

Annual Report 2016



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 already has an installation track record of 600 MW.

The company is producing electricity from 322 MW of solar power plants in the Czech Republic, South Africa, Rwanda, Honduras and Jordan. With an established global presence, the company is growing briskly with a project backlog and pipeline of 1.8 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'.





Scalec Solar	3
Key events in 2016	6
Scatec Solar in brief	8
Local development programmes	12
Our solar plants	14
50 MW Plant build up	16
Report from the Board of Directors	17
Executive Management	36
The Board of Directors	38
Corporate Governance	39
Shareholder Matters	43
Sustainability	45
Consolidated financial statements Group	73
Notes to the Consolidated financial statements Group	80
Parent company financial statements	127
Notes to the parent company financial statements	132
Definitions	149
Responsibility statement	151
Auditor's report	152

Key events in 2016





Entrance into the Brazilian solar market.

The Norwegian Government to buy UN Certified carbon credits from three solar power plants in West Africa.



The company's first Capital Markets Day organized in Oslo.

Commissioning of Scatec Solar's first 10 MW solar plant in Jordan.



2016 has been a year of value creation on many fronts.



Commissioning of two solar plants totaling 33 MW in Jordan.

The 100 MW Novia Scotia project in Nigeria secured.







Backlog increased by 309 MW with project additions in Malaysia, Brazil and Mozambique.

Sale of the 104 MW Utah Red Hills solar plant in Utah.

Scatec Solar in brief

OUR LOCATIONS





BRAZIL

IN OPERATION

FY 2016 PRODUCTION

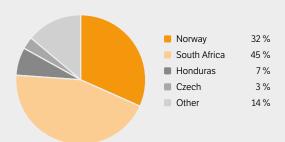
322 MW 791 GWh

BACKLOG

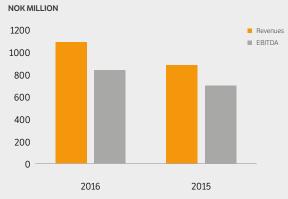
PIPELINE

731_{MW} 1,085_{MW}

EMPLOYEES PER COUNTRY



CONSOLIDATED REVENUES AND EBITDA





CONSOLIDATED FINANCIALS

NOK MILLION	2016	2015
Total revenue and other income	1,085	881
EBITDA	833	698
EBIT	563	523
Net profit / (loss)	70	136
Net profit / (loss) to Scatec Solar	4	68
SSO share of cash flow to equity	104	208
Power production (GWh)	791	466
LTI (Lost time injuries)*	1	2

^{*} Refer to appendix for definition of this measure.

KEY FACTS

Established	2007
Employees	148
Listed on the Oslo Stock Exchange	2014
Market capitalisation (year-end)	NOK 3.7 billion

Strong value creation to drive growth

2016 has been a year of value creation for us on many fronts. Our operating power plants continued to perform well, we grid connected three solar plants in Jordan and we added projects to our backlog, pipeline and opportunities. We developed projects in several countries, taking them from an early stage to maturity. By the end of the year, we saw the results: 309 MW in new projects in Malaysia, Mozambique and Brazil, doubling our total projects in backlog to 731 MW. Important steps were taken towards project realisation, ranging from environmental assessments to formalizing permits to negotiating important Power Purchase Agreements.

In Malaysia, we concluded negotiations to join forces with the local ItraMas-led consortium to build three utility scale solar power plants totaling 197 MW. This brings great value as it is also a stepping stone to enter the fast-growing South East Asian region. Together with Norfund, we achieved an important milestone in Mozambique with the signing of a 25-year PPA. The country's first utility-scale solar plant will address energy deficit and contribute to its ambition to increase renewable power generation in the energy mix. In Brazil, we secured four PV plants totaling 150 MW located in the state of Ceará. The projects are located next to each other, bringing several advantages to reduce costs in investment, coordination, construction and operation.

The 2016 financials reflect a landmark growth in revenues, crossing NOK one billion. The EBITDA rose to NOK 833 million from previous year's NOK 698 million. This increase comes from the robust electricity production of our solar plants with its' uptime of over 99%. We recruited new highly qualified employees and continued to invest in the long-term growth of our company. While investing to secure our growth, we report net profit of NOK 70 million. Cash generated to Scatec Solar's equity across our business segments was NOK 104 million.

Serious and credible financial partners like Norfund, European Bank for Reconstruction and Development (EBRD), International Finance Corporation (IFC), Standard Bank and others return to us because of our proven track record in implementing projects in complex markets. Our strong partnerships represent a win-win because we build on each other's strengths. We also gain new allies. We are proud to partner with Africa50 in the 100MW project in Nigeria, Africa's largest economy. This received international attention as it is the first investment by the Africa50, the African Infrastructure Fund sponsored by the African Development Bank and over 20 African countries.

Our strong partnerships, holistic approach as solution providers, long term vision, ethical values, commitment to local community development and expertise in providing clean and safe solar energy establish that sustainability is embedded in our business model. We maintain high standards with regards to Health, Safety, Environment, Social and Governance in our operations, worldwide. With the United Nations' Sustainable Development Goals (SDGs) coming into effect this year, it was natural for us to align our sustainability vision with the SDGs.

The global outlook on solar energy is strong for 2017 across Asia, Middle East, Africa and Latin America, where we have already established a good footprint. Companies and citizens drive the demand for clean and sustainable energy as the cost of pollution, power shortages and imports become self-evident. For the solar energy industry, growth is an invitation to attract more investment and an opportunity to become more efficient. Our pipeline of projects has crossed 1 GW. Our portfolio of opportunities has been strengthened both in our core as well as new markets. To implement projects in our backlog and pipeline and to develop the new opportunities, we are introducing a new, world-class operating system that will further strengthen our expertise in quickly and efficiently executing complex projects simultaneously in multiple continents. Constant pursuit of improvement is the best way to maintain our hard-earned reputation as an industry leader.



Companies and citizens drive the demand for clean and sustainable energy as the cost of pollution, power shortages and imports become self-evident

> Raymond Carlsen CEO

Local development programmes

A selection of some of our local development programmes.

HONDURAS

Food Security Project

 Small centers are set up in smaller family farms to facilitate technical training and production technologies that improve food security such as establishing water harvesting mechanisms, solar pumps, low pressure drip irrigation and cultivating kitchen gardens

ZIKA Virus Campaign

 Campaign to destroy places were the Zika-transmitting mosquito breeds in the communities of Agua Fria and Nagarejo in coordination with the Health Committee of Agua Fria with Colgate focusing on the importance of dental hygiene to prevent future diseases

Environmental Education Campaign

A campaign carried out in two local schools in Honduras
to teach school children about diverse environmental
issues like water management, the importance of forests,
and management of solid waste, through opportunities
that come from recycling and reusing waste















SOUTH AFRICA

FARR Programme

 Managed by the Foundation for Alcohol Related Research (FARR) to educate mothers about the risk of consuming alcohol while pregnant



























JORDAN

Municipality annual grant

 Scatec Solar has provided an annual grant to Ma'an Municipality worth JOD 40,000 to be divided and paid annually over 20 years to support the local community during the life time of the solar projects in Jordan

Maan Public Schools

 After a visit to the Directorate of Education in Ma'an, Scatec Solar engaged in supporting the local community through the donation of 100 white boards to public schools in the area

Local workshops

 Scatec Solar has held several solar energy workshops in Ma'an and Wadi Musa in cooperation with the Jordan Engineer Association (JEA) to raise the community's educational level and improve individual's skills and awareness of topics such as solar energy and health & safety

RWANDA

Bamboo and mango trees plantation

 Planting bamboo and mango trees for the local community surrounding the plant

Dreamfield Project

 Engage local school children in soccer and netball to create positive attitudes towards attending school, develop appreciation for teamwork, discipline and healthy lifestyles

Visual Arts Network Project

 Facilitate skills development amongst youth through training of wire crafting, silk screening, shoe making and weaving





Our solar plants

Scatec Solar currently has 12 solar power plants in operation: three in South Africa, one in Rwanda, four in the Czech Republic, one in Honduras and three in Jordan.

KALKBULT

Location: Northern Cape, South Africa Capacity: 75 MW Energy produced: 150,000 MWh per annum Providing energy for: 35,000 households CO₂ reduction per annum: 145,000 tons

LINDE

Location: Northern Cape, South Africa Capacity: 40 MW Energy produced: 94,000 MWh per annum Providing energy for: 20,000 households CO₂ reduction per annum: 85,000 tons

DREUNBERG

Location: Eastern Cape, South Africa Capacity: 75 MW Energy produced: 178,000 MWh per annum Providing energy for: 37,500 households CO₂ reduction per annum: 161,000 tons

CZECH REPUBLIC

Location: Czech Republic Capacity: 20 MW Energy produced: 20,500 MWh per annum Providing energy for: 17,000 households CO₂ reduction per annum: 12,000 tons

ASYV

Location: Agahozo-Shalom Youth Village, Rwanda Capacity: 8,5 MW Energy produced: 15,500 MWh per annum Providing energy for: 15,000 households CO₂ reduction per annum: 8,000 tons

JORDAN

Location: Maan, Jordan Capacity: 43 MW Energy produced: 101,000 MWh per annum Providing energy for: 20,000 households CO₂ reduction per annum: 63,000 tons

AGUA FRIA

Location: Nacaome, Honduras Capacity: 60 MW Energy produced: 103,000 MWh per annum Providing energy for: 80,000 households CO₂ reduction per annum: 60,000 tons



50 MW Plant build up

A utility-scale solar PV plant is made up of several components including a mounting system/trackers, solar modules, inverters, transformers, substation, plant controlling system and a power grid.

A 50 MW plant is representative of an average solar project, which typically contains around 160,000 solar modules that transform energy from the sun into electricity. The modules can be connected to a system of about 800 trackers, which are programmed to follow the sun for maximum energy capture. About 20 inverters convert the variable direct current (DC) output to alternating current (AC) to be fed into the power grid.

The components of a utility-scale solar PV system is shown below.

SCADA PLANT CONTROL ROOM





PLANT CONTROLLING



160.000 solar modules/ 800 trackers 20 inverters

20 transformers

Sub station

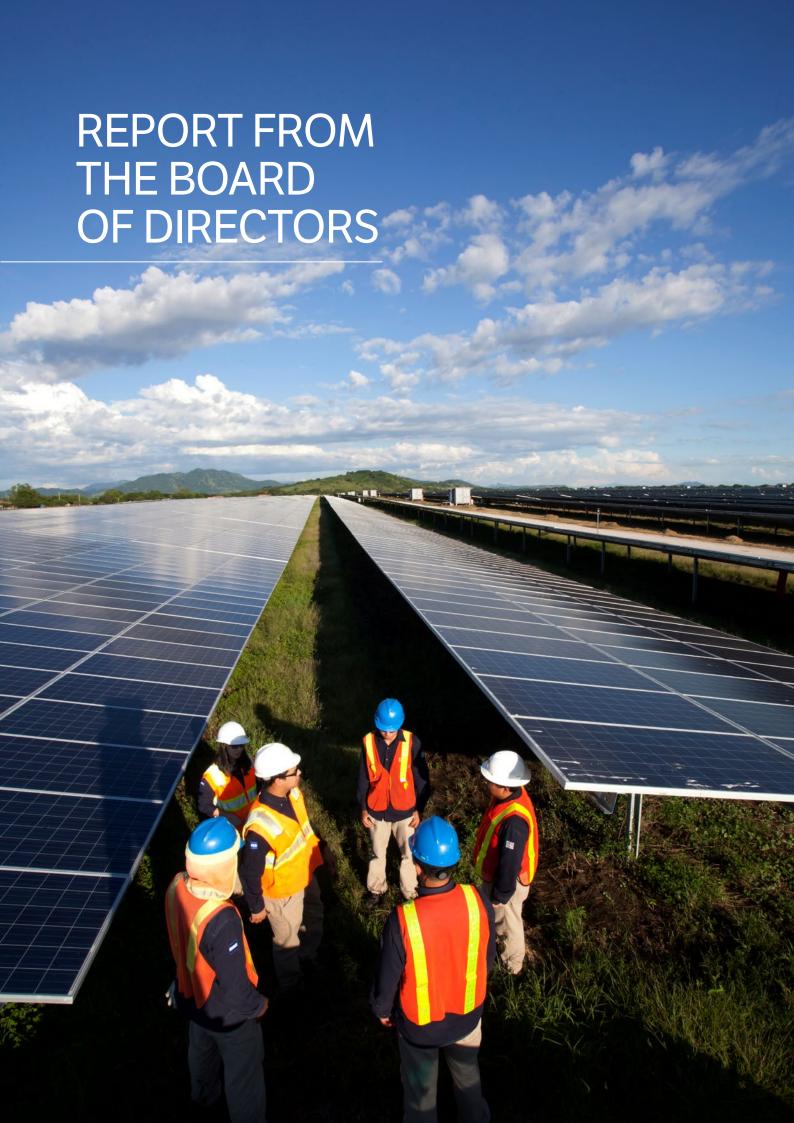
Power grid

Low voltage (DC)

Low voltage (AC)

Medium voltage (AC)

High voltage (AC)



Report from the Board of Directors

2016 HIGHLIGHTS

- Power production reached 791 GWh, up from 466 GWh in 2015
- Consolidated revenues reached NOK 1,085 million, EBITDA NOK 833 million and net profit NOK 70 million
- Proportionate share of cash flow to equity from Power Production and O&M reached NOK 172 million, up from NOK 155 million in 2015
- Completed and grid connected three solar power plants in Jordan totalling 43 MW
- Increased project backlog to 731 MW with new projects in Malaysia, Brazil and Mozambique
- Sold the Utah Red Hills plant with a net gain of NOK 67 million and cash proceeds of NOK 230 million
- The Board of Directors propose a dividend of NOK 67 million, equivalent to NOK 0.71 per share

KEY FIGURES

NOK MILLION	2016	2015
Total revenues and other income	1,085	881
EBITDA 1)	833	698
Operating profit (EBIT)	563	523
Profit / (loss) for the period	70	136
Profit / (loss) to Scatec Solar	4	68
Profit / (loss) to non-controlling interests	67	68
Total Assets	7,075	7,984
Equity (%) ²⁾	19%	18%
Power Production (GWh)	791	466
Scatec Solar proportionate share of cash flow to equity 1):		
Power Production	148	131
Operation & Maintenance	24	24
Development & Construction	-5	76
Corporate	-63	-22
Total	104	208

Consolidated revenues and profits are mainly generated in the Power Production segment. Activities in the Operation & Maintenance and Development & Construction segments mainly reflect deliveries to other companies controlled by Scatec Solar (ranging from 39% to 100% ownership), the 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, whereas the consolidated debt includes non-recourse debt in project companies at the full amount. This reduces the consolidated equity and equity ratio.

GROUP OVERVIEW. BUSINESS MODEL AND STRATEGY

Group overview

Scatec Solar is a leading independent power producer. Scatec Solar's strategy is to develop, construct, own and operate utility-scale photovoltaic solar power plants through an integrated business model.

Scatec Solar operates globally and holds main subsidiaries in the Czech Republic, South Africa, Rwanda, Jordan and Honduras and Egypt, as well as several other subsidiaries established for projects in new markets. Separate project companies are established for each solar plant developed and constructed by the company.

The Group is headquartered in Oslo, Norway, and had 148 permanent employees (full-time equivalents) at the end of 2016.

The integrated business model

Scatec Solar is pursuing an integrated business model incorporating all aspects required to bring solar power to the market. Business and project development, debt and equity financing, construction, ownership and operations. The company operates in partnerships, and seeks equity co-investments on project basis to enhance value and reduce risk, while at the same time maintaining transactional and operational control.

Scatec Solar's own project development and construction activities represent value creation and cash flow generation in the early phase of projects. These activities contribute to funding of the equity positions maintained by Scatec Solar in the project companies. Scatec Solar also receives recurring income from delivery of operation and maintenance services to the operating power plants. Scatec Solar holds ownership in solar power plants through project companies that raises non-recourse project financing to each project. This structure isolates operational and financial risks to individual projects.

Scatec Solar seeks geographical diversification and believes its integrated business model creates a competitive advantage through low cost, high speed and solid project execution. The learning and experience gained from constructing and operating plants is used when developing and designing new solar power plants.

Ambitions

The company's ambition is to grow its gross asset base from current 322 MW to 1,300-1,500 MW in operation and under construction by the end of 2018. Scatec Solar has a global approach in the search for new projects, seeking to match the company's strengths with markets meeting important requirements like a strong need for electricity, attractive solar irradiation levels and legal frameworks that enables project financing. Scatec Solar operates predominately in emerging solar markets.

As per the publication of this report, the backlog of projects with secured sales agreements for future power production stood at 731 MW, while the project pipeline consisted of projects with a combined capacity of 1,085 MW. The project pipeline comprises projects in the Americas, Africa and MENA.

SCATEC SOLAR'S VALUE CHAIN:

- Site development
- · System design
- · Business case
- Permitting
- · Grid connection
- PPA negotiation / tender / FiT



- Detailed design & engineering
- Component tendering
- Debt / Equity structuring
- · Due Diligence



- · Project management
- Supplier and construction monitoring
- Quality assurance
- · Funding and cash flow management

Operations



- · Maximize performance and availability
- Maintenance and repair

Ownership (IPP)



- Asset management
- Financial and operational optimization

MARKET DEVELOPMENT

The solar industry continues to develop rapidly and with further technology improvements and cost reductions industry analysts are expecting continued market growth in the years to come.

According to Bloomberg New Energy Finance (BNEF) solar energy for the first time became the cheapest form of new electricity at the end of 2016. Unsubsidized solar is beginning to outcompete coal and natural gas on a large scale per data from BNEF.

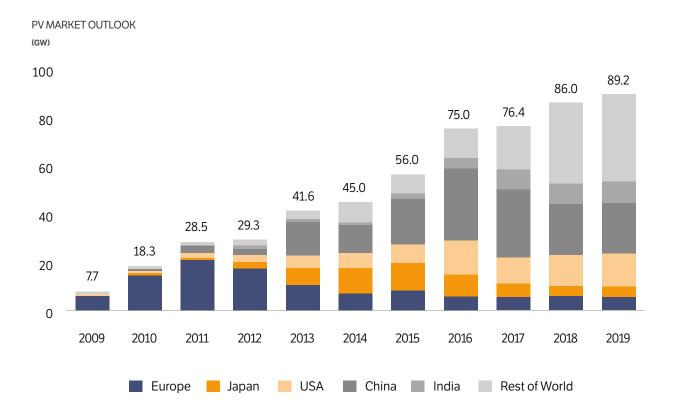
Scatec Solar is observing that governments in several emerging markets sees the attractiveness of solar energy. It is affordable, rapidly deployable, fuel independent and clean. Governments are therefore seeking to establish policies and regulations to promote private investments in solar energy through the Independent

Power Producer (IPP) model. With these policies in place analysts are expecting continued growth across emerging markets in the years to come.

According to BNEF, the world passed a turning point in 2015 when adding more capacity of clean energy each year than coal and natural gas combined. When it comes to renewable energy investments, emerging markets have taken the lead over the 35 OECD countries and with higher growth rates. Three quarters of the emerging markets states have established clean energy targets.

The graph below shows the increase in annual new installed PV capacity globally per year from 2009 to 2016 and estimates for 2017 and 2018.

Towards the end of 2016, solar energy for the first time became the cheapest form of new electricity



Source: Bloomberg New Energy Finance, Q1 2017 PV Market Outlook



ORGANISATIONAL DEVELOPMENT

The success of Scatec Solar lies in the capability and commitment of the company's employees. To deliver on our ambitions, we expanded our employee base by hiring a range of top-class professionals in the Oslo Headquarters, in our global hubs located in South Africa and Egypt, as well as in country-specific offices. Navigating in complex emerging markets requires highly skilled professionals. For organizational preparedness and to get our projects off the ground in multiple continents simultaneously over the next few years, we have recruited competent, knowledgeable local staff, several specialists as well as experts with international experience and cross functional skills. The organisation has been strengthened across a diverse set of functions: Business Development, Finance, Engineering, Procurement, Project Management, Operation and Maintenance, Asset Management and a number of support functions, and we ended the year with a total staff of 148.

The staff expansion strengthens the multi-cultural dimension of Scatec Solar, consolidating the company's reputation as a truly global company. Cultural diversity ensures organisational success by matching international competence with local insights. It also reduces risks. Our employees represent 22 nationalities. Diversity is evidenced in terms of multi-culturalism as well as age and gender. Worldwide, women account for 28% of our staff, while in the Headquarters in Norway, 40% of our staff are now women, representing a 9% increase over the previous year.

With rapid expansion comes the need for structured organisational development and the integration of the different departments so that no silos develop. This is especially important for successful execution of the integrated business model. We discover opportunities in new markets and then develop, finance, build and operate the solar power plants. Avoiding friction losses between different functions is the key to our success, secure profitability and ability to build state-of-the art solar plants in new markets with speed and precision. To strengthen, coordinate and monitor our performance, we have introduced an Operation System designed to achieve greater efficiency. Employee training for the new Operating System is crucial and it will be further developed through 2017.

Safety is as important as productivity. Our operating plants in Czech, Rwanda, South Africa, Jordan and Honduras scored well on both counts. The sickness and absence rate in Norway was 2.37% and worldwide was 2.21%. There was one Lost Time Injury and there were no fatal accidents in any of our plants. Plant uptime was over 99%.

Even as we consolidate, build and grow, we are mindful that our expansion is driven by our strong values: Predictable, Working Together, Driving Results, Changemakers. The solid foundation that we have built prepares us to meet the challenges and opportunities that lie ahead of us.

Navigating in complex emerging markets requires highly skilled professionals

SUSTAINABILITY

Sustainability is an integral part of Scatec Solar's business model, which in itself represents a positive contribution towards meeting the climate challenge and bridging the global energy gap. We generate cost-effective, clean and reliable electricity. Scatec Solar not only brings value to the countries and local communities where we operate by increasing access to electricity through renewable energy, but we also have strong ambitions to conduct business in a sustainable manner wherever we operate.

Scatec Solar collaborates with partners that also have high standards for the projects and their associated impacts and is committed to operating in line with the Equator Principles in all projects. The responsibility of the company extends beyond its own operations, and Scatec Solar acknowledges that it can have a substantial impact on local communities, and potentially also the environment, through its supply chain. To ensure a viable supply chain, Scatec Solar continuously engages in dialogue with its suppliers and sub-contractors and seeks to implement sustainability criteria in the procurement process.

All our solar projects establish social and environmental programs to benefit the local communities surrounding the facilities. We try to create awareness of solar energy and the positive contributions these projects can bring, as well as maintaining a healthy and

open dialogue with stakeholders. We strive to use local labour to the greatest extent possible, whether this is a regulatory or contractual requirement or not. Health, safety and environmental considerations are always on our agenda and we continuously work to learn and improve. We do our outmost to conduct our business in a way that makes people proud to work with and for Scatec Solar.

After the launch of the United Nations Sustainable Development Goals in 2016, we have chosen to incorporate aspects of the goals to strengthen our reporting and show our support. The UN development goals are tangible and specific, giving us a solid tool to frame, define and materialize all our activities. We have prioritized our activities in local communities under six of the goals.

An explanation of our overall approach, policy, results, ambitions and goals related to the prioritised sustainability areas of Scatec Solar is presented in the chapter "Sustainability" in the annual report. These areas cover reporting requirements set out by the Norwegian Accounting Act and relate to:

- · Human rights
- · Labour rights and social conditions
- Environment
- Corruption

To strengthen our reporting and show our support we have in 2016 incorporated aspects of the United Nations Sustainable Development Goals



FINANCIAL REVIEW

Presentation of Accounts

Pursuant to Section 3-3 of the Norwegian Accounting Act, the Board of Directors confirm that the Financial Statements have been prepared under the assumption that the Scatec Solar Group is a going concern and that this assumption was appropriate at the date of approval of the Financial Statements. The Group reports its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) with Norwegian Kroner (NOK) as reporting currency. The notations Scatec Solar, Scatec Solar Group, and the Group are used interchangeably throughout the document.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of 31 December 2016.

The business model under which Scatec Solar operates involves intercompany transactions between fully and partially-owned subsidiaries. These transactions are eliminated in the consolidated statement of profit or loss. Consequently, a segmented statement of profit or loss is used to reflect the value creation in each of the business segments. Further information is provided in note 3, Operating segments.

Seament review

Scatec Solar reports on three operating business segments: Power Production (PP), Operation & Maintenance (O&M), and Development & Construction (D&C). We also report on Corporate and Eliminations.

Revenues and costs related to deliveries of D&C and O&M services to 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)

In 2016 the PP segment comprised the Kalkbult (75 MW), Linde (40 MW), Dreunberg (75 MW) plants in South Africa, the ASYV (9 MW) plant in Rwanda, the Agua Fria (60 MW) plant in Honduras, Three plants in Jordan (43 MW), four plants (20 MW) in the Czech Republic and the Utah Red Hills (104 MW) plant* in Utah, USA. The plants produce electricity for sale under 20-25-year power purchase agreements (PPA) or feed-in tariff (FiT) schemes.

Operation & Maintenance (O&M)

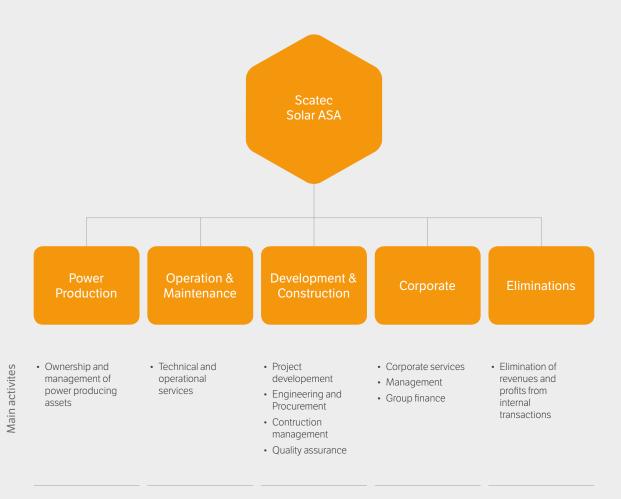
The O&M segment comprises services provided to solar power plants controlled by Scatec Solar and also to third-party solar power plants designed and constructed by Scatec Solar. The O&M contracts for third party controlled plants are considered non-core and the complete portfolio was terminated as of fourth quarter 2016. 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 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.



SCATEC SOLAR REPORTING STRUCTURE



- Kalkbult, 75 MW
- Linde, 40 MW
- Dreunberg, 75 MW

South Africa (39%): South Africa:

- Kalkbult, 75 MW
- · Linde, 40 MW
- Dreunberg, 75 MW

Rwanda (43%):

ASYV, 9 MW

Rwanda:

• ASYV, 9 MW

Czech Republic (100%): Czech Republic:

• Portfolio 20 MW

• Portfolio, 20 MW

Honduras (40%):

• Agua Fria, 60 MW

Honduras:

· Agua Fria, 60 MW

USA (100%):

• Utah Red Hills¹⁾, 104 MW

Jordan:

• Oryx, 10 MW

Jordan:

- Oryx, 10 MW (90%)
- EJRE/GLAE, 33 MW (50.1%)

Backlog:

731 MW

Pipeline:

~ 1,085 MW

1) The sponsor equity in the 104 MW Utah Red Hills project was sold in Q4 2016.

POWER PRODUCTION

Revenues in the Power Production segment reached NOK 1,011 million (863) 1) in 2016 with the increase mainly reflecting increased power production.

Power production totalled 791 GWh in 2016 up from 466 GWh last year, an increase of about 70%.

The increase in power production is driven by a full year of production at the 60 MW Agua Fria plant in Honduras and the 104 MW Red Hills plant in the US, as well as production from three new plants in Jordan commissioned in the second and third quarter of 2016.

All solar plants have performed well with respect to plant availability and efficiency during the year.

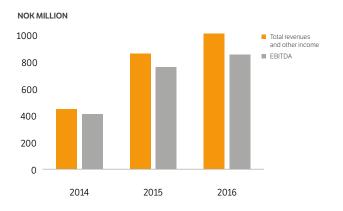
Operating expenses in the segment amounted to NOK 157 million (103) in 2016. Costs increased with the grid connection of new power plants in 2016 and full year effect of the O&M contracts that commenced in 2015.

Depreciation and amortisation increased to NOK 352 million (228), with the increase reflecting the sale of the Utah plant and the exit from the US market, as well as new plants in operation.

EBITDA amounted to NOK 853 million (760) for 2016, and EBIT to NOK 501 million (533). The EBITDA margin reached 84% (88%).

Scatec Solar's proportionate share of cash flow to equity from Power Production was NOK 148 million in 2016 up from NOK 131 million in 2015.

REVENUES AND EBITDA BY YEAR



PRODUCTION

MWH	2014	2015	2016
MWh produced	273,827	466,278	790,822
-net to Scatec Solar	119,994	196,420	462,699

KEY FIGURES

NOK MILLION	2014	2015	2016
Total revenues and other income	459.5	863.0	1,010.6
Operating expenses	-47.2	-102.9	-157.3
EBITDA	412.2	760.1	853.4
D&A and impairment	-122.9	-227.6	-352.0
EBIT	289.3	532.5	501.4

KEY RATIOS

%	2014	2015	2016
EBITDA margin	90%	88%	84%
EBIT margin	63%	62%	50%

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

OPERATION & MAINTENANCE

Revenues in the Operation & Maintenance segment reached NOK 62 million (55) in 2016.

The increased O&M revenues mainly reflect the full year revenues from serving the 60 MW Agua Fria plant in Honduras and additional revenues from the 10 MW Oryx plant in Jordan recognised from third quarter 2016.

Operating expenses amounted to NOK 31 million (24) in 2016. The increase mainly reflects grid connection and operation of the Agua Fria and maintenance activity and ramp up costs related to all 43 MW in operation in Jordan.

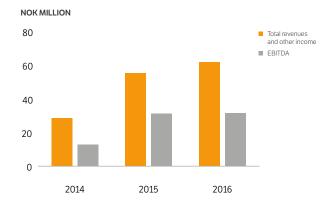
EBITDA reached to NOK 32 million (31) in 2016, corresponding to an EBITDA margin of 51% (57%).

Depreciation and amortisation in 2016 amounted to NOK 2.3 million (2.6), and EBIT was NOK 29 million (29).

Scatec Solar's proportionate share of cash flow to equity from O&M was NOK 24 million in 2016, in line with NOK 24 million in 2015.

The O&M contracts for third party controlled plants are considered non-core and the complete portfolio is terminated as of fourth guarter 2016.

REVENUES AND EBITDA BY YEAR



KEY FIGURES

NOK MILLION	2014	2015	2016
Total revenues and other income	28.7	55.4	62.2
Operating expenses	-15.8	-24.0	-30.6
EBITDA	12.9	31.4	31.6
D&A and impairment	-1.2	-2.6	-2.3
EBIT	11.7	28.8	29.3

KEY RATIOS

%	2014	2015	2016
EBITDA margin	45%	57%	51%
EBIT margin	41%	52%	47%

DEVELOPMENT & CONSTRUCTION

Revenues in the Development & Construction (D&C) segment amounted to NOK 604 million (1,161) in 2016.

Revenues and gross margin in the D&C segment depends on progress on projects under construction. The decrease in revenues year on year mainly reflects lower construction activity.

There was high activity in the D&C organisation in 2016, developing projects across the portfolio and preparing start of construction of projects in backlog. Refer to separate section for status on project backlog and pipeline.

Construction revenues are recognised on a percentage-of-completion (PoC) basis, and defined as cost incurred over total expected cost.

In 2016 revenues were mainly recognised from the development and construction of the Oryx, EJRE and GLAE solar power plants in Jordan. The construction of the plants in Jordan was completed in the third quarter, and no new construction projects commenced in the fourth quarter.

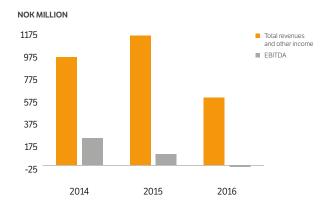
Cost of sales related to both project execution and project development amounted to NOK 540 million (990) in 2016, generating a gross margin of 11% (15%).

