

# Second quarter and half year report

# 2016



**Scatec Solar**  
Improving our future™

# About Scatec Solar

Scatec Solar is an integrated independent solar power producer, delivering affordable, rapidly deployable and sustainable source of clean energy worldwide. A long term player, Scatec Solar develops, builds, owns, operates and maintains solar power plants, and has an installation track record of close to 600 MW.

The company is producing electricity from 404 MW of solar power plants in the Czech Republic, South Africa, Rwanda, Honduras, Jordan and the United States. Construction of an additional 22 MW in Jordan is under completion.

With an established global presence, the company is growing strongly with a project backlog and pipeline of close to 1.5 GW under development in the Americas, Africa, Asia and the Middle East. Scatec Solar is headquartered in Oslo, Norway and listed on the Oslo Stock Exchange under the ticker symbol 'SSO'.

To learn more, visit [www.scatecsolar.com](http://www.scatecsolar.com)

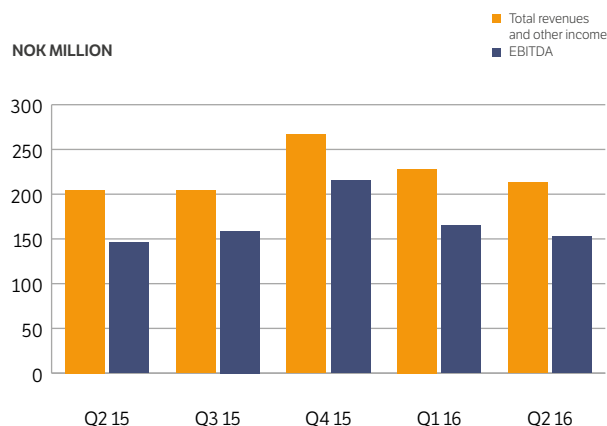
## SCATEC SOLAR'S VALUE CHAIN



# Q2'16 Highlights

- Power production of 182,765 MWh, doubling the volume from Q2'15
- The 10 MW Oryx plant in Jordan reached COD in June 2016
- Investments of NOK 333 million in plants under construction and further development of the backlog and project pipeline
- Egyptian authorities and International Finance Institutions have not yet agreed on the terms of the PV programme – construction start is moved to 2017
- Adjusted target of 500-550 MW in operation and under construction by year end 2016 based on changes in project timelines
- The target for end of 2018 is 1,400-1,600 MW in operation and under construction
- The 11 MW GLAE plant in Jordan reached COD in July 2016, another 22 MW set to reach COD in August 2016

## CONSOLIDATED REVENUES AND EBITDA



## KEY FIGURES

NOK MILLION	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Total revenues and other income	213	228	205	441	412
EBITDA <sup>1)</sup>	153	165	146	318	324
Operating profit (EBIT)	93	107	108	199	247
Profit before income tax	6	-35	30	-29	102
Profit/(loss) for the period	6	-23	21	-17	68
<b>Profit/(loss) to Scatec Solar</b>	<b>5</b>	<b>-46</b>	<b>19</b>	<b>-42</b>	<b>38</b>
Profit/(loss) to non-controlling interests	1	23	3	24	30
Total Assets	7,633	7,726	6,937	7,633	6,937
Equity (%) <sup>2)</sup>	15%	17%	20%	15 %	20%
Net interest bearing debt <sup>1)</sup>	4,490	4,210	3,689	4,490	3,689
<b>SSO proportionate share of cash flow to equity <sup>1)</sup>:</b>					
Power Production	32	26	29	58	60
Operation & Maintenance	7	4	7	11	12
Development & Construction	10	7	39	17	52
Corporate	-18	-15	-5	-33	-12
<b>Total</b>	<b>31</b>	<b>22</b>	<b>71</b>	<b>53</b>	<b>113</b>

Consolidated revenues and profits are mainly generated in the Power Production segment. Activities in Operation & Maintenance and Development & Construction 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.

1) See appendix for definition of this measure.

2) The book value of consolidated assets reflects eliminations of internal margins generated through project development and construction, operation and maintenance, whereas the consolidated debt includes non-recourse debt in project companies at full amount. This reduces the consolidated equity and equity ratio.

# Segment overview

Scatec Solar is an integrated independent solar power producer; develops, builds, owns and operates large scale solar power plants.

Scatec Solar reports on three operating business segments; Power Production (PP), Operation & Maintenance (O&M), and Development & Construction (D&C), as well as on Corporate and Eliminations.

Revenues and gross margins related to deliveries of development and construction, and operation and maintenance services to project companies deemed to be controlled by Scatec Solar are eliminated in the Consolidated Group Financial Statements. The underlying value creation in each segment is hence reflected only in the segment reporting.

## Power Production (PP)

As per the end of second quarter 2016 the PP segment comprised the 393 MW of solar power plants in operation as specified below. The plants produce electricity for sale under 20-25 year fixed priced, normally with inflation adjustments, power purchase agreements (PPA) or feed-in tariff (FiT) schemes with the

exception of the Red Hills plant which is selling into the merchant power market until the PPA commences in January 2017.

## Operation & Maintenance (O&M)

The O&M segment comprises of primarily services provided to solar power plants controlled by Scatec Solar. Revenues and profits are typically generated on the basis of fixed service fees with additional profit-sharing arrangements based on plant performance.

## Development & Construction (D&C)

The D&C segment comprises of development activities in a number of projects globally as well as construction of solar power plants developed by the company. Revenues and profits are recognised based on percentage-of-completion of the construction contracts.

The company continued construction of 33 MW in Jordan during the second quarter. The backlog of projects with secured offtake of future power production is currently at 422 MW, while the project pipeline consists of several projects with a combined capacity of 1,156 MW.

Scatec Solar reporting structure per Q2 2016:



### Main activities

- |  |  |  |   |   |
|--|--|--|---|---|
| <ul style="list-style-type: none"> <li>• Ownership and management of power producing assets</li> </ul> | <ul style="list-style-type: none"> <li>• Technical and operational services</li> </ul> | <ul style="list-style-type: none"> <li>• Project development</li> <li>• Engineering and Procurement</li> <li>• Construction management</li> <li>• Quality assurance</li> </ul> | <ul style="list-style-type: none"> <li>• Corporate services</li> <li>• Management</li> <li>• Group finance</li> </ul> | <ul style="list-style-type: none"> <li>• Elimination of revenue and profits from internal transactions</li> </ul> |
|--|--|--|---|---|

### Assets / projects with revenues recognized

South Africa (39%): <ul style="list-style-type: none"> <li>• Kalkbult, 75 MW</li> <li>• Linde, 40 MW</li> <li>• Dreunberg, 75 MW</li> </ul>	South Africa: <ul style="list-style-type: none"> <li>• Kalkbult, 75 MW</li> <li>• Linde, 40 MW</li> <li>• Dreunberg, 75 MW</li> </ul>	Jordan: <ul style="list-style-type: none"> <li>• EJRE / GLAE, 33 MW</li> </ul>
Rwanda (43%): <ul style="list-style-type: none"> <li>• ASYV, 9 MW</li> </ul>	Rwanda: <ul style="list-style-type: none"> <li>• ASYV, 9 MW</li> </ul>	Backlog 422 MW
Czech Republic (100%): <ul style="list-style-type: none"> <li>• Portfolio, 20 MW</li> </ul>	Czech Republic: <ul style="list-style-type: none"> <li>• Portfolio, 20 MW</li> </ul>	Pipeline ~ 1,156 MW
Honduras (40%): <ul style="list-style-type: none"> <li>• Agua Fria, 60 MW</li> </ul>	Honduras: <ul style="list-style-type: none"> <li>• Agua Fria, 60 MW</li> </ul>	
USA (100%): <ul style="list-style-type: none"> <li>• Utah Red Hills, 104 MW</li> </ul>	Third-party owned: <ul style="list-style-type: none"> <li>• 6 MW</li> </ul>	
Jordan (90%): <ul style="list-style-type: none"> <li>• Oryx, 10 MW</li> </ul>		

## Segment financials

### SEGMENT FINANCIALS Q2 2016

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	213.9	0.5	-	-	-	214.4
Internal revenues	-	15.4	304.5	2.0	-321.9	-
Net gain/(loss) from sale of project assets	-	-	1.4	-	-	1.4
Net income/(loss) from associates	-	-	-2.4	-	-	-2.4
Total revenues and other income	213.9	15.8	303.5	2.0	-321.9	213.4
Cost of sales	-	-	-275.1	-	275.1	-
Gross profit	213.9	15.8	28.4	2.0	-46.8	213.4
Operating expenses	-37.6	-7.0	-16.6	-16.9	17.4	-60.8
EBITDA	176.3	8.8	11.8	-14.9	-29.4	152.6
Depreciation, amortisation and impairment	-69.7	-0.6	-4.5	-0.2	15.3	-59.6
Operating profit (EBIT)	106.6	8.2	7.3	-15.0	-14.1	93.0

### SEGMENT FINANCIALS Q2 2015

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	183.6	0.9	0.4	-	-	184.9
Internal revenues	0.7	14.9	576.0	1.5	-593.1	-
Net gain/(loss) from sale of project assets	-	-	2.6	-	-	2.6
Net income/(loss) from associates	-	-	-0.2	-	-	-0.2
Total revenues and other income	184.3	15.8	578.8	1.5	-593.1	187.3
Cost of sales	-	-	-508.0	-	508.0	-
Gross profit	184.3	15.8	70.8	1.5	-85.1	187.3
Operating expenses	-26.2	-5.8	-17.5	-8.6	17.1	-41.1
EBITDA	158.1	10.0	53.3	-7.1	-68.0	146.2
Depreciation, amortisation and impairment	-52.2	-0.5	-0.9	-0.1	15.6	-38.1
Operating profit (EBIT)	105.9	9.4	52.5	-7.2	-52.4	108.1

### SEGMENT FINANCIALS YTD 2016

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	441.2	1.4	-	-	-	442.6
Internal revenues	-	27.5	562.3	4.4	-594.2	-
Net gain/(loss) from sale of project assets	-	-	1.6	-	-	1.6
Net income/(loss) from associates	-	-	-3.0	-	-	-3.0
Total revenues and other income	441.2	28.9	560.9	4.4	-594.2	441.2
Cost of sales	-	-	-502.7	-	502.7	-
Gross profit	441.2	28.9	58.1	4.4	-91.5	441.2
Operating expenses	-71.3	-14.4	-38.9	-30.9	31.9	-123.5
EBITDA	370.0	14.5	19.2	-26.5	-59.6	317.7
Depreciation, amortisation and impairment	-140.8	-1.1	-6.9	-0.3	31.0	-118.2
Operating profit (EBIT)	229.2	13.4	12.3	-26.8	-28.6	199.5

## SEGMENT FINANCIALS YTD 2015

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	407.9	1.8	0.6	-	-	410.3
Internal revenues	0.7	25.0	818.2	3.0	-847.0	-
Net gain/(loss) from sale of project assets	-	-	2.6	-	-	2.6
Net income/(loss) from associates	-	-	-0.8	-	-	-0.8
Total revenues and other income	408.7	26.8	820.6	3.0	-847.0	412.1
Cost of sales	-	-	-711.6	-	711.6	-
Gross profit	408.7	26.8	109.0	3.0	-135.4	412.1
Operating expenses	-48.7	-10.8	-37.8	-19.5	28.8	-88.1
EBITDA	360.0	16.0	71.2	-16.5	-106.6	324.0
Depreciation, amortisation and impairment	-105.3	-1.0	-1.9	-0.2	31.3	-77.0
Operating profit (EBIT)	254.6	15.0	69.3	-16.7	-75.3	246.9

## SEGMENT FINANCIALS FULL YEAR 2015

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	863.0	4.1	0.7	-	-	867.7
Internal revenues	-	51.4	1,146.6	7.5	-1,205.5	-
Net gain/(loss) from sale of project assets	-	-	14.1	-	-	14.1
Net income/(loss) from associates	-	-	-0.9	-	-	-0.9
Total revenues and other income	863.0	55.4	1,160.5	7.5	-1,205.5	881.0
Cost of sales	-	-	-989.7	-	989.7	-
Gross profit	863.0	55.4	170.8	7.5	-215.8	881.0
Operating expenses	-102.9	-24.0	-69.7	-44.8	58.8	-182.6
EBITDA	760.1	31.4	101.2	-37.3	-156.9	698.4
Depreciation, amortisation and impairment	-227.6	-2.6	-6.5	-0.5	61.6	-175.6
Operating profit (EBIT)	532.5	28.8	94.6	-37.8	-95.4	522.8

# Financial review

## Power Production

Revenues in Power Production reached NOK 214 million (184)<sup>3)</sup> in the second quarter.

