2016	2015
Power production	**142.5**	148.3	130.6
Operation & Maintenance	**21.5**	24.3	23.6
Development & Construction	**166.6**	-5.1	75.6
Corporate	**-65.2**	-63.1	-22.1
Total	**265.4**	104.3	207.7

Scatec Solar's proportionate share of cash flow to equity totalled NOK 265 million (104) in 2017. Scatec Solar invested NOK 478 million of equity investments, mainly in Malaysia, Brazil and Egypt.

Please also refer to Dividend Policy and Note 7 – Cash.

Consolidated statement of financial position

Total assets amounted to NOK 10,240 million at year-end 2017, up from NOK 7,075 million at the end of 2016. The increase primarily reflects the commencement of construction activities for the projects in Malaysia, Brazil and Honduras.

Overall, non-current assets totalled NOK 6,580 million (5,591), of which NOK 5,618 million was Property, Plant & Equipment (PP&E). Current assets amounted to NOK 3,661 million (1,484), with cash and cash equivalents amounting to NOK 2,863 million (1,137). Part of the cash holdings is subject to restrictions or is collateralised, while free unrestricted cash was NOK 688 million (304) at the end of 2017.

Current and non-current financial assets and liabilities in the balance sheet relates to interest rate derivatives in the South African power plant companies as well as forward exchange contracts related to the construction projects in Malaysia. Other current assets and liabilities mainly relate to working capital items such as prepayments and accruals.

Total equity stood at NOK 1,887 million (1,313) at the end of 2017, corresponding to an equity ratio of 18% (19). The consolidated equity ratio is negatively affected by inclusion of non-recourse debt in power plant companies at full amount while the value of consolidated assets is reduced by the internal margins generated through the project development and construction activities. The accumulated eliminated D&C margin totals NOK 1,226 million (1,176).

Total non-current liabilities amounted to NOK 7,418 million (5,253) at the end of 2017, of which non-recourse project financing accounted for NOK 6,164 million (4,304) and bond debt of NOK 741 million (495). Total current liabilities came in at NOK 935 million (509), of which NOK 317 million (279) was in non-recourse project financing.

Parent Company

Scatec Solar ASA prepares its financial statements according to NGAAP. Scatec Solar ASA is a holding company comprising parts of corporate services, management and group finance. In addition, Scatec Solar ASA provides certain services related to project development and construction for its subsidiaries.

Scatec Solar ASA reported revenues of NOK 488 million and operating loss (EBIT) of NOK 82 million in 2017, compared to revenues of NOK 55 million and operating loss (EBIT) of NOK 69 million in 2016.

Revenues increased from 2016 to 2017 due to new construction projects as well as increased sale development projects.

All revenues are group internal and based on agreements established between Scatec Solar ASA and its subsidiaries, joint ventures and associated companies. The scope of the agreements includes management services as well as services related to project development and construction including but not limited to permitting, financial modelling, production of bidding documents, debt and equity financing, evaluation of tax issues, structuring of securities and guarantees, legal services, advice on tendering of components as well as grid connection studies.

Operating expenses increased to NOK 138 million, from NOK 102 million in 2016, reflecting the increased number of employees and activities supporting the company's growth plan.

Interest and other financial income amounted to NOK 206 million (90) in 2017. The increase from 2016 stems from dividends received from subsidiaries. Interest and other financial expenses totalled NOK 77 million (61), which reflects certain one-off costs incurred as part of the refinancing of the corporate bond. Net foreign exchange losses were totalled NOK 71 million, compared to a net loss of NOK 5 million in 2016. The main impact on the net foreign exchange result for 2016 was the appreciation of the NOK versus the USD and the depreciation against the ZAR and EUR.

Profit after tax was positive NOK 2 million compared to a profit after tax of negative NOK 26 million in 2016.

Total assets amounted to NOK 3,105 million at 31 December 2017, up from NOK 2,319 million a year earlier. The increase reflects increased funding to group companies.

Cash flow from operating activities was negative NOK 219 million in 2017, up from a negative NOK 340 million in 2016. The difference between the operating loss of NOK 81 million and NOK 118 million in cash flow from operating activities in 2016 is mainly explained by investments in the project backlog and pipeline and other working capital changes.