Operating expenses were NOK 77 million (70) in 2016. Operating expenses related to construction amounted to NOK 27 million while operating expenses for early stage project development came to NOK 49 million. A NOK 6 million write-down of receivables related to a former sales of solar power plants in the US and UK are included in operating expenses.

EBITDA declined to negative NOK 12 million (101) in 2016. Depreciation, amortisation and impairment amounted to NOK 10 million (7), and EBIT was negative NOK 23 million (95).

Scatec Solar's proportionate share of cash flow to equity from D&C was negative NOK 5 million in 2016, down from NOK 76 million in 2015.

REVENUES AND EBITDA BY YEAR



KEY FIGURES

NOK MILLION	2014	2015	2016
Total revenue and other income	965.7	1,160.5	603.9
Cost of sales	-634.4	-989.7	-539.6
Gross profit	331.3	170.8	64.4
Operating expenses	-89.4	-69.7	-76.6
EBITDA	241.9	101.2	-12.2
D&A and impairment.	-15.4	-6.5	-10.4
EBIT	226.4	94.6	-22.7

KEY RATIOS

%	2014	2015	2016
Gross margin	34%	15%	11%
EBITDA margin	25%	9%	-2%
EBIT margin	23%	8%	-4%

CORPORATE & ELIMINATIONS

Corporate activities mainly relate to corporate services, management and group finance. The segment reported an operating loss of NOK -48 million (-38) in 2016.

CORPORATE - KEY FIGURES

NOK MILLION	2015	2016
Total revenues	7.5	9.8
Operating expenses	-44.8	-57.2
D&A and impairment	-0.5	-0.8
EBIT	-37.8	-48.1
Interest expenses	-	-37.2

The revenues are mainly related to sale of corporate services within the group. Corporate incurred NOK 57 million in operating expenses, an increase of 28% compared to last year. The increase is driven by a higher business activity level for the group overall requiring additional resources across all corporate functions.

ELIMINATIONS - KEY FIGURES

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

Gross profits (i.e. revenues and cost of sales) generated in the D&C segment are eliminated in the consolidated income statement and reduce the consolidated book value of the solar power plants. The gross profits generated through project development and plant construction is thus improving the consolidated operating profit through lower depreciation charges over the economic life of the solar power plants. In 2016 this effect amounted to NOK 95 million (62).

The internal revenues generated in the Corporate and O&M segments are eliminated in the consolidated income statement with corresponding elimination of operating expenses, which amounted to NOK 70 million (59) in 2016.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

Unless otherwise indicated, the below information describes the development for the continuing operations of the Scatec Solar Group in 2016, and the corresponding figures for 2015.

Revenues

Scatec Solar reported net revenues of NOK 1,085 million (881) in 2016, mainly reflecting sales of electricity from solar power plants in the Czech Republic, South Africa (Kalkbult, Linde, Dreunberg), Rwanda (ASYV), Honduras (Agua Fria), Jordan (Oryx, EJRE, GLAE) and the US (Utah Red Hills).

Net income from associated companies was a negative NOK 3.4 million in 2016, compared to a negative NOK 0.9 million in 2015. Net gain from sale of project assets amounted to NOK 75 million (14) in 2016.

Operating expenses

Operating expenses (personnel and other operating expenses) amounted to NOK 252 million in 2016, compared to NOK 183 million in 2015. The consolidated cost base consists of around NOK 128 million related to operation of existing power plants, NOK 27 million for the development of new projects, NOK 49 million related to construction of new solar power plants, NOK 47 million in general corporate costs.

Personnel expenses totalled NOK 86 million (71), with the average number of permanent full-time employee equivalents increasing to 148 in 2016 from 132 in 2015.

Other operating expenses amounted to NOK 166 million, compared to NOK 112 million in 2015.

The company recognised no R&D costs in 2016 or 2015.

Operating profit

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached NOK 833 million in 2016, an increase from the EBITDA of NOK 698 million in 2015. The increase reflects full year production at the Agua Fria plant in Honduras and the Utah Red Hills plant in the US, as well as commencement of production at the Oryx, EJRE and GLAE plants in Jordan.

Depreciation, amortisation and impairment amounted to NOK 270 million in 2016, compared to NOK 176 million in 2015. Depreciation came in at NOK 248 million, compared to NOK 171 million in 2015. The increase is explained by the full year asset depreciation of the Agua Fria and Utah Red Hills solar power plants, as well as the start of depreciation of the Oryx plant.

Impairments were NOK 22 million (5), made up of impairment losses of development projects as well as impairments following the exit from the US market.

Operating profit (EBIT) ended at NOK 563 million in 2016, up from a NOK 523 million in 2015.

NET FINANCIAL ITEMS - KEY FIGURES

NOK MILLION	2015	2016
Interest income	63.9	50.4
Forward exchange contracts	=	-
Other financial income	0.5	0.4
Financial income	64.4	50.8
Interest expenses	-395.5	-496.3
Forward exchange contracts	-3.0	-
Other financial expenses	-9.6	-8.5
Financial expenses	-408.1	-504.8
Foreign exchange gains/(losses)	40.5	-10.1
Net financial expenses	-303.1	-464.1

Net financial items amounted to a negative NOK 464 million in 2016, compared to a negative NOK 303 million in 2015. The increase mainly reflects interest on debt financing of the growing asset base. Additionally, the year-on-year net foreign exchange gain was reduced by NOK 51 million. These effects are mainly non-cash and related to intercompany balances.

Financial income came in at NOK 51 million (64) for 2016, mainly reflecting interest income on cash balances.

Financial expenses totalled to NOK 505 million (408), of which 496 (396) million is interest expenses on project financing and corporate bonds.

Foreign exchange gains, which mainly relates to revaluation of intercompany balances, decreased from NOK 41 million in 2015 to a negative NOK 10 million in 2016.

Profit before tax and net profit

Profit before income tax was positive at NOK 99 million in 2016, down from NOK 220 million in 2015.

Income tax expense amounted to NOK 28 million in 2016, equivalent to a tax rate of 29%. The tax rate was primarily influenced by intercompany transactions subject to different tax rates, valuation allowances, permanent differences as well as losses in high tax jurisdictions. Taxes paid came to NOK 29 million, with net deferred tax asset increased by NOK 63 million. In 2015, the company recorded an income tax expense of NOK 84 million. Tax was paid in the amount of NOK 48 million, with a net deferred tax asset decreased by NOK 182 million. The underlying tax rates in the countries of operation are in the range of zero to 35%. In some markets Scatec Solar receives special tax incentives intended to promote investments in renewable energy.

The net profit was thus NOK 70 million in 2016, compared to NOK 136 million in 2015.

A profit of NOK 4 million (68) for 2016 was attributable to Scatec Solar ASA, and a profit of NOK 67 million (86) was attributable to non-controlling interests (NCIs). NCIs represent financial investors in the individual solar power plants and partners in some development projects. The allocation of profits between NCIs and Scatec Solar is generally affected by the fact that NCIs only have shareholdings in solar power plants, while Scatec Solar also carries the cost of project development and corporate functions.

Consolidated statement of comprehensive income

Other comprehensive income comprises items that may subsequently be reclassified to profit or loss, amounted to negative NOK 77 million in 2016 (147). This mainly relates to after-tax net movement of cash flow hedges of NOK 82 million (103).

Furthermore, the foreign currency translation differences amounted to NOK 5 million (45).

Total comprehensive income was thus a negative NOK 7 million for 2016, of which a negative NOK 69 million was attributable to Scatec Solar, while a positive NOK 62 million came from

non-controlling interests. This compares to a total comprehensive income of NOK 283 million for 2015, attributable to a positive NOK 189 million to Scatec Solar and a positive NOK 94 million to non-controlling interests.

Consolidated statement of cash flow Cash flow

Net cash flow from operating activities ended at NOK 732 million (505), which is more or less in line with EBITDA.

Net cash flow from investing activities was NOK -582 million (-2,409), driven by the construction activities related to the Oryx, EJRE and GLAE plants in Jordan.

Net cash flow from financing activities amounted to NOK -660 million (2,535), of which NOK 85 million (2,325) is attributable to net proceeds from non-recourse project financing. The gross proceeds from the bond issue in 2015 amounted to NOK 493 million. In 2016, there were no equity contributions from NCIs and in 2015 this amounted to NOK 280 million. Further, interest of NOK 509 million (380) and dividends of NOK 236 million (183) were paid in 2016.

In total, the Group's cash balance decreased by NOK 510 million (increased by 631 million in 2015). Of the total cash balance of NOK 1,137 million (1,639), NOK 715 million (813) was restricted cash in project companies, NOK 118 million (174) represented other restricted cash while NOK 304 million (651) represented free cash.

Scatec Solar 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	2015	2016
Power Production	130.6	148.3
Operation & Maintenance	23.6	24.3
Development & Construction	75.6	-5.1
Corporate	-22.1	-63.1
Total	207.7	104.3
SSO project equity investments	-580.5	-33.0
Distributions to SSO from project		
companies	123.8	134.0
Dividends to corporate shareholders	-25.3	-61.9

Scatec Solar's proportionate share of cash flow to equity totalled NOK 104 million (208) in 2016. Scatec Solar invested NOK 33 million of equity investments, mainly in Jordan.

Please also refer to Dividend Policy later in the report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets amounted to NOK 7,075 million at year-end 2016, down from NOK 7,984 million at the end of 2015. This decrease primarily reflects the sale of the Utah Red Hills power plant.

Overall, non-current assets totalled NOK 5,591 million (5,844), of which NOK 5,081 million was PP&E. Current assets amounted to NOK 1,484 million (2,140), with cash and cash equivalents amounting to NOK 1,137 million (1,639). Part of the cash holdings is subject to restrictions or is collateralised, while free unrestricted cash was NOK 304 million (651) at the end of 2016.

Current and non-current financial assets and liabilities in the balance sheet mainly relates to interest rate derivatives in the South African project companies. Other current assets and liabilities mainly relate to working capital items such as prepayments and accruals

Total equity stood at NOK 1,313 million at the end of 2016 (1,425), corresponding to an equity ratio of 19% (18). The consolidated equity ratio is negatively affected by inclusion of non-recourse debt in project companies at full amount while the value of consolidated assets is reduced by the internal margins generated through the project development and construction activities. The accumulated eliminated D&C margin totals NOK 1,176 million.

Total non-current liabilities amounted to NOK 5,253 million at the end of 2016 (5,843), of which non-recourse project financing accounted for NOK 4,304 million (4,800) and bond debt of NOK 495 million (493). Total current liabilities came in at NOK 509 million (715), of which NOK 279 million was in non-recourse project financing (167).

PARENT COMPANY

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

Scatec Solar ASA reported revenues of NOK 55 million and operating profit (EBIT) of negative NOK 69 million in 2016, compared to revenues of NOK 789 million and operating profit (EBIT) of negative NOK 33 million in 2015.

Revenues decreased from 2015 to 2016 mainly due to reduced number of construction projects.

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

Operating expenses increased to NOK 102 million, from NOK 82 million in 2015, reflecting the increased number of employees and activities supporting the company's growth plan.

Interest and other financial income amounted to NOK 90 million (284) in 2016. The decrease from 2015 stems from dividends received from subsidiaries. Interest and other financial expenses totalled NOK 61 million (252), which includes increased interest expenses from NOK 31 million in 2015 to NOK 60 million in 2016. The increase is mainly explained by bond financing. Included in interest and other financial expenses for 2015 is an impairment loss on financial assets of NOK 220 million. The investment, which was impaired, paid a dividend of NOK 236 million prior to the impairment and the net return was NOK 16 million. Net foreign exchange loss was in the sum of NOK 5 million, compared to a net gain of NOK 64 million in 2015. The main impact on the net foreign exchange result for 2016 was the appreciation of the NOK versus the EUR and USD and the depreciation against the ZAR.

Profit after tax was negative NOK 26 million compared to a profit after tax of positive NOK 35 million in 2015.

Total equity for the parent company Scatec Solar ASA stood at NOK 732 million at December 31, 2016, down from NOK 814 million in 2015.

Total assets amounted to NOK 2,319 million at 31 December 2016, down from NOK 2,627 million a year earlier. The decrease reflects reduced loans to group companies partly offset by investments in the project backlog and pipeline.

Cash flow from operating activities was negative NOK 340 million in 2016, down from a negative NOK 333 million in 2015. The difference between the operating loss of NOK 69 million and NOK 340 million in cash flow from operating activities in 2016 is mainly explained by investments in the project backlog and pipeline.

Scatec Solar ASA had 48 permanent full-time employee equivalents in 2016, up from 35 in 2015. The sickness rate in 2016 was 2.4%. Scatec Solar ASA focuses on equal opportunities irrespective of gender. There should be no discrimination related to gender in cases such as compensation, promotion or recruitment. In Scatec Solar ASA females made up 40% of the employees in 2016, up from 31% last year.

CORPORATE GOVERNANCE

The Board of Scatec Solar is committed to ensure trust in the company and to enhance shareholder value through effective decision-making and open communication between the management, the Board of Directors and the shareholders. The Company will continue to comply with the Norwegian Code of Practice for Corporate Governance, which together with the company's framework for corporate governance is intended to limit business risk, maximise value and utilise the company's resources in an efficient, sustainable manner, to the benefit for shareholders, employees and society at large. The Company has in all respect complied with the Norwegian Code of Practice for Corporate Governance during the course of 2016. For more information about corporate governance, see separate chapter in the annual report.

PLANTS UNDER CONSTRUCTION. **PROJECT BACKLOG AND PIPELINE**

Scatec Solar targets to have 1,300 to 1,500 MW in operation and under construction by the end of 2018. Figures related to plants under construction, project backlog and pipeline is as per the date of publishing the annual report.

Refer to the appendix for a description of the criteria for inclusion of projects in the backlog and pipeline.

Backlog

The project backlog currently stands at 731 MW. The table below shows the projects with details on capital expenditure and annual production

BACKLOG

LOCATION	CAPACITY (MW)	CURRENCY ¹⁾	CAPEX ESTIMATE (MILLION)	ANNUAL PRODUCTION (GWH)
South Africa	258	ZAR	4,600	645
Malaysia	197	MYR	1,240	285
Brazil	150	BRL	720	305
Honduras	53	USD	100	110
Mozambique	40	USD	80	77
Mali	33	EUR	52	60
Total	731	NOK	9,200	1,482

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

Total annual revenues from the 731 MW in backlog is expected to reach NOK 1,200 million based on 20-25-year Power Purchase Agreements (PPAs). Scatec Solar will build, own and operate all power plants in the project backlog and pipeline.

Scatec Solar's share of equity investments in the project backlog is expected in the range of NOK 1,200 – 1,400 million.

Upington, 258 MW

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

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

Scatec Solar will build, own and operate the solar power plants with a 42% shareholding. Norfund and a trust (funded by Scatec Solar and Norfund) will hold the remaining part of the equity.

Financial close of the projects is pending on alignment between Eskom, the government owned utility, and various governmental bodies involved in the REIPP Programme in South Africa.

Malaysia, 197 MW

In December 2016 Scatec Solar joined forces with a local ItraMASled consortium that has signed three 21-year PPAs with the country's largest electricity utility, Tenaga Nasional Berhad (TNB).

Scatec Solar expects to invest about USD 60 million through preference shares partly convertible to a 49% equity ownership in the projects. Scatec Solar will build and operate the solar power

CIMB, Malaysia's second largest commercial bank, has been appointed to arrange the non-recourse project debt financing for the three projects.

Scatec Solar and partners are actively working on the final development steps of the project and securing the required project finance debt.

Brazil, 150 MW

In December 2016 Scatec Solar signed an agreement with the Brazilian company Kroma Energia Ltda. and its partners ("Kroma"), securing four PV plants totalling 150 MW (DC) co-located in the state of Ceará in Brazil.

The projects were bid and won by Kroma in the auction process held by ANEEL, the Brazilian Electricity Regulatory Agency, in November 2015. The project companies have since then signed 20-year PPAs with ANEEL. The PPAs stipulate that the plants shall be in commercial operation within the fourth quarter 2018.

Scatec Solar has decided not to move forward with two backlog projects totalling 78 MW in Brazil. This is due to more attractive return expectations and a more flexible timeline for executing the new projects.

Honduras, 53 MW

In October 2015 Scatec Solar and Norfund acquired the Los Prados solar project in Honduras. The project has a secured 20-year PPA with Empresa Nacional de Energía Eléctrica (ENEE), the government-owned utility.

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 and ENEE are working to obtain the required interregional interconnection permit for the project to move forward.

Mozambique, 40 MW

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

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

IFC, the International Finance Corporation, a member of the World Bank Group, and the Emerging Africa Infrastructure Fund will provide project finance debt to the project.

Scatec Solar and partners are actively working on the final development steps of the project and closing of the project finance debt.

Mali, 33 MW

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

IFC and African Development Bank (AfDB) will provide the non-recourse project finance for the project.

Scatec Solar will build, own and operate the solar power plants with a 52% shareholding. IFC Infraventures and Power Africa will hold the remaining part of the equity.

The process for obtaining the project finance debt and the required Partial Risk Guarantee form the World Bank to cover political risk is well advanced.

Pipeline

Scatec Solar currently has a project pipeline of a number of projects with a gross capacity of about 1,085 MW. Furthermore, the company has project opportunities with verified feasibility and business cases for an additional 2,008 MW.

PIPELINE

	CAPACITY (MW)
South Africa	430
Egypt	340
Pakistan	150
Nigeria	100
Kenya	48
Burkina Faso	17
Total pipeline	1,085

South Africa, 430 MW

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 delayed, but it is expected to be announced after financial close of the current Round 4 projects in South Africa.

Egypt, 340 MW

Scatec Solar has secured participation in five projects in the FiT program in Egypt. Based on current planning, these projects would be built out with a total installed capacity of 340 MW (DC).

Scatec Solar signed the Power Purchase Agreement (PPA) for a 50 MW project under the original terms of PPA ("Round 1"). The relevant government agencies are currently evaluating the financing documents submitted by Scatec Solar and will based on this decide whether to include Scatec Solar in the Round 1. If not, the project will be transferred to Round 2.

In August 2016, the Government of Egypt announced revised terms for the Power Purchase Agreement under the 2 GW PV Programme ("Round 2"). The PPA tariff was set to 8.4 USD cent/kWh and the authorities have accepted key terms required for participation by the International Financing Institutions (IFIs).

Scatec Solar is currently working with all project stakeholders to review key parameters to optimise the business case under Round 2 terms before a decision to move forward with the projects is made.

Pakistan, 150 MW

In Pakistan Scatec Solar signed a joint development agreement with Nizam Energy for the development of 300 MW solar power plants. The first 150 MW under this agreement is in the state of Sindh and is included in pipeline. The project is in the final stage to secure the required evacuation certificate for the grid and waiting for the announcement of the new feed in tariff level. With these two steps completed, the project will be in a position to request the award of the feed in tariff.

Nigeria, 100 MW

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

The Nova Scotia project signed a Power Purchase Agreement (PPA) with Nigerian Bulk Electricity Trader Plc (NBET) in July, 2016.

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

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

Kenya, 48 MW

Norfund and Scatec Solar are together with the local development partner, Kenergy, developing a 48 MW project. In December 2016, the project initialled a Power Purchase Agreement with Kenya Power and Lighting Company (KPLC), the local utility.

Subsequent to this important milestone, the partners will continue the local development of the project, secure the sovereign support letter and identify the project finance structure.

Burkina Faso, 17 MW

In 2014, the Zagtouli project was, as one of four projects, selected as winner in the tender process. The project was thus formally awarded by the government of Burkina Faso and since then a concession agreement has been signed with Ministry of Energy. The project has been experiencing delays due to turbulent times in the country, but is now awaiting final sign-off by the Ministry of Finance before the power purchase agreement can be signed with the state-owned utility Société Nationale d'électricité du Burkina Faso (SONABEL).

OUTLOOK

Industry analysts continue to forecast strong growth in the solar market, and the global market for PV is expected to grow from 75 GW in 2016 to 86 GW in 2018.

The main priorities of Scatec Solar in 2017 is to secure maximum production at solar power plants in operation, achieve financial close on projects in the backlog to start construction, as well as further develop projects in the pipeline.

In 2017, cash flow to equity from Power Production and Operation & Maintenance is expected to reach between NOK 170-190 million. Power production is expected to reach 640 GWh in 2017, compared to 791 GWh in 2016. The reduction is explained by the sale of the Utah plant at the end of 2016, partly offset by a full year of production at the Jordan plants.

Scatec Solar is well positioned to take part in the growth of the solar market through a significant backlog and pipeline of projects in the Americas, Africa and MENA. With the current business plan Scatec Solar's portfolio of power producing assets is expected to diversify significantly over the next few years.

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

RISK FACTORS AND RISK MANAGEMENT

Through its business activities, Scatec Solar is exposed to a variety of operational and financial risks, including commodity price risk, currency risk, interest rate risk, liquidity risk and credit risk. The business of the Group is project related and the majority of the risks that the business is exposed to is contained and managed within individual projects. Guidelines for risk management have been approved by the Board of Directors and are carried out by Scatec Solar's group finance department in cooperation with the individual operational units. See also Note 4 – Financial risk management.

Operational risk

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

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

Commodity price risk

Scatec Solar's sales of electricity constitute a material share of its profit. As a result, the Group's business, financial position, results of operation and cash flow are affected by changes in the electricity prices. The Group seeks to reduce the effect of

price fluctuation by entering into long-term, fixed price contracts. Currently, the Group has no exposure to price risk related to electricity sold at spot rate as all contracts are based on Feedin-Tariffs (FiTs) or Power Purchase Agreements (PPAs). Some of the off-take agreements that have been entered into for the projects in the Company's portfolio do not contain inflation-based price increase provisions or provisions that only partially allows for inflation-based increases. Some of the countries in which the Company operates, or into which the Company may expand in the future, have in the past experienced high inflation.

Currency risk

Scatec Solar operates internationally and is subject to currency risks arising from foreign currency transactions and exposures. As the Group reports its consolidated results in NOK, any change in exchange rates between NOK and its subsidiaries' functional currencies, primarily with respect to changes in USD, ZAR and CZK, affects its consolidated statement of income and consolidated statement of financial position. As the Group expands its operations with projects in new markets the currency risk exposure increases. For the plants in Jordan and Honduras the exposure is in all material respects related to USD as all significant contracts are USD denominated. In order to mitigate convertibility and transfer risk, the Group is currently tailoring currency risk strategies for its upcoming investments in new markets.

The Group is on an overall level managed as a NOK company for currency risk management purposes with primary focus on NOK cash flow.

During the construction phase of new solar power plants the construction contract payments to Scatec Solar as the provider of Engineering Procurement and Construction (EPC) services, are structured to match the source currencies. The project company buying the EPC services, will hedge the foreign currency exposure from financial close until grid connection of the power plant. The project company will furthermore secure non-recourse project finance in the functional currency of the company.

Once a solar power plant is grid connected, the general policy of the Group is not to hedge foreign currency exposure based on long-term cash flows from the power plants.

Interest rate risk

Scatec Solar is exposed to interest rate risks through funding and cash management activities. Liquid assets have primarily floating interest rates. The interest rate risk management objective is to minimise interest costs and to keep the volatility of future interest payments within acceptable limits.

The Group has entered into long-term non-recourse financing in the project entities, including both fixed and floating interest rates. To manage the interest rate exposure for the floating rate financing, the Group has entered into fixed rate interest swaps for a major portion of the portfolio, reducing the interest rate risk for the Group significantly.

Credit risk

Credit risk is the risk that Scatec Solar's customers or counterparties will cause the Group financial loss by failing to honour their obligations. The Group is exposed to credit risk, including but not limited to suppliers or contractors who are engaged in constructing or operating assets, property owners who provide land leases to the Company, banks which provide guarantees or project financing, insurance companies which provide coverage against various risks applicable to the Group's assets, off-take partners which have committed to buying electricity produced by the Company and other third parties with obligations to the Group.

All of the electricity generated by the Group's current portfolio of projects in operation or under construction is sold under long-term power sales agreements with public utilities or other partners, or under Feed-in Tariff (FiT) arrangements or similar support mechanisms governed by law. If, for any reason, any of the counterparties to these contracts are unable or unwilling to fulfil their contractual obligations or if they refuse to accept delivery of power delivered thereunder or if they otherwise terminate such agreements prior to the expiration thereof, our assets, liabilities, business, financial condition, results of operations and cash flows could be materially adversely affected. For all current power plants in operation, all such counterparties are supported by government guarantees or have obligations regulated by law.

Liquidity risk

Liquidity risk is the risk that Scatec Solar will not be able to meet obligations associated with financial liabilities when due, and is the product of the operational risk factors and the financial risks mentioned above. The Group manages liquidity risk through continuous review of future commitments and sources of liquidity. Cash flow forecasts are prepared and adequate utilised financing facilities are monitored on a monthly basis.

Scatec Solar uses non-recourse project financing with the advantage of a clearly defined and limited risk profile. In this respect, the banks recover the financing solely through the cash flows generated by the individual projects financed.

In some of the countries where Scatec Solar operates, including South Africa, governments have imposed regulations on repatriation of funds out of the country. This may halt or delay flow of funds between group companies under certain circumstances. Scatec Solar has not experienced any significant delays to date, and are seeking to minimise such risk through thorough investigations of the relevant jurisdictions and regulations and adapt accordingly.

Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining availability under credit facilities.

Political risk

Scatec Solar holds assets and operates in many jurisdictions, and the company's operations are subject to international and national laws and regulations applied by various government authorities in connection with obtaining various licenses and permits, government guarantees and other obligations regulated by law.

Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits and in monitoring licensees' compliance with the terms thereof. Commercial practices and legal and regulatory frameworks differ significantly between jurisdictions and are subject to change at any time. As a result, it may be difficult to ensure compliance with changes in regulatory requirements in the jurisdictions where the Company operates, and this can have an adverse effect on the Group's operations, business, financial performance and prospects.

Other risks

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

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

Scatec Solar operates in several regions of the world with complex risk environments. This primarily relates to political, integrity and security risk. The Company mitigates these risks through comprehensive country risk assessments from partnership with a global risk and security consultancy, security mitigation plans and continuously monitoring of risk environments. In addition, Scatec Solar has 24/7-hour access to comprehensive medical, security and crisis assistance including medical, security, logistical and aviation resources worldwide.

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. In accordance with this policy, the Board of Directors has proposed a dividend for 2016 of NOK 67 million, amounting to NOK 0.71 per share.

SUBSEQUENT EVENTS

No events have occurred after the balance sheet date with significant impact on the financial statements for 2016.

Oslo, 20 March 2017

The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)

Jan Skogseth

Alf Bjørseth

Cecilie Amdahl

Mari Thjømøe

Raymond Carlsen (CEO)

Executive Management



RAYMOND CARLSEN
Chief Executive Officer

Mr. Carlsen came to Scatec Solar in 2009 from Aker ASA, where he was responsible for the development of the company's portfolio of energy related businesses. He has more than 20 years of industrial experience from various top management positions within the Aker Group and former Kvaerner ASA. Prior to becoming a partner of Aker ASA, he was Executive Vice President of Aker Solutions ASA, with responsibility for Aker Solutions' subsea business with operations in more than 15 countries and more than USD 2 billion in revenue.



MIKKEL TORUD
Chief Financial Officer

Mr. Tørud joined Scatec Solar in 2014 from the position as SVP Investor Relations and Business Development and member of Group Management in REC. He has extensive experience from finance, investor relations, corporate communications and business development. Prior to REC he was commercial advisor in BP and management consultant in PA Consulting Group.



TERJE PILSKOGEVP Project Development & Project Finance

Mr. Pilskog joined Scatec Solar in 2012 from the position as Senior Vice President of REC Systems and Business Development in Germany. He has seven years of experience from leading strategy and business unit management positions in the REC Group, including participation in the IPO process of REC in 2006. He also served as Board Member on companies the REC Group had strategic investments in. Prior to REC, he was Associate Partner at the management consulting company McKinsey & Co.



ROAR HAUGLANDEVP People Development & Sustainability

Mr. Haugland joined Scatec Solar in 2010 from the position as VP Business Development in the parent company Scatec AS. Mr. Haugland has more than 20 years of experience from leading positions in business development, sales and management from large multinational companies like HP and IBM. In Scatec Solar, he is responsible for people development and sustainability including key functions like HR and IT.



TORSTEIN BERNTSEN EVP Power Production

Mr. Berntsen joined Scatec Solar in 2010 from the position as CFO in the parent company Scatec AS. Before joining Scatec, he had more than 10 years of experience within auditing and business advisory services from Arthur Andersen and later Ernst & Young, where he served a number of Norwegian and international clients in various industries, including some of the major listed companies in Norway.



SNORRE VALDIMARSSON EVP General Counsel

Mr. Valdimarsson is responsible for all legal aspects of the Group. Prior to joining Scatec Solar in 2009, he worked at the Norwegian law firm Selmer, focusing on M&A and Finance. Mr. Valdimarsson has a Master of law from the University of Bergen, Norway.



PÅL HELSING EVP Solutions

Mr. Helsing joined the Company in September 2015 from the role as President of Kongsberg Oil and Gas Technologies AS and a member of the Kongsberg Group Executive Management Team. Before that, he held several executive positions within Aker Solutions and was member of the group Executive Management Team. He has extensive international experience and more than 30 years' experience from execution of major capital projects in the Oil and Gas industry. Mr. Helsing has a Bsc of Science degree in Civil Engineering from Glasgow University and Business Economist degree from Nowegian School of Management.

The Board of Directors



JOHN ANDERSEN JR.
Chairman

Mr. Andersen Jr. is the CEO of Scatec AS. He is the former Chief Operating Officer of the REC Group, where he held several top management positions during his 12 years with the company. Prior to REC, he worked in Borregaard Industrier. Mr. Andersen holds a Master of Business and Economics from BI Norwegian Business School in Oslo, Norway.



MARI THJØMØE Board Member

Mrs. Thjømøe has 25 years of experience from the oil and energy sector and has served as Senior VP in Statoil ASA. She has also been CFO of KLP, and CFO and CEO of Norwegian Property ASA. Mrs. Thjømøe holds a Master of Business and Economics from BI Norwegian Business School and is a Chartered Financial Analyst from the Norwegian School of Economics and Business Administration (NHH) in Bergen, Norway.



ALF BJØRSETH Board Member

Dr. Alf Bjørseth is the Owner, Chairman and Director of Technology of Scatec AS, which was founded more than 20 years ago. Through Scatec, he has established and developed several business initiatives including the industrial success ScanWafer and later REC, where he served as President until 2005. Dr. Bjørseth has a Doctorate degree in physical chemistry from the University of Oslo, Norway.



JAN SKOGSETH
Board Member

Mr. Skogseth has been President and CEO of Aibel since 2008. He has also led Aibel's international operations and played a critical part in establishing Aibel in Egypt. Skogseth holds the position as Deputy Chairman in the Federation of Norwegian Industries' Central Board and the Chairman of the Federation of Norwegian Industries Oil and Gas.



CECILIE AMDAHL
Board Member

Mrs. Amdahl is Head of Tax at
Advokatfirmaet Schjødt and a member
of the management group in the
law firm's advisory and transactions
department. She specialises in
corporate and international tax
and has extensive experience from
these areas in industries like energy,
property and finance.

Corporate governance report

CORPORATE GOVERNANCE STATEMENT

Scatec Solar ASA (the "Company") has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and communication between the management, the Board of Directors (the "Board") and the shareholders. The Company's framework for corporate governance has been implemented to decrease business risk, maximise value and utilise the Company's resources in an efficient and sustainable manner for the benefit of shareholders, employees and society at large.

The Company has complied, and will continue to comply, with the Norwegian Code of Practice for Corporate Governance (the "Corporate Governance Code"), last revised on 24 March 2015, and which is available on the Norwegian Corporate Governance Committee's web site www.nues.no. The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board and executive management more comprehensively than that required by legislation, and (ii) the effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other stakeholders.