Power production reached 183 GWh, broadly in line with the previous quarter and up 104% year on year. The Oryx plant in Jordan was grid connected mid-April and earned full tariff from COD in mid-June. The seasonally lower production in South Africa quarter on quarter was offset by higher production in the US and Czech Republic.

The Utah Red Hills plant is selling power into the merchant market in 2016 before entering into the 20-year fixed PPA price from 2017. The average merchant price in the second quarter was 21.3 USD/MWh, while the average price under the PPA that starts in 2017 is estimated at 58.5 USD/MWh.

Year on year revenues increased 16% as the additional revenues from the Agua Fria, Utah Red Hills and Oryx plants were partly offset by a NOK 18 million reduction in revenues from the South African plants after a 14% depreciation of ZAR against NOK.

The Agua Fria plant is still awaiting final confirmation from the Honduran state owned utility on the eligibility for the additional incentive tariff, and reported revenues on the plant for the second quarter include the base tariff.

Operating expenses in the segment amounted to NOK 38 million (26) in the second quarter, up from NOK 34 million in the previous quarter, mainly reflecting increased accruals for O&M performance bonus fees. The O&M services contracts are held by Scatec Solar.

EBITDA reached NOK 176 million (158) in the second quarter, with an EBITDA margin of 82% (86%).

Depreciation and amortisation amounted to NOK 70 million (52), down from NOK 71 million in the previous quarter, reflecting the start of production at the Oryx plant, offset by the currency impact of depreciated USD against NOK.

Scatec Solar's proportionate share of cash flow to equity<sup>4)</sup> from Power Production was NOK 32 million (29) in the second quarter.

For the first half year, revenues amounted to NOK 441 million (409), while operating expenses increased to NOK 71 million (49). EBITDA amounted to NOK 370 million (360), and EBIT to NOK 229 million (255). Scatec Solar's proportionate share of cash flow to equity from Power Production for the first half year was NOK 58 million (60).

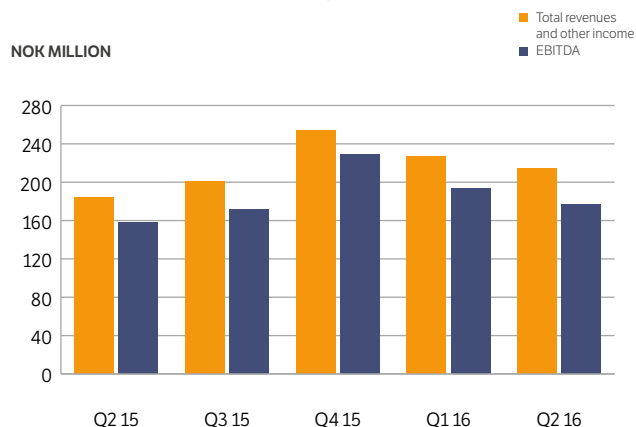
See separate tables for financials for each individual project company.

3) Numbers in brackets refer to comparable information for the corresponding period last year.

4) Refer to appendix for definition of project milestones.

## POWER PRODUCTION

### – REVENUES AND EBITDA BY QUARTER



### POWER PRODUCTION – KEY FIGURES

NOK MILLION	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
External revenues	183.6	201.5	253.6	227.3	213.9
Internal revenues	0.7	-0.7	-	-	-
<b>Total revenues and other income</b>	<b>184.3</b>	<b>200.7</b>	<b>253.6</b>	<b>227.3</b>	<b>213.9</b>
Operating expenses	-26.2	-29.5	-24.7	-33.6	-37.6
<b>EBITDA</b>	<b>158.1</b>	<b>171.2</b>	<b>228.9</b>	<b>193.7</b>	<b>176.3</b>
D&A and impairment	-52.2	-59.8	-62.4	-71.2	-69.7
<b>EBIT</b>	<b>105.9</b>	<b>111.4</b>	<b>166.5</b>	<b>122.6</b>	<b>106.6</b>

### POWER PRODUCTION – KEY RATIOS (%)

	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
EBITDA margin	86%	85%	90%	85%	82%
EBIT margin	57%	56%	66%	54%	50%

### PRODUCTION (MWH)

	MW	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Czech portfolio	20	8,257	7,962	2,517	3,077	7,965
Kalkbult	75	33,172	32,436	39,472	37,143	31,963
Dreunberg	75	28,719	31,028	51,909	44,209	28,849
Linde	40	16,341	16,424	28,846	25,327	15,749
ASYV	8.5	3,197	3,878	3,208	3,338	3,522
Agua Fria	60	-	15,424	25,623	26,438	24,591
Utah Red Hills	104	-	-	-	42,668	64,240
Oryx	10.4	-	-	-	-	5,852
<b>MWh produced</b>	<b>394</b>	<b>89,686</b>	<b>107,152</b>	<b>151,575</b>	<b>182,200</b>	<b>182,731</b>
- net to SSO		40,110	46,954	61,034	99,360	118,681

Scatec Solar directly and/or indirectly owns 100% of the Czech portfolio of solar power plants, 43% of ASYV in Rwanda, 39% of Kalkbult, Linde and Dreunberg in South Africa, 40% of Agua Fria in Honduras and 100% of Utah Red Hills in the US.

## PROJECT COMPANIES - KEY FINANCIALS Q2 2016

NOK MILLION	CZECH REPUBLIC	KALKBULT	LINDE	DREUNBERG	ASYV	AGUA FRIA	UTAH RED HILLS	ORYX	SEGMENT OVERHEAD	TOTAL SEGMENT	SSO PROP. SHARE <sup>5)</sup>
Revenues	34.5	58.6	23.2	43.6	7.5	27.7	14.4	4.1	0.3	213.9	116.1
OPEX	-2.4	-7.3	-4.5	-8.5	-1.5	-4.1	-4.9	-0.2	-4.2	-37.6	-21.9
EBITDA	32.1	51.2	18.7	35.1	6.1	23.6	9.5	4.0	-3.9	176.3	94.1
EBITDA margin	93 %	87 %	81 %	80 %	81 %	85 %	66 %	96 %	-	82 %	81 %
Net Interest expenses <sup>5)</sup>	-5.3	-24.9	-10.4	-24.7	-3.2	-9.9	-8.6	-1.0	0.8	-87.1	-42.7
Normalised loan repayments <sup>5)</sup>	-5.4	-4.7	-6.4	-10.6	-3.1	-3.7	-	-	-	-34.7	-16.6
Cash flow to equity <sup>5)</sup>	18.0	18.3	1.7	1.0	-0.4	10.0	-	2.9	-2.1	49.4	31.9
SSO shareholding	100 %	39 %	39 %	39 %	43 %	40 %	100 %	90%	-	-	-

## PROJECT COMPANIES - KEY FINANCIALS YTD 2016

NOK MILLION	CZECH REPUBLIC	KALKBULT	LINDE	DREUNBERG	ASYV	AGUA FRIA	UTAH RED HILLS	ORYX	SEGMENT OVERHEAD	TOTAL SEGMENT	SSO PROP. SHARE <sup>5)</sup>
Revenues	48.0	122.7	59.7	109.0	15.1	59.9	22.4	4.1	0.4	441.2	218.5
OPEX	-4.2	-14.7	-7.7	-13.4	-2.6	-8.4	-12.1	-0.2	-8.0	-71.3	-42.9
EBITDA	43.8	108.0	52.0	95.6	12.6	51.5	10.3	4.0	-7.6	370.0	175.6
EBITDA margin	91 %	88 %	87 %	88 %	83 %	86 %	46 %	96 %	-	84 %	80 %
Net Interest expenses <sup>5)</sup>	-10.7	-49.7	-22.2	-48.7	-6.7	-20.5	-19.1	-1.0	1.5	-177.1	-87.3
Normalised loan repayments <sup>5)</sup>	-10.6	-9.3	-12.8	-19.4	-6.1	-7.3	-	-	-	-65.4	-32.3
Cash flow to equity <sup>5)</sup>	19.6	40.7	12.9	22.5	-0.5	23.7	-	2.9	-4.2	117.5	58.4
SSO shareholding	100 %	39 %	39 %	39 %	43 %	40 %	100 %	90%	-	-	-

## PROJECT COMPANIES – FINANCIAL POSITION AND WORKING CAPITAL BREAK-DOWN

AS OF 30 JUNE 2016

NOK MILLION	IN OPERATION								UNDER CONSTRUCTION		D&C, O&M, CORPORATE & ELIMINATIONS <sup>6)</sup>	CONSOLI- DATED
	CZECH REPUBLIC	KALKBULT	LINDE	DREUNBERG	ASYV	AGUA FRIA	UTAH RED HILLS	ORYX	EJRE/ GLAE			
Project equity <sup>5)</sup>	172.8	244.7	163.6	309.3	28.8	335.3	480.0	59.1	162.3		-797.0	1,159.0
Total assets	607.1	1,228.6	697.2	1,362.9	197.9	1,049.5	1,180.2	291.6	911.4		106.7	7,633.1
PP&E <sup>6)</sup>	509.6	1,034.1	564.7	1,120.1	166.6	904.6	1,143.4	230.2	819.5		-685.4	5,807.4
Cash <sup>7)</sup>	33.7	149.6	74.2	124.2	27.7	64.1	20.7	44.0	90.5		279.5	908.2
Gross debt <sup>9)</sup>	388.4	908.7	498.7	1,003.4	160.0	639.9	573.5	188.4	542.4		494.5	5,397.9
Net interest bearing debt <sup>5)</sup>	354.8	759.1	424.6	879.2	132.3	575.9	552.7	144.4	451.8		215.0	4,489.8
Net working capital <sup>8)</sup>	-10.8	3.3	-19.9	-27.7	-19.6	28.6	6.8	-3.3	-59.1		26.2	-75.5

5) Refer to appendix for definition of this measure.

6) The amount of NOK 685.4 million includes capitalised development spending on projects that have not yet reached construction phase of NOK 448 million

7) Cash in project companies includes cash in proceeds accounts, debt service reserve accounts and cash available for redistribution to project company shareholders. Cash in D&amp;C, O&amp;M and Corporate include NOK 137 million of restricted cash related to deposits for withholding tax, guarantees, VAT and rent as well as collateralised shareholders financing.

8) 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.

9) Gross debt consist of non-current and current external non-recourse financing and external corporate financing.



## Operation & Maintenance

Revenues in the Operation & Maintenance segment reached NOK 16 million (16) in the second quarter.