Scatec Solar ASA had 62 permanent full-time employees in 2017, up from 48 in 2016. The sickness leave rate in 2017 was 2.5% broadly in line with previous years. Scatec Solar ASA focuses on equal opportunities irrespective of gender. There should be no discrimination related to gender in cases such as compensation, promotion or recruitment. In Scatec Solar ASA females made up 44% of the employees in 2017, up from 40% last year.

Organisation
In 2017 we have continued to strengthen our organization within all regions and functions. We focus on building highly competent cross functional teams to drive business forward – all the way from project development to operations and long-term ownership.

In preparation for stronger growth, we have over the last two years recruited about 50 employees and the number of permanent employees is now at 184. By design, we maintain a relatively small organization to ensure agility and flexibility in a very dynamic market environment. For the same reason, we had about 100 professionals hired in to deliver on our projects in 2017.

Safety and productivity is equally important. Our operating plants in Czech, Rwanda, South Africa, Jordan and Honduras scored well on both counts. The sickness leave rate remained moderate 2.1% worldwide broadly in line with previous years. There was one Lost Time Injury and there were no fatal accidents in any of our plants or projects.

Sustainability
For 2017 our sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) Standards, a global best practice framework that provides standardization and increased availability of quantitative and qualitative data and performance. This is a result of a thorough evaluation of our sustainability strategy, stakeholder engagement and expectations and a desire to better demonstrate how our company operates across a range of economic, environmental and social aspects. Please refer to the Sustainability report.

Corporate governance
The Board of Scatec Solar is committed to ensure trust in the company and to enhance shareholder value through effective decision-making and open communication between the management, the Board of Directors and the shareholders. The Company will continue to comply with the Norwegian Code of Practice for Corporate Governance, which together with the company's framework for corporate governance is intended to limit business risk, maximise value and utilise the company's resources in an efficient, sustainable manner, to the benefit for shareholders, employees and society at large. The Company has in all respect complied with the Norwegian Code of Practice for Corporate Governance during the course of 2017. Please refer to the Corporate Governance report.

Plants under construction, project backlog and pipeline
Scatec Solar has set a target to reach 1.3-1.5 GW in operation or under construction by year end 2018. The company has 322 MW in operation, 434 MW under construction and 749 MW in project backlog and is on track to reach the 2018 target.

Projects under construction and in backlog
Scatec Solar has 434 MW under construction and the project backlog stands at 749 MW. The table below shows the projects with details on capital expenditure and annual production.

LOCATION	CAPACITY (MW)	CURRENCY [1]	CAPEX ESTIMATE (MILLION)	ANNUAL PRODUCTION (GWH)
Under construction				
Quantum, Malaysia	197	MYR	1,235	282
Apodi, Brazil	162	BRL	680	305
Los Prados, Honduras	35	USD	80	73
Mocuba, Mozambique	40	USD	80	77
Total under construction	434		5,500	737
Backlog				
Aswan, Egypt	400	USD	450	870
Upington, South Africa	258	ZAR	4,200	645
Segou, Mali	33	EUR	52	60
Los Prados II, Honduras	18	USD	20	37
RedSol, Malaysia	40	MYR	200	65
Total backlog	749		6,700	1,677
Total	1,183	NOK	12,200	2,414

1) Currency specifics of PPA tariff, capex and project finance debt.

Total annual revenues from the 1,183 MW under construction and in backlog is expected to reach NOK 1,700 million based on 20-25-year Power Purchase Agreements (PPAs). Scatec Solar will build, own and operate all power plants in the project backlog and pipeline.

Scatec Solar's share of equity in the projects under construction and in backlog represents NOK 1,800 million of which NOK 950 million remains to be funded at the end of 2018. D&C after tax cash flow from projects under construction and in backlog is estimated to NOK 950-1,050 million.

Under construction

Quantum, Malaysia, 197 MW

In December 2016, Scatec Solar partnered with a local ITRAMAS-led consortium that had signed three 21-year PPAs with the country's largest electricity utility, Tenaga Nasional Berhad (TNB). Scatec Solar and partners achieved financial close for debt financing of the project in October 2017.