The Company has established a Nomination Committee in accordance with the Articles of Association. The Nomination Committee is independent of the Board and Management of the Company, and its composition shall safeguard the shareholders' interests. The current committee members were elected at the Annual General Meeting in May 2015 for a period of two years.

The Company is subject to the reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Stock Exchange's "Continuing obligations of stock exchange-listed companies" section 7. The Company has fulfilled its reporting requirements.

The Company's corporate governance framework is subject to annual reviews and discussions by the Board.

1. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES **Class of shares**

The Company has one class of shares. All shares carry equal rights in the Company, and the Articles of Association do not contain any provisions restricting the exercise of voting rights.

Pre-emption rights to subscribe

According to the Norwegian Public Limited Liability Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contributions. Such pre-emption rights may, however, be set aside, either by the General Meeting or by the Board if the General Meeting has granted a Board

authorisation for this. Any resolution to set aside pre-emption rights will be justified by the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the Company.

Capital increases and issuance of shares

The Board is currently, and until the General Meeting of 2016, but in no event later than 30 June 2016, authorised by the General Meeting to resolve an increase in the Company's share capital, in one or more rounds, by a total of up to NOK 234,540. The authorisation may be used for necessary strengthening of the Company's equity, issuing of shares in connection with incentive schemes, and issuing of shares as consideration shares in the acquisition of businesses within the Company's purpose. The authorisation to increase the share capital is in line with the Company's Corporate Governance Statement in which it is stated that if the Board is authorised by the General Meeting to increase the share capital, such authorisation should be restricted to defined purposes and not last longer than to the Company's next annual General Meeting.

Trading in own shares

The Board is currently, and until the annual General Meeting of 2016, but in no event later than 30 June 2016, authorised by the General Meeting to, in one or more rounds, acquire shares with a total nominal value of up to NOK 234,540. Shares acquired pursuant to the authorisation shall either be deleted in connection with a later reduction of the registered share capital, be applied as remuneration to the members of the Board, be utilised for incentive schemes, or as consideration shares with regards to acquisition of businesses. The authorisation to acquire own share is in line with the Company's Corporate Governance Statement in which it is stated that if the Board is authorised by the General Meeting to acquire own shares, such authorisation should be restricted to defined purposes, and not last longer than to the Company's next annual General Meeting.

In the event of a future share buy-back programme, the Board will aim to ensure that all transactions pursuant to such programme are carried out either through the trading system on the Oslo Stock Exchange or at prevailing prices on the Oslo Stock Exchange. If such a programme is introduced, the Board will take the Company's and shareholders' interests into consid-eration and aim to maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Transactions with close associates

There have been no material transactions between the Company and the shareholders, a shareholder's parent company, members of the Board, executive personnel nor any close associates of any such parties during 2016. The Board will ensure that any material transactions between the Company and the shareholders, a

shareholder's parent company, members of the Board, executive personnel or close associates of any such parties are entered into on arms-length terms. For any such transactions, which do not require approval by the General Meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board will assess on a case-by-case basis whether a fairness opinion should be obtained from an independent third party.

Guidelines for directors and executive management

The Board has adopted rules of procedures for the Board, which inter alia include guidelines for notification by members of the Board and executive management if they have any material direct or indirect interest in any transaction entered into by the Company.

2. FREELY NEGOTIABLE SHARES

The shares of the Company are freely transferable. There are no restrictions on transferability of shares pursuant to the Articles of Association.

3. GENERAL MEETINGS

The Board will use its best efforts with respect to the timing and facilitation of General Meetings to ensure that as many shareholders as possible are able to exercise their rights by participating in the meetings, thereby making them an effective forum for the views of the shareholders and the Board. The last General Meeting was held on 4 May 2016.

Notification

The notice for a General Meeting, with reference to or attached supporting information on the resolutions to be considered at the General Meeting, shall as a principal rule be sent to shareholders no later than 21 days prior to the date of the General Meeting. The Board will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and supporting information, as well as a proxy voting form, will normally be made available on the Company's website www.scatecsolar.com no later than 21 days prior to the date of the General Meeting.

Participation and execution

The Company's Articles of Association require shareholders to give notice to the Company of their participation at General Meetings within five days prior to the General Meeting.

To the extent deemed appropriate or necessary, the Board will seek to arrange for the General Meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.

The Board and the Nomination Committee shall, as a general rule, be present at the General Meeting. The auditor will attend the ordinary General Meeting and any extraordinary General Meetings to the extent required by the agenda items or other relevant circumstances.

The Company will engage external counsel to Chair the General Meetings.

The Company will aim to prepare and facilitate the use of proxy forms, which allow separate voting instructions to be given for

each item on the agenda, and nomination of a person who will be available to vote on behalf of the shareholders as their proxy.

4. NOMINATION COMMITTEE

The Company has established a Nomination Committee in accordance with the Articles of Association. The Nomination Committee is independent of the Board and Management of the Company, and its composition shall safeguard the shareholders' interests. The members of the Nomination Committee were elected for a period of two years at the General Meeting in May 2015. Mr. Inge K. Hansen was elected as Chairman and Mr. Alf Inge Gjerde as a member.

5. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to the Articles of Association section 7, the Company's Board shall consist of between three and seven members. The Board currently consists of the following five members: Mr. John Andersen, Mr. Alf Bjørseth, Mr. Jan Skogseth, Ms. Cecilie Amdahl and Ms. Mari Thjømøe. The Chairman of the Board (Mr. Andersen) was elected by the General Meeting. The term of office for members of the Board is two years at a time. Mr. Andersen, Ms. Thjømøe and Mr. Skogseth were at the General Meeting in 2016 each elected for a period of two (2) years, whilst Ms. Amdahl and Mr. Bjørseth were each elected for a period of one (1) year.

All members of the Board are considered independent of the Company's executive management and material business contacts. Furthermore, Ms. Cecilie Amdahl, Mr. Skogseth and Ms. Mari Thjømøe are considered independent of the Company's main shareholders.

The Board does not include executive personnel.

6. THE WORK OF THE BOARD

Eight (8) Board meetings were held in 2016. The Chairman, Mr. Andersen, and each of Mr. Skogseth, and Ms. Thjømøe were present at all Board meetings whilst being a member of the Board. Mr. Bjørseth has been absent from one Board meeting, whilst Ms. Amdahl was absent from three Board meetings. All meetings were quorate.

The Board approved the 2016 annual accounts and continuously monitored the financial situation of the Company, the operational performance, and adherence to compliance, health, security, safety and environment policies, and movement of pipeline and backlog projects.

The rules of procedure for the Board

The Board is responsible for the overall management of the Company, and shall supervise the Company's day-to-day management and the Company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board. In addition, the Board has adopted supplementary procedural rules, which provides further regulation on, inter alia, the duties of the Board and the Chief Executive Officer, the division of work between the Board and the Chief Executive Officer, the annual plan for the Board, notices of Board proceedings, administrative procedures, minutes, Board committees, transactions between the Company and the shareholders and confidentiality.

The Board's consideration of material matters in which the Chairman is, or has been, personally involved, shall be chaired by another member of the Board. There were no such matters in 2016.

The Board will evaluate its performance and expertise annually, and make the evaluation available to the Nomination Committee.

The audit committee

The Company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and by a separate policy adopted by the Board. The members of the audit committee are appointed by and from the members of the Board, and currently consist of Ms. Mari Thjømøe and Mr. John Andersen. Both members are independent of the Company's executive management, and Ms. Mari Thiomore and Mr. John Andersen have qualifications in accounting and auditing. The audit committee met five (5) times in 2016. The principal tasks undertaken by the audit committee

- Prepare the Board's supervision of the Company's financial reporting process
- Monitor the systems for internal control and risk management
- Liaise continuously with the Company's auditor regarding the audit of the annual accounts
- · Review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or auditing firm represent a threat to the independence of the auditor

The remuneration committee

The Company's remuneration committee is governed by a separate policy adopted by the Board. The members of the remuneration committee are appointed by and from the members of the Board, and currently consist of Ms. Cecilie Amdahl and Mr. John Andersen. Both are independent of the Company's executive management. The principal tasks of the remuneration committee are to prepare:

- The Board's declaration on determination of salaries and other remuneration for executive management in accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a
- · Other matters relating to remuneration and other material employment issues in respect of the executive management

The remuneration committee had one meeting in 2016.

7. RISK MANAGEMENT AND INTERNAL CONTROL The Board and internal control

In 2016, the Board assessed the Company's risks on an ongoing basis. Each year, as a minimum, the Board will conduct a thorough assessment of the significant parts of the Company's business and prospects in order to identify risks and potential risks, and remedy any risk, event or incident that have occurred. In 2016 the Board ensured that the management presented quarterly financial statements informing the Board and the shareholders of current business performance for the first, second and third quarter, whilst the fourth quarter results were presented on 27 January 2017.

8. REMUNERATION OF THE BOARD

The remuneration of the Board shall be decided by the Company's General Meeting, and should reflect the Board's responsibility. expertise, time commitment and the complexity of the Company's activities. The remuneration should not be linked to the Company's performance.

The Nomination Committee shall give a recommendation as to the size of the remuneration to the Board. Pursuant to the instructions for the Nomination Committee, the recommendation should normally be published on the Company's website no later than 21 days prior to the General Meeting that decides on the remuneration.

The Company has not granted share options to Board members.

Any remuneration in addition to normal fees paid to the members of the Board will be specifically identified in the annual report. However, no such fees were paid in 2016.

Members of the Board and/or companies with whom they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board.

9. REMUNERATION OF THE EXECUTIVE **MANAGEMENT**

The Board, in accordance with the Norwegian Public Limited Liability Companies Act, prepared a separate guideline for the stipulation of salary and other remuneration to key management personnel which was approved by the General Meeting held 4 May 2016. The guideline includes the main principles applied in determining the salary and other remuneration of the executive management, and ensures alignment of the financial interests of the executive management and the shareholders. It is clear that only section 3.1.2 of the guidelines is binding, whilst the other parts of the guidelines are advisory.

Any revision to the guidelines will be communicated to the General Meeting.

The Board shall continue to ensure that performance-related remuneration of the executive management in the form of share options, annual bonus programmes and the like, if used, are linked to value creation for shareholders or the Company's earnings performance over time. Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

10. INFORMATION AND COMMUNICATIONS General

The Board has adopted a separate manual on the disclosure of information which sets out the Company's disclosure obligations and procedures. The Board will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company will publish an annual financial calendar, providing an overview of the dates for major events such as its ordinary General Meeting and publication of interim reports.

Information to shareholders

The Company shall have procedures for establishing discussions with important shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the Company's shareholders will be published on the Company's website at the same time as it is sent to the shareholders.

11. TAKEOVERS

In the event that the Company becomes the subject of a takeover offer, the Board shall seek to ensure that the Company's share-holders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board shall also seek to ensure that the shareholders have sufficient information and time to assess the offer.

There are no defence mechanisms against takeover bids in the Company's Articles of Association, nor have other measures been implemented specifically to hinder the acquisition of shares in the Company. The Board has not established written guidelines for how it will act in the event of a takeover bid, as such situations are normally characterised by concrete and one-off situations, which make a guideline challenging to prepare.

In the event of a takeover occurring, the Board would consider the relevant recommendations in the Corporate Governance Code and whether the relevant situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

The Company has not established separate principles for how to act in a takeover situation as described above.

12. AUDITOR

The Company's external auditor is EY AS.

The auditor participates in the meetings of the Board that deal with the annual accounts. At least one board meeting with the auditor is held each year at which no member of the executive management is present.

The auditor participates in all audit committee meetings with a focus to assess and monitor the financial reporting process and internal control routines.

The Board has established guidelines in respect of the use of the auditor by the executive management for services other than the audit. The Board receives an annual independence confirmation from the auditor.

The remuneration to the auditor will be approved by the General Meeting. The Board will report to the General Meeting the details of fees for audit work and any fees for other specific assignments.

13. DIVIDEND POLICY

All shares in the Company have equal rights to dividends. 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.

The Company will, subject to the approval of the General Meeting, propose a distribution of dividends on the basis of the 2016 account of approximately NOK 67 million.

Shareholder Matters

SHAREHOLDERS

Per 31 December 2016, Scatec Solar had 4,958 shareholders. A list of the company's 20 largest shareholders per 31 December 2016 is presented in the table below.

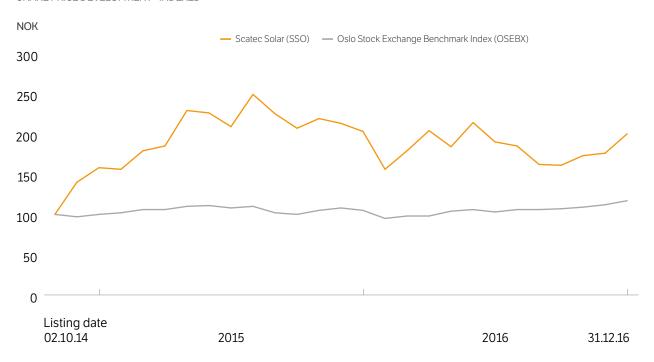
20 LARGEST SHAREHOLDERS AS PER 31ST OF DECEMBER 2016

SHAREHOLDER	NO. OF SHARES	OWNERSHIP	COUNTRY
Scatec AS	19,482,339	20.77%	NOR
Ferd AS	11,711,182	12.48%	NOR
Geveran Trading Co Ltd	4,389,503	4.68%	CYP
Verdipapirfondet DNB Norge	2,797,772	2.98%	NOR
Argentos AS	2,755,760	2.94%	NOR
Folketrygdfondet	1,868,477	1.99%	NOR
Verdipapirfondet Pareto Investment	1,535,000	1.64%	NOR
Storebrand Norge Verdipapirfond	1,349,158	1.44%	UK
Verdipapirfondet Pareto Nordic	1,250,000	1.33%	NOR
Victoria India Fund AS	1,168,200	1.25%	NOR
DNB Livsforsikring ASA	1,164,498	1.24%	NOR
SEB Prime Solutions Sissener Canop	1,150,000	1.23%	LUX
JP Morgan Chase Bank	1,116,772	1.19%	UK
JP Morgan Chase Bank	1,054,637	1.12%	UK
Gothic Corporation	1,014,982	1.08%	USA
Storebrand Verdi	960,156	1.02%	NOR
Belito AS	677,609	0.72%	NOR
Toluma Norden AS	630,000	0.67%	NOR
Verdipapirfondet DNB Miljøinvest	610,612	0.65%	NOR
UBS AG, London Branch	568,468	0.61%	UK
Total 20 largest	57,255,125	61.03%	
Other	36,561,105	38.97%	
Total	93,816,230	100.00%	

SHARE PRICE DEVELOPMENT

By the end of 2016 the SSO share price was NOK 38.5. From the date of the listing in October 2014 to the end of 2016, the SSO share price has doubled.

SHARE PRICE DEVELOPMENT - INDEXED



INVESTOR RELATIONS

Scatec Solar puts a strong emphasis on informing shareholders, analysts, financial markets, press and the public about important news and developments through annual and quarterly reports, stock exchange notices and other updates.

More information can be found in the investor section of Scatec Solar's website at www.scatecsolar.com/investor.

In May 2016, Scatec Solar hosted its first Capital Markets Day in Oslo. All presentation material is available on the investor section of our website.

FINANCIAL CALENDAR 2017

EVENT	DATE
Fourth quarter 2016	27 January, 2017
Annual General Meeting	24 April, 2017
First quarter 2017	5 May, 2017
Second quarter 2017	21 July, 2017
Third quarter 2017	20 October, 2017
Fourth quarter 2017	January, 2018

Analysts following Scatec Solar:

Equity analysts

- Petter Nystrøm, ABG Sundal Collier
- Preben Rasch-Olsen, Carnegie
- Thomas Skeivys, Norne Securities
- Andreas Bertheussen, Swedbank
- Fredrik Steinslien, Pareto Securities
- Emil Johannessen, Nordea
- Jo Erlend Korsvold, SEB

Credit analysts

- Knut Olav Rønningen, DNB Markets
- Andreas Austrell, Swedbank
- Andreas Zsiga, Nordea Markets

CONTACT

For more information about investing in Scatec Solar, please use the contact information below.



Mikkel Tørud Chief Financial Officer Phone: +47 976 99 144 E-mail: mikkel.torud@scatecsolar.com



Our Sustainability Framework

Scatec Solar has a fortunate starting point for ensuring sustainable business operations. Our solar power installations contribute directly to improving our planet's social, economic and environmental weave. We consider this a great privilege which we endeavor to respect and develop. To further mature our approach and strengthen our accountability, we work with a framework based on three main pillars that illustrate the vision of our company: "Improving our future":

- · Delivering competitive renewable energy
- Contributing to local value creation
- · Being a trusted business partner

There are several factors that influence what areas our company wants to prioritise when it comes to maintaining a sustainable business practice. Important elements include the company's strategy, regulatory requirements, input from our stakeholders, global frameworks and initiatives. Two years ago, we started

a comprehensive process to identify and prioritise material sustainability aspects for our company. The first step included a mapping of stakeholders and a prioritisation based on how each stakeholder group is:

- · Affected by Scatec Solar
- · Affecting Scatec Solar
- · Invested in the success/failure of Scatec Solar

A materiality analysis was developed illustrating the aspects of high importance to stakeholders and high relevance for Scatec Solar's strategy. For each sustainability aspect a set of indicators and clear goals were established. These are monitored on a regular basis and receive a high degree of attention from our management and company as a whole. The structure of our sustainability report is founded on this materiality assessment, which also serve as the basis for the sustainability framework presented below.



In this context, a milestone of great significance was reached on January 1st 2016, when the 17 United Nations' Sustainable Development Goals (SDGs) were announced. All countries. businesses and individuals are urged to mobilise efforts to end all forms of poverty, fight inequalities and tackle climate change so that economic growth is sustainable.

In order to strengthen our reporting and show our support for the UNSDGs we have chosen to incorporate aspects of the SDGs in this year's report.

In addition to providing clean and renewable energy, all our solar PV plants establish social and environmental programmes to benefit the local communities surrounding the facilities. The UN development goals are tangible and specific, giving us a solid tool to frame, define and materialise all our activities. For easy recognition, we have prioritised our activities in local communities and other relevant areas under six SDGs. These are:

UN SUSTAINABLE DEVELOPMENT GOALS (SDGs):

Goal # 4: Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Goal #7: Affordable Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all

Goal # 9: Industry, Innovation and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Goal # 11: Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient and sustainable

Goal # 15: Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Goal # 17: Partnerships for the Goals: Strengthen the means of implementation and revitalise the global partnership for sustainable development

Focusing on the selected goals also gives us the advantage of sharpening and developing our professional expertise within these areas. In 2016, we have strengthened our organisation to address sustainability issues and improve our Environmental and Social Management System. We have thus renewed our sustainability policy (outlined in the end of the report) to support the activities specifically targeted at improving social, economic and environmental conditions. This in turn further ensures that our operations are in accordance with the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation and The Equator Principles of 2013, actively backed by 85 financial institutions in 35 countries.

This sustainability report presents our achievements in 2016 highlighting some of the local development programmes we work with globally.

UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)













Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Ensure access to affordable, reliable sustainable and modern energy for all

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Make cities and human settlements inclusive, safe, resilient and sustainable

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Strengthen the means of implementation and revitalise the global partnership for sustainable development





DELIVERING CLEAN AND COMPETITIVE ENERGY

Scatec Solar develops, builds, operates and owns solar power plants that generate clean and reliable electricity. We deliver competitive

renewable energy by providing predictable energy production and securing capacity growth.

Our policy

We have established a track record for delivering, rapidly deployable and affordable supply of solar electricity. A long-term player, we seek operational excellence for our solar plants, which is essential to earn the trust of host countries and local communities. our customers and our business partners. Our business model is based on the following fundamentals:

- Build solar power plants based on the highest industry standards and according to the "Scatec Solar Quality Policy"
- Operate and maintain the plants to ensure maximum performance throughout the lifetime of the plants

The growth of our business is in itself a positive contribution towards tackling the global challenges of energy deficits, climate change and pollution. We seek to increase access to clean and renewable electricity generation in countries that need it. With cost reductions on all components, solar energy has become competitive and is now the cheapest source of new electricity in many countries. We are mindful that driving change through new solutions and technology is key to growth. Our policy is also to:

- · Actively pursue new project opportunities within prioritised regions to secure a robust project pipeline
- · Develop projects in collaboration with local partners that can provide clean energy and bridge energy gaps

Our achievements and results in 2016

During 2016, three new solar plants were constructed in Jordan, bringing the company's total portfolio in the country to 43 MW. Built under the new Jordanian Renewable Energy Programme, all three solar plants are located close to the city of Ma'an, about 230 km south of the capital city Amman.

- **"**The commissioning of the three Jordanian projects is yet another milestone in our team's proven track record in pioneering and implementing state-of-the-art projects in an emerging country **
 - Raymond Carlsen, CEO Scatec Solar

The three solar plants in Jordan will generate over 100 million kWh of electricity annually to serve the needs of about 20,000 households. All three solar plants are connected to substations built and controlled by the Jordanian state utility NEPCO, with whom Scatec Solar has signed 20-year Power Purchase Agreements.

At year-end, Scatec Solar was producing electricity from twelve solar power plants. The total production in 2016 reached 791 GWh, up from 466 GWh in 2015. The production performance (plant uptime) of our power-producing assets across the portfolio has been above 99%.

Scatec Solar is growing strongly and continuously seeks new and attractive project opportunities worldwide. During 2016, we secured additional capacity growth in several regions of the world. Our project backlog currently stands at 731 MW. This includes the three projects in Upington, South Africa totalling 258 MW, the 33 MW Segou project in Mali, the 53 MW Los Prados project in Honduras, the 40 MW Mocuba project in Mozambique, the 197 MW projects in Malaysia and the 150 MW projects in Brazil.



Engineers at our Oryx solar plant in Jordan

In late 2016, Scatec Solar signed an agreement with the Brazilian company Kroma Energia Limitada and its partners, securing four solar plants totalling 150 MW located in the northeast of Brazil. The plants are expected to produce about 305,000 MWh annually.

We also announced our entry into the Malaysian large-scale solar energy market in 2016 by joining forces with a local ItraMAS-led consortium. The partnership covers three solar projects totalling nearly 200 MW and involves a total investment of close to USD 300 million. The solar projects are expected to generate 285,000 MWh of electricity per year.

Our ambitions and goals

We seek to realise projects in 2017 based on the current project backlog of more than 700 MW. We will work to develop and complete the projects in our backlog and continue to use our expanding base of experience from existing operations to provide inputs to enhance design and operating procedures for new solar power plants.

JORDAN PORTFOLIO

Projects: Oryx, EJRE, GLAE Total capacity: 43 MW Location: Ma'an, Jordan

Energy produced: 101,000 MWh per annum Providing energy for: 20,000 households CO₂ reduction per annum: 63,000 tons

Scatec Solar has an ambition to reach 1,300-1,500 MW of solar power plants in operation and under construction by the end of 2018. At the time of publishing this report, we have 322 MW in operation and a pipeline of projects with a combined capacity of 1,085 MW. The pipeline includes projects in South Africa, Egypt, Pakistan, Nigeria, Kenya and Burkina Faso.

"Our entrance into Malaysia is a unique opportunity to bring our expertise as a holistic solution provider to realise the largest solar energy portfolio in South East Asia. For Scatec Solar and our partners, this is a gateway to enter a fast growing region of the world"

- Terje Pilskog, EVP Project Development & Project Finance



The 10 MW Oryx plant in Jordan

PROMOTING AND FINANCING SOLAR ENERGY Our policy

The growth of renewable energy production continues to be driven by political determination to create a low carbon economy and increase access to energy. We have knowledge and experience that are valuable in shaping and driving this agenda. Our policy is to:

- · Share knowledge and experiences of the benefits of renewable energy in dialogue with policy makers, local authorities, investors and other partners
- Ensure that our efforts to promote renewable energy are done in a balanced manner and with integrity
- Promote and contribute to the reduction of greenhouse gas emissions
- · Leverage carbon and climate finance

The majority of our target markets experience energy shortages. This combined with ambitious Government targets to increase renewable energy in the total energy mix provide huge potential for solar energy expansion. In Africa, nearly 600 million people lack access to electricity, a fundamental necessity in life. In an era of digitalisation, lack of electricity further aggravates the Digital Divide, denying millions of people a fair chance to improve their lives, get education, health care and job opportunities. Energy shortages also shave off several percentage points from a nation's GDP.

Our achievements and results in 2016

Scatec Solar continues to share knowledge on solar energy through active participation at several industry conferences and events worldwide. In 2016, we participated at the Africa Energy Forum in London, the Solar Projects Egypt conference in Cairo, the ZERO conference in Oslo, the Women in Clean Energy conference in Cairo, the World Future Energy Summit in Abu Dhabi, the Clean Development Mechanism (CDM) workshop convened by UNFCCC in Bonn to mention a few. We also organised our first Capital Markets Day and our first Sustainability Seminar, both in Oslo.

The main purpose of our participation and presence in relevant forums globally is to share knowledge about solar energy and promote the implementation of favourable policies that can lead to increased investments in solar energy and get projects off the ground. In addition to solar energy being clean, safe and renewable, it is also rapidly deployable. For instance, we have the capability to construct utility-scale plants in six months to under a year, depending on the size. Through our participation we also increase our Company's partner network and enhance existing and foster new relations. Scatec Solar also shares knowledge through blogs, articles and books.

The knowledge and lessons learned that we have accumulated through the process of interconnecting large-scale solar PV plants to seven different grid operators is valuable and important. We have systematically shared these perspectives with operators with whom we plan to connect our plants in the future, so that we all can benefit from high quality processes that ensure more reliable service.

Although the Paris Climate Agreement has been signed and ratified by most countries, the switch from fossil to renewables is still very much a work in process in most of our markets. This switch is made challenging for several reasons such as regulatory issues, grid constraints but also high cost of finance. To overcome these challenges, most of our markets have emphasised the need for climate financing to achieve their emission abatement targets.

Our projects in developing countries are undergoing the mechanisms of the UN Framework Convention on Climate Change (UNFCCC) to certify that the solar electricity generated by our facilities substitute the use of fossil fuels, and that the greenhouse gas emissions avoided by our power production are real, verifiable and permanent. The aim is to register these projects with the UNFCCC under Scatec Solar's Global Programme of Activities (PoA). On registration, the UNFCCC issues Carbon credits called Certified Emission Reductions (CERs) attributable to the specific plants. The CERs can be used by buyers to offset their greenhouse gas emissions. Scatec Solar signed a carbon purchase agreement with the Norwegian Ministry of Climate and Environment for the sale of credits from the projects included in the POA, with the option to introduce new projects in developing

Following the Paris Climate Agreement and the need for climate finance, Scatec Solar initiated a Norwegian industry-led effort for the establishment of an energy fund to support renewable project implementation in developing countries. With a proposed capitalisation of USD 2 billion, the clean energy fund could contribute to developing 5 GW of new renewables in developing countries by 2027, leverage private sector investment of at least USD 9 billion, achieve emission reductions of over 10 million tons of greenhouse gases and spur job creation within Norway and in developing countries. The proposal has so far received significant support from key stakeholders and a draft implementation document is under discussion. In addition to the Norwegian-led initiative, Scatec Solar has established an internal working group to explore the use of international climate financing to accelerate project implementation in its markets.

Quite frankly, there is no answer to climate change without substantially, dramatically increasing the amount of renewable energy in the global energy system"

- Christiana Figueres, Head of UNFCCC at the time of the Paris Agreement

As the United Nations repeatedly points out, climate goals cannot be achieved without the involvement of Financial Institutions and the private sector. We work with serious and credible financial partners like Norfund, European Bank of Reconstruction and Development (EBRD), World Bank's IFC among others, who return to do business with us because we deliver on projects while maintaining high ethical, quality and governance standards. We also seek new partners. For our project in Nigeria, we signed an agreement with Africa50, the continent's infrastructure Development Fund set up by the African Development Bank (AfDB) and over 20 African countries. This partnership received international attention, as it was the first investment by the Africa50 that seeks to secure private sector expertise and investment in developing infrastructure projects in Africa, Dr. Akinwumi Adesina, President of the AfDB and chairman of Africa50's Board of Directors said "I am pleased that Africa50 is already making its first investment, which fits in squarely with our priority to light up and power Africa." Added Alain Ebobisse, Africa50's CEO "Access to reliable energy is one of the most critical needs in Africa, including in Nigeria, where it is a government priority.

Our ambitions and goals

Scatec Solar shall continue to take a lead role in promoting solar energy and leveraging carbon and climate finance to accelerate deployment of large-scale PV in developing countries.

We will also target to examine the climate effect of our projects during the construction phase. Besides introducing specific measuring tools in our internal activities, we will require that our main suppliers also report on greenhouse gas emissions and energy consumption in the production and logistics process.

We estimate that emission reductions from Scatec Solar projects in 2017 will increase with addition of new projects from our backlog. It is estimated that the emission reductions from our backlog projects when realised and in full operation will amount to close to 480,000 tons of greenhouse gas emissions per year. We have developed and registered a global Programme of Activity with the UNFCCC and three Component Project Activities are also under registration with completion expected in 2017.

This investment fits in squarely with our priority to light up and power Africa

- Dr. Akinwumi Adesina, President, African Development Bank





Our Plant Manager, Twaha Twagirimana, at our 9 MW ASYV solar plant in Rwanda

CONTRIBUTING TO LOCAL VALUE CREATIONOur policy

Solar power plants impact local communities. Changes are usually positive, bringing social, economic and infrastructure improvements. But the possibility of unintended consequences cannot be overlooked. Communication and engagement with the local communities are therefore essential to foresee and minimise potential negative outcomes and maintain good relations with interested parties. Our goal is to positively impact the societies in which we operate, both directly and indirectly. Our policy is to:

- Employ local labour, enable knowledge transfer and generate job creation in local communities
- Use local suppliers whenever feasible

- Plan for and contribute to local development initiatives
- Train and educate our people on how best to operate in a new, often foreign culture to make every project a collaborative enterprise devoid of friction
- Develop a structured stakeholder and management plan for all projects at an early stage to help us inform and communicate with parties that are going to be affected by the project.
- Appoint a designated community liaison manager in our projects to facilitate understanding and communications in local communities
- Maintain an active dialogue during the project phases with the local communities and engage with communities at several levels, from national governments to project neighbours to ensure open and integrated communication

LOCAL JOB CREATION FROM ALL PROJECTS

PROJECT	JOB CREATION (DURING THE PEAK CONSTRUCTION PERIOD)	% LOCAL EMPLOYEES (CITIZENS)	NO. OF WORKERS WITH DOCUMENTED SKILL ENHANCEMENT
Agua Fria	1,050	82%	27 ²⁾
Utah Red Hills	192	92%	301)
Jordan portfolio	585	N/A	N/A
Linde	550	70%	79 1)
Dreunberg	1,400	77%	1421)
ASYV	600	85%	4002)
Kalkbult	900	80%	N/A
Czech portfolio	133	N/A	N/A
Total	5,410	81% on average	926

- 1) Workers certified.
- 2) Workers with formalised documentation of experience.

Our achievements and results in 2016

Sustainability is an integral part of everything we do as a company. It mitigates risk and enables long term growth. When entering new countries and local communities, we strive to employ local labour, identify needs in the local communities for our community development programmes and try to maintain open and transparent dialogue with relevant stakeholders.