The second quarter revenues were recognised based on O&M contracts totalling 285 MW.

Operating expenses reached NOK 7 million (6), broadly in line with the previous quarter.

The EBITDA amounted to NOK 9 million (10) in the second quarter, corresponding to an EBITDA-margin of 55% (63%).

The increase in revenues and EBITDA from the previous quarter is mainly due to higher performance bonus reflecting higher performance ratio. The majority of the O&M contracts include performance bonus provisions, securing the company up to 50% of revenues generated above pre-defined performance levels (irrespective of irradiation levels).

Revenues year on year are in line as the additional revenues from serving the 60 MW Agua Fria plant were offset by reduced revenues from serving the South African plants after a 14% depreciation of ZAR against NOK.

Depreciation and amortisation in the quarter amounted to NOK 0.6 million (0.5), and EBIT was NOK 8 million (9).

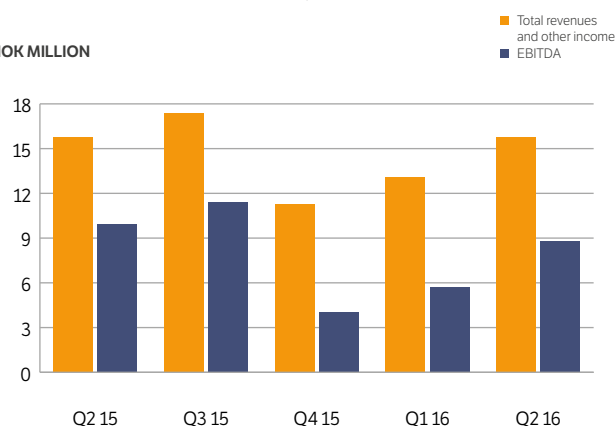
Scatec Solar's proportionate share of cash flow to equity from Operation & Maintenance was NOK 7 million (7).

For the first half year revenues increased to NOK 29 million (27), while operating expenses increased to NOK 14 million (11). EBITDA amounted to NOK 15 million (16) for the first half year and EBIT was NOK 13 million (15). Scatec Solar's proportionate share of cash flow to equity from Operation & Maintenance for the first half year was NOK 11 million (12).

The O&M contracts for third party controlled plants are considered non-core and the remaining 6 MW is expected to be discontinued by year-end 2016. The inclusion of the 43 MW portfolio in Jordan is expected in the second half of 2016.

## OPERATION & MAINTENANCE – REVENUES AND EBITDA BY QUARTER

NOK MILLION



## OPERATION & MAINTENANCE – KEY FIGURES

NOK MILLION	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
External revenues	0.9	0.8	1.5	0.9	0.5
Internal revenues	14.9	16.6	9.7	12.2	15.4
<b>Total revenues and other income</b>	<b>15.8</b>	<b>17.4</b>	<b>11.3</b>	<b>13.1</b>	<b>15.8</b>
Operating expenses	-5.8	-6.0	-7.2	-7.3	-7.0
<b>EBITDA</b>	<b>9.9</b>	<b>11.4</b>	<b>4.0</b>	<b>5.7</b>	<b>8.8</b>
D&A and impairment	-0.5	-0.7	-0.9	-0.5	-0.6
<b>EBIT</b>	<b>9.4</b>	<b>10.6</b>	<b>3.2</b>	<b>5.2</b>	<b>8.2</b>

## OPERATION & MAINTENANCE – KEY RATIOS (%)

	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
EBITDA margin	63%	65 %	36 %	44 %	55 %
EBIT margin	60%	61 %	28 %	40 %	52 %

## PORTFOLIO OVERVIEW – MW AT END OF PERIOD

MW	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Portfolio (MW)	236	236	236	296	285
Of which third-party	17	17	17	17	6

O&M-contracts are included at Taking Over Date (TOD).  
Refer to appendix for definition of project milestones.

## Development & Construction

Revenues in the Development & Construction (D&C) segment amounted to NOK 304 million (579) in the second quarter.

The Oryx, EJRE and GLAE projects in Jordan generated revenues of NOK 304 million in the quarter. Construction revenues are recognised on a percentage-of-completion (PoC) basis, and defined as cost incurred over total expected cost. At the end of the second quarter PoC was 98% for Oryx, 95% for EJRE and 96% for GLAE.

The 10 MW Oryx plant reached COD in June, while the 11 MW GLAE plant reached COD in July. The 22 MW EJRE plant is being commissioned and expected to reach COD in August 2016.

Cost of sales related to Development and Construction amounted to NOK 275 million (508) in the second quarter, generating a gross margin of 9% (12%). The gross margin for the segment will normally fluctuate somewhat from quarter to quarter depending on the mix of projects under development and construction.

Operating expenses were NOK 17 million (18) in the second quarter. This comprised of approximately NOK 10 million for early stage development of new projects and NOK 7 million related to construction projects.

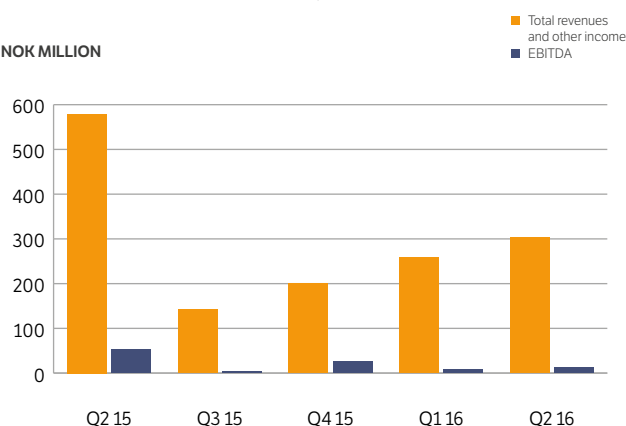
EBITDA was NOK 12 million (53) in the second quarter. Depreciation, amortisation and impairment amounted to NOK 5 million (1), including impairment of a project in the pipeline. EBIT was thus NOK 7 million (53).

Scatec Solar's proportionate share of cash flow to equity from Development & Construction was NOK 10 million (39).

For the first half year, revenues amounted to NOK 561 (821), with a gross margin of 10% (13%). Operating expenses increased to NOK 39 million (38). EBITDA was NOK 19 million (71) and EBIT NOK 12 million (69). Scatec Solar's proportionate share of cash flow to equity from Development & Construction for the first half year was NOK 17 million (52).

## DEVELOPMENT & CONSTRUCTION – REVENUES AND EBITDA BY QUARTER

NOK MILLION



## DEVELOPMENT & CONSTRUCTION – KEY FIGURES

NOK MILLION	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
External revenues	0.6	0.1	-	-	-
Internal revenues	576.0	139.8	188.6	257.8	304.5
Net gain project sale	2.6	-	11.5	0.2	1.4
Net income associated	-0.2	-0.1	-	-0.6	-2.4
<b>Total revenue and other income</b>	<b>579.0</b>	<b>139.8</b>	<b>200.1</b>	<b>257.4</b>	<b>303.5</b>
Cost of sales	-508.1	-122.0	-156.1	-227.6	-275.1
<b>Gross profit</b>	<b>70.9</b>	<b>17.8</b>	<b>44.0</b>	<b>29.8</b>	<b>28.4</b>
Operating expenses	-17.5	-13.6	-18.3	-22.3	-16.6
<b>EBITDA</b>	<b>53.4</b>	<b>4.2</b>	<b>25.7</b>	<b>7.5</b>	<b>11.8</b>
D&A and impairment	-0.9	-1.7	-3.0	-2.4	-4.5
<b>EBIT</b>	<b>52.5</b>	<b>2.5</b>	<b>22.8</b>	<b>5.1</b>	<b>7.3</b>

## KEY RATIOS (%)

	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Gross margin	12%	13%	22%	12%	9%
EBITDA margin	9%	3%	13%	3%	4%
EBIT margin	9%	2%	11%	2%	2%

Refer to appendix for definition of project milestone.

## Corporate & Eliminations

Corporate activities include corporate services, management and group finance. The net operating cost at corporate level amounted to NOK 17 million (9) in the second quarter 2016.

### CORPORATE – KEY FIGURES

NOK MILLION	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Total revenues	1.5	1.7	2.7	2.4	2.0
Operating expenses	-8.6	-11.6	-13.7	-14.0	-16.9
D&A and impairment	-0.1	-0.1	-0.2	-0.2	-0.2
EBIT	-7.2	-10.0	-11.1	-11.8	-15.0
Net interest expenses	2.9	4.0	-0.5	-9.1	-8.8

In the second quarter the corporate segment was charged NOK 2 million relating to management's share incentive plan, which was introduced in the third quarter 2014. In addition another NOK 2 million of the share incentive plan was charged to the Power Production and Development & Construction segments. Net interest expenses of NOK -8.8 million (+2.9) is primarily influenced by corporate funding and the NOK 500 million senior unsecured green bond in particular. See note 6 for further information.

For the first half year 2016, the net corporate costs amounted to NOK 31 million (20). The increased corporate cost base reflects the overall higher activity in the group as part of executing on the growth strategy.

### ELIMINATIONS – KEY FIGURES

NOK MILLION	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Revenues	-593.1	-157.4	-201.1	-272.3	-321.9
Cost of sales	508.0	122.0	156.1	227.6	275.1
Operating expenses	171	17.6	12.5	14.5	17.4
EBITDA	-68.0	-17.8	-32.5	-30.2	-29.4
D&A	15.6	16.3	13.9	15.7	15.3
EBIT	-52.4	-1.5	-18.5	-14.5	-14.1

Gross profits (i.e. revenues and expenses) generated in the D&C segment are eliminated in the consolidated income statement and reduces the consolidated book value of the solar power plants. The profits generated through project development and plant construction is hence improving the consolidated operating profit through lower depreciation charges over the economic life of the solar power plants. In the second quarter this effect amounted to NOK 15 million (16).

The internal revenues generated in the Corporate and O&M segments are eliminated in the consolidated income statement with corresponding elimination of operating expenses, amounting to NOK 17 million (16) in the second quarter.

## CONSOLIDATED INCOME STATEMENT

### Revenues

Scatec Solar reported consolidated revenues of NOK 214 million in the second quarter 2016, up from NOK 187 million in the same period last year, with the growth reflecting sales of electricity from the solar power plants Agua Fria, Red Hills and Oryx of NOK 46 million, partly offset by currency translation effects as the ZAR has weakened by 14% compared to the second quarter 2015.

Net revenues included NOK 1.4 million (2.6) of gain from sales of project assets as well as NOK -2.4 million (0.2) of loss from associated companies.

For the first half year, revenues amounted to NOK 441 million (412). Net revenues included NOK 2 million (3) of gain from sales of project assets as well as NOK -3 million (-1) of loss from associated companies.

### Operating expenses

Consolidated operating expenses amounted to NOK 61 million (41) in the second quarter. This comprised of approximately NOK 29 million for operation of existing power plants, NOK 10 million for early stage development of new projects, NOK 7 million related to construction of power plants and NOK 15 million of corporate expenses (excluding eliminated intersegment charges).

Included in operating expenses is NOK 4 million related to share-based payment. See note 26 in the annual report for information on the plans.

Personnel expenses amounted to NOK 24 million (15) and other operating expenses to NOK 37 million (26).

For the first half year, consolidated operating expenses amounted to NOK 123 million (88). The increase in operating expenses is primarily reflecting commencement of operations at the Agua Fria, Red Hills and Oryx solar power plants as well as increased corporate cost base.