Scatec Solar will invest about MYR 250 million through both ordinary preference shares and preference shares convertible to 49% equity ownership in the projects. Scatec Solar will build and operate the solar power plants.

CIMB and Maybank was appointed to arrange the non-recourse project debt financing, in the form of an Islamic Bond, totaling MYR 1,000 million for the three projects. The project bond was rated AA- by the Malaysian Rating Corporation Berhad (MARC) and given a 'dark green' rating10 from CICERO - The Center for International Climate and Environmental Research in Oslo.

Scatec Solar and partners initiated construction activities in 2017. Civil works are approaching completion on all three sites and mechanical installation has started.

Los Prados, Honduras, 35 MW

In October 2015 Scatec Solar and Norfund acquired the Los Prados solar project in Honduras. The project has a 20-year PPA with Empresa Nacional de Energía Eléctrica (ENEE), the state-owned utility. Scatec Solar and ENEE has obtained the required interregional interconnection permit for the first phase of the project representing a capacity of 35 MW, while the remaining 18 MW will be built later in phase two.

Scatec Solar will build, own and operate the solar power plants with a 70% shareholding. Norfund will hold the remaining 30% of the equity.

Project financing is expected to be provided by the Central American Bank of Economic Integration (CABEI) and Export Credit Norway (ECN) with guarantee from the Norwegian Export Credit Guarantee Institute (GIEK).

In July 2017, the project sponsors initiated construction activities on the project site to ensure that the relevant timelines in the agreement with ENEE are met. The project has experienced civil unrest in conjunction with construction start up.

Scatec Solar has resumed construction work in close cooperation with Honduran authorities based on an approved extension of timeline to complete the solar power plant. The situation has impact on overall project cost and schedule. At the end of 2017 the expected cash cost to complete the 35 MW in the first phase is estimated to USD 30 million (of a total capex of USD 80 million).

Apodi, Brazil, 162 MW

In December 2016 Scatec Solar signed an agreement with the Brazilian company Kroma Energia Ltda. and its partners ("Kroma"), securing four PV plants totalling 162 MW (DC) co-located in the state of Ceará in Brazil.

The projects were bid and won by Kroma in the auction process held by ANEEL, the Brazilian Electricity Regulatory Agency, in November 2015. The power plant companies have since then signed 20-year PPAs with CCEE, the Brazilian Power Commercialization Chamber.

In September 2017 Scatec Solar entered into a partnership agreement with Statoil ASA to establish a 50/50 joint venture to build, own and operate large scale solar plants in Brazil. The Joint Venture has an ambition to become a significant player in the Brazilian solar market.

As the first step of the agreement Statoil acquires the right to participate with a 40% equity position in Scatec Solar's existing 162 MW Apodi project. Statoil paid USD 25 million for 40% of the project rights and for participation in the Joint Venture. Statoil is in addition injecting USD 35 million in the power plant companies to fund their share of the project.

Subsequently Scatec Solar and Statoil acquired additional 8% of the project rights from Kroma. Following this transaction Scatec Solar owns 44%, Statoil 44% and Kroma 12% of the equity in the project.

10) Dark green rating: Allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future.

Financing of the Apodi project has been secured through project financing from Banco Nordeste (BNB) with 65% debt leverage.

Construction of the solar plant started in the fourth quarter 2017 and grid connection is planned during second half of 2018.

Mocuba, Mozambique, 40 MW

In October 2016 Scatec Solar and Norfund signed a PPA securing the sale of solar power over a 25-year period to the state-owned utility Electricidade de Mozambique (EDM).

Scatec Solar will build, own and operate the solar power plants with a 52.25% shareholding. Norfund and EDM will hold the remaining part of the equity.

In June 2017, IFC, the International Finance Corporation, a member of the World Bank Group, and the Emerging Africa Infrastructure Fund, managed by Investec Asset Management and a part of the Private Infrastructure Development Group (PIDG) signed the loan agreement to provide project finance debt for the project.

Scatec Solar and partners closed financing and started construction of the power plant in March 2018.