- "The world is on the doorstep of a green future. Countries, companies and citizens are making environmental decisions not only because it's good for the climate and planet, but because they make for better societies and stronger economies"
 - Erik Solheim, Head of UN Environment Programme



Local Job Creation

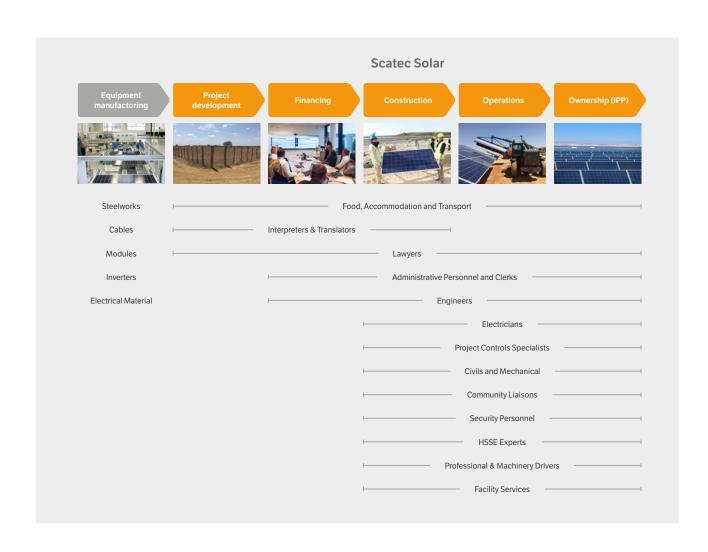
Without income generation, no community is stable or sustainable. Scatec Solar is strongly committed to contributing to job creation, and we employ local labour and suppliers as far as

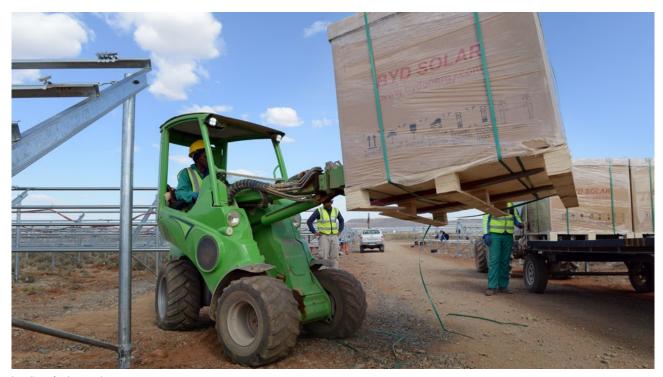
possible, regardless of whether this is a regulatory or contractual requirement. This contributes to reducing unemployment rates and provides knowledge and technical skills transfer to the communities where we are present.

The majority of jobs created through our projects originate during the construction phase, which usually lasts between 6-14 months. Workers are provided with important technical skills and experience that make them more eligible for future jobs. Scatec Solar also tries to hire locally for the permanent positions in the various stages of our value chain. The illustration below shows job positions needed from the stage of project development until operations and ownership of the facilities. The majority of these are considered permanent and falls into the operations phase of our projects including engineers, HSSE experts, civil and mechanical workers, security personnel and community liaison officers to mention a few.

We strive to go the extra mile when it comes to hiring locally. Prioritisation is given to local training to ensure that we equip the local workforce with necessary skills and competencies to perform their jobs.

- Renewables will improve lives, create jobs, achieve development goals, and ensure a cleaner and more prosperous future"
 - IRENA Director-General Adnan Z. Amin





Loading of solar panels

During 2016, we completed the construction of our solar power plants in Jordan. The total number of workers involved in the construction of the plants is estimated to be close to 600. Both local skilled and semi-skilled workers were employed during the construction phase. The technology used to build and operate these power facilities was state-of-the-art, thereby empowering and equipping local workers with the necessary skills to work hereafter in other projects in the renewable energy sector. During the year, we conducted several audits with regards to our local workers, training and skill certification. In Jordan, we identified a shortfall related to certification of skills of the local workers, meaning that we did not certify as many local workers as targeted. We have taken measures to identify the reason for this to bring about improvements in the future.

The table on the previous page shows the local job creation during peak construction from all of our projects since our establishment. The number of jobs totals 5,410, with the percentage of local employees averaging about 80%.

Utilising local supply chains

Scatec Solar strives to use and strengthen local supply chains and entrepreneurs to the extent possible in our local operations. For instance, in Jordan we used local suppliers and consultants for hydrological and topographical studies, civil works with regards to construction of internal roads, drainage system, fencing, water and waste management, security, transmission line cabling and for commissioning billing system and network solutions.

Stakeholder Engagement in local communities

Scatec Solar often operates in countries where legal frameworks and governing structures do not necessarily protect the communities we may impact to the same extent as in more mature economies. Therefore, community and stakeholder engagement is central to our way of doing business. To ensure local support and a well conducted community dialogue when entering a local community, we employ international norms for stakeholder engagement, such as the World Bank's International Finance Corporation (IFC) performance standards. Since our establishment, we have

NUMBER OF STAKEHOLDER MEETINGS HELD IN 2016

PROJECT	COUNTRY	NUMBER OF STAKEHOLDER MEETINGS IN 2016
Oryx, EJRE, GLAE	Jordan	4
Agua Fria	Honduras	4
Kalkbult, Linde, Dreunberg	South Africa	10
ASYV	Rwanda	1
Total		19



THE STORY **OF VINCENT MNCEDI ELIAS**

A journey from the construction of Scatec Solar's Linde plant to the Company's first Community Liaison Officer in Hanover, South Africa

Vincent Elias was born in Hanover, went to school in the Eastern Cape, but returned in 2008 to live with his mother and grandmother. Five years later, he was hired as a driver by one of Scatec Solar's subcontractors for the construction of the 40 MW Linde solar plant. His job was to drive ramming trucks and mount solar panels. "It was a great experience because I was doing this job for the first time," he says. Later he was selected to operate a mini excavating and drilling machine.

The job filled him with pride "I enjoyed every moment and later became a lead installer of solar panels." His team broke the record by installing 6,000 panels in one day. Vincent was hired to be the team leader for installing panels in Scatec Solar's third facility, the 75 MW Dreunberg plant. He helped to train local workers from Burgersdorp nearby to safely, quickly and efficiently install solar panels. He takes great pride in his contribution to the construction of both the Linde and Dreunberg plants on schedule.

In September 2016, Scatec Solar offered him a job as a Community Liaison Officer (CLO). "I was so excited to work for the main company. Till now I had worked only for the subcontractors. What I love about my new job is that I now have an opportunity to bring change and hope in my community. I am eager to do my tasks, because I know I am doing it for my people." Vincent is involved in Scatec Solar's local community development projects ranging from team building for youth through music and sports to transferring skills to local communities to make a variety of products from shoes to handicrafts.

also gained considerable experience when it comes to working with local communities in different countries, and we always try to build upon this knowledge when entering new countries.

All our projects have assigned a Community Liaison Officer (CLO) who is responsible for community engagement and maintaining good relations with the local communities. A formalised stakeholder analysis and stakeholder engagement plan is always carried out in accordance with the expectations set out in the IFC performance standards and the Equator Principles. It is also our experience that by identifying the resources, knowledge and creativity assets, rather than only the needs in the communities, we can achieve and execute more solid and beneficial plans.

During 2016, we increased our efforts in the local communities in which we operate by augmenting staff. For all of our new projects, we have appointed a CLO whose responsibility starts already during the project development phase. In South Africa, four new CLOs were hired during the year. Read the personal journey of Vincent Mncedi Elias above, one of the CLOs hired recently.

During the autumn of 2016, a sustainability event was held in Cape Town to discuss and implement a new strategy for stakeholder engagement including the responsibilities of each CLO along with methods to identify and manage expectations of communities, potential conflict of interest and other challenging areas. We have also worked to develop material to the course "How to be a CLO", which is part of a larger initiative we hope to introduce during 2017. The course will contain material and lectures related to topics such as public services, relations and authorities, private sector, formal meetings, reporting and conflict management.

To manage expectations and to ensure local support and understanding of our projects, regular meetings with local leaders and representatives are held in all of the local communities where we have presence. For instance, in Jordan we held four community meetings during 2016, which were open to anyone connected directly or indirectly to our three projects. Our CLOs are also starting to attend established forums in the local communities where they are increasingly asked to come and share their experiences and give their opinions. The table on page 20 shows the number of formal stakeholder meetings for all our projects during 2016. It is important to highlight that for us, stakeholder engagement means our presence and interaction with local communities on a regular, ongoing basis. Several meetings and engagements in the local communities have been held in addition to the formal meetings reported in the table on page 20.

Local Community Development Initiatives

Scatec Solar plans and implements community development programmes in all the local areas where we have operations. We want to ensure good relations and cooperation with the communities near our plants and we want to make a positive contribution. As mentioned in the introduction, we have aligned our sustainability vision with the UN's Sustainable Development Goals (SDGs), and our community development programmes are bracketed within the six selected goals outlined in the chapter on our sustainability framework.



Al Qantara Language Centre

During 2016, a study was first conducted by Scatec Solar to understand the needs and desires of the local communities surrounding our plants in Jordan. The study revealed that

the communities wanted to learn English as this opened up better opportunities for higher education and employment. To respond to this need, Scatec Solar established the Al Qantara Language centre as part of Oryx plants' CSR programme. The aim of the centre is to improve the local community's oral and written English skills. It was established in May 2016, a month before the 10 MW Oryx plant was commissioned.

The Al Qantara Language Centre offers free English courses and workshops to male and female job seekers, workers in the public and private sectors, post-graduates, university and school

students. The centre has 80 participants enrolled in written and oral English courses.

In conjunction with the Jordan Engineer Association (JEA), Scatec Solar has also held solar energy workshops in the Ma'an and Wadi Musa areas. These workshops aim to raise the community's educational level and improve individual' skills and awareness related to issues such as health, safety and solar energy.

Scatec Solar supports the Ma'an Cultural Club, which is a hub for the youth. The company provided the Club with free high-speed Wi-Fi service to enable better and faster communication between communities and open up new networks and opportunities for the local residents in various fields. Further, a project including a PV system providing electricity to the building is currently also being implemented.

"Through establishing the Language Training Centre we can solve the problem of learning English in Ma'an"

- Khalid Shamri (Former Ma'an Governor)



Participant at the Al Qantara Language Centre in Jordan



Students from Stellenbosch University on site visit at our 75 MW Kalkbult solar plant in South Africa

Funding solar energy research

Scatec Solar is providing ZAR 1.5 million every year for five years to South Africa's Stellenbosch University to support solar energy research. A leading public research institution located 50 km from Cape Town, Stellenbosch University has a Photovoltaic Research Facility in its Renewable Energy department. Our endowment is used for professorship, student grants and research into topical areas of interest for the solar energy industry. The fund aims to improve solar energy performance. Under the programme, Scatec Solar's plants will also be made available to the students to conduct research.

During 2016, several initiatives were undertaken. Scatec Solar's Chair in Photovoltaic Systems from the Department of Electrical and Electronic Engineering, Doctor Arnold Rix summarises below the key activities from the year:

- · Eight articles and two master theses published in connection with local and international conferences
- Five bursaries given out and 13 students received supervision and support (post- and undergraduates) for undertaking projects
- An advanced PV System course was presented in South Africa and Zambia, as well a Post and undergraduate course at the Stellenbosch university
- The first phase (15 kW tracking) of an outdoor PV research facility was completed outside Stellenbosch to be used by future students (see photo)

This endowment is part of our Company's philosophy to build a new generation of local competence in solar energy, which has beneficial impacts on South African society, environment and economy.

OREEC solar cluster

Scatec Solar has also entered into a partnership with several companies in Norway to establish a cluster for solar energy, Oslo Renewable Energy and Environment Cluster (OREEC). The purpose of the cluster is to work for increased use of solar energy globally, support the expansion of electricity to new groups in emerging countries and reduce the negative effects from nonenvironmentally friendly energy sources.



Generating income while preventing soil erosion

The community development programmes for our ASYV solar plant in Rwanda include several initiatives such as donating solar system kits,

constructing drainage channels, cultivating grass and planting mango trees, which prevent soil erosion and generates income for local communities.

Vetiver grass and 5000 mango trees were planted at the solar facility site, located about 60 km from Kigali, the capital of Rwanda. This is expected to have sustainable benefits to both the environment and the surrounding communities through the creation of both temporary and semi-permanent local employment opportunities. To plant and maintain the mango plantations and vetiver grass, a local contractor and 23 workers were appointed for a one-year period.

About 20 households located in the surrounding area of the site benefit from this programme. The grass and bamboo are normally cut once a month and given to the beneficiaries to feed their cows, which are a source of livelihood for the families.



Mango tree plantations surrounding our ASYV solar plant in Rwanda

AN UPDATE FROM OUR INITIATIVES IN SOUTH AFRICA

An early mover, Scatec Solar built and commissioned the African continent's first utility-scale solar facility, the 75 MW Kalkbult plant in South Africa in 2013. In addition, we have the 40 MW Linde plant and the 75 MW Dreunberg plant in operation. For each of the plants, we make significant financial contributions directly to the local communities under South Africa's Socio-Economic Development (SED) programme. A fixed percentage of the current operating projects' revenues is dedicated to this, and the total contribution amounts to substantial financial support to socio-economic development initiatives across our projects during their planned lifetime.

In 2016, we have continued to be strongly engaged in our SED programmes in South Africa. They are led by teams of dedicated individuals who continuously work to identify, track and manage projects, social risks and opportunities.

Noluthando Day Care Centre

During 2016, Scatec Solar became involved in developing the Noluthando Day Care Centre after hearing of the facility's needs through its local business networks in South Africa. Started in 1994 with 45 children in a local home in Khayelitsha township in Cape Town, the Noluthando Day Care Centre now has developed into a spacious kindergarten for 395 children, aged between two months and six years, an airy community hall and an administration centre with a staff of 12, an office, bathrooms, sick bay and storeroom. The purpose of the centre is to provide a much needed community service to local parents, who are required to travel long and time consuming distances to their place of work.

The centre is supported by the Norwegian Agency for Development Cooperation (Norad), construction company Selcrete, which uses Norwegian-developed building technology, Scatec Solar and African Bikers, an adventure tour business run by a group of young Germans in Cape Town. The construction

${\tt SUSTAINABLE\,SMALL\,BUSINESS\,IN\,SOUTH\,AFRICA}$

PROJECT	SMALL BUSINESS	ITEMS FINANCED	PERMANENT JOBS CREATED	SCATEC SOLAR'S SOCIAL INVOLVEMENT
Dreunberg	Langa Kleen Laundry	Basic running expenses of the small business including cost of rental, rates and materials	2	A full time Community Liaison Officer (CLO)
Dreunberg	Gariep Fitment Centre	Purchase of materials, tools and labour costs	3	has been employed to
Dreunberg	Unique FM	Basic running expenses of the small business including cost of rental, rates and materials	5 (8 volunteers)	be on the ground to monitor progress. The CLO makes weekly
Linde	Together As One	Equipment for the car wash, shelter and flooring	2	visits to the project



The Noluthando Day Care in Khayaletsha, in Cape Town, South Africa

solutions of the project implement a new environmentally friendly building method that enables premises to be constructed in only a few weeks. The building blocks are light in weight, making it possible for both men and women to take part in the construction.

Scatec Solar will continue to fund this project and its expansion going forward.

- "This project fits perfectly with the UN SDGs' aim to build sustainable cities and communities. It also highlights the importance of partnerships."
 - Kari M. Fremme, Vice President Sustainability



Sustainable small business in South Africa

In South Africa, we also have several Economic Development (ED) initiatives with the overall aim of enabling the sustainability of small business in the local communities surrounding

our projects. We seek to provide local businesses with smaller donations and consultancy support to be able to continue to service the local community. The table on the previous page shows some of our ongoing initiatives.

- No action is small when it comes to supporting an entrepreneur's dream. It can transform his life"
 - Sozabile Nkuna, Economic Development Manager, South Africa

We refer to the world map on page 12 and 13 in the introduction for an overview of some more of our ongoing programmes.

Our ambitions and goals

We will continue to develop our policy of hiring local labour when constructing new solar power plants in 2017 and use and strengthen local supply networks. We will also strengthen our sustainability team, both at local and corporate levels, as well as our base of CLOs.

We will continue to develop and formalise the CLO position with clear guidelines about the role and responsibilities. This will include guidance as to how the formal engagement process should proceed such as duration, how meetings should be conducted and how the dialogue process must be documented. It is important for us to maintain consistently high standards across all our projects to protect our reputation and maximise local community benefits.

Finally, we will continue to manage our SED programmes in local communities with integrity. We will also plan for and contribute to new local development initiatives in new projects to ensure that we positively impact the local communities and uphold an active and open dialogue with them.



ENVIRONMENTAL. SOCIAL AND GOVERNANCE (ESG) INTEGRATION

Our policy

The environmental, social and governance (ESG) impact of our projects is largely determined during the project development phase. Proactive management of ESG issues in this phase is therefore essential to managing the impact and the success of the project. Our policy is to:

- · Conduct environmental and social impact assessments and additional ESG due diligence if significant matters are uncovered in initial impact assessments
- Conduct risk assessments of potential partners, operating countries and locations to limit governance-related risk such as criminal records, creditworthiness, breaching sanctions and engaging in bribery and corruption
- Develop all projects in accordance with the IFC performance standards and the Equator Principles
- Integrate ESG considerations in project development tools and processes
- Design systems and services to minimise the environmental impact, with an emphasis on protecting the local environment

Our achievements and results in 2016

Scatec Solar is committed to operate in line with the Equator Principles and the International Finance Corporation (IFC) Environmental & Social performance standards to ensure consistent standards across all projects. We work with trusted partners such as the IFC, Norfund, KLP and several larger development banks that all have high standards for the projects and their associated impacts. See the table below for an overview of some of the partners we have worked with during the year.

SOME OF OUR **PARTNERS**



ADRA (Adventist Development and Relief Agency)

Caritas

Climate Mundial

DNV GL (Det Norske Veritas)

EksportKreditt

Environics

ERM (Environmental Resource Management)

GIEK (Norwegian Export Credit Guarantee Agency)

Golder Associates

KLP

Norad

Norconsult

Norfund

OREEC (Oslo Renewable Energy and

Environment Cluster)

Proparco

Selcrete

Tshikululu

University Stellenbosch

According to the Equator Principles, our three projects in Jordan completed in 2016 fall under "Category B" projects. This means that they have "potential limited adverse social or environmental impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures".

During the year we conducted environmental and social impact assessments for our backlog projects in Mozambique, Mali, Malaysia and South Africa. We have also developed Environmental and Social Action Plans based on these assessments to be executed for each project.

Scatec Solar has a systematic and in-depth process for site selection when searching and planning for new markets, which involves relevant government bodies for assessment and approval. This regulated process gives us insight into the potential impact on the environment and communities surrounding the site. The work is often very comprehensive and involves many stakeholders over a prolonged period. The assessments developed for the portfolio in Jordan did not reveal any long-term material negative impact on the environmental or social dimension.

"Umuganda" voluntary work

We are committed to not only complying with Development Bank standards, but also with National guidelines. In Rwanda, voluntary work called "Umuganda" is compulsory.

Scatec Solar's O&M team at our ASYV solar plant in Rwanda engages in taking a lead in organising "Umuganda" on a monthly basis. People living in the local community are gathered to engage in voluntary work such as renovation of roads, building houses and supporting people in need. The initiative also represents a meeting point for local leaders to communicate important messages and information to the local community. The Scatec Solar O&M team in Rwanda consists of two permanent employees and five contractors, all Rwandan.



Volunteers taking part in the "Umuganda" voluntary work in Rwanda



School children participating in the reforestation programme in Honduras



Reforestation Programme

In some places, trees have to be cut in order to develop solar plants. In Honduras, the law requires the planting of three trees for every tree that is cut, and we have exceeded this

expectation. With this we also contribute to mitigating the larger issue of deforestation that is taking a huge toll in Honduras, a country that has lost 33% of its once luxuriant forests over the last few years. Causes for this devastating loss are complex – from illegal logging of mahogany trees to the bark beetle pest that devoured flora in 600,000 hectares of forest to poor communities forced to eke out a living by encroaching upon forests to plant coffee crops and collect firewood for cooking. Employees of Scatec Solar's 60 MW Agua Fria plant in Nacaome in southern Honduras organised a massive reforestation programme during 2016 in which a large group of school children participated.

Grievance Mechanism

Scatec Solar has a publicly available grievance mechanism for all projects through the company website and at each local site. The grievance mechanism is targeted towards individuals, communities and companies who have feedback or concerns regarding our projects and covers five different languages: English, Arabic,

Spanish, Portuguese and French. The mechanism offers a channel to present issues to the administration of the projects, and it is directly supervised by one of the members of the corporate management team. All grievances are taken seriously, and we aim to have a response time of maximum 30 working days.

During 2016, we identified a few different interpretations with regards to how the grievance mechanism is managed across some of our projects. We therefore increased our efforts to centralise our work and handling of the grievance mechanism. This involved setting up training workshops from the head quarter with all our new project locations to ensure that we all use the grievance mechanism in the same systematic and structured manner. Workshops were held with the local project and community workers, as well as other relevant stakeholders.

The table below shows the number of grievances received during the execution phase of projects in 2016. The majority of grievances were solved by communicating our processes and principles to the plaintiffs. Some of the grievances were received towards the end of the year, and these are in the process of being addressed and resolved.

COMMUNITY DIALOGUE AND ENGAGEMENT INDICATORS

INDICATOR	2016 RESULTS
Percentage of operations with implemented local community engagement, impact assessments, and development programmes	100 %
Number of grievances received	16
Number of grievances addressed and resolved	10



The suggestions and grievances box for our projects in Jordan

Our ambitions and goals

We will work further to formalise Environmental, Social and Governance integration in the project development phase and in all the stages of our operating model.

Going forward, we will continue to hire specialist consultants such as environmental engineers to ensure that we are compliant in our operations and that we contribute with a high degree of quality and control.

We will continue to strengthen our grievance mechanism in all stages of our projects – from the development to the operational phase. We will also work to ensure that the established grievance mechanism for all our projects is available for the public and all reported grievances are handled in a systematic and timely manner. In addition, we will ensure that all our employees receive training related to managing the grievance mechanism.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

Our policy

Health, Safety, Security and Environmental focus are key elements of Scatec Solar's approach to operational excellence. HSSE is particularly emphasised through project execution. We take

responsibility for HSSE, because we care about the people, the environment and our Company. We define and communicate the health and safety standards to our employees and contractors. Please refer to our HSSE policy for more information. Our policy

- · Continuously work for zero harm to personnel, materials and the environment
- · Always put safety first, evaluate risk and secure our working environment
- Ensure that all our business activities are conducted in accordance with applicable labour standards and fundamental human rights norms as prescribed by the International Labour Organisation and the Universal Declaration of Human Rights
- Apply a zero tolerance approach to alcohol or other drugs in the work environment
- Ensure fair working hours and wages for all employees and contractors' employees working on site
- Ensure that our operations have a minimum environmental impact with a focus on protecting local biodiversity and using water responsibly
- · Always undertake risk assessments of new countries and regions we plan to enter and develop security plans based on this
- Always inform all employees about travel requirements and security briefings when relevant

Our achievements and results in 2016

HSSE is a key priority for Scatec Solar. We take responsibility, set requirements and monitor HSSE performance in the development, construction and operations phase of our projects.

In 2016, there were no fatal accidents. We had one lost time injury on our Kalkbult plant in South Africa, which was a first-aid injury that resulted in time lost from work. Additionally, we reported thirteen environmental incidents during the year. The majority of these occurred in connection with our Jordanian projects. Ten of the incidents were due to oil spillage from ramming machines and flooded waste water tanks. All these incidents were handled effectively and did not cause any long-term effects. Due to the

HSSE INDICATORS FOR OUR PROJECTS IN 2016

PROJECTS	HOURS WORKED ON SITE ¹⁾	FATAL ACCIDENTS	LOST TIME INJURIES (LTIS) 2)	LTIS PER MILLION HOURS WORKED	NEAR MISSES	ENVIRONMENTAL INCIDENTS
Under construction:						
Oryx, EJRE, GLAE, Jordan	386,212	0	0	-	0	10
In operation:						
Kalkbult, South Africa	37,022	0	1	-	0	0
Dreunberg, South Africa	34,637	0	0	-	1	2
Linde, South Africa	32,545	0	0	-	1	1
ASYV, Rwanda	33,550	0	0	-	0	0
Agua Fria, Honduras	88,592 3)	0	0	-	1	0
Portfolio, Czech Republic	N/A	0	0	-	0	0
Total	612,558	0	1	1.6	3	13

- 1) Hours include SSO contractors.
- 2) An occurrence that results in a permanent disability or time lost from work of one day/shift or more.
- 3) Includes security service hours from third party.

increased environmental incidents in Jordan, we have taken several measures to identify the cause of this and ascertain what can be done to avoid new incidents going forward. For instance, we have implemented stricter HSSE clauses in contracts with contractors and more thorough monitoring routines.

Detailed injury statistics for each project is shown in the table on page 31. These indicators include the operations conducted by our contractors. We choose to manage, monitor and report on these indicators since the health, safety and security on our sites are our responsibility, regardless of whether the solar plants are constructed by contractors.

We put a strong emphasis on creating safe and good work sites for our employees including competitive wage levels above the minimum requirement, limits to long working hours and basic issues such as ensuring access to clean drinking water. Our Supplier Code of Conduct and Labour policy for site personnel is now integrated into all our subcontracts to ensure that these basic principles are respected, also in the parts of the values chain we do not control directly.

Scatec Solar has operations in regions where mitigating security risk is crucial. During last year, an extensive assessment of the regions where we have presence was undertaken, and based on this several initiatives were implemented. We have a partnership with an international, third party security assessment company that provides country risk assessments, security and operational advice, pre-enter preparations, immediate security advice for special situations, emergency response and mandatory training of all employees. The agency electronically monitors the movement of our travelling personnel constantly to safeguard them. During

2016, we expanded our coverage by entering into a partnership with a global company offering medical assistance, emergency services, healthcare, evacuation and repatriation services.

Safety and security are of primary importance when Scatec Solar employees travel abroad, particularly in environments where there is potential for exposure to health hazards, regions of political unrest and areas of high risk. Travel related hazards need to be identified and managed for the safety and security of Scatec Solar employees who travel. They are to adhere to and follow several steps prior to a business trip. These steps involve obtaining approval of trip from management, familiarise with the company's travel policies and guidelines, complete a travel security e-learning programme, read country risk assessments and follow specific procedures when travelling to countries with high risk rating.

Our ambitions and goals

We work continuously for zero harm to personnel, materials and the environment, and we believe that all incidents can be prevented through awareness, training and preparedness. We will continue to set high HSSE standards in the countries where Scatec Solar operates. Further, we will build on developing our approach for a common understanding of our expectations with regard to high levels of work ethics and quality control on our sites. We also aim to better analyse the data on accidents, lost time injuries and other HSSE indicators to be able to identify and respond to all types of challenges that can arise in this area.

We will also work to further develop our two partnerships for security, medical and emergency services to ensure that we offer accurate risk assessments and access to medical assistance in the regions where we operate.



Inspection at the Oryx solar plant in Jordan

ANTI-CORRUPTION

Our policy

We depend on a sustainable business environment and set out to comply with high standards of business ethics. The selection of, and cooperation with, business partners is of vital importance to ensure a non-corruptive business environment. Our policy is to:

- Have a zero-tolerance principle to bribery and corruption
- Continuously strive to maintain high ethical standards
- Build a culture that values honesty, integrity and transparency, and require each partner and/or supplier to adhere to the same
- Reflect our own high standards of anti-corruption behaviour in the contracts with our partners
- Provide anti-corruption training for relevant employees
- All projects must pass four separate decision gates where screening, compliance and risk of corruption must be cleared

Our achievements and results in 2016

A truly global company, Scatec Solar operates in several countries exposed to various levels of corruption according to the Transparency International Corruption Perceptions Index. We therefore undertake a thorough assessment of the potential host country, region and partners before we decide to conduct our business. We also demonstrate a high level of awareness in relation to any indicators of corrupt activities while conducting our business.



We always undertake due diligence of potential partners and suppliers. For the screening process, we use a widely adopted source of structured intelligence to identify heightened risk or blacklisted individuals and organisations. We also have collaborations with an international

risk-consulting firm for conducting background checks of business partners and individuals. Some of our main financial collaborators include Norfund, the International Finance Corporation (IFC), member of the World Bank Group, and other leading Development Banks. This ensures a high level of ethical standards. As mentioned previously, all of our projects are developed in accordance with the IFC performance standards and the Equator Principles, whilst all subcontractors and suppliers must adhere to our supplier conduct principles.

As part of our continuous improvement and in light of our expanding global reach one of our main goals of the 2015 report was to establish a revised anti-corruption programme in line with best practice. During 2016, we have, together with external advisors established such a programme designed on the basis of the exposure and risk associated with the Group's business. The structure of this programme is in line with COSO's (Committee of Sponsoring Organisations of the Treadway Commission) 2013 Internal Control-Integrated Framework, which is one of the most widely recognised frameworks on enterprise risk management and internal control, comprising of five key areas:

- 1. Control environment
- 2. Risk assessment
- 3. Control activities
- 4. Information and communication
- 5. Monitoring and improvement

Additionally, these key areas have been embedded into the group's operating system and forms part of each decision gate for an investment. As part of the re-launch of the programme, the Company has also undertaken training of its employees and will continue to hold training sessions twice a year.

Our ambitions and goals

We will continue to raise awareness of corruption and the high expectations we have of our employees and business partners in this regard. We will continue to review our current processes and initiatives to better position ourselves to operate in accordance with best practices.

We also aim to develop further our integrity, dilemma and anti-corruption training in the induction process for all new employees in 2017, particularly for business development and procurement, and will undertake an audit of the programme by external parties.

RESPONSIBLE PROCUREMENT

Our policy

The selection of suppliers and sub-contractors impact our social and environmental performance. Our policy is to:

- · Choose suppliers based on relevant sustainability criteria including transparency, HSSE standards and environmental performance
- Ensure that suppliers commit to our Supplier Conduct Principles and monitor compliance through regular supplier audits of significant and high-risk suppliers
- Take a life-cycle approach 1) to our carbon footprint and choose suppliers that contribute positively to our climate impact
- Ensure that our solar energy systems can be reused, recycled or disposed of safely
- Avoid procuring products from any supplier who relies on dangerous or harmful substances to the environment



Our achievements and results in 2016

In 2016, we worked to integrate and implement the formalised and standardised pre-qualification due diligence and tender processes in the Scatec Solar operating system, so that our requirements meet the same standards in all

our projects. All our contracts contain details regarding HSSE standards and labour rights. We further require all our suppliers to comply with and sign our supplier code of conduct. The code focuses on compliance with laws and regulations, as well as internationally recognised standards. Topics covered by the code include; anti-corruption and ethical business practices, human rights, the environment, HSSE and labour rights. With regard to production of our purchased products, our current requirements include good life expectancy and safe end-of-life disposal options.

In 2016, we visited 15 of our current and potentially new major suppliers. Although there were no major findings during the visits, a few suggestions for minor HSE improvements were identified. Overall, the suppliers and sub-contractors demonstrated a strong awareness and drive towards sustainability.



Inspection of solar panels

Innovation is important in a fast moving industry such as ours, and we collaborate with suppliers to drive the development of new and better solutions such as reducing the use of precious metals in solar modules. In 2016, we continued with quarterly meetings with key technology providers where we share and co-develop ideas for improvement on every front possible, including sustainability. An innovative idea developed during 2016 that impacts sustainability, is a revised packaging concept for modules. This method envisages the discarding of carton boxes and wood pallets which will be replaced by re-usable and collapsible cradles. The implementation of this method is forecasted to save 30% space in container shipments, reduce waste management at project sites and reduce the carbon footprint involved in transportation.

Our ambitions and goals

We will continuously evaluate our approach to responsible procurement and will as part of our supplier development include sustainability as an agenda point in quarterly meetings, to not only create awareness, but to foster ongoing improvements.

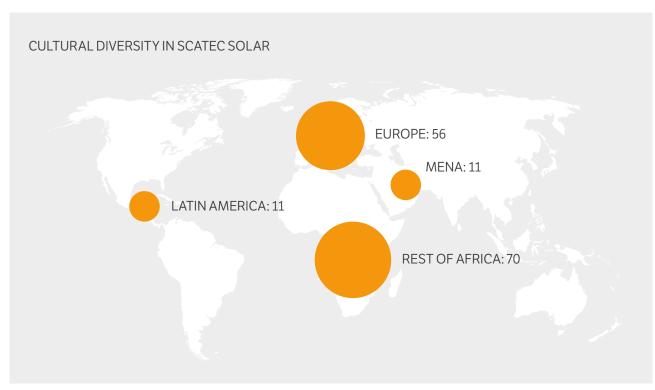
The solar energy we produce positively contributes to avoiding greenhouse gas emissions. The way in which we procure has the potential to further improve our impact on the environment. We will continue to adopt a life-cycle perspective and evaluate greenhouse gas emissions and energy consumption all along our supply chain, and also for the introduction of new technologies in our plants.