### Operating profit

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to NOK 153 million (146) in the second quarter, and NOK 318 million (324) for the first half year. The increased profitability in the quarter primarily reflects the growth in sales from Agua Fria, Red Hills and Oryx, but is offset by the weakening of the ZAR, and is also influenced by the Red Hills plant operating in the merchant market.

Depreciation, amortisation and impairment amounted to NOK 60 million (38) in the second quarter, and NOK 118 million (77) for the first half year. The increase is mainly explained by commencement of asset depreciation of new solar power plants.

Thus, operating profit (EBIT) was NOK 93 million (108) in the second quarter and NOK 199 million (247) for the first half year.

## Net financial items

### NET FINANCIAL ITEMS – KEY FIGURES

NOK MILLION	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Interest income	15.8	18.2	17.2	12.1	<b>15.5</b>
Other financial income	-	0.3	-	-	<b>0.4</b>
Financial income	15.8	18.5	17.2	12.1	<b>15.8</b>
Interest expenses	-94.3	-98.4	-107.0	-116.2	<b>-117.2</b>
Other financial expenses	-1.0	-2.1	-4.1	-2.5	<b>-2.1</b>
Financial expenses	-95.3	100.5	-111.1	-118.7	<b>-119.3</b>
Foreign exchange gains/(losses)	1.0	-4.9	22.2	-34.5	<b>16.5</b>
Net financial expenses	-78.5	-86.9	-71.7	-141.1	<b>-87.0</b>

Net financial items amounted to NOK -87 million (-79) in the second quarter and NOK -228 million (-145) for the first half year.

Financial income amounted to NOK 16 million (16) in the second quarter and NOK 28 million (29) for the first half year.

Financial expenses amounted to NOK 119 million (96) in the second quarter. The increase in interest expenses reflect increased debt financing of the growing asset base and the new NOK 500 million corporate bond. Interest expenses on the operating solar power plants amounted to NOK 107 million (94) whereas interest expenses on corporate funding amounted to NOK 10 Million (0) in the second quarter.

For the first half year financial expenses amounted to NOK 238 million (196).

Foreign exchange gains amounted to NOK 16 million (1) in the second quarter and NOK -18 million (+23) for the first half year. These effects are largely reflecting the weakening of the USD in the first quarter and the strengthening of the USD in the second quarter. These are mainly non-cash and related to intercompany balances.

### Profit before tax and net profit

Profit before income tax was NOK 6 million (30) in the second quarter and NOK -29 million (102) for the first half year.

Income tax expense was NOK 0 million (-8) in the second quarter, corresponding to an effective tax rate of 7.7% (28.0%). For the first half year the income tax expense amounted to NOK 11 million (-34), corresponding to effective tax rate of 39.0% (33.2%). The underlying tax rates in the companies in operation are in the range of 0%-35%. In some markets Scatec Solar receives special tax incentives intended to promote investments in renewable energy. In addition to the relative weighting of the underlying tax rates, the consolidated effective tax rate is primarily influenced by eliminated intercompany transactions subject to different statutory tax rates as well as valuation allowance related to tax losses carried forward.

Net profit was NOK 6 million (21) in the second quarter and NOK -17 million (68) for the first half year.

A profit of NOK 5 million (19) was attributable to the equity holders of Scatec Solar in the second quarter and NOK -42 million (38) for the first half year. A profit of NOK 1 million (3) was attributable to non-controlling interests in the second quarter and NOK 24 million (30) for the first half year.

Non-controlling interests (NCI) represent financial investors in the individual solar power plants, and partners in some development projects. The allocation of profits between NCI and Scatec Solar is generally affected by the fact that NCI only have shareholdings in solar power plants, while Scatec Solar also carries the cost of project development and corporate functions.

### Impact of foreign currency changes in the quarter

During the second quarter 2016 the NOK appreciated against two of the Group's main currencies (USD and CZK) and depreciated slightly against the ZAR compared to the average rates for the first quarter. This negatively affected consolidated revenues by approximately NOK 2 million quarter on quarter. At the same time the currency movements decreased operating expenses, depreciations, interest expense and tax, reducing the net impact of the currency movements on net profit in the quarter to approximately NOK 1 million.

The quarter-on-quarter net foreign currency gains/losses was up NOK 51 million, from a loss of NOK 35 million in the first quarter 2016 compared to a gain of NOK 17 million in the second quarter 2016. These currency effects are to a large extent related to non-cash gains/losses on intercompany balances.

Following the depreciation of the NOK in the second quarter, the Group has recognised a foreign currency translation loss of NOK 4 million in other comprehensive income related to the conversion of the subsidiaries' statements of financial position from the respective functional currencies to the Group's reporting currency.

Scatec Solar has not hedged the currency exposure on the expected cash distributions from the project companies.

### CONSOLIDATED CASH FLOW

Net cash flow from consolidated operating activities amounted to NOK 312 million in the second quarter 2016 (103). Compared to the EBITDA of NOK 153 million, the cash flow is primarily affected by change in working capital.

Net cash flow from consolidated investing activities was NOK -317 million (-1,143), mainly driven by progress on construction projects in Jordan and on maturing the project backlog and pipeline.

Net cash flow from financing activities was NOK -310 million (750), including gross proceeds from new non-recourse financing of NOK 50 million (891) as well as a down payment of NOK 55 million (48). During the second quarter dividends of NOK 62 million (25) were paid to the equity holders of the parent company, and dividends of NOK 69 million (49) were paid to non-controlling interests in the project companies.

For the first half year, net cash flow from consolidated operating activities was NOK 321 million (559), while the net negative cash flow from consolidated investing activities was NOK -727 million (-1,828). Net cash flow from consolidated financing activities amounted to NOK 283 million (1,204), including net proceeds of NOK 103 million (1,206) from non-recourse project financing

Refer to note 6 for a detailed cash overview.

### 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	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Power Production	29.2	31.7	38.6	26.4	31.9
Operation & Maintenance	7.4	8.5	3.2	4.4	6.7
Development & Construction	39.2	3.6	19.6	6.5	10.2
Corporate	-5.1	-7.2	-2.9	-15.5	-17.7
<b>Total</b>	<b>70.6</b>	<b>36.6</b>	<b>58.4</b>	<b>21.9</b>	<b>31.0</b>
SSO project equity investments	-202.8	-13.5	-102.1	-28.0	-0.3
Distributions to SSO from project companies	48.9	34.2	32.0	3.0	58.3
Dividends to corporate shareholders	-25.3	-	-	-	-61.9

"Scatec Solar's proportionate share of cash flow to equity" was NOK 31 million (71) in the second quarter. The increase compared to the first quarter is explained by seasonality in production and higher activity in Development & Construction business.

No further project equity investments were made in the second quarter. During the second quarter Scatec Solar received distributions of NOK 58 million from the project entities in the Czech Republic and South Africa.

In the second quarter NOK 62 million was paid as dividends to the corporate shareholders.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In the consolidated statement of financial position, the solar power plant assets are valued at the Group's cost, reflecting elimination of gross margins generated through the project development and construction phase. At the same time, the ring-fenced non-recourse debt held in the entities owning the power producing assets is consolidated at full value. These accounting principles reduce the consolidated equity ratio.

Total equity was NOK 1,159 million (1,425) as of 30 June 2016, representing a decrease of NOK 128 million during second quarter and NOK 266 million for the first half year. The decrease year to date is mainly due to mark-to-market revaluation of interest

rate swaps recognised in other comprehensive income, foreign currency translation differences, dividends and loss for the period.

As a result of the above the book equity ratio decreased to 15.2% from 17.9% at the end of the second quarter.

The more relevant equity to capitalisation ratio for the recourse group (excluding the non-recourse financed project entities) as defined in the corporate bond agreement was 73% at the end of the second quarter. See note 6 for more information.

Total assets amounted to NOK 7,633 million (7,984) as of 30 June 2016, a decrease of NOK 92 million during the second quarter and NOK 350 million for the first half year.

Non-current assets amounted to NOK 6,382 million (5,844) as of 30 June 2016, an increase of NOK 339 million during second quarter and NOK 538 million for the first half year. The continued construction of the three solar power plants in Jordan is the main reason for the quarter on quarter net increase.

Current assets amounted to NOK 1,251 million (2,140), which was a decrease of NOK 431 million during second quarter and NOK 889 million for the first half year – mainly explained by reduced cash balance.

Of the total cash and cash equivalents of NOK 908 million, NOK 530 million was cash in project companies in operation, and NOK 114 million was cash in project companies under construction. Other restricted cash amounted to NOK 138 million and NOK 126 million was free cash at the group level. The reduced free cash position mainly reflects net working capital movements related to projects under construction and dividends to corporate shareholders, as well as on maturing the project backlog and pipeline.

Per 30 June 2016, the Group had not drawn on the corporate overdraft facility. Refer to Note 6 for definition of cash terms and more information on the overdraft facility.

Financial assets in the balance sheet primarily comprise interest rate derivatives in the South African project companies.

Total liabilities increased to NOK 6,474 million from NOK 6,438 at the end of the first quarter, and down from NOK 6,558 million at the end of the fourth quarter.

Total non-current liabilities amounted to NOK 5,821 million at the end of second quarter 2016, compared to NOK 5,772 million at the end of first quarter and NOK 5,843 end of fourth quarter. NOK 4,682 million of this was non-recourse project financing pledged only to the assets and performance of each individual project, compared to NOK 4,677 million at the end of first quarter and NOK 4,800 million at the end of fourth quarter.

Total current liabilities decreased to NOK 654 million, from NOK 666 million at the end of first quarter and NOK 715 million at the end of the fourth quarter. The decrease mainly reflects reduced trade payables related to construction projects, partly offset by increased non-recourse debt due to upcoming repayments.

## PROJECT BACKLOG, PIPELINE AND OPPORTUNITIES

PROJECT STAGE (IN MW)	Q1 2016 <sup>10)</sup>	Q2 2016 <sup>10)</sup>
In operation	383	404
Under construction	43	22
Project backlog	422	422
Project pipeline	1,056	1,156
Project opportunities	2,426	2,352

10) Status per reporting date.

Since Q1 2016 reporting the project backlog remains at 422 MW. The project pipeline has increased to 1,156 MW through adding a new 100 MW project in Nigeria.

### Project backlog

Project backlog is defined as projects with a secure off-take agreement assessed to have more than 90% likelihood of reaching financial close and subsequent realisation.

### Los Prados, Honduras, 53 MW

In October 2015, Scatec Solar and Norfund acquired the 53 MW Los Prados solar project in Honduras. The project have secured 20-year Power Purchase Agreement (PPA) with Empresa Nacional de Energía Eléctrica (ENEE), the government-owned utility. Refer to previous quarterly reports for further project details.

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 will be provided by the Central American Bank of Economic Integration (CABEI) and Export Credit Norway with guarantee from the Norwegian Export Credit Guarantee Institute (GIEK). Scatec Solar is still working on securing the final grid interconnection permit and financial close and construction start is therefore delayed. Construction start is now anticipated in late 2016.

### 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 Power Purchase Agreement (PPA) with Electricité du Mali (EDM), the utility of Mali for delivery of solar power over the next 25 years from a 33 MW solar power plant. Refer to previous quarterly reports for further project details.

IFC and African Development Bank (AfDB) will provide the non-re-course project finance for the project. The project finance process and preparations for construction are well advanced and financial close and construction start is expected in Q4 2016.