Backlog

Aswan, Egypt, 400 MW

In April 2017, Scatec Solar and partners signed six 25-year PPAs for projects in "Round 2" of the FiT program in Egypt totalling 400 MW (DC).

All located in the Ben Ban area near Aswan in Upper Egypt, the six solar plants are expected to generate about 870 GWh of solar electricity per year in total.

Total investments for the 400 MW of solar plants is estimated at USD 450 million and the plants are expected to generate annual revenues of about USD 60 million over the 25-year contract period. Scatec Solar will build, own and operate all six projects and Scatec Solar's share of equity investments will be in the range of USD 55 million. Scatec Solar is partnering with local developers, KLP Norfund Investments and Africa50 for equity investments in the projects. Africa50 is an infrastructure investment fund, established by the African Development Bank and backed by more than 20 African states.

European Bank for Reconstruction and Development (EBRD) is leading a consortium of banks that will support the six projects with a total debt of USD 335 million. Loan agreements were signed in October 2017, and financial close was achieved in the same month.

The final conditions for first drawdown of the project debt are being cleared and construction start is planned sequentially in first half of 2018 with approximately 18 months of construction before grid connection.

Upington, South Africa, 258 MW

In April 2015 Scatec Solar was awarded preferred bidder status for three projects in Upington in the fourth bidding round under REIPPP (Renewable Energy Independent Power Producer Programme) in South Africa.

Scatec Solar will build, own and operate the solar power plants with a 42% shareholding. KLP Norfund Investments will hold 18% and a Trust (initially fully funded by Scatec Solar and KLP Norfund) will hold 5% of the equity. The authorities have requested the Sponsors to secure black investors to contribute with the remaining 35% of the equity.

Project financing will be provided by Standard Bank and a syndicate of other South African banks.

In August 2017, the Department of Energy announced the way forward for the fourth bidding round under REIPPP. The preparations for signing all agreements were close to being finalized before the year end 2017. Scatec Solar has finalized debt financing with lenders and is ready to move forward once the Authorities have finalized preparations.

Segou, Mali, 33 MW

In July 2015, Scatec Solar ASA together with its development partners International Finance Corporation (IFC) and Power Africa 1, signed a 25-year PPA with Energie du Mali (EDM).

IFC and African Development Bank (AfDB) will provide the non-recourse project finance for the project. The project has also been awarded a USD 25 million concessional loan from the Climate Investment Funds under the Scaling Up Renewable Energy Program.

Scatec Solar will build, own and operate the solar power plant with a 51% shareholding. IFC Infraventures and Power Africa will hold the remaining part of the equity.

Board approval has been obtained from IFC and the African Development Bank for project finance and from World Bank for the required Partial Risk Guarantee.. Scatec Solar and partners are working with lenders and authorities to finalize project, loan and guarantee agreements.

RedSol, Malaysia, 40 MW

In December 2017, Scatec Solar ASA and partners were awarded a 40 MW PV project in the PSS2 tender held by the Energy Commission in Malaysia.

The power plant, located in the state of Perak in Northwest Malaysia, is expected to deliver 65 GWh of electricity per year with annual revenues of approximately USD 6 million. Work has started to secure project finance from commercial banks in Malaysia and capex is estimated to USD 50 million.

Scatec Solar will be an equity partner, turn-key EPC provider and provide operation & maintenance as well as asset management services to the power plant.

The project will be realized together with Fumase, a US- and Malaysia-based asset management and development company focused on renewable energy in South and Southeast Asia.

Los Prados, Honduras, 18 MW

Refer to above information on the Los Prados project. As the 35 MW is moved to 'Under Construction" the 18 MW Phase 2 of the project is included in the project backlog.

Pipeline

Scatec Solar currently has a project pipeline of a number of projects with a gross capacity of about 745 MW.

PIPELINE

	CAPACITY (MW)
South Africa	430
Pakistan	150
Nigeria	100
Kenya	48
Burkina Faso	17
Total pipeline	745

South Africa, 430 MW

In South Africa Scatec Solar bid the projects in the pipeline in the expedited bidding round under REIPPP on 11 November 2015. Award of preferred bidder status for this tender round is delayed and it is not expected to be announced before financial close of the current Round 4 projects in South Africa. In 2017, the bid validity was extended by Scatec Solar at request from the IPP Office.