LABOUR CONDITIONS, TALENT ATTRACTION AND RETENTION, DIVERSITY

Our policy

The people of Scatec Solar make up who we are. A highly skilled and motivated workforce is essential to the success of our Company; the execution of our strategy and our continued growth. A competent and motivated workforce driving towards the same goals is vital to our success. Our policy is to:

- Encourage a working environment guided by a culture based on our values
- Support our people with opportunities to develop according to their aspirations
- Build a high performance working environment, recognising peoples' achievements and rewarding them based on their results
- Ensure that each employee knows what is expected of them in their role
- Provide our people with direct feedback and guidance on their work performance
- · Provide equal opportunities and value diversity of people
- Provide a safe place to work
- Support the right of workers to organise unions
- Abolish the use of child labour regardless of local labour law and only conduct business with third parties that follow the same ethical child labour standards



Figures indicate number of employees

Our achievements and results in 2016

Scatec Solar is expanding into new regions and countries to develop and realise solar projects. During 2016, the human resource department worked dedicatedly to meet our resource plan, which entailed the hiring of 73 new employees and consultants worldwide. The facilitation of the recruitment processes in our upcoming projects in Malaysia, Brazil, Mali and Mozambique was an important activity throughout the year. We also began the process of implementing a new recruitment system and platform to further professionalise and structure the recruitment of new people.

As a global company, Scatec Solar is characterised by great diversity. Our global workforce of full time employees is represented by different nationalities. Diverse backgrounds and experiences help our organisation to remain flexible and agile, and ultimately to be better equipped for responding to fluctuating and complex markets and environments. A diverse workforce provides greater variety of solutions to the challenges we face in the various countries we are present. The representation of diversity among our 148 full time permanent employees is illustrated in the map above.

During 2016, we started developing a leadership programme in South Africa to provide leaders with the tools and mechanisms necessary to improve, make better decisions and develop their leadership. We have identified four leadership traits that seek to provide guidance for our managers and leaders in their roles and responsibilities. These traits include being a clear thinker, having drive and initiative, being externally oriented and being accountable.

We report and monitor the health and working environment of our employees on a regular basis. An overview of sickness absence rate, gender diversity and numbers of complaints for the headquarter in Norway, and the Company as a whole, is shown in the table on next page. The percentage of women working in Oslo, the headquarter of the company increased from 31% in 2015 to 40% in 2016. We also have formalised a system for dealing with internal complaints, and we did not receive any complaints during 2016.

"We are a global company of great diversity. Our 148 full time permanent employees represent 22 different nationalities"

- Roar Haugland, EVP People Development & Sustainability

We are currently in the process of looking into ways in which we can encourage internal reporting, and our channels and systems for this are also being evaluated to ensure availability and openness.

- The percentage of women working in our Oslo headquarter increased from 31% to 40% in 2016
 - Raymond Carlsen, CEO Scatec Solar

INDICATORS RELATED TO HEALTH AND WORKING ENVIRONMENT 2016

PROJECT	SICKNESS ABSENCE RATE (%) 1)	GENDER BALANCE (% WOMEN)	NO. OF COMPLAINTS
Head quarter (Norway)	2.37%	40%	0
Total company	2.21%	28%	0

1) Includes full time employees (FTEs) and short term employees (STEs)

Our ambitions and goals

As we expand globally, we continue to develop and professionalise our approach to human resource management. During 2017, we target to hire over 150 new employees and consultants primarily across countries such as Malaysia, Mozambique, Brazil, Mali and Norway. We will work to further establish recruitment partnerships in several of these countries and maintain a global workforce characterised by strong diversity and talent.

In 2017, we will further develop initiatives established during the year with a focus on the leadership programme. Additionally, we will work to develop our approach to performance management and our internal communication platforms.

We will continue our work of attracting great employees with the best competencies by promoting ourselves as a fast-growing, solar energy company that contributes to positive social and environmental impact in all the countries where we have presence.

We will continue to have benchmark compensation and benefit plans to ensure that we offer competitive conditions.

CONCLUDING REMARKS

We have outlined a new sustainability framework to guide us on our journey going forward. These principles include:

- All our activities comply with Equator Principles and IFC performance standards
- We support scientific research in the area of renewable energy
- We strive to better understand and report upon the greenhouse gas emissions we produce and the emissions we abate through our projects, in all their phases. We will always strive to minimise these emissions
- In all our infrastructure projects we will re-invest a percentage of the revenues in the local community or country where the project is located to support the achievement of the UN Sustainable Development Goals
- In all our activities we use a significant component of local labour, professionals and contractors,
- We contribute to the communities in such a way that they grow and improve by themselves and not become directly dependent on us as a development agent.
- We maintain a comprehensive, effective and consistent Environmental and Social Management System in compliance with all relevant legal requirements to achieve all our objectives
- We maintain a process for capturing, recording and solving grievances which our communities and partners perceive we have inflicted
- We pro-actively investigate new technologies and methods to improve our environmental and social performance

Sustainability is all about protecting the planet and empowering the people as we pursue economic prosperity. As the UN Sustainable Development Goals affirm, we have the collective responsibility to transform our planet by 2030. Our main contribution to a sustainable world is solar energy. Sustainability, however, covers far more than energy and climate issues. Our ambition is to be a sustainable business with regard to our total impact on the societies where we operate. In line with this ambition we will continue to listen, learn, adapt and improve our business operations. We appreciate feedback from our stakeholders on our sustainability reporting and always work for continuous improvement.

The Sustainable Development Goals have set targets for us to achieve an environmental shift. A large part of achieving these targets will involve a shift to the energy sources of the future, like solar and wind. We should all be striving to reach these goals - they will make our planet a better home for everyone."

- Erik Solheim, Head of UN Environment Programme





Consolidated financial statements Group

Consolic	dated statement of profit or loss	/4
Consolic	dated statement of comprehensive income	75
Consolic	dated statement of financial position	76
Consolic	dated statement of changes in equity	78
Consolic	dated statement of cash flow	79
Notes to	the Consolidated financial statements Group	80
Note 1	Corporate information	80
Note 2	Key sources of estimation uncertainty, judgements and assumptions	80
Note 3	Operating segments	83
Note 4	Financial risk management	86
Note 5	Bonds	88
Note 6	Non-recourse financing	89
Note 7	Cash	91
Note 8	Guarantees and commitments	92
Note 9	Derivative financial instruments	93
Note 10	Financial instruments by category	95
Note 11	Financial instruments: measurement and market risk sensitivities	96
Note 12	Property, plant and equipment	98
Note 13	Impairment testing goodwill	99
Note 14	Tax	100
Note 15	Trade receivables	102
Note 16	Trade and other payables	103
Note 17	Other non-current and current liabilities	103
Note 18	Other non-current and current assets	104
Note 19	Other operating expenses	104
Note 20	Financial income and expenses	105
Note 21	Investments in associated companies	106
Note 22	Earnings per share	107
Note 23	Share capital, shareholder information and dividend	107
Note 24	Non-controlling interests	108
Note 25	Project financing provided by co-investors	113
	Employee benefits	114
Note 27	Transactions with related parties	115
	Asset retirement obligations	116
	Net gain/(loss) from sale of project assets	117
Note 30	Consolidated subsidiaries	117
	Subsequent events	119
Note 32	Summary of significant accounting policies	119

Consolidated statement of profit or loss

1 January – 31 December

NOK THOUSAND	NOTE	2016	2015
Revenues	3	1,012,938	867,714
Net gain/loss) from sale of project assets	3, 12	75,405	14,112
Net income/(loss) from associated companies	3, 21	-3,394	-865
Total revenues and other income		1,084,942	880,961
Personnel expenses	26	-86,199	-70,543
Other operating expenses	19	-165,713	-112,027
Depreciation, amortisation and impairment	12, 13	-270,083	-175,609
Operating profit		562,954	522,782
Interest and other financial income	20	50,796	64,402
Interest and other financial expenses	20	-504,801	-408,054
Net foreign exchange gain/(loss)	4, 20	-10,052	40,514
Net financial expenses		-464,057	-303,138
Profit before income tax		98,897	219,644
Income tax (expense)/benefit	14	-28,410	-83,970
Profit/(loss) for the period		70,487	135,674
Profit/(loss) attributable to:			
Equity holders of the parent		3,502	67,651
Non-controlling interests	24	66,985	68,023
Basic and diluted earnings per share (NOK)	22	0.04	0.72
Weighted average number of shares (in thousand)	22	93,816	93,816

Consolidated statement of comprehensive income

1 January – 31 December

NOTE	2016	2015
	70,487	135,674
9	-114,582	142,713
14	32,084	-39,959
29	5,341	44,576
	-77,157	147,330
	-6,670	283,004
	-69,115	188,941
	62,446	94,063
	9 14	9 -114,582 14 32,084 29 5,341 -77,157 -6,670

Consolidated statement of financial position

NOK THOUSAND	NOTE	AS OF 31 DECEMBER 2016	AS OF 31 DECEMBER 2015
ASSETS			
Non-current assets			
Deferred tax assets	14	327,456	340,670
Property, plant and equipment - in solar projects	12	5,059,802	5,196,298
Property, plant and equipment - other	12	21,465	19,891
Goodwill	13	22,289	23,595
Financial assets	9	18,237	126,810
Other non-current assets	27	141,789	136,543
Total non-current assets		5,591,038	5,843,807
Current assets			
Trade and other receivables	15	231,484	221,382
Other current assets	18, 27	114,104	251,892
Financial assets	9	1,289	1,086
Cash and cash equivalents	7	1,137,224	1,639,029
Non-current assets held for sale	29	-	26,427
Total current assets		1,484,101	2,139,816
TOTAL ASSETS		7,075,139	7,983,623

Consolidated statement of financial position

NOK THOUSAND	NOTE	AS OF 31 DECEMBER 2016	AS OF 31 DECEMBER 2015
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Share capital	23	2,345	2,345
Share premium		819,053	807,903
Total paid in capital		821,398	810,248
Other equity			
Retained earnings		-221,977	-164,909
Other reserves .		85,309	161,803
Total other equity		-136,668	-3,106
Non-controlling interests	24	628,009	618,255
Total equity		1,312,739	1,425,397
Non-current liabilities			
Deferred tax liabilities	14	127,508	203,436
Non-recourse project financing	6	4,304,098	4,799,828
Bonds	5	495,417	492,917
Financial liabilities	9	7,330	=
Other non-current liabilities	17, 27, 28	318,798	346,616
Total non-current liabilities		5,253,151	5,842,797
Current liabilities			
Trade and other payables	16	29,346	154,154
Income tax payable	14	10,680	23,508
Non-recourse project financing	6	279,473	166,789
Financial liabilities	9	6,584	6,184
Other current liabilities	17, 27	183,166	364,794
Total current liabilities		509,249	715,429
Total liabilities		5,762,400	6,558,226
TOTAL EQUITY AND LIABILITIES		7,075,139	7,983,623

Oslo, 20 March 2017

The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)

Jan Skogseth

Alf Bjørseth

Cecilie Amdahl

Mari Thjømøe

Raymond Carlsen (CEO)

Consolidated statement of changes in equity

				OTHER RES	SERVES			
NOK THOUSAND	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	HEDGING RESERVES	TOTAL	NON- CONTROLLING INTERESTS	TOTAL EQUITY
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		_	67,651	_	_	67,651	68.023	135,674
Other comprehensive income			- 07,031	82,261	39,031	121,290	26,040	147,330
Total comprehensive income	-	-	67,651	82,261	39,031	188,941	94,063	283,004
Share-based payment	-	13,761	-		-	13,761		13,761
Dividend distribution	-	-	-25,331	-	-	-25,331	-157,740	-183,071
Capital increase from non-controlling interests 1)	=	=		=	=	-	135,120	135,120
At 31 December 2015	2,345	807,903	-164,909	127,460	34,343	807,142	618,255	1,425,397
Profit for the period	-	-	3,502	_	-	3,502	66,986	70,487
Other comprehensive income	-	175	3,703	-43,749	-32,745	-72,616	-4,541	-77,158
Total comprehensive income	-	175	7,205	-43,749	-32,745	-69,114	62,445	-6,670
Share-based payment	-	10,975	-	-	_	10,975	-	10,975
Dividend distribution	-	-	-61,196	-	-	-61,196	-173,698	-234,892
Capital increase from non-controlling interests 1) 2)	-	-	-13,381	-	-	-13,381	121,007	107,626
Distribution to non-controlling interests loan	-	=	10,304	-	-	10,304	-	10,304
At 31 December 2016	2,345	819,053	-221,977	83,711	1,598	684,730	628,009	1,312,739

¹⁾ The total capital increase from non-controlling interests to project entities consists of shareholder loans and equity. The amount of shareholder loans is NOK 4,438 thousand (2015: decrease of NOK 9,835 thousand). All payments related to these loans are at the discretion of the project companies. Accordingly, as the loans do not contain any contractual obligation to pay cash or other financial assets, the shareholder loans are presented as equity in the financial statements of the Group.

Nature and purpose of reserves included in total equity

Share premium

Share premium includes net share premium paid as part of capital increases, as well as a share-based payment transaction reserve used to recognise the value of equity-settled and share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve includes mark-to-market revaluation reserve on derivatives used in the Group's cash flow hedging.

²⁾ Included in this line item is a reclassification from non-current liabilities to the non-controlling interests' share of equity of NOK 105,461 related to shareholder loans granted to the project companies in Jordan.

Consolidated statement of cash flow

NOK THOUSAND	NOTE	2016	2015
Cash flow from operating activities			
Profit before taxes	44	98,899	219,644
Taxes paid	14	-29,143	-47,639
Depreciation and impairment	12,13	270,083	175,609
Net income from associated companies/sale of project assets	21	-72,011	-13,247
Interest and other financial income	20	-50,796	-64,403
Interest and other financial expenses	20	504,801	408,054
Unrealised foreign exchange (gain)/loss	20	29,036	-134,272
(Increase)/decrease in trade and other receivables	15	-10,102	-95,260
(Increase)/decrease in other current/non-current assets	18	148,448	-96,347
Increase/(decrease) in trade and other payables	16	-87,951	84,207
Increase/(decrease) in current liabilities	17	-176,228	46,374
Increase/(decrease) in financial assets/liabilities and other changes		106,935	22,107
Net cash flow from operating activities		731,971	504,827
Cash flows from investing activities			
Interest received		50,797	64,403
Investments in property, plant and equipment	12	-883,634	-2,512,284
Proceeds from sale of project assets, net of cash disposed		250,840	
Investments in associated companies	21	-	39,106
Net cash flow used in investing activities		-581,997	-2,408,775
Cash flow from financing activities			
Proceeds from non-controlling interest shareholder financing include both equity contributions and shareholder loans		-	279,840
Interest paid		-509,047	-379,676
Proceeds from non-recourse project financing	6	241,337	2,874,104
Repayment of non-recourse project financing	6	-156,706	-549,385
Proceeds from bond issue	5	-	492,917
Dividends paid to equity holders of the parent company	23	-61,918	-25,331
Dividends and other distributions paid to non-controlling interest	23	-173,699	-157,740
Net cash flow from financing activities		-660,033	2,534,729
Net increase/(decrease) in cash and cash equivalents		-510,059	630,781
Effect of exchange rate changes on cash and cash equivalents		8,679	-41,283
Cash and cash equivalents at beginning of the period		1,638,604	1,049,106
Cash and cash equivalents at end of the period	7	1,137,224	1,638,604
Cash in project companies in operation	7	708,466	643,495
Cash in project companies in specialism	7	7,000	169,934
Other restricted cash	7	117,840	174,241
Free cash	7	303,918	650,933
Total cash and cash equivalents	,	1,137,224	1,638,604
Hereof presented as:			
Cash and cash equivalents		1,137,224	1,639,029
Financial liabilities		-	-425

Notes to the Consolidated financial statements Group

Note 1 Corporate information



The Company is pursuing an integrated business model across the complete lifecycle of utility-scale solar photovoltaic (PV) power plants including project development, financing, construction, ownership and operation and maintenance.

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 producer. The Company is pursuing an integrated business model across the complete lifecycle of utility-scale solar photovoltaic (PV) power plants including project development, financing, construction, ownership and operation and maintenance (see Note 3 – operating segments). Information on the Group's structure is provided in Note 30 – consolidated subsidiaries.

On 2 October 2014, the shares of Scatec Solar ASA were listed on the Oslo Stock Exchange. Scatec AS is the largest shareholder of the Company as of 31 December 2016 with a shareholding of 20.8%. For further details on shareholder matters, refer to note 23.

The consolidated financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 20 March 2017.

Statement of compliance and basis of preparation

The Scatec Solar Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). In compliance with the Norwegian Accounting Act, additional disclosure requirements are included in the notes to the financial statements of Scatec Solar ASA.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments at fair value through profit or loss, financial instruments that are available for sale and recognised at fair value, and loans, receivables and other financial liabilities, which are recognised at amortised cost.

The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 1000) except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

A summary of significant accounting policies is provided in Note 32.

Note 2 Key sources of estimation uncertainty, judgements and assumptions

In connection with the preparation of the Company's consolidated financial statements, the management has made assumptions and estimates about future events and applied judgements that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the

time the consolidated financial statements are prepared. The Company's management believes the following critical accounting policies affect the more significant judgements and estimates used in the preparation of the consolidated financial statements.

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 consolidated financial statements:

Consolidation of project companies



To be able to fully utilise the business model, Scatec Solar seeks to obtain operational control of the project companies

Scatec Solar's value chain comprises all downstream activities such as project development, financing, construction, operations as well as having an asset management role through ownership of the solar power plants. Normally Scatec Solar enter into partnerships for the shareholding of the project companies owning the power plants. To be able to fully utilise the business model, Scatec Solar seeks to obtain operational and financial 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:

- 1. As the largest shareholder providing equity financing to the project
- 2. As (joint) developer, including obtaining project rights, land permits, off taker agreements and other local approvals
- 3. As EPC contractor, responsible for the construction of the project
- 4. As provider of operation & maintenance services to the projects, responsible for the day to day operations of the plant
- 5. As provider of management services to the project companies

In 2012 Scatec Solar established three project companies in South Africa for the purpose of constructing and operating the Kalkbult, Linde and Dreunberg solar power plants under the South African Renewable Energy Independent Power Producer Programme. Through holding companies, Scatec Solar indirectly owns 39% of each of these project companies. During 2014 Scatec Solar and two other shareholders established a project company in Rwanda for the purpose of constructing and operating the ASYV solar power plant. Throughout the construction phase Scatec Solar has a shareholding of 43% in the project company. At financial completion Scatec Solar's shareholding will increase to 57% as part of a shareholder agreement. During 2015 Scatec Solar completed the construction of the Agua Fria (Honduras) and Utah Red Hills (US) solar power plants. Further, construction commenced on three plants in Jordan (ORYX/EJRE/GLAE). Scatec Solar has a shareholding of 40%, 100% and 90%/50.1% in the project companies respectively. During 2016 five project companies in Egypt and one in Honduras were incorporated and consolidated. 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.

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 facts and circumstances, including the above agreements are analysed. For the project companies referred to above, Scatec Solar has concluded that it through its involvement controls the entities. Scatec Solar has considered that it has the current ability to direct the relevant activities of the entities and has the ability to affect the variable returns through its power over the companies. The assessment of whether Scatec Solar controls the investee is performed upon first time consolidation and is renewed annually or more often, if and when facts that could impact the conclusion change.

In the event Scatec Solar had concluded that it did not control the companies in question, they would have been consolidated using the equity method. As such the operations of the companies would have been presented on one line on a net basis in both the statements of financial position and profit or loss. Further, transactions originating from project development, construction activities, operations and maintenance, asset management as well as shareholder funding would not have been fully eliminated. Consequently, the presentation of the operations of the group would significantly differ from the current presentation. Cash in and out flows as well as value creation is not affected.

US tax equity investor and investment tax credit

During fourth guarter 2015 Google entered as tax equity investor in the Red Hills project. Tax equity is a term that is used to describe a passive ownership interest in an asset or a project, where an investor receives a return based not only on cash flow from the asset or project but also on income tax benefits (tax deductions and tax credits). The majority of the tax equity investor's return in the Red Hills project stems from tax credits and deductions, which can be offset against taxable profits the investor is generating in projects and/or lines of business. Based on the characteristics of this instrument Scatec Solar has assessed that Google's investment is to be considered a financial liability as defined by IAS 32 Financial Instruments: Presentation. Consequently, Google's return on its tax equity investment will be presented as a financial expense in the consolidated statement of profit or loss and Scatec Solar consolidates the Red Hills project company as a wholly owned subsidiary.

The Red Hills project has been granted an investment tax credit (ITC). The ITC provides the project an extra deduction in taxable profits amounting to 30% of the total tax eligible asset, which is an amount close to the project capital expenditure. As the project is set up as a partnership flip, most of the ITC is allocated to the tax equity investor. In analysing whether to account for the ITC according to IAS 12 Income Taxes or IAS 20 Government Grants, Scatec Solar has applied judgement. Based on an analysis of facts and circumstances related to the ITC, Scatec Solar has concluded that it should be recognised based on IAS 20 Government Grants. Hence, the value of the ITC (NOK 383,702 thousand) is presented as a reduction to the cost of the plant. If the ITC had been accounted for based on IAS 12 the same amount would have been recognised as an income tax credit in the statement of profit or loss. The Red Hills plant was sold 28 December 2016. Refer to note 29 Non-current assets sold and held for sale, for further details.

Presentation of shareholder loans

In relation to the structuring and financing of the project companies in the Group, financial instruments are issued by both the controlling and non-controlling interests. Such financing is granted both as formal equity and shareholder loans. When assessing whether the shareholder loans should be presented as a liability management needs to apply judgement with regards to the issuers unconditional right to avoid delivering cash or another financial asset. The shareholder loans granted to Kalkbult, Linde, Dreunberg, ASYV and the three plants in Jordan are recognised as equity as all payments related to the instruments are considered to be at the discretion of the project company. Accordingly, the shareholder loans are presented as equity. Shareholder loans provided to other project companies are considered to represent financial liabilities and presented as such.

Determining whether an arrangement contains a lease

At inception of an arrangement, Scatec Solar assesses whether the arrangement is or contains a lease. The Group distinguishes between lease contracts and capacity contracts. Lease contracts provide the right to use a specific asset for a period of time. Capacity contracts confer the right to and the obligation to pay for availability of certain capacity volumes. Such capacity contracts that do not involve specified single assets that do not involve substantially all the capacity of an undivided interest in a specific asset or capacity contracts that have a contractually fixed price are not considered by the Group to qualify as leases. In doing this assessment the Group applies the conditions set forth by IFRIC 4. The Group's portfolio of PPAs comprise agreements with no indexation, partial indexation, full indexation and stepped pricing. With regards to the interpretation of the requirement "contractually fixed price per unit" Scatec Solar considers the contract price fixed also when the price is subject to inflation adjustment. With the exception of the power plants in Jordan, all of the existing PPAs are considered capacity contracts. The Jordanian PPAs have a pricing mechanism which requires power produced above a certain cap to be made available at significant discounts. As such the price is not absolutely fixed and the PPAs are accounted for as leases. The leases are classified as operational leases and the presentation of the operations in the statements of financial position or profit or loss.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has NOK 2,675,197 thousand (2015: NOK 2,364,175 thousand) of tax losses carried forward. When assessing the probability of utilising these losses several factors are considered.

These factors include, if the entity in question has a history of losses, if there is an expiration date on the entity's ability to carry the losses forward, if the losses may be used to offset taxable income elsewhere in the Group and if there are any tax planning opportunities available. The majority of the Group's tax losses are related to favourable tax rules for depreciation of solar power plants and its reversal is merely a timing effect. At year-end 2016 the Group has recorded a valuation allowance of NOK 21,714 thousand (2015: NOK 8,369 thousand) related to tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by NOK 21,714 thousand. Further details on taxes are disclosed in Note 14 - Tax.

Estimated useful life of solar power plants

Depreciation of the Group's solar power plants commences when the plant is available for use, i.e. normally when it is grid connected and producing electricity. When determining the useful life of a plant, the following factors are considered:

- a. expected usage of the plant. Usage is assessed by reference to the asset's expected capacity, physical output as well as market regulations and maturity;
- b. expected physical wear and tear, which depends on operational factors and the repair and maintenance programme;
- c. technical or commercial obsolescence;
- d. legal or similar limits on the use of the plants, such as the expiry dates of related leases.

The power plants currently in operation have 20 to 25 years Power Purchase Agreements (PPA) with the off takers. Whether or not these agreements will be extended is not currently known. Based on the markets in which Scatec Solar is currently operating solar power plants (South Africa, Rwanda, Honduras, Jordan, USA and the Czech Republic), it is management's assessment that, of the four factors described above, the length of the PPAs is the decisive factor impacting/limiting the useful life of the plants. Consequently, the Group depreciates the solar power plants over the length of the PPAs. This assessment is made on a plant by plant basis.

The Red Hills plant in the US was commissioned late December 2015 and sold power into the merchant market in 2016 prior to commencing a 20 year PPA from 2017. Due to the characteristics of US power market the useful life of the Red Hills plant is estimated at 30 years. The Red Hills plant was sold 28 December 2016.

The technical life of the plants is not deemed to be a limiting factor and there is access to quality services and personnel to secure the required level of maintenance and repair.

Impairment

Scatec Solar has made significant investments in operating solar power plants and projects under development/construction. These assets are tested for impairment to the extent that indicators of impairment exist. Factors which trigger impairment testing include but is not limited to political changes, macroeconomic fluctuations, changes to the Group's strategy, project delays, spending beyond budget, the power plant underperforming in

terms of production, changes to tariffs and similar, Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from comparable transactions for similar assets or bids received by the Group. The value in use calculation is based on a DCF model. The cash flows are derived from the financial model covering the lifetime of the project (i.e. normally 20 to 25 years) and do not include terminal value. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows. The key assumptions used to determine the recoverable amount for the assets subject to impairment testing are disclosed and further explained in Note 12 and 13.

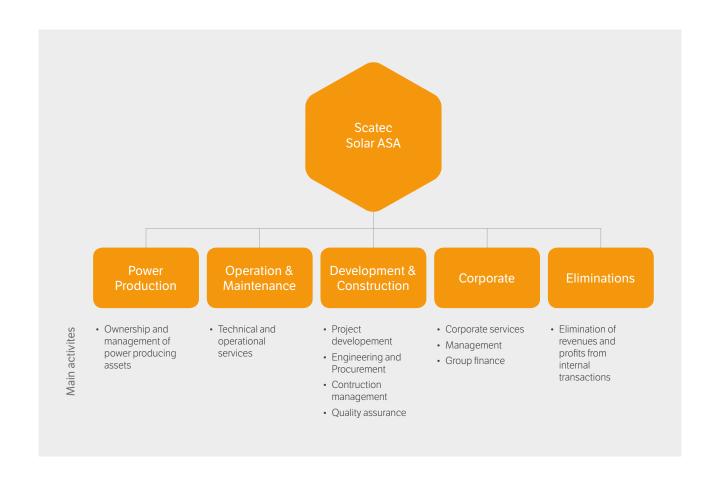
Asset retirement obligations (ARO)

Scatec Solar's future asset retirement obligation depends on a number of uncertain factors such as the possible existence of a power market for the plants after the end of the PPA, future recycling arrangements for solar panels and/or their second-hand value, future value of steel and copper as well as future development of interest and currency exchange rates. As a result, the initial recognition of the liability and the capitalised cost associated with the removal obligations, and the subsequent adjustments, involve the application of significant judgement. The calculation of the ARO is done on a plant by plant basis, taking into consideration relevant project specifics. Refer to note 28 for further information.

Operating segments Note 3

Operating segments align with internal management reporting to the Group's chief operating decision maker, defined as the Executive 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 consolidated 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 entities 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.

As per 31 December 2016, the PP segment comprised the Kalkbult (75 MW), Linde (40 MW), and Dreunberg (75 MW) plants in South Africa, the ASYV (9 MW) plant in Rwanda, four plants in the Czech Republic (20 MW), the Agua Fria (60 MW) plant in Honduras, the Utah Red Hills (104 MW) plant in the US and the Oryx (10 MW), GLAE (22 MW) and EJRE (11 MW) plants in Jordan. The plants in Jordan commenced production in June, July and August 2016 respectively. The Utah Red Hills plant was sold in late December 2016 with revenues being consolidated until ultimo December 2016.

Operation and Maintenance

The Operation and Maintenance segment delivers services to ensure optimised operations of the Group's and third party's solar power plants 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 entities set up to operate the Group's solar power plants. These transactions are primarily made with entities 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. The company commenced construction of 43MW plants in Jordan in 2015, of which the 10 MW Oryx plant in Jordan was completed in second quarter 2016, and 33 MW EJRE/GLAE plants in Jordan were completed in the third quarter 2016.

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 PP, O&M and D&C 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 entity.

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 2016 as described in Note 32 - Summary of significant accounting policies.

20	16
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NOK THOUSAND	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	1,010,643	2,295	-	-	-	1,012,938
Internal revenues	=	59,918	599,038	9,801	-668,757	-
Net gain/(loss) from sale of project assets	=	=	8,296	-	67,109	75,405
Net income/(loss) from associated companies	=	=	-3,394	-	-	-3,394
Total revenues and other income	1,010,643	62,213	603,940	9,801	-601,648	1,084,949
Cost of sales	-	-	-539,590	-	539,590	-
Gross profit	1,010,643	62,213	64,350	9,801	-62,065	1,084,949
Personnel expenses	-11,326	-10,514	-35,883	-28,476	-	-86,199
Other operating expenses	-145,925	-20,101	-40,714	-28,693	69,720	-165,713
Depreciation, amortisation and impairment	-351,968	-2,324	-10,446	-753	95,408	-270,083
Operating profit	501,424	29,274	-22,693	-48,121	103,070	562,954

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 associated companies	=	=	-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, amortisation 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

Geographical areas

In presenting information on the basis of geographical areas, revenues from external customers are attributed to the country of the legal entity recording the sales. The allocation of property, plant and equipment is based on the geographical location of

the assets. Projects that have not yet reached construction are allocated to the parent company being the main developer. Geographical data for the years ended 31 December 2016 and 2015 is presented below.

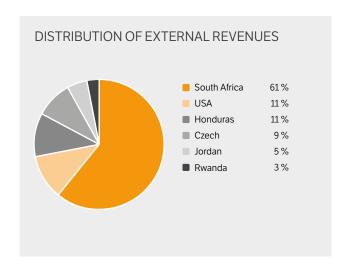
	EXTERNAL REV	'ENUE¹)	PROPERTY, PLANT AN	PROPERTY, PLANT AND EQUIPMENT		
NOK THOUSAND	2016	2015	2016	2015		
South Africa	661,988	698,122	2,072,076	1,929,912		
USA	124,664	12,787	3,577	1,109,653		
Honduras	117,543	47,696	876,853	1,037,524		
Czech	93,136	87,273	406,833	439,076		
Jordan	56,158	-	928,379	380,752		
Rwanda	31,148	28,631	160,627	168,041		
Italy	2,242	3,940	2,081	2,462		
Norway	1,411	2,585	629,678	147,653		
Germany	53	792	336			
France	-	-	827	1,116		
Total	1,088,343	881,826	5,081,267	5,216,189		

¹⁾ Includes external revenues and net gain/(loss) from sale of project assets.

Major customers

The predominant share of the Group's recurring revenues comes from the Power Production segment, and relates to sale of electricity from solar power plants in South Africa, Czech Republic, Honduras, Rwanda, US and Jordan.

In South Africa, revenues (3 plants which commenced operations in 2013 and 2014) are earned under 20-year Power Purchase Agreements (PPA) with Eskom Holdings (South African incumbent utility), which was awarded under the Renewable Independent Power Producer Procurement Programme (REIPPPP) administrated by the Department of Energy. Eskom's financial commitments under the PPA are guaranteed by the South African National Treasury under the Inter-Governmental Framework Agreement.