### Piaui, Brazil, 78 MW

In January 2016, Scatec Solar signed an agreement with the Spanish Company, Grupo Gran Solar S.L.C, to acquire a majority stake in two solar projects totalling 78 MW (DC) in the state of Piaui in Brazil. The projects were bid and won by Gran Solar in the auction process held by the ANEEL, the Brazilian Electricity Regulatory Agency, in August 2015.

The projects signed the 20-year Power Purchase Agreements (PPAs) with ANEEL in May 2016. The project finance process and preparations for construction start are well underway and the target is to start construction around year-end 2016.

### Uppington, South Africa, 258 MW

In April 2015, Scatec Solar was awarded preferred bidder status for three projects in Uppington with a combined capacity of 258 MW in the fourth bidding round under the REIPPP programme (Renewable Independent Power Producer Programme) in South Africa. Please refer to previous quarterly reports for further project details.

Based on recent communication from the Department of Energy (DoE), Scatec Solar is expecting financial close in the second half of 2016. Construction start of the Uppington projects is expected in 2017, in line with original plan, to align with the timeline of required grid construction activities in the area.

### Pipeline

Project pipeline is defined as projects assessed to have more than 50% likelihood of reaching financial close and subsequent realisation.

Scatec Solar currently has a pipeline of projects with a gross capacity of 1,156 MW.

### PIPELINE – TARGETED START OF CONSTRUCTION

	CAPACITY (MW)	2016	2017	2018
South Africa	430			430
East Africa	88	40	48	
West Africa	117		17	100
Egypt	341		341	
Pakistan	150		150	
Americas	30		30	
<b>Total pipeline</b>	<b>1,156</b>	<b>40</b>	<b>586</b>	<b>530</b>

In South Africa, Scatec Solar bid the projects in the pipeline in the expedited bidding round under the REIPPP programme on November 11, 2015. Award of preferred bidder status for this tender round is expected in the second half of 2016.

In East and West Africa the pipeline consists of projects across Burkina Faso, Kenya, Mozambique and Nigeria. In Mozambique, the negotiation of the power purchase agreement with the utility and the concession agreement with the authorities is nearing completion and the financing process is well advanced with IFC as mandated lead bank. Construction start is expected in second half of 2016.

In July 2016, Scatec Solar signed an agreement to take over a 100 MW project (the "Nova Scotia" project), located in Dutse L.G.A., the capital of Jigawa State in Nigeria. The Nova Scotia project was developed by CDIL, a Canada-based renewable energy development company, and Business Process Solutions Consult Limited (BPS), a Nigerian strategic consulting firm. The two companies have worked closely with the Jigawa State



Government to develop this project over the last 2 years. The Nova Scotia project signed a power purchase agreement (PPA) with Nigerian Bulk Electricity Trader Plc (NBET) in July, 2016. Scatec Solar with its partners will continue the development of the project and initiate the financing process and technical preparations.

Scatec Solar has secured participation in five projects in the FiT program in Egypt, each 50 MW (AC). Based on current planning, these projects would be built out with a total installed capacity of 341 MW (DC). One project has been secured with Scatec Solar as lead developer, while Scatec Solar has secured agreements with other developers to participate as equity investor, EPC and O&M contractor and asset manager in the four other projects.

Agreements have been signed and down payments made by Scatec Solar and a total of 40-45 other developers for the establishment of shared grid connection and other infrastructure both for the Ben Ban and Zafarana area. The construction of the shared infrastructure is well under way.

The whole PV Programme in Egypt is currently experiencing some delay due to certain terms in the common Power Purchase Agreement offered by the Egyptian authorities not being acceptable to the International Financing Institutions (IFIs). Scatec Solar, the other developers and the IFIs are in regular discussions with the authorities regarding the way forward for PV Programme. The expected start of construction for the projects has been moved to 2017, due to the delays experienced.

In Pakistan, Scatec Solar signed a joint development agreement with Nizam Energy for the development of 300 MW solar power plants in Q2 2015. The first 150 MW under this agreement is in the state of Sindh and is included in pipeline. All required development steps are completed, but the project is still awaiting the award of the feed-in tariff. The Pakistani authorities has recently initiated the process to set the feed-in tariff level for awards to be done in the second half of 2016.

In Mexico (Americas), Scatec Solar has a development agreement with a local project developer. This development agreement includes a 30 MW project in Baja California which is included in the project pipeline. The project is waiting for clarification of local grid capacity from the national grid authority.

### Project opportunities

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

Scatec Solar currently holds project opportunities with a combined capacity of 2,352 MW across Americas, Africa and Asia.

## OUTLOOK

Revised 2016 targets, reflecting changes in project timelines:

- By year end 2016: 500-550 MW in operation and under construction
- By year end 2018: 1,400 - 1,600 MW in operation and under construction
- Investments in new solar power plants are expected to yield average equity IRR of 15% nominal after tax
- Project development & construction (D&C) gross margins averaging 15%
- 2016 cash flow to Scatec Solar equity is expected to reach NOK 160-180 million from Power Production and Operation & Maintenance based on currency exchange rates as of mid-July 2016

Scatec Solar is in discussions with project finance lenders with the objective to release cash reserves in certain project companies in the portfolio in the second half of 2016. SSO proportionate share of the cash reserves expected to be released are estimated to NOK 50-70 million.

## 2016 AND Q3 2016 GUIDANCE

### Power Production (PP)

Q3 2016 power production is expected to reach 205,000 MWh, an increase from the production in Q1 and Q2 2016.

The increase can be attributed to production from the new Jordan plants. Furthermore, production from the South African portfolio is expected to increase compared to Q2 as the Southern hemisphere is entering the spring months.

Q3 production from the 104 MW Utah Red Hills plant is expected to be broadly similar to Q2 levels. Power from the Utah Red Hills plant will continue to be sold into the merchant market throughout 2016 yielding substantially lower revenues than in the PPA period. The plant is not expected to generate a positive cash flow in 2016. The higher PPA tariff will be effective from January 1, 2017.

### Operation and Maintenance (O&M)

O&M revenues are expected to increase from the first half to the second half of 2016, as the O&M contracts from the 43 MW projects in Jordan become effective.

O&M revenues in 2016 are estimated to NOK 60-65 million with an EBITDA margin of 40-50%.

### Development & Construction (D&C)

D&C revenues and margins are dependent on timing of commencement and pace of execution of the company's project backlog and pipeline.

Total remaining contract value for the projects currently under construction in Jordan is approximately USD 4 million.

## Corporate & Eliminations

Corporate costs are expected to increase from 2015 to 2016 as corporate functions are strengthened to support the company's growth plans.

Interest expenses related to the NOK 500 million bond will continue to affect the Corporate segment.

Elimination will continue to reflect D&C and O&M revenues and costs related to internal deliveries to project companies managed and consolidated by Scatec Solar.

## 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 project companies.

## RISK

Scatec Solar has entered into long-term fixed price contracts for the sale of electricity from all its current solar power plants and the entry into such contracts is a prerequisite for financing and construction of the projects in the backlog and pipeline. All existing electricity sales contracts are entered into with state-owned utilities typically under regulation of various state programs to promote renewable energy. As a consequence, Scatec Solar is to a certain degree subject to political risk in the countries it operates.

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

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 financing, component availability and pricing, price development for alternative sources of energy and the regulatory framework in the relevant markets.

In terms of specific financial risks, Scatec Solar is mainly exposed to currency risk, credit risk, liquidity risk and to some extent interest rate risk. Financial risks management in Scatec Solar is based on the objective of reducing cash flow effects and to a less extent accounting effects of these risks.

For further information refer to the 2015 Annual Report.

## RELATED PARTIES

Note 27 in the annual report for 2015 provides details of transactions with related parties and the nature of these transactions. For details on second quarter related party transactions see note 9 of this interim report.

## FORWARD LOOKING STATEMENTS

This condensed interim report contains forward-looking statements based upon various assumptions. These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Although Scatec Solar believes that these assumptions were reasonable when made, the Company cannot assure that the future results, level of activity or performances will meet these expectations.



# Condensed interim financial information

## Interim consolidated statement of profit or loss

NOK THOUSAND	NOTES	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FULL YEAR 2015
Revenues	2	214,377	184,895	442,615	410,253	867,714
Net gain/(loss) from sale of project assets	2,3	1,411	2,585	1,618	2,585	14,112
Net income/(loss) from associated companies	2	-2,418	-188	-3,036	-775	-865
Total revenues and other income		213,370	187,292	441,197	412,063	880,961
Personnel expenses	2	-23,673	-15,116	-46,969	-33,573	-70,543
Other operating expenses	2	-37,138	-25,935	-76,521	-54,518	-112,027
Depreciation, amortisation and impairment	2,3	-59,600	-38,100	-118,211	-77,046	-175,609
Operating profit		92,959	108,141	199,496	246,926	522,782
Interest and other financial income	4,5	15,840	15,755	27,910	28,676	64,402
Interest and other financial expenses	4,5	-119,278	-95,309	-238,012	-196,425	-408,054
Net foreign exchange gain/(losses)	4,5	16,466	1,016	-18,014	23,187	40,514
Net financial expenses		-86,972	-78,538	-228,116	-144,562	-303,138
Profit/(loss) before income tax		5,987	29,603	-28,620	102,364	219,644
Income tax (expense)/benefit	7	-462	-8,278	11,161	-34,029	-83,970
Profit/(loss) for the period		5,525	21,325	-17,459	68,335	135,674
<b>Profit/(loss) attributable to:</b>						
Equity holders of the parent		4,595	18,598	-41,594	38,085	67,651
Non-controlling interests		930	2,727	24,135	30,250	68,023
Basic and diluted earnings per share (NOK)		0.05	0.20	-0.44	0.41	0.72
Weighted average no of shares (in thousand)		93,816	93,816	93,816	93,816	93,816

The interim financial information has not been subject to audit.

## Interim consolidated statement of comprehensive income

NOK THOUSAND	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FULL YEAR 2015
Profit/(loss) for the period	5,525	21,325	-17,459	68,335	135,674
<b>Other comprehensive income:</b>					
<b>Items that may subsequently be reclassified to profit or loss</b>					
Net movement of cash flow hedges	-322	69,902	-92,638	41,151	142,713
Income tax effect	90	-19,570	25,939	-11,517	-39,959
Foreign currency translation differences	-3,635	-4,728	-40,136	2,280	44,576
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-3,867	45,604	-106,835	31,914	147,330
Total comprehensive income for the period net of tax	1,658	66,929	-124,294	100,249	283,004
<b>Attributable to:</b>					
Equity holders of the parent	-4,127	47,940	-99,040	46,846	188,941
Non-controlling interests	5,784	18,988	-25,253	53,402	94,063

The interim financial information has not been subject to audit.

## Interim consolidated statement of financial position

NOK THOUSAND	NOTES	AS OF 30 JUNE 2016	AS OF 31 DECEMBER 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deferred tax assets	7	361,617	340,670
Property, plant and equipment – in solar projects	3	5,807,401	5,196,298
Property, plant and equipment – other	3	20,282	19,891
Goodwill		22,815	23,595
Financial assets	4,5	32,578	126,810
Other non-current assets	9	137,203	136,543
<b>Total non-current assets</b>		<b>6,381,896</b>	<b>5,843,807</b>
<b>Current assets</b>			
Trade and other receivables		182,433	221,382
Other current assets	9	156,846	251,892
Financial assets	4,5	3,788	1,086
Cash and cash equivalents	6	908,176	1,639,029
Non-current assets held for sale	3	-	26,427
<b>Total current assets</b>		<b>1,251,243</b>	<b>2,139,816</b>
<b>TOTAL ASSETS</b>		<b>7,633,139</b>	<b>7,983,623</b>

The interim financial information has not been subject to audit.