Pakistan, 150 MW

In Pakistan Scatec Solar signed a joint development agreement with Nizam Energy for the development of 300 MW solar power plants. The first 150 MW under this agreement is in the state of Sindh and is included in pipeline. The project has received the grid study approval from the National Transmission and Despatch Company (NTDC) in April.

Scatec Solar and Nizam Energy have submitted an application for a "costs plus tariff". The hearing of the tariff application took place during Q4 2017 and in January 2018, the project received a tariff award by the National Electric Power Regulatory Authority (NEPRA). Scatec Solar and Nizam Energy will now enter into final negotiations on the Power Purchase Agreement with NEPRA.

Nigeria, 100 MW

In July 2016 Scatec Solar signed an agreement to take over the 100 MW Nova Scotia project, located in Dutse L.G.A., the capital of Jigawa State in Nigeria.

The Nova Scotia project signed a power purchase agreement (PPA) with Nigerian Bulk Electricity Trader Plc (NBET) in July 2016.

In November 2016, Scatec Solar signed a Joint Development Agreement (JDA) with Norfund and Africa50, an African Infrastructure Fund sponsored by the African Development Bank and more than 20 African States.

Apart from the three equity investors, the American Overseas Private Investment Corporation (OPIC), Islamic Development Bank and the African Development Bank are expected to be senior debt providers for the project.

The project sponsors are working with the lenders and the World Bank to secure remaining required project documents like the sovereign guarantee (Put Call Option Agreement) and the Partial Risk Guarantee with the Government of Nigeria. In parallel, the World Bank is working to ensure the implementation of a Power Sector Recovery Program for Nigeria and this will be a prerequisite for the remaining project documents.

Kenya, 48 MW

Norfund and Scatec Solar are together with the local development partner, Kenergy, developing a 48 MW project. In July 2017, the project was approved by the Board of Kenya Power and Lighting Company (KPLC), the state-owned utility and the Power Purchase Agreement (PPA) was re-initialized. The PPA has been submitted to the Energy Regulatory Commission (ERC) for final approval. The ERC has requested certain changes in the PPA and these are currently being discussed between the ERC and the project.

The partners continue the work to complete the development of the project, secure the sovereign support letter and establish the project finance solution.

Burkina Faso, 17 MW

In 2014, the Zagtouli project was, as one of four projects, selected as winner in the national tender process. The project was thus formally awarded by the government of Burkina Faso. Updated commercial terms have been agreed with the Ministry of Energy and the next step will be to sign the concession agreement with the Ministry of Energy and the Ministry of Finance and the power purchase agreement with the state-owned utility Société Nationale d'électricité du Burkina Faso (SONABEL).

Project opportunities

Project opportunities are defined as projects where a feasibility study and a business case evaluation have been made.

Close to 800 MW of net new project opportunities were identified during 2017, as a result of dedicated market efforts. This is a combination of bi-lateral negotiations, FiT markets and auction processes.

Scatec Solar now holds project opportunities with a combined capacity of about 2,800 MW across Americas, Africa and Asia.

Outlook

Industry analysts continue to forecast strong growth in the solar market, and annual solar installations are expected to grow from 98 GW in 2017 to 135 GW in 2020.

The main priorities of Scatec Solar in 2018 is to successfully execute our construction projects, secure maximum production at solar power plants in operation, achieve financial close on projects in the backlog to start construction, as well as further develop the project pipeline.

In 2018, cash flow to equity for plants in operation is expected to reach NOK 160-180 million from Power Production and Operation & Maintenance. In 2018 power production is expected to reach 635 GWh from plants currently in operation compared to 627 GWh in 2017. Production volumes will grow as plants under construction are getting grid connected during 2018.

The company has set a target to reach a production capacity of 1,300-1,500 MW in operation and under construction by the end of 2018 up from 322 MW in operation today.