The Czech power plants commenced operations in 2009 (1 plant) and 2010 (3 plants), and have entered into power purchase agreements with utilities CEZ Distribuce and EON Distribuce, based on the terms of the Czech Energy Act and Czech Renewable Energy Act. This legislation requires the utilities to purchase the power produced from renewable energy sources for a period of 20 years at the Feed-in-Tariff (FiT) prescribed by law and applicable regulation, adjusted annually.

The ASYV power plant in Rwanda commenced operations in 2014. The power is sold under a 25-year Power Purchase Agreement with the state-owned utility EWSA, with an annual price adjustment of 100% of Rwandan CPI. EWSA's financial commitments under the PPA are guaranteed by the Government of Rwanda represented by its Ministry of Finance and Economic Planning under the Government Guarantee Agreement.

The Agua Fria power plant in Honduras commenced operations late July 2015. The electricity is sold under a 20-year Power Purchase Agreement with the utility Empresa Nacional de Energia

Electricia (ENEE). The financial commitments of ENEE under the PPA are guaranteed by the sovereign guarantee executed by the Honduran attorney general and the secretary of finance.

The Red Hills power plant in the US was commissioned late December 2015. The electricity will be sold under a 20-year Power Purchase Agreement with PacifiCorp's Rocky Mountain Power, according to the utility's obligation under the federal Public Utility Regulatory Policies Act (PURPA). The PPA commences January 2017. Until then the electricity was sold in the merchant market. The Utah Red Hills plant was sold ultimo December.

The Oryx, GLAE and EJRE power plants in Jordan commenced operations respectively in June, July and August 2016. The electricity will be sold under a 20-year Power Purchase Agreement with National Electric Power Company (NEPCO). NEPCO's financial commitments under the PPA are guaranteed by the Government of Jordan represented by its Ministry of Finance under the Government Guarantee Agreement.

Note 4 Financial risk management

General information relevant to risks



The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Through its business activities Scatec Solar is exposed to the following financial risks:

- Market risk (including commodity price risk, currency risk and interest rate risk)
- Liquidity risk
- · Credit risk

Guidelines for risk management have been approved by the Board of Directors and are carried out by Scatec Solar's group finance department in cooperation with the individual operational units. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Market risk

Scatec Solar is exposed to various market risks, including fluctuations in commodity prices, foreign currency rates and interest rates that can affect the revenues and costs of operating, investing and financing.

Commodity price risk

Scatec Solar's sales of electricity constitute a material share of its revenues. As a result, the Group's business, financial position, results of operation and cash flow are affected by changes in the electricity prices. The Group seeks to reduce the effect of price fluctuation by entering into long-term, fixed price contracts. Currently, the Group has limited exposure to price risk related to electricity sold at spot rate as all contracts are based on Feed-in-Tariffs (FiTs) or Power Purchase Agreements (PPAs) with the exception of the Red Hills plant in the US which was commissioned late December 2015 and was operating in the merchant market during 2016 (until the PPA commences January 2017). Some of the off-take agreements that have been entered into for the projects in the Company's portfolio do not contain inflation-based price increase provisions or provisions that only partially allows for inflation-based increases. Some of the countries in which the Company operates, or into which the Company may expand in the future, have in the past experienced high inflation.

While this is further influenced by government subsidies and support, the future development of the PV industry in general, and the Company in particular, will to a significant degree depend on the development in electricity market prices over time. Electricity prices depend on a number of factors including, but not limited to, availability and costs of primary energy sources (including oil, coal, natural gas and uranium), and the development in cost, efficiency and equipment investment need for other electricity producing technologies, including other renewable energy sources.

A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the wholesale price of electricity. A significant amount of new electricity generation

capacity becoming available could also reduce the wholesale price of electricity. Broader regulatory changes to the electricity trading market (such as changes to integration of transmission allocation and changes to energy trading and transmission charging) could have an impact on electricity prices. A decline in the market price of electricity could materially adversely affect the financial attractiveness of new projects.

Currency risk

Scatec Solar operates internationally and is subject to currency risks arising from foreign currency transactions and exposures. As the Group reports its consolidated results in NOK, any change in exchange rates between NOK and its subsidiaries' functional currencies, primarily with respect to changes in USD, ZAR and CZK, affects its other comprehensive income and consolidated statement of financial position when the results of those subsidiaries are translated into NOK for reporting purposes. There is also an accounting exposure related to translation effects for intercompany balances. As the Group expands its operations with projects in new markets the currency risk exposure increases. For the projects in Jordan and Honduras the exposure is in all material respects related to USD as all significant contracts are USD denominated. In order to mitigate convertibility and transfer risk, the Group is currently tailoring currency risk strategies for its upcoming investments in Malaysia, South Africa, Brazil, Egypt and Nigeria. Exchange rate risk also arises when subsidiaries enter into transactions denominated in currencies other than their own functional currency and through assets and liabilities related to working capital and monetary items being denominated in various currencies.



The Group is on an overall level managed as a NOK company for currency management purposes with primary focus on NOK cash flow. Change in exchange rates between NOK and its subsidiaries' functional currencies affects its other comprehensive income and consolidated statement of financial position

The Group is on an overall level managed as a NOK company for currency management purposes with primary focus on NOK cash flow. The general policy of the Group is not to hedge foreign currency exposure based on long term cash flows from the project companies operating the solar power plants. Subsidiaries with functional currency other than NOK do not hedge NOK positions versus their own functional currency. For the Group's project entities, currency risk is managed separately with the basis of its functional currency and expected cash flows. This is because the SPVs are set up with ring-fenced financing and have significant non-controlling interests. To the extent the Group hedges foreign currency exposure, it is based on cash flow considerations and not with regards to foreign currency translation effects in the financial statements. However, the Company's segment revenues, cost of sales and gross profit may be subject to significant currency fluctuations, inter alia with respect to construction contracts, which are structured as multi-currency contracts to achieve a natural hedging of cost of sales.

For currency risk sensitivities see Note 11 - Financial instruments: measurement and market risk sensitivities.

Interest rate risk

Scatec Solar is exposed to interest rate fluctuation risks through funding and cash management activities. Liquid assets have primarily floating interest rates. The interest rate risk management objective is to minimise borrowing costs and to keep the volatility of future interest payments within acceptable limits. Based on various scenarios, the Group manages its cash flows interest rate risk by either using long-term financing at fixed rates or using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting financing from floating rates to fixed rates.

The non-recourse financing (denominated in CZK) that is established in the Czech project entities are at fixed interest rates, whereas the non-recourse financing (denominated in ZAR) in the South African project entities are primarily at floating interest rates. To hedge this exposure, the Group uses interest rates swaps designated as hedging instruments. The Group's solar power plant in Rwanda is financed through fixed rate non-recourse USD loans. The debt financing of the Agua Fria project in Honduras is USD denominated non-recourse debt. During construction, the loans were priced at an unhedged floating rate. From completion of construction (end July 2015), the entire loan was priced at fixed rate. The Utah Red Hills plant which were sold ultimo 2016 was partly financed using non-recourse debt (denominated in USD), which included both fixed- and floating-rate tranches. From completion of construction (late December 2015), 88.5% of the total facility was priced at a fixed rate. The remaining 11.5% floating-rate debt was left unhedged. The project was additionally financed through a tax equity investor which receives a predetermined and fixed return. The projects in Jordan, reached commercial operation date (COD) in 2016 and have 70% of the total non-recourse financing at a fixed rate.

During fourth quarter 2015 Scatec Solar successfully completed a NOK 500 million senior unsecured bond issue with maturity in November 2018. The bonds carry a floating interest of 3 month NIBOR + 6.5%. The interest is not hedged.

For more information on the Group's financial liabilities, see Note 5 – Bonds and Note 6 - Non-recourse financing.

For interest-risk sensitivities see Note 11 - Financial instruments: measurement and market risk sensitivities.

Liquidity risk

Liquidity risk is the risk that Scatec Solar will not be able to meet obligations associated with financial liabilities when due. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised financing facilities are monitored. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining availability under committed credit facilities. In November 2015, the company secured funding through issuance of a NOK 500 million senior unsecured bond. As of 31 December 2016, the Group has total short term contractual commitments of approximately NOK 53 million. For further information on contractual commitments, see note 8 - Guarantees and commitments.

For information on, and the maturity of the Group's financial liabilities see Note 5 – bonds and Note 6 - Non-recourse financing.

In some of the countries where Scatec Solar operates, including South Africa, governments have imposed regulations on repatriation of funds out of the country. This may halt or delay flow of funds between group companies under certain circumstances. Scatec Solar has not experienced any significant delays to date, and are seeking to minimise such risk through thorough investigations of the relevant jurisdictions and regulations and adapt accordingly.

A break-down of free and restricted cash is provided in Note 7 – Cash.

Credit risk

Credit risk is the risk that Scatec Solar's customers or counterparties will cause the Group financial loss by failing to honour their obligations. The Group is exposed to third party credit risk in several instances, including, without limitation, with respect to off-take partners who have committed to buy electricity produced by or on behalf of the Company, suppliers and/or contractors who are engaged to construct or operate assets held by the Group, property owners who are leasing land to the Company, banks providing financing and guarantees of the obligations of other parties, insurance companies providing coverage against various risks applicable to the Group's assets, and other third parties who may owe sums or obligations to the Group.

If, for any reason, any of the counterparties to these contracts are unable or unwilling to fulfil their related contractual obligations or if they refuse to accept delivery of power delivered thereunder or if they otherwise terminate such agreements prior to the expiration thereof, our assets, liabilities, business, financial condition, results of operations and cash flows could be materially and adversely affected. For the Group's current projects under operation, all

such counterparties are supported by government guarantees or have obligations regulated by law. However, there is still a risk of legislative or other political action that may impair their contractual performance.



All of the electric power generated by the Group's current portfolio of projects in operation or under construction is, or will be, sold under long-term off-take agreements with public utilities or other partners, or under Feed-in Tariff ("FiT") arrangements, Power Purchase Agreements (PPAs) or similar support mechanisms governed by law.

The Group's main credit risks arise from credit exposures with customer accounts receivables and deposits with financial institutions. Some of the markets in which the Group operates has in recent years suffered significant constraints which have led to a large number of bankruptcies, involving also well-established market participants. Should this trend continue, the Group will be further exposed to third party credit risk.

Theoretically, the Group's maximum credit exposure for financial assets is the aggregated statement of financial position carrying amounts of financial loans and receivables before provisions for bad debt, as well as cash and cash equivalents, equalling NOK 1,650,080 thousand at 31 December 2016.

See Note 15 – Trade receivables for information on the provision for bad debt related to trade receivables.

Note 5 Bonds

During fourth quarter 2015 Scatec Solar completed a NOK 500 million senior unsecured green bond issue with maturity in November 2018. The bonds were listed on the Oslo Stock Exchange in December. The bonds carry an interest of 3 month NIBOR + 6.5%, to be settled on a quarterly basis. During 2016, an interest amounting to NOK 41,013 thousand was expensed (2015: NOK 4,574 thousand). During the term of the bonds, Scatec Solar shall comply with the following financial covenants at all times:

- a. Minimum liquidity: Scatec Solar shall maintain free cash of minimum NOK 30 million
- b. Maximum debt to capitalisation ratio: Scatec Solar shall maintain a debt to capitalisation ratio of maximum 55%
- c. Maximum cash flow coverage ratio: Scatec Solar shall maintain a cash flow coverage ratio of maximum:
 - a) 7x from 19 November 2015 to 19 November 2016;
 - b) 6x from 20 November 2016 to 19 November 2017; and
 - c) 5x from 20 November 2017 to 19 November 2018

Per 31 December 2016, Scatec Solar was in compliance with all bond covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 1,313,568 thousand per year end. Refer to the loan agreement available on www.scatecsolar.com/investor/debt for further information and definitions.

The loan is carried at amortised cost with the total fees of NOK 7,500 thousand being amortised over the 3-year period until maturity.

See Note 7 – Cash for description of other sources of corporate funding.

Note 6 Non-recourse financing

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.



Non-recourse financing has key advantages including a clearly defined and limited risk profile

The table below specifies non-recourse financing at 31 December 2016 and 2015.

NOK THOUSAND	INTEREST RATE	MATURITY DATE	2016	2015
Loan facilities (ZAR) - Scatec Solar SA 166 (Pty) Ltd. (Kalkbult) 1) 2)	15.6%	31-12-28	997,514	916,024
Loan facilities (ZAR) - Simacel 160 (Pty) Ltd. (Dreunberg) 1) 2)	14.2%	31-12-29	1,092,142	1,021,370
Loan facilities (ZAR) - Simacel 155 (Pty) Ltd. (Linde) (1) 2)	14.4%	30-06-29	540,395	511,792
Loan facilities (CZK) – Czech portfolio 1)	5.8%	11-05-29	370,112	414,865
Loan facilities (USD) - Gigawatt Global Rwanda Ltd (ASYV) 1)	8.3%	11-01-30	145,445	173,326
Loan facilities (USD) – Utah Red Hills Renewable Park LLC	=	-	-	603,117
Loan facilities (USD) – Jordan portfolio 1)	5.7%	10-01-32	833,417	674,609
Loan facilities (USD) – Produccion De Energia S.A (Aqua Fria) 1)	6.8%	31-12-36	604,546	651,514
Total non-recourse financial liabilities			4,583,571	4,966,617
Of which non-current non-recourse financial liabilities			4,304,098	4,799,828
Of which current non-recourse financial liabilities			279,473	166,789

¹⁾ The rate of interest is a calculated average.

The project entities' assets are pledged as security for the non-recourse financing. The Group's book value of the pledged solar power plants is NOK 4,422,584 thousand (2015 NOK 5,054,996) (after elimination of internal profits), whereas the local book value is NOK 5,599,201 thousand (2015 NOK 6,131,257).

Repayment structure

The table below specifies the repayment structure of the non-recourse financing.

NOK THOUSAND	LOAN REPAYMENT	INTEREST PAYMENT	TOTAL
2017	242,921	422,200	665,121
2018	274,648	404,427	679,075
2019	298,607	376,271	674,878
2020	305,940	350,009	655,949
2021	342,508	319,831	662,339
2022	358,522	286,943	645,465
2023	385,022	252,840	637,862
2024	408,047	217,483	625,530
2025	418,077	177,207	595,284
2026	410,827	137,416	548,243
2027	364,448	99,450	463,898
2028	385,758	63,081	448,839
2029	239,852	27,600	267,452
2030	85,623	9,966	95,589
2031	74,666	5,576	80,242
2032	43,083	1,250	44,333
Total future loan repayment	4,638,549	3,151,550	7,790,099

²⁾ The rate of interest is a calculated including interest rate swap agreements and excluding fees.

The table below specifies the repayment structure per project of the non-recourse financing.

NOK THOUSAND	KALKBULT	LINDE	DREUNBERG	CZECH	ASYV	AGUA FRIA	JORDAN	TOTAL
2017	149,509	93,684	184,781	42,205	25,619	93,932	75,391	665,121
2018	158,711	91,114	187,421	42,690	22,352	87,251	89,536	679,075
2019	163,708	91,941	184,386	42,678	17,343	85,657	89,165	674,878
2020	174,281	88,343	159,146	42,839	17,120	85,985	88,235	655,949
2021	182,273	84,949	163,953	43,033	17,171	84,855	86,105	662,339
2022	171,133	84,233	163,413	43,226	17,232	82,347	83,881	645,465
2023	160,246	86,466	166,422	43,432	17,309	80,373	83,614	637,862
2024	149,938	84,777	163,294	43,647	17,378	83,916	82,580	625,530
2025	138,545	70,076	165,419	43,879	17,473	77,545	82,347	595,284
2026	137,677	66,116	149,349	44,537	17,541	50,918	82,105	548,243
2027	125,530	65,165	128,796	44,897	17,637	-	81,873	463,898
2028	118,566	64,704	121,759	44,818	17,499	-	81,493	448,839
2029	-	26,644	125,068	18,145	16,283	-	81,312	267,452
2030	-	-	-	-	14,715	-	80,874	95,589
2031	-	-	-	-	-	-	80,242	80,242
2032	-	-	-	-	-	-	44,333	44,333
Total future loan repayment	1,830,117	998,212	2,063,207	540,026	252,672	812,779	1,293,086	7,790,099

Of the total future loan repayment in the table above, NOK 201,472 thousand for the year 2015 is related to not yet drawn financing on the Jordanian projects.

Covenants

Czech entities

The Facilities Agreement contains financial covenants including, but not limited to: lock-in and default DSCR of 1.30: 1 and minimum (adjusted) Equity Ratio of 20%, as well as funding on debt service reserve account. The Agreement contains further restrictions on, inter alia, environmental compliance, changes of business and certain corporate acts, amendments to the key agreements and insurance policies, new consents, pledges and guarantees, financial indebtedness and giving financial support, capital expenditures and changes of shareholder structure and auditors, as well as a number of undertakings related to e.g. budgets, financial reporting and information.

Scatec Solar SA 166 (Pty) Ltd. (Kalkbult)

The Loan Facility and the Common Terms Agreements contain financial covenants including, but not limited to: minimum compliance ratios: DSCR of 1.30 : 1, LLCR of 1.30 : 1 and PLCR of 1.40 : 1; 50% distribution cash sweep if DSCR is between 1.30 : 1 and 1.20 : 1; lock-in and full cash sweep ratios: DSCR of 1.20 : 1, LLCR of 1.30 : 1 and PLCR of 1.35 : 1; and default ratios: DSCR of 1.10 : 1, LLCR of 1.15 : 1 and PLDR of 1.30 : 1 as well as funding on debt service and maintenance reserve accounts. The Agreements contain further restrictions on, inter alia, hedging policies, subsidiaries and new activities, amendments to the key agreements and insurance policies, new consents, pledges and guarantees, financial indebtedness and giving financial support, capital expenditures and changes of shareholder structure and auditors, as well as a number of undertakings related to e.g. budgets, financial and operational reporting and information.

Simacel 155 (Pty) Ltd. (Linde)

The Loan Facility and the Common Terms Agreements contain financial covenants including, but not limited to: minimum

compliance ratios: senior DSCR of 1.30:1 (total meaning senior + subordinated DSCR of 1.15:1), senior LLCR of 1.30:1 (total LLCR of 1.20:1), and senior PLCR of 1.40:1 (total PLCR of 1.30:1); 50% distribution cash sweep if DSCR is between 1.30:1 and 1.20:1; lock-in and full cash sweep ratios: senior DSCR of 1.20:1 (total DSCR of 1.10:1), senior LLCR of 1.20:1 (total LLCR of 1.15:1) and senior PLCR of 1.35:1 (total PLCR of 1.25:1); and default ratios: senior DSCR of 1.10:1 (total DSCR of 1.05:1), senior LLCR of 1.15:1 (total of LLCR 1.10:1) and senior PLR of 1.30:1 (total PLCR of 1.20:1), as well as funding on debt service and maintenance reserve accounts. The restrictions and undertakings contained in the Facility Agreements are similar to those listed for Scatec Solar Kalkbult (Pty) Ltd RF.

Simacel 160 (Pty) Ltd. (Dreunberg)

The Loan Facility and the Common Terms Agreements contain financial covenants similar to those mentioned above for Simacel 155 (Pty) Ltd RF. The restrictions and undertakings contained in the Facility Agreements are similar to those listed for Scatec Solar SA 166 (Pty) Ltd.

Gigawatt Global Rwanda Ltd (ASYV)

The loan agreement includes financial covenants requiring that the borrower must ensure that on each Calculation Date from the Financial Completion Date: Historic Audited DSCR and Historic Unaudited DSCR must exceed 1.10:1; and Projected Minimum DSCR must exceed 1.10:1.

Produccion De Energia S.A (Aqua Fria)

The loan facilities agreement contains financial covenants included, but not limited to: maintain a Minimum Debt Service Coverage of 1.10; maintain a Financial Debt to Total Assets not more than 70%.

Jordan portfolio (Oryx/EJRE/GLAE)

The loan agreement includes financial covenants requiring that the borrower must ensure that on each Calculation Date from the Commercial Operation Date: Historic Unaudited DSCR (HUDSCR) and Forecast Minimum DSCR (PMDSCR) must exceed 1.10:1.

The project companies meet the financial covenants at 31 December 2016. Refer to the definitions chapter for description of the abbreviations.

Note 7 Cash

NOK THOUSAND	2016	2015
Cash in project companies in operation	708,466	643,495
Cash in project companies under construction	7,000	169,934
Other restricted cash	117,840	174,241
Free cash	303,918	651,359
Total cash and cash equivalents	1,137,224	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	2016	2015
Free cash at beginning of the period	651,359	403,653
Net free cash flow from operations outside non-recourse financed companies	-448,450	704,526
Equity contributions/collateralised for equity commitments in project companies	-33,007	-580,518
Distributions from project companies	134,016	123,698
Free cash at end of the period	303,918	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 31 December 2016, the Group has not drawn 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 fourth quarter, an interest amounting to NOK 10,313 thousand (4,575) was expensed. During the twelve months of the year the interest amounted to NOK 41,013 thousand (4,575).

Per 31 December 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 1,313,568 thousand per year end. Refer to loan agreement available on www.scatecsolar.com/investor/debt and note 5 - Bonds 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 8 Guarantees and commitments

Scatec Solar is often required to provide performance and warranty guarantees in connection with construction activities, as well as bid bonds in connection with tender processes. Outstanding performance and warranty guarantees are mainly issued in relation to construction contracts entered into with project companies where Scatec Solar has a controlling interest. Performance guarantees typically represents 10-15% of the construction contract value. After the power plant is completed and grid connected the performance guarantee is replaced by a warranty guarantee of typically 5-10% of the contract value and is in force for the duration of the warranty period typically two years from grid connection. While the total nominal exposure from such guarantees may become significant as the level of construction activities increases in new markets, the exposure is limited in relation to the expected project margins and the contracts relate to construction activities where Scatec Solar has a solid track record. A bid bond is a guarantee issued by Scatec Solar to the provider in a tender process.

The Group has provided the following guarantees at 31 December 2016

- Guarantees for advance payments of NOK 0 (NOK 125,307 thousand as of 31 December 2015)
- Performance guarantees related of NOK 191,867 thousand (NOK 305,047 thousand as of 31 December 2015) related to the construction contracts for power plants in Honduras and Jordan



Outstanding performance and warranty guarantees are mainly issued for construction contracts entered into with project companies, where Scatec Solar has a controlling interest. Performance guarantees typically represents 10 - 15% of the construction contract value.

- Warranty guarantees of NOK 174,067 thousand (NOK 357,879 thousand as of 31 December 2015) related to power plants constructed by Scatec Solar in South Africa, Honduras and Jordan
- Bid bonds of NOK 185,536 thousand (NOK 105,098 thousand as of 31 December 2015) related to tenders/bidding for new projects in South Africa, Malaysia, Egypt and Nigeria
- Other guarantees of NOK 99,219 thousand (NOK 256,361 thousand as of 31 December 2015) mainly related to infrastructure investments in Egypt and land lease guarantees in Czech, South Africa and Jordan

The guarantee volumes specified below include both guarantees issued from recourse group to project companies (subsidiaries) and guarantees issued to third parties.

The guarantees have the following duration (closing balance of total guarantee exposure):

GUARANTEES' DURATION

NOK THOUSAND	2017	2018	2019	>2019
Performance guarantees 1)	121,841	70,026	-	=
Warranty guarantees ²⁾	94,154	42,873	-	37,040
Bid Bonds ³⁾	185,536	=	=	=
Other guarantees 4)	92,085	-	-	7,134
Total	493,616	112,899	-	44,174

- 1) Of which NOK 2,707 thousand to third parties
- 2) Of which NOK 41,440 thousand to third parties
- 3) Of which NOK 185,536 thousand to third parties
- 4) Of which NOK 99,219 thousand to third parties

The guarantees issued from recourse group entities are issued by Nordea Bank with the exception of bid bonds in South Africa. The performance and warranty guarantees in Honduras, Jordan and South Africa are counter guaranteed by The Norwegian Export Credit Guarantee Agency (GIEK). The guarantees issued by Nordea Bank are issued under the uncommitted overdraft

and guarantee facility with Nordea Bank. Financial covenants are equal to financial covenants in the green bond. Per 31 December 2016, Scatec Solar was in compliance with all bond covenants.

See Note 5 – Bonds for further information and definitions.

Contractual obligations

Scatec Solar has entered into land lease agreements for the PV power plants in South Africa, Czech, Honduras, Jordan and Rwanda. Scatec Solar ASA has entered into a purchase agreement with suppliers related to purchase of services for EPC in Honduras. Other contractual obligations consist of share purchase agreements with local developers for power plants in

Brazil and Nigeria. These agreements and similar agreements in other countries contain additional payments if the power plants are realised. Additional payments are not included, as they are dependent on start and completion of construction of the power plants. Furthermore, other contractual obligations include contracted CSR payments.

CONTRACTUAL OBLIGATIONS

NOK THOUSAND	2017	2018	2019	>2019
Leases (cars and office rental)	6,342	3,250	812	362
Leases (PV power plant land areas)	14,080	14,303	14,636	247,710
Total purchase services	11,206	=	=	-
Other contractual obligations	21,173	802	802	10,378
Total contractual obligations	52,801	18,355	16,250	258,450

Contingent liabilities

In November 2013, Scatec Solar SA 163 (the Company) terminated the contracts for delivery and installation of the tracker systems for the Dreunberg and Linde projects, due to material non-performance by the sub-contractor. The sub-contractor is disputing the lawfulness of such termination, and has instituted arbitration proceedings against the Company to recover its alleged damages arising out of the purported unlawful termination of the contracts. The sub-contractor, whose parent company is currently under administration in Germany, is claiming an amount of Rand 160 million (NOK 103 million) in respect of the Linde and Dreunberg projects. On the 27th of November 2015 the arbitrator has ruled in the Company's favour on all counts. The sub-contractor filed an appeal that was heard by the arbitrators in the second quarter of 2016. The outcome of the appeal was in the Company's favour and the matter is closed without any costs incurred by the Company.

In June and August 2016 respectively, the GLAE and EJRE project companies in Jordan put forward notices to Scatec Solar Jordan EPC with claims of liquidated damages of USD 2,451 thousand based on delayed Commercial Operation Date. Scatec Solar Jordan EPC has rejected the claims on the basis that there has been actions and omissions on the hand of the project companies which have a direct impact on the time for completion and Scatec Solar Jordan EPC is thus entitled to an extension of the time for completion exceeding the delay. Consequently, no provision has been made for the liquidating damages. Furthermore, the Scatec Solar Jordan EPC has claimed and included in revenues recorded an adjustment to the contract price by USD 3,326 thousand in variation orders and cost related to the delay caused by the project companies.

Derivative financial instruments Note 9



To manage certain interest rate and currency risks related to the financing of solar power plants in the project entities, the Group has entered into interest rate swap and forward exchange derivative contracts. The forward exchange derivative contracts expired during 2015.

The interest rates swap contracts are classified as derivatives designated as hedging instruments in effective hedges. The forward exchange contracts are not considered to be hedges in terms of IAS 39 Financial Instruments: Recognition and Measurement as they hedge the risk of embedded derivatives in the project entities that are offset by the opposite embedded derivative in another Group company. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The derivative financial instruments are presented on a gross basis in the consolidated statement of financial position, since the Group did not have the legal right or the intention to offset these cash flows.

The derivative contracts are recognised at fair value in the consolidated statement of financial position with the changes in the fair value recognised directly in the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income until the transactions they hedge occur. Changes in the fair value relate to daily changes in market prices of the derivative contracts and the volume of contracts entered into.

DERIVATIVE FINANCIAL ASSETS

NOK THOUSAND	2016	2015
Interest rate swap contracts		
Current portion	1,289	1,086
Non-current portion	18,237	126,810
Total derivative financial assets	19,526	127,896
DERIVATIVE FINANCIAL LIABILITIES		
NOK THOUSAND	2016	2015
Interest rate swap contracts		
Current portion	6,584	5,759
Non-current portion	7,330	-
Total derivative financial liabilities	13,914	5,759

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2016 were NOK 2,116,612 thousand (2015: NOK 1,943,413 thousand). The fixed interest rates vary from 11.11% to 14.06%, and the main floating rates are South African Prime.

Reconciliation of hedging reserve

HEDGING RESERVE-INTEREST RATE SWAP CONTRACTS

NOK THOUSAND	2016	2015	
Opening balance	88,059	-12,020	
Reclassification during the year to profit or loss, gross	-10,403	-33,498	
Reclassification during the year to profit or loss, tax effect	2,913	9,379	
Net gain/(loss) during the year of the not-yet matured contracts	-106,211	172,496	
Tax on items recognised in OCI	29,739	-48,299	
Hedging reserve	4,097	88,059	
Of which equity holders of the parent company	1,598	34,343	

Note 10 Financial instruments by category

Financial instruments and their carrying amounts recognised in the consolidated statement of financial position at 31 December, as defined by IAS 39, are presented below. There are no significant differences between total carrying value and fair value.

2016	FAIR VALUE THROUGH	LOANS AND	FINANCIAL LIABILITIES AT	AVAILABLE	DERIVATIVES USED FOR	TOTAL CARRYING
NOK THOUSAND	PROFIT OR LOSS	RECEIVABLES	AMORTISED COST	FOR SALE	HEDGING	AMOUNT
Financial assets	-	-	-	-	18,237	18,237
Other non-current assets	-	141,717	-	72	-	141,789
Total non-current financial assets	-	141,717	-	72	18,237	160,026
Trade and other receivables	-	231,484	-	=	-	231,484
Other current assets	-	114,104	-	-	-	114,104
Financial assets	-	-	-	-	1,289	1,289
Cash and cash equivalents	-	1,137,224	-	-	-	1,137,224
Total current financial assets	-	1,482,812	-	=	1,086	1,484,101
Non-recourse project financing	-	-	4,304,098	-	-	4,304,098
Bonds	-	-	495,417	-	-	495,417
Financial liabilities	-	-	-	-	7,330	7,330
Other financial liabilities	-	-	318,798	-	-	318,798
Total non-current financial liabilities	-	-	5,118,313	-	7,330	5,125,643
Trade and other payables	-	-	29,346	-	-	29,346
Non-recourse project financing	-	-	279,473	-	-	279,473
Other financial liabilities	-	-	-	-	6,584	6,548
Other current liabilities	-	-	183,166	-	-	183,166
Total current financial liabilities	-	-	491,965	-	6,584	498,569

2015 NOK THOUSAND	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT AMORTISED COST	AVAILABLE FOR SALE	DERIVATIVES USED FOR HEDGING	TOTAL CARRYING AMOUNT
Financial assets	-	-	-	-	126,810	126,810
Other non-current assets	-	136,471	-	72	-	136,543
Total non-current financial assets	-	136,471	-	72	126,810	263,353
Trade and other receivables	-	221,382	-	-	-	221,382
Other current assets	-	251,892	-	-	-	251,892
Financial assets	-	-	-	-	1,086	1,086
Cash and cash equivalents	-	1,639,029	-	-	-	1,639,029
Total current financial assets	-	2,112,303	-	-	1,086	2,113,389
Non-recourse project financing			4,893,045	-	-	4,893,045
Bonds	-	-	492,917	-	-	492,917
Other financial liabilities	-	-	253,399	-	-	253,399
Total non-current financial liabilities	-	-	5,639,361	-	-	5,639,361
Trade and other payables	-	-	154,154	-	-	154,154
Non-recourse project financing	-	-	334,072	-	-	334,072
Other financial liabilities	-	-	425	-	5,759	6,184
Other current liabilities	-	-	197,511	-	-	197,511
Total current financial liabilities	-	-	686,162		5,759	691,921

Note 11 Financial instruments: measurement and market risk sensitivities

Fair value measurement of financial instruments Derivative financial instruments

The Group mainly uses derivative financial instruments to hedge financial risk and apply hedge accounting. Derivatives not fulfilling the criteria for hedge accounting are recognised in the consolidated statement of financial position at fair value. Changes in the fair value of the derivative financial instruments are recognised in the consolidated statement of profit or loss as financial income/ (expense). For further description of the derivatives, see Note 9 - Derivative financial instruments.