## Interim consolidated statement of financial position

NOK THOUSAND	NOTES	AS OF 30 JUNE 2016	AS OF 31 DECEMBER 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2,345	2,345
Share premium		814,773	807,903
Total paid in capital		817,118	810,248
Retained earnings		-268,440	-164,909
Other reserves		104,376	161,803
Total other equity		-164,064	-3,106
Non-controlling interests		505,924	618,255
Total equity	8	1,158,978	1,425,397
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	180,011	203,436
Non-recourse project financing	4	4,681,875	4,799,828
Bonds	6	494,167	492,917
Financial liabilities	4,5	3,848	-
Other non-current liabilities	9	460,633	346,616
Total non-current liabilities		5,820,534	5,842,797
<b>Current liabilities</b>			
Trade and other payables	10	39,898	154,154
Income tax payable	7	4,590	23,508
Non-recourse project financing	4	221,888	166,789
Financial liabilities	4,5,6	5,436	6,184
Other current liabilities	9	381,815	364,794
Total current liabilities		653,627	715,429
Total liabilities		6,474,161	6,558,226
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,633,139</b>	<b>7,983,623</b>

The interim financial information has not been subject to audit.

Oslo, 21 July 2016  
The Board of Directors of Scatec Solar ASA

## Interim consolidated statement of changes in equity

NOK THOUSAND	OTHER RESERVES					TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	HEDGING RESERVES			
At 1 January 2015	2,345	794,142	-207,227	45,199	4,688	629,771	546,811	1,176,582
Profit for the period	-	-	38,085	-	-	38,085	30,249	68,334
Other comprehensive income	-	-	-	-3,306	12,067	8,761	23,153	31,914
<b>Total comprehensive income</b>	-	-	38,085	-3,306	12,067	46,846	53,402	100,248
Share-based payment	-	6,890	-	-	-	6,890	-	6,890
Dividend to equity holders of the company	-	-	-25,331	-	-	-25,331	-48,584	-73,915
Capital increase from NCI <sup>1)</sup>	-	-	-	-	-	-	206,126	206,126
At 30 June 2015	2,345	801,032	-194,473	41,892	7,379	658,175	757,755	1,415,931
At 1 July 2015	2,345	801,032	-194,473	41,892	7,379	658,175	757,755	1,415,931
Profit for the period	-	-	29,566	-	-	29,566	37,774	67,340
Other comprehensive income	-	-	-	85,567	26,964	112,529	2,887	115,416
<b>Total comprehensive income</b>	-	-	29,566	85,567	26,964	142,097	40,661	182,758
Share-based payment	-	6,871	-	-	-	6,871	-	6,871
Dividend to equity holders of the company	-	-	-	-	-	-	-109,156	-109,156
Capital increase from NCI <sup>1)</sup>	-	-	-	-	-	-	-71,006	-71,006
At 31 December 2015	2,345	807,903	-164,909	127,460	34,343	807,142	618,255	1,425,397
At 1 January 2016	2,345	807,903	-164,909	127,460	34,343	807,142	618,255	1,425,397
Profit for the period	-	-	-41,594	-	-	-41,594	24,136	-17,458
Other comprehensive income	-	-	-20	-30,715	-26,711	-57,446	-49,389	-106,835
<b>Total comprehensive income</b>	-	-	-41,614	-30,715	-26,711	-99,040	-25,253	-124,293
Share-based payment	-	6,870	-	-	-	6,870	-	6,870
Dividend to equity holders of the company	-	-	-61,918	-	-	-61,918	-86,529	-148,447
Capital increase from NCI <sup>1)</sup>	-	-	-	-	-	-	2,716	2,716
Distribution to NCI	-	-	-	-	-	-	-3,265	-3,265
At 30 June 2016	2,345	814,773	-268,440	96,744	7,632	653,054	505,924	1,158,978

The interim financial information has not been subject to audit.

1) Non-controlling interests.

## Interim consolidated statement of cash flow

NOK THOUSAND	NOTES	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FULL YEAR 2015
<b>Cash flow from operating activities</b>						
Profit before taxes		5,987	29,603	-28,620	102,363	219,644
Taxes paid	7	-3,851	-34,003	-22,920	-34,003	-47,639
Depreciation and impairment	3	59,600	38,143	118,211	77,046	175,609
Net income associated companies/sale of project assets		1,041	-188	1,418	-775	-13,247
Interest and other financial income	4	-15,840	-15,755	-27,910	-28,676	-64,403
Interest and other financial expenses	4	119,278	94,251	238,012	190,011	408,054
Unrealised foreign exchange (gain)/loss	4	1,774	-17,326	18,170	-50,656	-134,272
(Increase)/decrease in trade and other receivables		9,257	40,059	38,949	9,079	-95,260
(Increase)/decrease in other current/non-current assets		118,456	-43,288	94,305	-54,037	-96,347
Increase/(decrease) in trade and other payables	10	17,653	8,040	-114,256	345,605	84,207
Increase/(decrease) in current liabilities		9,840	2,448	18,578	-3,881	46,374
Increase/(decrease) in financial assets and other changes	5,9	-11,458	729	-12,799	7,184	22,107
Net cash flow from operating activities		311,737	102,713	321,138	559,260	504,827
<b>Cash flow from investing activities</b>						
Interest received	4	15,848	15,755	27,918	28,676	64,403
Investments in property, plant and equipment	3	-333,340	-1,159,190	-754,859	-1,828,055	-2,512,284
Investments in associated companies		-	678	-	-28,605	39,106
Net cash flow from investing activities		-317,492	-1,142,757	-726,941	-1,827,984	-2,408,775
<b>Cash flow from financing activities</b>						
Proceeds from NCI shareholder financing <sup>1)</sup>		22,251	107,776	22,251	201,644	279,840
Interest paid	4	-195,999	-176,044	-215,813	-180,350	-379,676
Proceeds from non-recourse project financing	4	49,637	891,433	113,580	1,256,290	2,874,529
Repayment of non-recourse project financing	4	-54,691	-48,464	-54,691	-49,845	-549,385
Repayment of corporate overdraft facility		-	-49,904	-	-50,027	-
Proceeds from bond issue	6	-	-	-	-	492,917
Dividends paid to equity holders of the parent company	8	-61,918	-25,331	-61,918	-25,331	-25,331
Dividends and other distributions paid to non-controlling interest		-69,117	-48,584	-86,529	-48,584	-157,740
Net cash flow from financing activities		-309,837	750,690	-283,120	1,203,851	2,535,154
Net increase/(decrease) in cash and cash equivalents		-315,592	-289,354	-688,923	-64,873	631,206
Effect of exchange rate changes on cash and cash equivalents		6,617	-2,180	-41,930	18,307	-41,283
Cash and cash equivalents at beginning of the period	6	1,217,151	1,294,074	1,639,029	1,049,106	1,049,106
Cash and cash equivalents at end of the period	6	908,176	1,002,539	908,176	1,002,539	1,639,029
Cash in project companies in operation	6	529,612	447,891	529,612	447,891	643,495
Cash in project companies under construction	6	114,413	171,388	114,413	171,388	169,934
Other restricted cash	6	137,663	160,374	137,663	160,374	174,241
Free cash	6	126,488	222,886	126,488	222,886	651,359
Total cash and cash equivalents	6	908,176	1,002,539	908,176	1,002,539	1,639,029

The interim financial information has not been subject to audit.

1) Proceeds from non-controlling interest shareholder financing include both equity contributions and shareholder loans.

# Notes to the condensed interim consolidated financial statements

## Note 1 Organisation and basis for preparation

### Corporate information

Scatec Solar ASA is incorporated and domiciled in Norway. The address of its registered office is Karenslyst Allé 49, NO-0279 Oslo, Norway. Scatec Solar was established on 2 February 2007.

Scatec Solar ASA ("the Company"), its subsidiaries and investments in associated companies ("the Group" or "Scatec Solar") is a leading independent solar power producers. The Company is pursuing an integrated business model across the complete life cycle of utility-scale solar photovoltaic (PV) power plants including project development and design, financing, engineering, procurement, construction management, operation and maintenance, and asset management.

The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 21 July 2016.

### Basis of preparation

These condensed interim consolidated financial statements are prepared in accordance with recognition, measurement and presentation principles consistent with International Financial Reporting Standards as adopted by the European Union ("IFRS") for interim reporting under International Accounting Standard ("IAS") 34 Interim Financial Reporting. These condensed interim consolidated financial statements are unaudited.

These condensed interim consolidated financial statements are condensed and do not include all of the information and notes required by IFRS for a complete set of consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015. Standards and interpretations mentioned in note 31 of the Group's annual report 2015 with effective date from financial year 2016, do not have a significant impact on the Group's condensed interim consolidated financial statements.

The functional currency of the companies in the Group is determined based on the nature of the primary economic environment in which each company operates. The functional currency of the parent company Scatec Solar ASA and the presentation currency of the Group is Norwegian kroner (NOK). All amounts are presented in NOK thousands unless otherwise stated.

As a result of rounding adjustments, the figures in some columns may not add up to the total of that column.

### Significant estimates and judgements

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the condensed interim financial statements:

### Consolidation of new project companies

Scatec Solar's value chain comprises all downstream activities such as project development, financing, construction and operations, as well as having an asset management role through ownership of the solar power plants. Normally Scatec Solar enters into partnerships for the shareholding of the project companies owning the power plants. To be able to utilise the business model fully, Scatec Solar seeks to obtain operational control of the project companies. Operational control is obtained through governing bodies, shareholder agreements and other contractual arrangements. Other contractual arrangements may include Scatec Solar's role as the developer of the project, EPC provider (construction), operation and maintenance service provider and asset management service provider.

Scatec Solar would normally seek to undertake the following distinct roles in its projects:

- As the largest shareholder providing equity financing to the project
- As (joint) developer, including obtaining project rights, land permits, off-take agreements and other local approvals
- As EPC supplier, responsible for the construction of the project
- As provider of operation and maintenance services to the projects, responsible for the day-to-day operations of the plant
- As provider of management services to the project companies

Even though none of the projects Scatec Solar is involved with are identically structured, the five roles/activities described above constitute the main and relevant activities which affect the variable return. When assessing whether Scatec Solar controls a project company as defined by IFRS 10 Consolidated Financial Statements, all of the above agreements are analysed. During second quarter 2016 five project companies in Egypt and one in Honduras were consolidated for the first time. Construction has not yet commenced and the activity is currently limited to project development. Scatec Solar currently has a shareholding of 49% and 70% respectively and has concluded that it through its

involvement has the power to control these entities. Furthermore, Scatec Solar is exposed to variable returns and has the ability to affect those returns through its power over the companies.

Refer to note 2 of the 2015 annual report for further information on judgements.

### Estimates and assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. Changes in accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only

that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Seasonality in operations

Interim period results are not necessarily indicative of results of operations or cash flows for an annual period. The Group's operating results are affected by external factors, such as weather conditions. The power production at the PV solar parks is directly affected by seasonal changes in solar irradiance which is normally at its highest during the summer months. This effect is to a certain degree offset in the consolidated revenues due to the fact that the Group operates PV solar parks on both the northern and southern hemisphere.

## Note 2 Operating segments

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Operating segments align with internal management reporting to the Group's chief operating decision maker, defined as the Group management team. The operating segments are determined based on differences in the nature of their operations, products and services. Scatec Solar manages its operations in three segments; Power Production (PP), Operation and Maintenance (O&M) and Development and Construction (D&C).