Scatec Solar is well positioned to take part in the growth of the solar market through a solid project pipeline of more than 3.5 GW in the Americas, Africa and MENA. With the current business plan Scatec Solar's portfolio of power producing assets is expected to continue to grow significantly over the next few years. New growth targets for the years to come will be announced later in 2018.

The solar industry is going through many changes. It is rewarding to see both solar technology and battery storage get cheaper and improving in efficiency. In Scatec Solar we will continue to develop our strategy and business model to adapt to a dynamic market environment, and we are convinced that we will create new attractive business opportunities where we utilize our proven track record and expertise in the years to come.

Risk factors and risk management

Through its business activities, Scatec Solar is exposed to a variety of operational, political and financial risks. The business of the Group is project related and the majority of the risks that the business is exposed to is contained and managed within individual projects. Guidelines for risk management have been approved by the Board of Directors and are carried out by Scatec Solar's group finance department in cooperation with the individual operational units.

Operational risk

The operational risks going forward relate to the performance of existing power plants, timely completion of solar power plants under construction and progress in the transitioning of projects in backlog through financial close and into construction.

The business of the Company is project related and the majority of the risks that the business is exposed to is contained and managed within individual projects. The market risk mainly relates to the attractiveness of solar projects in the various markets as derived from development in power prices, including feed-in-tariffs in key markets, relative to the prices of key components such as solar modules. Scatec Solar manages this risk through balancing the commitments on sourcing of projects and components with the commitments on the off-take and financing of the final systems, and through developing a robust portfolio of attractive project opportunities in different markets.

Scatec Solar is often required to provide performance guarantees in connection with construction activities. While the total nominal exposure from such guarantees may become significant as the level of construction activities increases in new markets, the exposure is limited in relation to the expected project margins and the contracts relate to fairly standardised construction where Scatec Solar has a solid track-record.

Scatec Solar has established a solid project pipeline, but further growth of the company will depend on a number of factors such as project availability, access to competitive financing, component availability and pricing, price development for alternative sources of energy and the regulatory framework in the relevant markets.

Scatec Solar operates in several regions of the world with complex risk environments. This primarily relates to political, compliance, integrity and security risk. The Company mitigates these risks through comprehensive due diligence processes whereby country risk, permits, project agreements, partners, execution plans, , security and all other relevant aspects of the project are carefully assessed. These assessments are done in close cooperation with a number of advisors including global risk and security consultancies.

Scatec Solar acknowledges cybercrime to be a potential risk to the company. We mitigate this risk proactively by pushing out security patches to all computers and network equipment in addition to continuous monitoring the equipment for security issues. Scatec Solar's IT partner's Security Operations Center (ISOC) monitors all data traffic passing through the firewalls 24/7 in addition to surveillance of the general threat level across the global networks.

Political risk

Scatec Solar holds assets and operates in many jurisdictions, and the company's operations are subject to international and national laws and regulations applied by various government authorities in connection with obtaining licenses and permits, government guarantees and other obligations regulated by law. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits and in monitoring licensees' compliance with the terms thereof. Commercial practices and legal and regulatory frameworks differ significantly between jurisdictions and are subject to change at any time. As a result, it may be difficult to ensure compliance with changes in regulatory requirements in the jurisdictions where the Company operates, and this can have an adverse effect on the Group's operations, business, financial performance and prospects.

Financial risk

Through its business activities Scatec Solar is exposed to financial risks, including commodity price risk, currency risk, interest rate risk, liquidity risk and credit risk. For description and management of financial risk, refer to Note 4.

Dividend policy

The Company's objective is to pay shareholders consistent and growing cash dividends. Scatec Solar's dividend policy is to pay its shareholders dividends representing 50% of free cash distributed from the power producing power plant companies. In accordance with this policy, the Board of Directors has proposed a dividend for 2017 of NOK 80 million, amounting to NOK 0.78 per share.

Subsequent events

No events have occurred after the balance sheet date with significant impact on the financial statements for 2017.

Oslo, 15 March 2018
The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)

Alf Bjørseth

Mari Thjømøe

Jan Skogseth

Gisele Marchand

Raymond Carlsen (CEO)