Financial investments

Scatec Solar's financial investments comprise shares in companies where the Group does not have significant influence or control as well as self-built guarantees. All financial investments are recognised in the consolidated statement of financial position at fair value and are classified as assets available for sale. Changes

in fair value are recognised in other comprehensive income, except if there is a significant and prolonged decline in fair value. In the event of a significant and prolonged decline, an impairment loss is recognised in the consolidated statement of profit or loss. A subsequent increase in the fair value is recognised in the consolidated statement of comprehensive income.

Fair value hierarchy

The following table summarises each class of financial instrument recognised in the consolidated statement of financial position at fair value, split by the Group's basis for fair value measurement. Financial instruments recognised at fair value comprise financial investments and derivative financial instruments as described in Note 9 - Derivative financial instruments. The fair value of the Group's derivative financial instruments has been determined by external banks.

2016	NON-CURRENT FINANCIAL	DERIVATIVE FINANCIAL INSTRUMENTS	DERIVATIVE FINANCIAL INSTRUMENTS	TOTAL
NOK THOUSAND	INVESTMENTS	(ASSET)	(LIABILITY)	FAIR VALUE
Fair value beand an prince guested in an active modulet (Level 1)				
Fair value based on prices quoted in an active market (Level 1)	-	-	-	
Fair value based on price inputs other than quoted prices (Level 2)	-	19,526	-13,914	5,612
Fair value based on unobservable inputs (Level 3)	72	-	-	72
Total fair value at 31 December 2016	72	19,526	13,914	5,684
2015 NOK THOUSAND	NON-CURRENT FINANCIAL INVESTMENTS	DERIVATIVE FINANCIAL INSTRUMENTS (ASSET)	DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITY)	TOTAL FAIR VALUE
Fair value based on prices quoted in an active market (Level 1)	<u>-</u>	<u>-</u>	-	_
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				

Fair value in level 1 is based on prices quoted in an active market for identical assets or liabilities. At year end 2016 and 2015 there are no financial instruments measured at fair value within this level.

Fair value in level 2 is based on price inputs other than quoted prices, which are derived from observable market transactions. At 31 December 2016 and 2015 this level included the Group's derivative contracts. Fair value of these contracts is calculated by comparing the terms agreed under each derivative contract to the market terms for a similar contract on the valuation date.

Fair value in level 3 is based on unobservable inputs mainly internal assumptions. The internal assumptions are only used in the absence of quoted prices from an active market or other observable price inputs for the financial instruments subject to the valuation. Shares in companies in which Scatec Solar does not have significant influence or control are included in this level.

During the reporting period ending 31 December 2016, there have been no transfers between the fair value levels.

Market risk sensitivities

In the following overview, a sensitivity analysis showing how profit and loss or equity would have been affected by changes in the different types of market risk that the Group is exposed to at 31 December 2016, is presented.

For further information related to market risks and how the Group manages these risks, see Note 4 - Financial risk management.

The sensitivities have been calculated based on what Scatec Solar

views to be reasonably possible changes in the foreign exchange rates and interest for the coming year.

Currency risk

At the end of 2016, currency risk sensitivities for monetary items were calculated by assuming a +5/-5% change in the foreign exchange rates that the Group was mainly exposed to; a +5% change refers to a weakening of the functional currency against the transactional currency and a -5% change refers to a strengthening of the functional currency against the transactional currency.

NOK THOUSAND	NOK	EUR	USD	ZAR
At 31 December 2016				
Net gain/(loss) (-5% sensitivity)	-4,168	-22,204	30,212	37,722
Net gain/(loss) (5% sensitivity)	4,168	22,204	-30,212	-37,722

Interest rate risk

The Group has a limited exposure related to interest rate risk through liquid assets and interest bearing financial liabilities as most of the Group's interest bearing liabilities carry fixed rates. For further information, see Note 4 - Financial risk management.

At the end of 2016, interest rate sensitivities are calculated by assuming a +1/-1% change in the interest rates.

NOK THOUSAND

At 31 December 2016	1%	-1%
Net gain/(loss)	2,690	-2,690

Note 12 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

NOK THOUSAND	SOLAR POWER PLANTS	SOLAR POWER PLANTS UNDER CONSTRUCTION	MACHINERY AND EQUIPMENT	TOTAL
Accumulated cost at 1 January 2016	4,870,844	652,131	29,629	5,552,604
Additions	125,220	923,597	9,665	1,058,482
Transfers	908,780	-908,780	-	
Disposed assets at cost	-1,090,045	-957	-6,160	-1,097,162
Effect of movements in foreign exchange	174,018	-19,425	740	155,333
Accumulated cost at 31 December 2016	4,988,817	646,566	33,874	5,669,257
Accumulated depreciation and impairment losses at 1 January 2016	325,171	1,506	9,738	336,415
Depreciation for the year	242,453	-	5,428	247,881
Impairment losses	13,417	8,191	594	22,202
Accumulated depreciation and impairment losses disposed assets	-36,808	-28	-3,990	-40,826
Effect of movements in foreign exchange	22,000	-321	639	22,318
Accumulated depreciation and impairment losses at 31 December 2016	566,233	9,348	12,409	587,990
Carrying amount at 31 December 2016	4,422,584	637,218	21,465	5,081,267
Estimated useful life (years)	20-30	N/A	3-5	
Accumulated cost at 1 January 2015	3,037,090	175,870	18,203	3,231,163
Additions	1,767,017	487,560	10,469	2,265,046
Transfers	-7,369	-20,659	1,601	-26,427
Disposed assets at cost	-	-17,509	-548	-18,057
Effect of movements in foreign exchange	74,106	26,869	-96	100,879
Accumulated cost at 31 December 2015	4,870,844	652,131	29,629	5,552,604
Accumulated depreciation and impairment losses at 1 January 2015	166,151	122	4,971	171,244
Depreciation for the year	165,848	-	4,947	170,795
Impairment losses	-	4,457	357	4,814
Accumulated depreciation and impairment losses disposed assets	_	-2,506	-167	-2,673
Effect of movements in foreign exchange	-6,828	-567	-370	-7,765
Accumulated depreciation and impairment losses at 31 December 2015	325,171	1,506	9,738	336,415
Carrying amount at 31 December 2015	4,545,673	650,625	19,891	5,216,188
Estimated useful life (years)	20-30	N/A	3-5	

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). The Jordan plants started during the third quarter 2016. Power plants which are constructed within one fiscal year are presented as additions to "solar power plants" in the table above. 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". A part of the 2016 additions relates to asset retirement obligations which were recorded for the first time in 2016. Refer to note 28 – Asset retirement obligations further details on these obligations.

The carrying value of development projects that have not yet reached the construction phase was NOK 637,218 thousand at 31 December 2016 (31 December 2015: NOK 141,302 thousand). Scatec Solar's proportionate share of the carrying value of the development projects is approximately NOK 449 million.

During 2016, the Group sold the 104 MW Utah Red Hills plant as well as two US development projects (200 MW). Refer to note 29 – net gain/(loss) from sale of project assets, for more information on these transactions.

The project entities' assets, including solar power plants, are pledged as security for the non-recourse financing.

IMPAIRMENTS

NOK THOUSAND	2016	2015
Development projects	8.191	4,457
Solar power plants	13,417	=
Other	594	357
Total impairment losses	22,202	4,814

During 2016, the Group incurred impairment losses of NOK 22,202 thousand (2015: NOK 4,814 thousand). NOK 8,191 thousand of the impairment charge relates to development projects which have been taken out of the pipeline. Whereas NOK 13,417 thousand were charged as impairment loss as the company impaired a 0.5 MW roof top plant as part of the exit of the US market. In 2015 the Group incurred impairment losses of NOK 4,457 thousand related to development projects in South Africa and the US.

All impairment losses on development projects are recognised in the Development & Construction segment whereas the impairment loss on the US rooftop plant is recognised in the Power Production segment.

In October 2015 Scatec Solar and Norfund acquired the Los Prados solar project in Honduras. The project has secured 20-year PPA with Empresa Nacional de Energía Eléctrica (ENEE), the government-owned utility. Scatec Solar will build, own and operate the solar power plants with a 70% shareholding. Norfund holds 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). As part of the delayed process of obtaining the required interregional interconnection permit for the project, the company has done an impairment test of the project. The test concluded that the recoverable amount is higher than the carrying value of the project and no impairments were recorded. If further delays or other triggering events occur in the future, this will require an update of the impairment test.

No impairment indicators related to the Group's remaining property, plant and equipment have been identified, which in all material respect consists of solar power plants in operation or under construction. The impairment risk related to these assets is considered to be limited due to the long term power purchase agreements securing future revenues in line with the investment case for the project companies. The profitability of the project companies, compared to the investment case, are monitored on a monthly basis. Further, the carrying value of the property, plant and equipment in the consolidated financial statements is reduced with NOK 1,176 million of internal profit which provides an additional buffer compared to the project companies on a stand-alone basis.

Note 13 Impairment testing goodwill



The Group tests goodwill and other intangible assets with infinite useful life annually or more frequently if there are impairment indicators.

The Group tests goodwill and other intangible assets with infinite useful life annually or more frequently if there are impairment indicators. As of 31 December 2016 and 2015, the Group had no

other intangible assets with infinite useful life. Property, plant and equipment and other intangible assets with finite useful life are tested if there are indicators that assets may be impaired.

Goodwill

The following table shows the allocation of the total goodwill acquired in business combinations for impairment testing purposes, including to which segment the goodwill relates.

CARRYING VALUE OF GOODWILL AT 31 DECEMBER

NOK THOUSAND	2016	2015
Operating segment:		
Development and construction	22,289	23,595
Total at 31 December	22,289	23,595

The goodwill is associated with the acquisition of Solarcompetence GmbH October 2007. The goodwill was determined to be related to know-how (employees), the record of accomplishment of the company acquired, as well as synergies.

The purpose of the acquisition was to gain control of a competence centre that had documented results from delivering engineering, procurement and construction services related to large solar power projects.

Whereas project development and certain subcontracting require local knowledge and presence, a major part of the work related to the completion of solar power projects is of a generic nature and can be provided through a common methodology and platform independent of project and market. Consequently, the goodwill is allocated to and impairment tested on the global EPC cash generating unit, which is part of the Development & Construction operating segment.

The recoverable amount has been determined based on value in use calculations. The estimated cash flows correspond to the business plan for 2017, which is based on the Group's project

backlog. Consequently, expected cash flows from 2018 onwards is not included in the analysis. The business plan is approved by the Board of Directors. Cash revenues have been calculated based on estimated project volumes and an average margin related to project execution. Cash expenses have been calculated based on budgeted cost of sales and operating expenses attributable to project execution activities. To the best of management's judgement, capital expenditure and changes in working capital are insignificant in relation to this calculation and are therefore excluded. The nominal free cash flows exceed the carrying amount by approximately 25 times and the asset is not impaired.

Note 14 Tax

NOK THOUSAND	2016	2015
Tax payable	-12,425	-28,710
Change in deferred tax	-15,917	-44,807
Withholding tax	-	-11,306
Correction of previous years' income taxes	-68	853
Income tax expense	-28,410	-83,970
Reconciliation of Norwegian nominal tax rate to effective tax rate		
Profit before income tax	98,897	219,644
Nominal tax rate (25%)	-24,724	-59,304
Tax effect of:		
Tax rates different from nominal rate	14,941	-6,676
Share of net income from associated companies	-849	-234
Permanent differences	-4,761	-3,408
Current tax on dividend received and withholding tax	-	-11,306
Use and capitalisation of previously unrecognised losses carried forward	-	786
Valuation allowance loss carried forward	-12,836	-1,631
Effect of change of statutory tax rate	-1,420	-1,207
Correction of previous years taxes	-68	853
Other items	1,306	-1,843
Calculated tax expense	-28,410	-83,970
Effective tax rate	28.7%	38.2 %



The effective tax rate was primarily influenced by intercompany transaction subject to different tax rates, valuation allowances, permanent differences as well as losses in high tax jurisdictions.

For 2016, the income tax expense was NOK 28,410 thousand, equivalent to a tax rate of 29%. The effective tax rate was primarily influenced by intercompany transaction subject to

different tax rates, valuation allowances, permanent differences as well as losses in high tax jurisdictions. 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, valuation allowances related to tax losses carried forward, permanent differences as well as losses in high tax countries.

SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

NOK THOUSAND	2016	2015
Deferred tax assets		
Tax losses carried forward	746,095	657,989
Property, plant and equipment	335,947	343,236
Financial instruments	3,691	2,670
Bad debt provision	1,488	1,602
Other items	-2,853	2,017
Offsetting of tax balances 1)	-735,198	-658,475
Valuation allowance	-21,714	-8,369
Total deferred tax assets	327,456	340,670

1) Deferred tax assets and liabilities are offset to the extent that the deferred taxes relate to the same fiscal authority and there is a legally enforceable right to offset current tax assets against current tax liabilities.

NOKTHOUSAND	2016	2015
Deferred tax liabilities		
Property, plant and equipment	857,009	772,095
Financial instruments	5,399	82,157
Other items	298	7,659
Offsetting of tax balances ¹⁾	-735,198	-658,475
Total deferred tax liabilities	127,508	203,436

¹⁾ Deferred tax assets and liabilities are offset to the extent that the deferred taxes relate to the same fiscal authority and there is a legally enforceable right to offset current tax assets against current tax liabilities.

SPECIFICATION OF TAX LOSS CARRIED FORWARD

NOK THOUSAND	2016		201	5	
COUNTRY	LOSS CARRIED FORWARD	DEFERRED TAX ASSET		LOSS CARRIED FORWARD	DEFERRED TAX ASSET
South Africa	2,437,340	678,521		2,249,750	629,930
Norway	135,880	32,550		54,284	13,571
Czech	12,551	2,384		26,442	5,024
USA	46,453	7,327		-	-
France	14,774	-		15,423	-
Rwanda	3,215	621		3,933	590
Italy	12,666	-		12,473	=
Egypt	8,543	1,922		=	=
Mexico	2,198	659		850	250
Honduras	1,577	397		1,020	255
Total at 31 December	2,675,197	724,381		2,364,175	649,620

Except for in Czech, Norway, Rwanda and Honduras, all tax losses can be carried forward indefinitely. In Czech, there is a five-year expiration period for losses carried forward. In Norway, interest limitation rules came into force in 2014. The Group has at the end of 2016 capitalised approximately NOK 7 (7) million in deferred tax asset related to deferred interest expenses, which can be carried forward for 8 years. The losses carried forward in South Africa, US, Rwanda, Egypt, Mexico and Honduras are also recognised in full, based on expected future taxable profits that will more than offset accumulated losses and/or by using tax loss carry back mechanisms.

The losses carried forward in South Africa are mainly related to the fact that solar power plants are depreciated over three years for tax purposes, whereas the expected useful life for accounting purposes is 20 years. Similarly, the accelerated tax depreciations result in a deferred tax liability for property, plant and equipment at the same level as the taxable loss. Further, these project entities have entered into long-term Power Purchase Agreements and are expected to be profitable to the extent that all losses can be carried forward. Included in the net deferred tax asset is the tax effect of the eliminated internal profit related to the construction of the solar power plants of NOK 288,237 thousand. This tax asset is expensed over the useful life of the solar power plants.

For further information on valuation allowance related to losses carried forward, see Note 2 - key sources of estimation uncertainty, judgements and assumptions.

MOVEMENT IN NET DEFERRED TAX ASSET

NOK MILLION	2016	2015
Net deferred tax asset at 1 January	137,234	319,371
Recognised in the consolidated statement of profit or loss	-15,917	-44,807
Deferred tax on financial instruments recognised in other comprehensive income	32,084	-39,959
Deferred tax on transactions recognised in equity	4,374	8,567
Tax effect of ITC treated as government grant 1)	-	-80,293
Distributed taxes to tax equity partners ¹⁾	-	-8,342
Disposals of subsidiaries	29,118	=
Deferred taxes on withholding taxes	-1,715	1,008
Translation differences	14,770	-18,311
Net deferred tax asset 31 December	199,948	137,234

¹⁾ During 2015 the Red Hills project received an investment tax credit (ITC) which is recognised as a government grant (see note 2). 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.

Note 15 Trade receivables

NOK THOUSAND	2016	2015
Accounts receivables	149,989	149,090
Provision for bad debt	-	=
Accrued income and other receivables	81,495	72,292
Total trade receivables	231,484	221,382

Information on credit risk and foreign exchange risk regarding accounts receivables is further provided in Note 4 - financial risk management.

Ageing of trade receivables at year-end was as follows:

NOK THOUSAND	TOTAL	NOT DUE	OVERDUE
2016	149,989	128,321	21,668
2015	149,090	117,912	31,178

The overdue receivables are mainly related to sale of electricity from the Agua Fria plant in Honduras.

		OVERDUE			
NOK THOUSAND	LESS THAN 30 DAYS	30 - 60 DAYS	60 - 90 DAYS	MORE THAN 90 DAYS	
2016	10,073	10,159	154	1,282	
2015	11,169	9,793	9,666	550	

Note 16 Trade and other payables

NOK THOUSAND	2016	2015
Trade and other payables	29,346	154,154
Total trade and other payables	29,346	154,154

The consolidated trade and other payables are mainly related to construction related supplier credits. Consequently, the balance is affected by the activity level in the Development & Construction segment. The decreased payables at 31 December 2016

compared to 31 December 2015, reflects the reduced activity currently ongoing as part of the completion of the construction of Red Hills, Agua Fria, Oryx and EJRE/GLAE projects through 2016.

Note 17 Other non-current and current liabilities

Other non-current liabilities comprise the following:

NOK THOUSAND	2016	2015
Shareholder loan from non-controlling interests	175,547	253,128
Tax equity financing	-	93,217
Other liabilities	52,746	271
Asset retirement obligations (ref note 28)	90,505	-
Total other non-current liabilities	318,798	346,616

The reduction in shareholder loan compared to 2015 is mainly due to a reclassification of NOK 115 million from liability to equity in the Jordan project companies during 2016.

Other liabilities mainly relate to development cost sharing agreements with equity partners for the pipeline and backlog project portfolio.

Tax equity financing relates to the Utah Red Hills plant in the US which was sold December 2016.

Other current liabilities comprise the following:

NOK THOUSAND	2016	2015
Current liabilities to related parties (ref note 27)	14,033	12,448
Tax equity financing	-	167,283
EPC trade payables to non-controlling interests	-	45,657
Dividends to non-controlling interests	20,112	18,093
Current liabilities to non-controlling interests	33,441	30,241
Accrued expenses related to assets under construction	49,971	15,180
Public dues other than income taxes	15,960	12,643
Accrued dividends to shareholders	11,307	11,306
Accrued interest expenses	4,333	4,575
Accrued rent and operating lease	1,672	5,911
Other accrued expenses	32,337	41,457
Total other current liabilities	183,166	364,794

Tax equity financing relates to the Utah Red Hills plant in the US which was sold December 2016.

Note 18 Other non-current and current assets

Other non-current assets comprise the following:

NOK THOUSAND	2016	2015
Non-current assets from related parties (ref. note 27)	18,503	29,709
Loan to non-controlling interests	91,932	102,899
Shareholder loan	3,054	-
Other receivables and prepaid expenses	28,300	3,935
Total other non-current assets	141,789	136,543

Other current assets comprise the following:

NOK THOUSAND	2016	2015
Current assets from related parties (ref. note 27)	1.964	4,281
Receivables related to assets under construction	9,889	124,072
Receivables from non-controlling interests	30,823	60,094
Receivables from public authorities /prepaid taxes, VAT etc	38,526	25,875
Accrued interest income	3,231	2,493
Deposits	2,495	1,762
Other receivables and prepaid expenses	27,177	33,315
Total other current assets	114,104	251,892

Receivables related to assets under construction reflects working capital components on the construction contracts for the projects in Jordan. These projects were completed by the end of 2016 which explains the reduction from 2015.

Note 19 Other operating expenses

Other operating expenses for the years ended 31 December 2016 and 2015 comprise:

NOK THOUSAND	2016	2015
Facilities	57,666	32,164
Professional fees	46,866	35,791
Other office costs	14,307	10,173
Travel costs	10,905	10,607
Social development contributions	9,749	5,533
Provisions for loss on receivables	5,536	3,328
O&M external fees	9,468	5,663
Other costs	11,216	8,768
Total other operating expenses	165,713	112,027

Professional fees comprise the following costs:

NOK THOUSAND	2016	2015
Consultant fees	25,687	16,485
Legal fees	7,568	6,155
Audit services fees (including tax and other services provided by the auditors)	7,134	7,809
External accounting services	6,461	5,342
Total professional fees	46,866	35,791

Consultant fees mainly relate to new market surveys, project development activities, recruitment of additional employees and temporary hires.

Remuneration to the auditors (EY and other independent auditors)

NOK THOUSAND	2016	2015
Audit services	4,110	3,973
Other attestation services	80	15
Tax services	2,660	3,335
Other services	284	486
Total remuneration	7,134	7,809

Note 20 Financial income and expenses

INTEREST AND OTHER FINANCIAL INCOME

NOK THOUSAND	2016	2015
Interest income	50,439	63,868
Other financial income	357	534
Total financial income	50,796	64,402

INTEREST AND OTHER FINANCIAL EXPENSES

NOK THOUSAND	2016	2015
Interest expenses	-496,317	-395,541
Forward exchange contracts	-	-2,954
Other financial expenses	-8,484	-9,559
Total financial expenses	-504,801	-408,054
Foreign exchange gains/(losses)	-10,052	40,514
Net financial expenses	-464,057	-303,138

See Note 6 – Non-recourse financing and Note 11 – Financial instruments: measurement and market risk sensitivities for further information on project financing and interest rate sensitivity. See Note 5 – Bonds and Note 7 – Cash for further information on corporate financing.

Note 21 Investments in associated companies

The consolidated financial statements include the Group's share of profits/losses from associated companies, accounted for using the equity method.

PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS

COMPANY	REGISTERED OFFICE	2016	2015
Megawatt Holding AS	Oslo, Norway	50.0%	50.0%
Sansca Limited	Hong Kong	40.0%	40.0%
Scatec Energy LLC	Denver, US	50.0%	50.0%

Megawatt Holding AS and Sansca Limited had no activity in 2016, and the carrying amounts were zero for both companies at the beginning and end of the year. Scatec Energy developed wind projects in the US. The projects are sold and the company's activities are limited to managing and following up on these sales agreements.

In May 2015, the Group sold its portfolio of projects in the UK. Total consideration was NOK 20,094 thousand, cost of sales was NOK 17,509 and net gain was NOK 2,585 thousand.

In October 2015, the Group concluded the sale of Waihonu North LLC and Waihonu South LLC (8 MW total) in the US. Total cash consideration was NOK 87,430 thousand and the Group's share of the net development margin was NOK 11,527 thousand.

Both transactions are recorded in the Development & Construction segment and presented as net gain from sale of project assets.

NOK THOUSAND	2016	2015
Carrying amount 1 January	-	25,841
+/- share of profits	-3,394	-865
Additions	-	34,433
Disposals	-	-64,072
Reclassification (equity consolidated investments with a net negative carrying value is presented net with loans provided to the equity consolidated company)	3,394	-
Effects of movement in foreign exchange	-	4,663
Carrying amount 31 December	-	-
Net loss from associated companies	-3,394	-865

Note 22 Earnings per share

Earnings per share is calculated as profit/(loss) attributable to the equity holders of the parent company divided by the average number of shares outstanding.

Diluted earnings per share is affected by the option program for equity-settled share based payment transaction established in October 2016, see note 26 Employee benefits.

NOK THOUSAND	2016	2015
Profit/(loss) attributable to the equity holders of the company and for the purpose of diluted shares	3,502	67,651
Weighted average number of shares outstanding for the purpose of basic earnings per share	93,816	93,816
Earnings per share for income attributable to the equity holders of the company - basic (NOK)	0.04	0.72
Effect of potential dilutive shares:		
Weighted average number of shares outstanding for the purpose of diluted earnings per share	93,965	93,816
Earnings per share for income attributable to the equity holders of the company - diluted (NOK)	0.04	0.72

Note 23 Share capital, shareholder information and dividend

At year-end 2016 the total number of shareholders in Scatec Solar was 4,958.

At 31 December 2016, the share capital amounted to NOK 2,345 thousand. All shares rank in parity with one another and carry one vote

The tables below show the largest shareholders of Scatec Solar ASA and shares held by Management and Board of Directors at 31 December 2016.

SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP
SCATEC AS	19,482,339	20.77 %
FERD AS	11,711,182	12.48 %
GEVERAN TRADING CO LTD	4,389,503	4.68 %
VERDIPAPIRFONDET DNB NORGE (IV)	2,797,772	2.98 %
ARGENTOS AS	2,755,760	2.94 %
FOLKETRYGDFONDET	1,868,477	1.99 %
VERDIPAPIRFONDET PARETO INVESTMENT	1,535,000	1.64 %
STOREBRAND NORGE I VERDIPAPIRFOND	1,349,158	1.44 %
VERDIPAPIRFONDET PARETO NORDIC	1,250,000	1.33 %
VICTORIA INDIA FUND AS	1,168,200	1.25 %
DNB LIVSFORSIKRING ASA	1,164,498	1.24 %
SEB PRIME SOLUTIONS SISSENER CANOP	1,150,000	1.23 %
JPMORGAN CHASE BANK, N.A., LONDON	1,116,772	1.19 %
JPMORGAN CHASE BANK, N.A., LONDON	1,054,637	1.12 %
GOTHIC CORPORATION	1,014,982	1.08 %
STOREBRAND VERDI VERDIPAPIRFOND	960,156	1.02 %
BELITO AS	677,609	0.72 %
TOLUMA NORDEN AS	630,000	0.67%
VERDIPAPIRFONDET DNB MILJØINVEST	610,612	0.65 %
UBS AG	568,468	0.61%
Total 20 largest shareholders	57,255,125	61,03%
Total other shareholders	36,561,105	38.97%
Total shares outstanding	93,816,230	100.0%

BOARD OF DIRECTORS	NUMBER OF SHARES	OWNERSHIP
John Andersen Jr.	-	0.00%
Alf Bjørseth ¹⁾	19,552,174	20.81%
Jan Skogseth	-	0.00%
Cecilie Amdahl	-	0.00%
Mari Thjømøe ²⁾	20,557	0.02%
Total at 31 December 2016	19,572,731	20.83%

- 1) 19,482,339 shares held through the controlled company Scatec AS.
- 2) Held through the controlled company Thjømøe Kranen AS.

MANAGEMENT		NUMBER OF SHARES	OWNERSHIP
Raymond Carlsen ¹⁾	Chief Executive Officer	2,755,760	2.94%
Mikkel Tørud	Chief Financial Officer	278,440	0.30%
Terje Pilskog ²⁾	EVP Project Development & Project Finance	489,268	0.52%
Roar Haugland ³⁾	EVP People Development & Sustainability	385,735	0.41%
Torstein Berntsen ⁴⁾	EVP Power Production & Asset Management	678,504	0.72%
Snorre Valdimarsson	EVP General Counsel	275,220	0.29%
Total at 31 December 2016		4,862,927	5.18%

- 1) Held through the controlled company Argentos AS.
- 2) Held through the controlled company Océmar AS.
- 3) Held through the controlled company Buzz Aldrin AS.
- 4) 677,609 shares held through the controlled company Belito AS. 895 shares held by Torstein Berntsen's spouse.

Refer to note 26 – Employee benefits for information on share options granted to the management.

Dividend

For 2016 the Board of Directors has proposed a dividend of NOK 0.71 per share, totalling NOK 66,610 thousand. The share will be traded excluding dividend rights (ex-date) on the day following the Annual General Meeting to be held 24 April 2017.

On 4 May 2016, the Annual General Meeting of Scatec Solar ASA resolved to pay a dividend of NOK 0.66 per share, totalling NOK 61,919 thousand. The dividend was paid to the shareholders on 15 June 2016.

Note 24 Non-controlling interests

Scatec Solar's value chain comprises all downstream activities such as project development, financing, construction, operations as well as having an asset management role trough ownership of the solar power plants. Normally Scatec Solar enter into partnerships for the shareholding of the project companies owning the power plants, leading to material non-controlling interest.

Consolidation of project companies are identified as a significant judgement for the consolidated financial statements, and is described in Note 2 - Key sources of estimation uncertainty, judgements and assumptions. During 2016 Scatec Solar established;

• One project company in Mozambique operating the Mocuba power plant (to be constructed),



The specification of non-controlling interest in the group financial statements will differ from the non-controlling interests calculated based on the respective subsidiaries' stand-alone reporting.

 Five project companies in Egypt, and five holding companies in Netherland holding the portfolio of Egyptian development projects.

There are no material changes in the structure of the other companies with non-controlling interest.

PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS

NAME	COUNTRY OF INCORPORATION AND OPERATION	2016	2015
Scatec Solar SA 165 (Pty) Ltd	South Africa	35%	35%
Scatec Solar SA 164 (Pty) Ltd	South Africa	29%	29%
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	South Africa	61%	61%
Simacel 155 (Pty) Ltd (Linde)	South Africa	61%	61%
Simacel 160 (Pty) Ltd (Dreunberg)	South Africa	61%	61%
Scatec Solar SA 163 (Pty) Ltd	South Africa	8%	8%
Scatec Solar SA (Pty) Ltd	South Africa	30%	30%
Gigawatt Global Rwanda (ASYV)	Rwanda	57%	57%
Central Solar de Mocuba (Mocuba)	Mozambique	47,5%	=
Miners 152 LLC (Three Peaks & AREP)	USA	-	50%
Chateau St Jean	USA	20%	20%
BFL S.R.L	Italy	-	49%
Scatec Solar AS/ Jordan PSC (Oryx)	Jordan	10%	10%
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	Jordan	49.9%	49.9%
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	Jordan	49.9%	49.9%
Zafarana Solar Power SAE (Zafarana)	Egypt	51%	-
Red Sea Solar Power SAE (Red Sea)	Egypt	51%	-
Sun Infinite Binbane SAE (Sun Infinite)	Egypt	51%	-
Kom Ombo Renewable Energy SAE (Kom Ombo)	Egypt	51%	-
Philadelphia Power SAE (Philadelphia)	Egypt	51%	-
Egypt Solar BV	Netherland	30%	-
Daraw BV	Netherland	30%	-
Upper Egypt BV	Netherland	30%	-
Scatec Nigeria BV	Netherland	30%	-
Kom Ombo BV	Netherland	30%	-
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	Honduras	60%	60%
Los Prados	Honduras	30%	30%
Scatec Solar Intertec Mexico SAPI de CV	Mexico	40%	40%

The non-controlling interests include the non-controlling interest's share of subsidiaries' carrying amounts of assets and liabilities as well as the non-controlling interest's share of subsidiaries' profit or loss. Non-controlling interests are calculated on the respective subsidiaries' stand-alone reporting, adjusted for intercompany transactions – i.e. unrealised profits and losses for the Group are not taken into account even if they are realised for the subsidiary on a stand-alone basis. Further, unrealised intercompany profits relating to depreciable assets (solar power plants) are viewed as being realised gradually over the remaining economic life of the asset. Consequently, the specification of non-controlling interest in the group financial statements will differ from the

non-controlling interests calculated based on the respective subsidiaries' stand-alone reporting.