Financing and operation of solar power plants is ring-fenced in project companies with a non-recourse project finance structure - where Scatec Solar contributes with the required equity, either alone or together with co-investors. For companies where Scatec Solar is deemed to have a controlling interest in accordance with IFRS 10, revenues, expenses, assets and liabilities are included on a 100% basis in the condensed interim Financial Statements and presented correspondingly in the Power Production segment reporting.

### Power Production

The Power Production segment manages the Group's power producing assets, and derives its revenue from the production and sale of solar generated electricity based on long-term Power Purchase Agreements or Feed-in-Tariffs. Finance and operation of the plants is ring-fenced in project companies with a non-recourse finance structure. This implies that the project debt is only secured and serviced by project assets and the cash flows generated by the project, and that there is no obligation for project equity investors to contribute additional funding in the event of a default. Free cash flows after debt service are distributed from these project companies to Scatec Solar, and any other project equity investors in accordance with the shareholding and the terms of the finance documents.

### Operation and Maintenance

The Operation and Maintenance segment delivers services to ensure optimised operations of the Group's solar power producing assets through a complete and comprehensive range of services

for technical and operational management. Revenues are based on service agreements with a periodic base fee as well as a potential performance bonus.

### Development and Construction

The Development and Construction segment derives its revenue from the sale of development rights and construction services to project companies set up to operate the Group's solar power plants. These transactions are primarily made with companies that are under the control of the Group and hence are being consolidated. Revenues from transfer of development rights are recognised upon the transfer of title.

Revenues from construction services are based on fixed price contracts and are accounted for using the percentage of completion method.

### Corporate

Corporate consists of the activities of corporate services, management and group finance.

No segments have been aggregated to form these reporting segments. Revenues from transactions between the D&C, O&M and PP segments, where Scatec Solar is deemed to hold a controlling interest, are presented as Internal Revenues in the segment reporting and eliminated in the consolidated statement of profit or loss. These transactions are based on international contract standards and terms negotiated at arm's length with lenders and co-investors in each project company.

The management team assesses the performance of the operating segments based on a measure of gross profit and operating profit. The measurement basis for the segment data follows the accounting policies used in the consolidated financial statement for 2015 as described in Note 31 Summary of significant accounting policies.



## Q2 2016

NOK THOUSAND	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	213,910	467	-	-	-	214,377
Internal revenues	-	15,356	304,499	2,024	-321,879	-
Net gain/(loss) from sale of project assets	-	-	1,411	-	-	1,411
Net income/(loss) from associates	-	-	-2,418	-	-	-2,418
Total revenues and other income	213,910	15,823	303,492	2,024	-321,879	213,370
Cost of sales	-	-	-275,098	-	275,098	-
Gross profit	213,910	15,823	28,394	2,024	-46,781	213,370
Personnel expenses	-2,755	-2,898	-10,107	-7,913	-	-23,673
Other operating expenses	-34,887	-4,151	-6,509	-8,971	17,380	-37,138
Depreciation and impairment	-69,668	-584	-4,500	-180	15,332	-59,600
Operating profit	106,600	8,190	7,278	-15,040	-14,069	92,959

## Q2 2015

NOK THOUSAND	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	183,578	897	420	-	-	184,895
Internal revenues	723	14,907	576,015	1,473	-593,118	-
Net gain/(loss) from sale of project assets	-	-	2,585	-	-	2,585
Net income/(loss) from associates	-	-	-188	-	-	-188
Total revenues and other income	184,301	15,804	578,832	1,473	-593,118	187,292
Cost of sales	-	-	-507,984	-	507,984	-
Gross profit	184,301	15,804	70,848	1,473	-85,134	187,292
Personnel expenses	-1,656	-2,154	-6,988	-4,318	-	-15,116
Other operating expenses	-24,574	-3,686	-10,522	-4,256	17,103	-25,935
Depreciation and impairment	-52,198	-529	-868	-143	15,638	-38,100
Operating profit	105,873	9,435	52,470	-7,244	-52,393	108,141

## YTD 2016

NOK THOUSAND	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	441,243	1,372	-	-	-	442,615
Internal revenues	-	27,540	562,305	4,382	-594,227	-
Net gain/(loss) from sale of project assets	-	-	1,618	-	-	1,618
Net income/(loss) from associates	-	-	-3,036	-	-	-3,036
Total revenues and other income	441,243	28,912	560,887	4,382	-594,227	441,197
Cost of sales	-	2	-502,746	-	502,744	-
Gross profit	441,243	28,914	58,141	4,382	-91,483	441,197
Personnel expenses	-5,921	-5,531	-20,561	-14,956	-	-46,969
Other operating expenses	-65,333	-8,860	-18,339	-15,913	31,924	-76,521
Depreciation and impairment	-140,829	-1,128	-6,905	-335	30,986	-118,211
Operating profit	229,160	13,395	12,336	-26,822	-28,573	199,496

## YTD 2015

NOK THOUSAND	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	407,930	1,782	541	-	-	410,253
Internal revenues	723	25,045	818,204	2,982	-846,954	-
Net gain/(loss) from sale of project assets	-	-	2,585	-	-	2,585
Net income/(loss) from associates	-	-	-775	-	-	-775
Total revenues and other income	408,653	26,827	820,555	2,982	-846,954	412,063
Cost of sales	-	-	-711,565	-	711,565	-
Gross profit	408,653	26,827	108,990	2,982	-135,389	412,063
Personnel expenses	-4,553	-4,362	-14,711	-9,947	-	-33,573
Other operating expenses	-44,144	-6,463	-23,096	-9,565	28,750	-54,518
Depreciation and impairment	-105,339	-960	-1,869	-204	31,326	-77,046
Operating profit	254,617	15,042	69,314	-16,734	-75,313	246,926

## FULL YEAR 2015

NOK THOUSAND	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	862,982	4,074	658	-	-	867,714
Internal revenues	-	51,359	1,146,639	7,462	-1,205,460	-
Net gain/(loss) from sale of project assets	-	-	14,112	-	-	14,112
Net income/(loss) from associates	-	-	-865	-	-	-865
Total revenues and other income	862,982	55,433	1,160,544	7,462	-1,205,460	880,961
Cost of sales	-	-	-989,710	-	989,710	-
Gross profit	862,982	55,433	170,834	7,462	-215,750	880,961
Personnel expenses	-9,904	-9,879	-27,120	-23,640	-	-70,543
Other operating expenses	-92,993	-14,169	-42,544	-21,142	58,821	-112,027
Depreciation and impairment	-227,570	-2,555	-6,548	-495	61,559	-175,609
Operating profit	532,515	28,830	94,622	-37,815	-95,370	522,782

### Note 3 Property, plant and equipment

The Group operates solar power plants in Europe, Africa as well as in North and South America. During 2016, three solar power plants have been under construction (Oryx, EJRE and GLAE in Jordan). Power plants which are constructed within one fiscal year are presented as additions to "solar power plants" in the table below. If construction is carried out in two fiscal years, the carrying value of the completed plant is transferred from 'solar power plants under construction' to "solar power plants".

The carrying value of development projects that have not yet reached the construction phase was NOK 448,908 thousand at 30 June 2016 (31 December 2015: NOK 141,302 thousand).

During the second quarter the Group incurred an impairment charge of NOK 4,308 thousand on a development project in the pipeline. During the first quarter the Group impaired two projects in West Africa totalling NOK 1,480 thousand. There were no significant impairment losses during first half year 2015.

All impairment losses are recognized in the Development & Construction segment.

During first quarter 2016 the Group sold two US development projects (200 MW) at carrying value. The projects were presented as held for sale at 31 December 2015. The transaction was recorded in the Development & Construction segment.

NOK THOUSAND	SOLAR POWER PLANTS	SOLAR POWER PLANTS UNDER CONSTRUCTION	MACHINERY AND EQUIPMENT	TOTAL
Carrying value at 31 December 2015	4,545,673	650,625	19,891	5,216,189
Additions	321,427	560,934	3,937	886,298
Depreciation	-109,555	-	-2,346	-111,901
Impairment losses	-	-5,788	-522	-6,310
Effect of foreign exchange currency translation adjustments	-128,024	-27,891	-538	-156,453
Carrying value at 30 June 2016	4,629,521	1,177,880	20,282	5,827,683
Estimated useful life (years)	20-30	N/A	3-5	

## Note 4 Net financial expenses and liabilities

Scatec Solar uses non-recourse financing for constructing and/or acquiring assets, exclusively using as guarantee the assets and cash flows of the special purpose vehicle carrying out the activities financed. Compared to corporate financing, non-recourse financing has certain key advantages, including a clearly defined and limited risk profile. In this respect, the banks recover the financing solely through the cash flows generated by the projects financed. For four of the five companies operating in the Czech Republic, the non-recourse financing agreements include a cross default clause within the Czech group.

The project companies' assets are pledged as security for the non-recourse financing. The repayment plan for the debt is a

sculpted annuity; hence the sum of loan and interest repayments are not stable from year to year. Repayments are normally made twice a year. Refer to note 6 in the 2015 Annual Report for more information. The maturity date for the loans ranges from 2028 to 2036. NOK 221,888 thousand of the Group's total non-recourse debt is due within 12 months and is presented as current in the statement of financial position.

During the first half year 2016, the Group drew down NOK 113,580 thousand of non-recourse debt as part of the construction of the solar power plants in Jordan.

NOK THOUSAND	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FULL YEAR 2015
Interest income	15,483	15,755	27,553	28,497	63,868
Other financial income	357	-	357	179	534
Financial income	15,840	15,755	27,910	28,676	64,402
Interest expenses	-117,174	-94,334	-233,404	-190,121	-395,541
Forward exchange contracts	-	-	-	-2,954	-2,954
Other financial expenses	-2,104	-975	-4,608	-3,350	-9,559
Financial expenses	-119,278	-95,309	-238,012	-196,425	-408,054
Foreign exchange gains/(losses)	16,466	1,016	-18,014	23,187	40,514
Net financial expenses	-86,972	-78,538	-228,116	-144,562	-303,138

## Note 5 Significant fair value measurements

Derivative financial instruments (including interest rate swaps and forward exchange contracts) are valued at fair value on Level 2 of the fair value hierarchy, in which the fair value is calculated by comparing the terms agreed under each derivative contract to the market terms for a similar contract on the valuation date. Note 11 in the annual report for 2015 provides details for each class of financial assets and financial liabilities, and how these assets and liabilities are grouped.

There are no significant changes for the presentation of these categories in the period, and there are no significant differences between total carrying value and fair value at reporting date. The presented table below summarises each class of financial instruments recognised in the condensed consolidated statement of financial position, split by the Group's basis for fair value measurement.

30 June 2016		NON-CURRENT FINANCIAL INVESTMENTS	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	TOTAL FAIR VALUE
NOK THOUSAND					
Fair value based on prices quoted in an active market (Level 1)	-	-	-	-	-
Fair value based on price inputs other than quoted prices (Level 2)	-	-	36,366	-9,284	27,082
Fair value based on unobservable inputs (Level 3)	72	-	-	-	72
Total fair value at 30 June 2016	72	36,366	-9,284	27,154	

31 December 2015		NON-CURRENT FINANCIAL INVESTMENTS	DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS)	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES)	TOTAL FAIR VALUE
NOK THOUSAND					
Fair value based on prices quoted in an active market (Level 1)	-	-	-	-	-
Fair value based on price inputs other than quoted prices (Level 2)	-	-	127,896	-5,759	122,137
Fair value based on unobservable inputs (Level 3)	72	-	-	-	72
Total fair value at 31 December 2015	72	127,896	-5,759	122,209	

## Note 6 Cash, cash equivalents and corporate funding

NOK THOUSAND	30 JUNE 2016	31 DECEMBER 2015
Cash in project companies in operation	529,612	643,495
Cash in project companies under construction	114,413	169,934
Other restricted cash	137,663	174,241
Free cash	126,488	651,359
Total cash and cash equivalents	908,176	1,639,029

Cash in project companies in operation includes restricted cash in proceeds 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 distributions as determined by shareholder and non-recourse financing agreements.

Cash in project companies under construction comprise shareholder financing and draw down on term loan facilities by project companies to settle outstanding external EPC invoices.

Other restricted cash comprises restricted deposits for withholding tax, guarantees, VAT and rent as well as collateralised shareholder financing of project companies not yet distributed to the project companies.

### Reconciliation of movement in free cash

NOK THOUSAND	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FULL YEAR 2015
Free cash at beginning of period	276,760	479,006	651,359	403,653	403,653
Net free cash flow from operations outside non-recourse financed companies	-208,262	-102,164	-557,860	226,508	704,526
Equity contributions/collateralised for equity commitments in project companies	-280	-202,808	-28,273	-464,843	-580,518
Distributions from project companies	58,270	48,852	61,262	57,568	123,698
Free cash at end of the period	126,488	222,886	126,488	222,886	651,359

In the first quarter of 2016, Scatec Solar entered into an overdraft facility agreement with Nordea Bank, covering an USD 30 million overdraft facility and an uncommitted guarantee facility. Both facilities with a tenor of 1 year and rolled forward one year at the time. The facilities replaced all other corporate guarantee and overdraft facilities existing at the date of the new agreement.

The overdraft facility is made available on a master top account in a group account system and can be drawn in any currency being part of the group account system. Overdraft interest is the 7-day interbank offer rate in the relevant currency plus a margin of 2.5%. Per 30 June 2016, the Group has drawn NOK 0 thousand on the facility.

During fourth quarter 2015 Scatec Solar successfully completed a NOK 500 million senior unsecured green bond issue with maturity in November 2018. The bonds are listed on the Oslo Stock

Exchange. The bonds carry an interest of 3 month NIBOR + 6.5%, to be settled on a quarterly basis. During second quarter, an interest amounting to NOK 10,302 thousand (0) was expensed. During the first half year the interest amounted to NOK 20,596 thousand (0).

Per 30 June 2016, Scatec Solar was in compliance with all covenants under the bond and overdraft facility agreement. The book equity of the recourse group, as defined in the loan agreement, was NOK 1,371,369 thousand per quarter end. Refer to loan agreement available on [www.scatecsolar.com/investor/debt](http://www.scatecsolar.com/investor/debt) and note 5 to the 2015 annual financial statements for further information and definitions.

The proceeds from the bond issue is included in the table above as net free cash flow from operations outside non-recourse financed companies.

## Note 7 Income tax expense

For the second quarter and first half year ended 30 June 2016, the effective income tax rate was primarily influenced by losses in high tax countries, as well as intercompany transactions subject to different tax rates. The effective tax rate has been and will be impacted by the volume of construction activities as the tax rate in the construction companies normally is higher than in the project

companies. This means that the full tax expense on the internal profit will not be eliminated and hence increase the effective tax rate during construction. The opposite effect will occur when the eliminated internal profit is reversed through lower depreciation at the tax rate of the project company.

### Effective tax rate

NOK THOUSAND	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FULL YEAR 2015
Profit before income tax	5,987	29,603	-28,620	102,364	219,644
Income tax (expense)/benefit	-462	-8,278	11,161	-34,029	-83,970
Equivalent to a tax rate of (%)	7.7	28.0	39.0	33.2	38.2

### Movement in deferred tax

NOK THOUSAND	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FULL YEAR 2015
Net deferred tax asset at beginning of period	178,101	325,562	137,234	319,371	319,371
Recognised in the consolidated statement of profit or loss	3,368	-13,901	15,380	-24,761	-44,807
Deferred tax on financial instruments recognised in OCI	90	-19,570	25,939	-11,517	-39,754
Recognised in the consolidated statement of changes in equity	1,201	2,048	2,716	4,482	8,567
Tax effect of ITC treated as government grant <sup>1)</sup>	-	-	-	-	-80,293
Distributed taxes to tax equity partners <sup>1)</sup>	-	-	-	-	-8,342
Withholding taxes carried forward	-1,557	-	-1,557	-	1,008
Translation differences	403	-6,988	1,894	-423	-18,516
Net deferred tax asset at end of period	181,606	287,152	181,606	287,152	137,234

1) During fourth quarter 2015, the Red Hills project received an investment tax credit (ITC) which is recognized as a government grant. A part of this grant reduces the tax base for future depreciations, and is therefore treated as a deferred tax liability. Further the Red Hills project is structured as a tax equity partnership, and tax profits are distributed between the partners at a pre-determined ratio. The tax equity partner's contribution is treated as debt, hence all distributions are considered repayment of debt. See note 2 and 25 to the annual 2015 financial statements for further information.

## Note 8 Dividend

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For 2015, the Board of Directors proposed a dividend of NOK 0.66 per share, totalling NOK 61,919 thousand. Distribution of dividends is resolved by a majority vote of the Annual General Meeting of the shareholders of the Company, and on the basis of a proposal from the Board of Directors. The Annual General

Meeting has the power to reduce, but cannot increase the dividend proposed by the Board of Directors. The share was trading excluding dividend rights (ex-date) on the first business day following the Annual General Meeting held 4 May 2016. The dividend was paid 15 June 2016.

## Note 9 Non-current receivables/liabilities - related parties

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As of 30 June 2016, Scatec Solar has receivables on non-controlling interests of NOK 117,837 thousand (155,294). NOK 90,807 thousand (97,705) of the receivables relates to committed but not paid equity in project companies in South Africa. Further included in other non-current receivables are loans provided to the equity consolidated company Scatec Energy (US) of NOK 8,802 thousand (21,044). In addition the Group has receivables of NOK 3,457 thousand (22,909) on co-investors related to equity financing of project companies in Jordan.

As part of the shareholder financing of the Agua Fria project company and the Jordanian project companies, the shareholders have issued both equity and shareholder loans.

The total shareholder loans from non-controlling interests amounts to NOK 277,112 thousand (253,128) as of 30 June 2016, of which NOK 167,383 thousand (137,747) relates to the Agua Fria project and NOK 109,729 thousand (115,380) relates to Oryx and

EJRE/GLAE projects. The shareholder loans from non-controlling interests are presented as other non-current liabilities.

Further to the above, the Red Hills project in Utah is partly financed by a third party tax equity investor. Based on the characteristics of this instrument Scatec Solar has assessed that the investment is to be considered a financial liability as defined by IAS 32 Financial Instruments: Presentation. Consequently, the tax equity investor's return on its investment is presented as a financial expense in the consolidated statement of profit or loss. Total tax equity amounted to NOK 253,414 thousand (260,500). For further information on project financing provided by co-investors, refer note 25 to the 2015 annual financial statements.

Scatec Solar has short term liabilities to related parties of NOK 82,078 thousand (115,619), mainly consisting of EPC trade payables to one of the equity partners in Jordan (NOK 46,554 thousand) and dividends to non-controlling interest (NOK 18,096 thousand).

## Note 10 Trade and other payables

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The consolidated trade and other payables of NOK 39,898 thousand mainly consist of construction related supplier credits. Consequently, the balance is affected by the activity level in the Development & Construction segment. The decreased payables

at 30 June 2016 compared to 31 December 2015 of NOK 154,154 thousand, reflects down payments of outstanding supplier credits related to the construction of the Agua Fria, Utah Red Hills, Oryx, and EJRE/GLAE projects.

## Note 11 Subsequent events

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No events occurred after the balance sheet date with significant impact on the condensed interim consolidated financial statements for the first half year 2016.

# Responsibility statement

We confirm to the best of our knowledge, that the condensed interim financial statements for the period 1 January 2016 to 30 June 2016 has been prepared in accordance with IFRS as adopted by EU, and that the information gives a true and fair view of the Group's assets, liabilities, financial position and result for the period.

We also confirm that presented information provides a fair overview of important events that have occurred during the period and their impact on the financial statements, key risk and uncertainty factors that Scatec Solar is facing during the next accounting period.

Oslo, 21 July 2016

The Board of Directors of Scatec Solar ASA



John Andersen jr. (Chairman)



Alf Bjørseth



Mari Thjømøe



Jan Skogseth



Cecilie Amdahl



Raymond Carlsen (CEO)

# Definitions

## Backlog

Project backlog is defined as projects with a secure off-take agreement assessed to have more than 90% likelihood of reaching financial close and subsequent realisation.

## Pipeline

Project pipeline is defined as projects assessed to have more than 50% likelihood of reaching financial close and subsequent realisation.

## Opportunities

Project opportunities are defined as projects that have not yet reached a 50% likelihood of reaching financial close and subsequent realisation. However, the company has verified feasibility and business cases for the projects.

## Definition of project milestones

**Financial close (FC):** The date on which all conditions precedent for drawdown of debt funding has been achieved and equity funding has been subscribed for, including execution of all project agreements. Notice to proceed for commencement of construction of the solar power plant will normally be given directly thereafter. Projects in Scatec Solar defined as “backlog” are classified as “under construction” upon achievement of financial close.

**Start of Production (SOP):** The first date on which the solar power plant generates revenues through sale of power under the off-take agreement. Production volumes and/or the price of the power may be lower than when commercial operation date (COD) is reached. This milestone is regulated by the off-take agreement with the power off-taker. This milestone may be reached prior to COD if the construction of a power plant is completed earlier than anticipated in the off-take agreement.

**Commercial Operation Date (COD):** A scheduled date when certain formal key milestones have been reached, typically including grid compliance, approval of metering systems and technical approval of plant by independent engineers. Production volumes have reached normalised levels sold at the agreed off-taker agreement price. This milestone is regulated by the off-taker agreement with the power off-taker.

**Take Over Date (TOD):** The date on which the EPC contractor hands over the power plant to the project company. COD must have been reached, in addition to delivery of training and all technical documentation before TOD takes place. The responsibility for Operations & Maintenance (O&M) of the plant is handed over from the EPC contractor to the O&M contractor at the TOD. This milestone will normally occur shortly after the COD date.

## Definition of Non-IFRS financial measures

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

**EBITDA:** is defined as operating profit adjusted for depreciation, amortisation and impairments.

**SSO prop. share:** is defined as the equity holders of the parent company's proportionate share of consolidated revenues, expenses, profits and cash flows.

**Cash flow to equity:** is EBITDA less normalised (i.e. average quarterly) loan and interest repayments, less normalised income tax payments.

**Scatec Solar's proportionate share of cash flow to equity:** is defined as the Company's proportionate share of EBITDA less normalised (i.e. normalised over each calendar year) loan repayments and interest payments, less normalised income tax payments for Power Production. For D&C, O&M and Corporate it is defined as EBITDA less normalised income tax. The definition implies changes in net working capital and investing activities are excluded from the figure.

**Project equity:** is defined as equity, shareholder loans and tax equity financing for the Utah Red Hills project.

**Net interest expense:** is defined as interest income less interest expenses, excluding shareholder loan interest expenses, tax equity interest expenses for the Utah Red Hills project and accretion expenses on asset retirement obligations. For the Utah Red Hills plant interest payments have been pre-financed for the merchant period and is hence not included in calculation of cash flow to equity for 2016.

**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.

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



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