Accumulated balances of non-controlling interest and the allocation profit and loss are presented below, where "Other" is defined as project companies that the group considered to be non-material (Chateau St. Jean and Scatec Solar SA) and project companies where power plants is to be constructed (Miner 152, Central Solar de Mocuba, Zafarana Solar Power, Red Sea Solar Power, Sun Infinite Binbane, Kom Ombo Renewable Energy, Philadelphia Power, Egypt Solar, Daraw, Upper Egypt, Scatec Solar Nigeria and Kom Ombo):

ACCUMULATED BALANCES OF MATERIAL NON-CONTROLLING INTEREST (GROUP BASIS)

NOK THOUSAND	2016	2015
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	101,870	140,747
Simacel 155 (Pty) Ltd (Linde)	102,320	111,555
Simacel 160 (Pty) Ltd (Dreunberg)	198,530	232,334
Scatec Solar SA 163 (Pty) Ltd	-20,112	-18,093
Gigawatt Global Rwanda (ASYV)	14,981	12,024
Scatec Solar AS/ Jordan PSC (Oryx)	6,956	529
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	78,606	6,448
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	37,350	3,004
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	96,130	100,978
Other	11,378	28,730
Total non-controlling interest	628,009	618,255

Gross profit

Operating expenses

Net financial expenses

Profit before income tax

Profit/(loss) for the period

Income tax (expense)/benefit

Other comprehensive income
Total comprehensive income

Attributable to non-controlling interests

Dividends paid to non-controlling interests

Operating profit

PROFIT/(LOSS) ALLOCATED TO MATERIAL NON-CONTROLLING INTEREST (GROUP BASIS)

NOK THOUSAND	2016	2015
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	35,559	29,313
Simacel 155 (Pty) Ltd (Linde)	15,175	14,329
Simacel 160 (Pty) Ltd (Dreunberg)	23,702	22,952
Gigawatt Global Rwanda	424	842
Scatec Solar AS/ Jordan PSC (Oryx)	293	-17
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	-367	-9
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	234	-27
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	-2,583	2,014
Other	-5,452	-1,374
Total non-controlling interest	66,985	68,023

Financial information of subsidiaries that have material non-controlling interests is provided below:

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR 2016 (STAND ALONE BASIS)

		SCATEC SOLAR				SCATEC SOLAR
NOK THOUSAND	SA 165	SA 164	KALKBULT	LINDE	DREUNBERG	SA 163
Total revenues and other income		-	274,629	135,375	251,984	72,089
Cost of sales	=	-	-	-	-	-18,316
Gross profit	-	-	274,629	135,375	251,984	53,773
Operating expenses	-89	-86	-92,350	-48,440	-88,947	-46,655
Operating profit	-89	-86	182,279	86,935	163,037	7,118
Net financial expenses	-574	7,780	-106,755	-57,153	-123,350	3,467
Profit before income tax	-663	7,694	75,524	29,782	39,687	10,585
Income tax (expense)/benefit	-1,581	-4,024	-21,273	-8,315	-11,220	-2,976
Profit/(loss) for the period	-2,244	3,670	54,251	21,467	28,467	7,609
Other comprehensive income	-	-	-26,869	-17,378	-38,258	-
Total comprehensive income	-2,244	3,670	27,382	4,089	-9,791	7,609
Attributable to non-controlling interests	-785	1,064	16,703	2,494	-5,973	609
Dividends paid to non-controlling interests	=	23,660	64,293	16,263	52,071	-
NOK THOUSAND	ASYV	AGUA FRIA	ORYX	EJRE	GLAE	OTHER
Total revenues and other income	31,148	117,543	19,001	21,957	15,206	776
Cost of sales	-	-	-	-	-	-

31,148

-13,520

17,628

-16,295

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-399

934

934

532

117,543

-63,982

53,561

-57,700

-4,139

-4,139

-4,139

-2,483

19,001

-10,635

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-7,346

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958

958

96

21,957

-14,541

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-8,907

-1,491

-1,491

-1,491

-744

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-2,779

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-6,140

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-6,414

-6,414

-3,133

17,412

-59

-59

-59

-29

6,319

-2,090

4,229

4,229

1,351

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR 2015 (STAND ALONE BASIS)

NOK THOUSAND	SCATEC SOLAR SA 165	SCATEC SOLAR SA 164	KALKBULT	LINDE	DREUNBERG	SCATEC SOLAR SA 163
Total revenues and other income	-	-	283,938	145,390	268,829	93,742
Cost of sales	-	-	-	-	-	-42,116
Gross profit	-	-	283,938	145,390	268,829	51,626
Operating expenses	-115	-124	-98,540	-51,612	-92,368	-39,192
Operating profit	-115	-124	185,398	93,778	176,461	12,434
Net financial expenses	-1,602	8,703	-132,692	-70,947	-142,045	3,373
Profit before income tax	-1,717	8,579	52,706	22,831	34,416	15,807
Income tax (expense)/benefit	478	-2,404	-14,757	-6,386	-9,659	-3,829
Profit/(loss) for the period	-1,239	6,175	37,949	16,445	24,757	11,978
Other comprehensive income	-	-	38,031	20,666	44,654	
Total comprehensive income	-1,239	6,175	75,980	37,111	69,411	11,978
Attributable to non-controlling interests	-434	1,791	46,348	22,638	42,341	958
Dividends paid to non-controlling interests	-	-	109,672	28,609	-	19,459
NOK THOUSAND	ASYV	AGUA FRIA	ORYX	EJRE	GLAE	OTHER
Total revenues and other income	28,631	47,696	-	-	-	1,260
Cost of sales	-	-	-	-	-	-
Gross profit	28,631	47,696	-	-	-	1,260
Operating expenses	-11,178	-22,886	-96	-58	-60	-3,051
Operating profit	17,453	24,810	-96	-58	-60	-1,791
Net financial expenses	-16,595	-21,477	7	13	1	8,110

3,333

3,333

3,333

2,000

-89

-89

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-45

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-45

-22

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (STAND ALONE BASIS)

858

-167

691

691

394

Profit before income tax

Income tax (expense)/benefit Profit/(loss) for the period

Other comprehensive income Total comprehensive income

Attributable to non-controlling interests

Dividends paid to non-controlling interests

NOK THOUSAND	SCATEC SOLAR SA 165	SCATEC SOLAR SA 164	KALKBULT	LINDE	DREUNBERG	SCATEC SOLAR SA 163
Property, plant and equipment	=	=	1,119,936	611,048	1,210,456	1,037
Other non-current assets	59,626	154,032	1,389	36,521	73,401	45,052
Cash and cash equivalents	39,104	34,782	163,266	71,694	123,493	8,833
Other current assets	199	484	60,097	35,415	66,579	6,846
Non-recourse financing	-	-	-997,514	-540,395	-1,092,142	-
Other non-current liabilities	-48,433	-101,021	-66,942	-39,580	-118,656	-11,798
Current liabilities	-5,419	-38,712	-16,005	-22,388	-18,844	-24,374
Total equity	45,077	49,565	264,227	152,315	244,287	25,596
August 11						
Attributable to:						
Equity holders of parent	29,300	35,191	103,049	59,403	95,272	23,548
Non-controlling interest	15,777	14,374	161,178	92,912	149,015	2,048

NOK THOUSAND	ASYV	AGUA FRIA	ORYX	EJRE	GLAE	OTHER
Property, plant and equipment	166,280	888,516	239,860	556,602	279,280	144,317
Other non-current assets	259	-	6,844	=	=	69,128
Cash and cash equivalents	17,231	88,579	55,754	103,862	50,082	15,690
Other current assets	6,267	38,661	4,370	11,137	5,112	269,327
Non-recourse financing	-145,445	-604,305	-200,691	-428,251	-223,016	-
Other non-current liabilities	-10,164	-186,984	-24,032	-33,979	-9,250	-383,687
Current liabilities	-5,362	-2,241	-862	-29,437	-14,629	-35,701
Total equity	29,066	222,226	81,243	179,934	87,579	79,074
Attributable to:						
Equity holders of parent	12,498	88,890	73,119	90,147	43,877	52,053
Non-controlling interest	16,568	133,336	8,124	89,787	43,702	27,021

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (STAND ALONE BASIS)

NOK THOUSAND	SCATEC SOLAR SA 165	SCATEC SOLAR SA 164	KALKBULT	LINDE	DREUNBERG	SCATEC SOLAR SA 163
Property, plant and equipment	-	-	1,054,217	576,016	1,137,970	4,816
Other non-current assets	115,180	208,722	33,024	60,729	133,716	5,124
Cash and cash equivalents	2,639	29,018	137,834	52,093	131,619	6,164
Other current assets	12	401	52,052	33,728	62,002	327,360
Non-recourse financing	=	-	-916,024	-511,792	-1,021,370	-
Other non-current liabilities	-54,729	-233,537	-106,765	-63,380	-180,095	-8,945
Current liabilities	-20,362	-14,773	-53,977	-15,447	-42,307	-318,888
Total equity	42,740	-10,169	200,361	131,947	221,535	15,631
Attributable to:						
Equity holders of parent	27,781	-7,220	78,141	51,459	86,399	14,381
Non-controlling interest	14,959	-2,949	122,220	80,488	135,136	1,250
NOK THOUSAND	ASYV	AGUA FRIA	ORYX	EJRE	GLAE	OTHER
Property, plant and equipment	177.756	957,266	181,060	201,057	123,150	73,921
Other non-current assets	476	-	-	-	-	484
Cash and cash equivalents	25,458	179,571	10,403	102,308	57,223	43,406
Other current assets	5,268	57.259	60.597	239,834	92,257	200,305
Non-recourse financing	-173,326	-651,514	-161,671	-350,598	-181,289	-
Other non-current liabilities	-9,355	-143,340	-61,134	-147,295	-69,143	-123,754
Current liabilities	-6,545	-197,401	-22,490	-30,929	-15,415	-123,646
Total equity	19,732	201,841	6,765	14,377	6,783	70,716
Attributable to:						
Equity holders of parent	8,485	80,736	6,089	7,203	3,398	49,240
Non-controlling interest	11,247	121,105	677	7,174	3,385	21,476

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Note 25 Project financing provided by co-investors

In relation to the structuring and financing of the project companies in the Group, financial instruments are issued by both the controlling and non-controlling interests. Such financing is granted both as formal equity and shareholder loans. The shareholder loans granted to Kalkbult, Linde, Dreunberg, ASYV, Oryx, EJRE and GLAE are recognised as equity as both of the following conditions are met:

The instrument includes no contractual obligation either:

- · To deliver cash or another financial asset to another party; or
- To exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the issuer

On the basis of the above, all payments related to the shareholder loans are at the discretion of the project company. Accordingly, these shareholder loans are accounted for as equity.

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 will be presented as a financial expense in the consolidated statement of profit or loss.

At the year ended 31 December 2016, the following financing have been granted by co-investors to consolidated project companies.

NOK THOUSAND	TOTAL FINANCING	FORMAL EQUITY	SHAREHOLDER LOAN RECOGNISED IN EQUITY	LOAN RECOGNISED AS FINANCIAL LIABILITY
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	81,523	70,855	10,669	-
Simacel 155 (Pty) Ltd (Linde)	52,701	21,381	31,320	-
Simacel 160 (Pty) Ltd (Dreunberg)	126,704	41,614	85,089	=
Gigawatt Global Rwanda (ASYV)	18,629	5,587	13,042	=
Scatec Solar AS/ Jordan PSC (Oryx)	59,155	91	59,064	=
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	79,285	757	78,528	=
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	37,254	757	36,497	=
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	209,185	96,634	-	112,551
Los Prados	80,185	17,198	-	62,987
Scatec Solar Intertec Mexico SAPI de CV	3,097	3,097	-	-
Total project financing from non-controlling interests	747,717	257,970	314,209	175,539

At the year ended 31 December 2015, the following financing have been granted by co-investors to consolidated project companies.

NOK THOUSAND	TOTAL FINANCING	FORMAL EQUITY	SHAREHOLDER LOAN RECOGNISED IN EQUITY	SHAREHOLDER LOAN RECOGNISED AS FINANCIAL LIABILITY
	100.100	60.744	50.700	
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	120,463	63,741	56,722	-
Simacel 155 (Pty) Ltd (Linde)	62,314	19,250	43,064	-
Simacel 160 (Pty) Ltd (Dreunberg)	174,976	37,467	137,509	-
Gigawatt Global Rwanda (ASYV)	12,563	2,195	10,368	-
Scatec Solar AS/ Jordan PSC (Oryx)	6,798	544	=	6,254
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	80,699	6,457	=	74,242
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	37,917	3,033	=	34,884
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	204,892	98,752	=	106,140
Los Prados	52,675	21,068	=	31,607
Scatec Solar Intertec Mexico SAPI de CV	3,764	3,764	=	-
Total project financing from non-controlling interests	757,062	256,272	247,663	253,127
Utah Red Hills	260,500	=	=	260,500
Total project financing from tax equity investors	260,500	-	-	260,500
Total project financing from co-investors	1,017,562	256,272	247,663	513,627

At the year ended 31 December 2015, the following financing have been granted by co-investors to consolidated project companies.

For the year ended 31 December 2016 NOK 38,277 thousand (NOK 35,752 thousand per 31 December 2015) of interest on financing provided by co-investors including interest for tax equity investor have been accrued, of which NOK 16,437 thousand is recognised directly in the equity (NOK 31,255 per 31 December 2015).

The equity and loan financing provided by the co-investors is repaid according to a pre-determined waterfall structure, meaning that the financing presented above will be settled after external

non-recourse financing, and will only when distributable cash as defined by the financing agreements is available. Normally this would occur twice a year. The tax equity liability will partly be settled with cash distributions based on a waterfall structure and partly from non-cash allocation of taxable results from the project company.

Note 26 Employee benefits

SALARIES AND OTHER PERSONNEL COSTS

NOK THOUSAND	2016	2015
Salaries	91,331	80,171
Share-based payment	14,958	14,756
Payroll tax	10,927	9,141
Pension costs	7,083	4,310
Other personnel costs	4,833	7,271
Capitalised to PP&E (project assets)	-42,933	-45,106
Total personnel expenses	86,199	70,543

MANAGEMENT GROUP REMUNERATION

NOK THOUSAND	2016	2015
Salary and bonus	13,512	12,353
Pension	991	614
Other benefits	76	299
Total reportable benefits paid	14,579	13,266

For further details refer to note 4 in the separate financial statements for the parent company.

Long term incentive programs

In line with the terms adopted by the annual general meeting of Scatec Solar ASA on May 4, 2016, the Board of Directors has established an option program for leading employees of the company. The option program follows the restricted share incentive program that was established prior to the Scatec Solar IPO in the fall of 2014 and that expired October 3, 2016. The first award under the program is 757 thousand options, which will be vested 1/3 1 January 2018, 1/3 1 January 2019 and the final 1/3 1 January 2020. The strike price is equivalent to the volume weighted average price of the shares the 10 preceding trading days of the grant. A total of 15 employees were awarded options. The current grant is the first of three contemplated annual grants of options in accordance with the Scatec Solar share based incentive program. The award of options meets the definition of an equity-settled share based payment transaction (IFRS 2 app. A). The fair value of the equity instruments is measured at grant date, which was 6 October 2016. The fair value of the first award (excluding social security tax) is estimated at NOK 7,098 thousand, of which NOK 844 thousand was expensed in the fourth quarter 2016. The remaining fair value of the first award will be expensed as the

options vests, i.e. approximately NOK 3,484 thousand in 2017, NOK 1,902 thousand in 2018 and NOK 841 thousand in 2019.

In September 2015 certain key employees were invited to participate in a one-time personal award program, whereby such key employees were granted 80 thousand synthetic Scatec Solar shares. In addition, the participants will earn a multiplier of between 1 and 2 times the awarded number of synthetic shares, making the total size of the program 160 thousand synthetic shares. The vesting of the shares is conditional upon the participants being employed with the company at year-end 2016/2018. Further, the second tranche of shares is linked to performance conditions that must be satisfied. The value of the synthetic shares will be paid to the participants 28 February 2017/2019 based on the share price on the last day of trading in 2016/2018. The program meets the definition of a cash settled share based payment transaction and is accounted for in accordance with IFRS 2. The estimated total fair value of the plan at grant date was NOK 8,383 thousand and an accrual of NOK 5,043 thousand (997) has been recognised per 31 December 2016.

The General Meeting adopted in July 2014 a retention and share incentive plan. Certain key employees were invited to participate in the one-time plan and were awarded the right to subscribe to a specific number of shares at their nominal value. The shares issued are subject to a lock-up period of approximately two years and expired in October 2016. The plan meets the definition of an equity settled share based payment transaction and is accounted for in accordance with IFRS 2 Share-based payment. The fair value of the granted shares of the total plan is NOK 36,304 thousand (including social security tax) and is expensed over the vesting period. The fair value is based on a valuation of the company at

the grant date. In 2016 a total of NOK 10,305 thousand (2015: 13,759 thousand) was expensed as a personnel expense related to this plan.

Pensions schemes

The Group has established pension schemes that are classified as defined contribution plans. Contributions to defined contribution schemes are recognised in the consolidated statement of profit and loss in the period in which the contribution amounts are earned by the employees.

THE AVERAGE NUMBER OF FTES THAT HAS BEEN EMPLOYED DURING THE FINANCIAL FISCAL YEAR

NUMBER OF FTES EMPLOYED DURING THE FINANCIAL YEAR	2016	2015
Norway	46	35
Germany	1	1
South Africa	67	59
Czech	4	4
France	5	5
USA	-	13
Jordan	3	3
Italy	2	2
Mozambique	1	-
Rwanda	2	1
Egypt	8	1
Honduras	10	8
Total	149	132

Note 27 Transactions with related parties

The Scatec Solar Group has during 2016 and 2015 had the following transactions with non-controlling interests:

Related party Nature of transaction

Scatec AS (shareholder) Management services and financing

Scatec Energy LLC (associate) Financing Key management personnel Loans and salaries

All related party transactions have been carried out as part of the normal course of business and at arm's length. The most significant transactions in 2016 and 2015 are:

OTHER NON-CURRENT ASSETS COMPRISE THE FOLLOWING

NOK THOUSAND	2016	2015
Loan to associated companies	9,792	21,043
Loan to key management personnel	7,211	7,047
Total other non-current assets	17,003	28,090

OTHER CURRENT RECEIVABLES ON RELATED PARTIES COMPRISE THE FOLLOWING

NOK THOUSAND	2016	2015
Receivables on associated companies	1,683	3,849
Total current receivables on related parties	1,683	3,849

See Note 18 – Other non-current and current assets for specification of total non-current and current assets.

OTHER CURRENT LIABILITIES TO RELATED PARTIES COMPRISE THE FOLLOWING

NOK THOUSAND	2016	2015
Accrued payroll to key management personnel	3,197	1,761
Other payables to shareholder	-	180
Total current liabilities to related parties	3,197	1,941

See Note 17 – Other non-current and current liabilities for specification of total other non-current and other current liabilities.

Note 28 Asset retirement obligations

Provision for asset retirement costs are recognised when the Group has an obligation to dismantle and remove a solar power plant and to restore the site on which it is located. The asset retirement cost is capitalised as part of the carrying value of the solar power plant and depreciated over the useful life of the plants. Expenditures related to asset retirement obligations are expected to be paid in the period between 2033 and 2041. The expected timing is based on the duration of the existing PPAs but could be extended dependent on the development of the power markets post the current PPA regime. Government bonds have been used



The asset retirement cost is capitalised as part of the carrying value of the solar power plant and depreciated over the useful life of the plants.

when discounting the obligations. For further information on methods applied and estimates required, see note 2 – key sources of estimation uncertainty, judgements and assumptions.

ASSET RETIREMENT OBLIGATIONS

NOK THOUSAND	ASSET RETIREMENT OBLIGATIONS
Provisions at 31 December 2015	-
Additional provisions made in the period	123,256
Unused amounts/provisions paid	-39,118
Effect of change in the discount rate and the passage of time	2,262
Effects of movements in foreign exchange	4,105
Provisions at 31 December 2016	90,505

Note 29 Net gain/(loss) from sale of project assets

On 3 October 2016, Scatec Solar announced that the company had entered into an agreement for the sale of 100% of the sponsor equity in the Utah Red Hills project company with MIC Renewable Energy Holdings LLC, owned by Macquarie Infrastructure Corporation (NYSE; MIC). The sale agreement was signed 21 September and closing took place 28 December 2016. Total consideration, net after sales cost amounted to NOK 230 million. Net gain on consolidated basis was NOK 67 million. With effect from the closing date, the consolidation of the project company ceased, reducing the total balance sheet value of the Group by NOK 1,156 million. An accumulated foreign currency translation reserve (loss) of NOK 6 million was recycled from other comprehensive income to profit or loss as part of the deconsolidation. The reserve was recorded net with other foreign currency

translation differences in other comprehensive income with the opposite entry presented as a foreign exchange loss in the statement of profit or loss.

Further, the 200 MW AREP and Three Peaks solar power projects in the US which was developed by Scatec Solar were sold at carrying value in the first quarter 2016 and were presented as held for sale assets at 31 December 2015. Also included in net gain from sale of project assets is a contingent consideration related to the sale of the 8 MW Waihonu project in the US which was concluded in October 2015.

In total net gain from sale of project assets during 2016 amounted to NOK 75,405 thousand (2015: NOK 14,112).

Note 30 Consolidated subsidiaries

The following subsidiaries are included in the consolidated financial statements.

COMPANY	REGISTERED OFFICE	CONSOLIDATED ECONOMIC INTERESTS 2016	CONSOLIDATED ECONOMIC INTERESTS 2015
COMPANIA COM	REGISTERED OF FIGE	INTERESTS 2010	INTERESTS 2013
Scatec Solar GmbH	Regensburg, Germany	100%	100%
Scatec Solar SA163 (Pty) Ltd	Cape Town, South Africa	92%	92%
Scatec Solar Italy S.R.L	Rome, Italy	100%	100%
BFL F S.R.L	Rome, Italy	100%	100%
Scatec Solar S.R.O	Prague, Czech	100%	100%
Signo Solar PP01 S.R.O	Prague, Czech	100%	100%
Signo Solar PP02 S.R.O	Prague, Czech	100%	100%
Signo Solar PP03 S.R.O	Prague, Czech	100%	100%
Signo Solar PP04 S.R.O	Prague, Czech	100%	100%
SPV 1 Solar S.R.O	Prague, Czech	100%	100%
Scatec Solar India Pvt. Ltd.	New Delhi, India	100%	100%
Scatec Solar North America Inc.	California, USA	100%	100%
Utah Red Hills Renewable Park, LLC ²⁾	California, USA	-	100%
Altamaha Renewable Energy Park, LLC 2)	California, USA	-	100%
Live Oak Solar Farm, LLC 2)	California, USA	-	100%
Three Peaks Power, LLC ²⁾	California, USA	-	100%
Scatec California Solar No 1, LLC	California, USA	100%	100%
Scatec California Partners, LP	California, USA	100%	100%
Scatec Solar Hawaii, LLC ²⁾	Hawaii, USA	-	100%
Chateau St Jean Solar LLC	California, USA	80%	80%
Tourves SPV SAS	St Raphael, France	100%	100%
Scatec Solar SAS	Paris, France	100%	100%
Scatec Solar Jordan EPC	Amman, Jordan	100%	100%
Scatec Solar AS/Jordan PSC	Amman, Jordan	90%	90%
Anwar Al Ardh For Solar Energy Generation PSC	Amman, Jordan	50.1%	50.1%
Ardh Al Amal For Solar Energy Generation PSC	Amman, Jordan	50.1%	50.1%
Scatec Luxemburg Holding SA	Luxemburg	=	100%
Scatec Solar Asia Pacific Pte Ltd ²⁾	Singapore	-	100%
Scatec Solar SA (Pty) Ltd	Sandton, South Africa	70%	70%

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Scates Colar SA 155 (Pty) Ltd Sandton, South Africa 65% 65% Scates Colar SA 166 (Pty) Ltd Sandton, South Africa 39% 39% Scates Colar SA 166 (Pty) Ltd Sandton, South Africa 39% 39% Simacel 155 (Pty) Ltd Sandton, South Africa 39% 39% Simacel 160 (Pty) Ltd Sandton, South Africa 39% 39% Scates Colar Management Services (Pty) Ltd Sandton, South Africa 100% 100% Scates Colar Awand Ltd Randon, South Africa 100% 100% Scates Colar Awand Ltd Rwanda 100% 100% Glawart Global Rwanda Ltd Rwanda 43% 43% Scates Colar Honduras SA Honduras 100% 100% Scates Colar Amagement Services SA Honduras 70% 70% Scates Colar Amagement Services SA Honduras 100% 40% Gates Colar Management Services SA Honduras 100% 40% Gates Colar Management Services SA Honduras 70% 70% Scates Colar Polar SA Honduras	COMPANY	REGISTERED OFFICE	CONSOLIDATED ECONOMIC INTERESTS 2016	CONSOLIDATED ECONOMIC INTERESTS 2015
Scatec Solar SA 164 (Phy)Ltd Sandton, South Africa 71% 71% Simacel 156 (Phy) Ltd Sandton, South Africa 39% 39% Simacel 156 (Phy) Ltd Sandton, South Africa 39% 39% Scatec Solar Management Services (Phy) Ltd Sandton, South Africa 100% 100% Scatec Solar Keywanda Ltd Rwanda 100% 100% Gigwatt Global Rwanda Ltd Rwanda 100% 100% Scatec Solar Honduras SA Honduras 100% 100% Fotovoltaica Suena SA Honduras 70% 70% Fotovoltaica Suena SA Honduras 70% 70% Fotovoltaica Suena SA Honduras 70% 70% Fotosol SA Honduras 70% 70% Scatec Solar Mica (Phy) Ltd ¹² South Male 50%	Scatec Solar SA 165 (Pty) Ltd	Sandton, South Africa	65%	65%
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Simacel 160 (Pty) Ltd Sandton, South Africa 39% 39% Scates Colar Corporation 100% 100% 100% Scates Colar Corporation Tokyo, Japan - 100% Scates Colar Corporation 100% 40% 40% Gigawart Global Rwanda Ltd Rwanda 43% 43% Scates Colar Hondruas SA Honduras 100% 40% Produccion de Energia Solar Demas Renovables SA Honduras 70% 70% Fotovoltaica Surena SA Honduras 70% 70% Fotovoltaica Los Prados SA Honduras 70% 70% Fotovoltaica Los Prados SA Honduras 70% 70% Foto Sol SA Honduras 70% 70% Foto Sol SA Honduras 70% 70% Foto Sol SA Honduras 70% 70% Scates Colar Oncerta USA 50% Scates Colar Micra (Pty) Ltd ¹⁰ South Africa 100% Scates Colar Moncerta Mozambique 52,5%	Scatec Solar SA 164 (Pty) Ltd	Sandton, South Africa	71%	71%
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¹⁾ Companies established in 2016

Consolidated economic interests correspond to the voting interests if not otherwise stated. For companies on level 2 in the table above (i.e. subsidiaries of the ultimate parent's subsidiaries), the economic interests stated is the mathematically indirect consolidated economic interests.

For information on associated companies, see Note 21.

²⁾ Companies sold or liquidated in 2016

Note 31 Subsequent events

No events occurred after the balance sheet date with significant impact on the financial statements for 2016.

Note 32 Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- · The contractual arrangement with the other vote holders of the investee
- · Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests

The non-controlling interests include the non-controlling interest's share of subsidiaries' carrying amounts. Non-controlling interests are calculated on the respective subsidiaries' stand-alone

reporting, adjusted for intercompany transactions – i.e. unrealised profits and losses for the Group are not taken into account, even if they are realised for the subsidiary on a stand-alone basis. Further, unrealised intercompany profits relating to depreciable assets (solar power plants) are viewed as being realised gradually over the remaining economic life of the asset.

When acquiring a non-controlling interest, the difference between the cost of the non-controlling interest and the non-controlling interest's share of the assets and liabilities is reflected in the consolidated statement of financial position at the date of acquisition of the non-controlling interest as an equity transaction.

Foreign currencies

The Group's consolidated financial statements are presented in NOK, which is also the parent company's functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the subsidiaries is the same as their local currency, with the exception of the subsidiaries in Rwanda, Honduras, Mozambique, Egypt and Jordan which use USD as functional currency. The Group uses the direct method of consolidation

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the reporting date.

On consolidation, the assets and liabilities of foreign entities with functional currencies other NOK are translated into NOK at the rate of exchange prevailing at the reporting date and their income statements are translated at average monthly exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal

of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

See Note 24 - Non-controlling interests for information on the non-controlling interests share of profit/loss and equity prior to intercompany eliminations.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

Fair value related disclosures for financial instruments and nonfinancial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Quantitative disclosures of fair value measurement hierarchy
 Note 11
- Financial instruments (including those carried at amortised cost)
 Note 10

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Sale of project rights

(Development & Construction segment)

Where Scatec Solar develops projects or acquire project rights and sell these assets to other entities in the Scatec Solar Group or external parties. Revenues from transfer of development rights are recognised upon the transfer of title.

Sale of construction services (Development & Construction segment)

Where Scatec Solar is responsible for the total scope of a Turn Key installation of a solar power plant through a contract covering Engineering, Procurement and Construction; Revenues from construction services are based on fixed price contracts and are accounted for using the percentage of completion method. The stage of completion of a contract is determined by actual cost incurred over total estimated costs to complete.

Scatec Solar periodically revise contract profit estimates and immediately recognises any losses on contracts. Incurred costs include all direct materials, costs for solar modules, labour, subcontractor costs, and other direct costs related to contract performance. Scatec Solar recognises direct material costs as incurred costs when the direct materials have been installed. When contracts specify that title to direct materials transfer to the customer before installation has been performed, revenue and associated costs are deferred and recognised once those materials are installed and have met any other revenue recognition requirements. Scatec Solar considers direct materials to be installed when they are permanently attached or fitted to the solar power systems as required by engineering designs.

Some construction contracts include product warranties. The expected warranty amounts are recognised as an expense at the time of sale, and are adjusted for subsequent changes in estimates or actual outcomes.

The group has currently no ongoing external construction contracts.

Sale of operation and maintenance services (Operation & Maintenance segment)

Where Scatec Solar delivers services to ensure optimised operations of 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. These revenues are recognised as the service is provided. The potential performance revenues are recognised when it is probable. The assessment of whether the revenues are probable or not are based on achieved performance ratios for the power plants. The group has currently no significant external operation and maintenance service contracts.

Sale of electricity (Power Production segment)

The Group's power producing assets derives its revenue from the production and sale of solar generated electricity based on longterm Power Purchase Agreements or Feed-in-Tariffs. Revenue is recognised upon delivery of electricity produced to the local operator of the electricity grid. Delivery is deemed complete when all the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of electricity are recognised at the time the electricity is supplied on the basis of periodic meter readings. For all sales contracts the Group had per the end of year, indexation of tariffs is recognised when they come into force.

The Group applies the above policies also for intercompany transactions between segments.

Income tax

Income tax expense comprises current tax and deferred tax.

Current income tax

Current income tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analysed individually and, the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amount for assets to be received (disputed tax positions for which payment has already been made), are recognised within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues are estimated and recorded in the period in which they are earned or incurred and, are presented in net financial expenses in the statement of profit or loss.

Deferred tax

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the consolidated statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable profits, convincing evidence is required.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the period

Current and deferred tax are recognised as expense or income in the consolidated statement of profit or loss, except where they relate to items recognised in other comprehensive income or directly to equity, in which case the tax is also recognised as other comprehensive income or directly to equity.

For information on significant judgements related to tax, refer to Note 2 – Key sources of estimation uncertainty, judgements and assumptions.

Intangible assets

Each solar project that the Group develops is unique and does not give rise to an intangible asset, which can be utilised across projects. Consequently, there are no internally generated intangible assets in the Group's statement of financial position.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When Scatec Solar acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss; it is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of consideration transferred and any amount recognised for the non-controlling interest over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in such circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually as of 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (CGU) (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Property plant and equipment under development

Expenses relating to research activities (project opportunities) are recognised in the statement of profit or loss as they incur. Expenses relating to development activities (project pipeline and backlog) are capitalised to the extent that the product or process is technically and commercially viable and the Group has sufficient resources to complete the development work. Expenses that are capitalised include the costs of materials, direct wage costs and other directly attributable expenses. Capitalised development costs are presented as part of Property, plant and equipment to the extent that the Group has the intention to complete the development and construction as well as operating the solar power plant. In the case where the Group's intention is to sell the solar power plant, capitalised development costs are presented as inventory.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of a decommissioning obligation, if any, and, for qualifying assets, borrowing costs incurred in the construction period. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately on a straight-line basis over the estimated useful life of the component. Maintenance expenses are recognised in the statement of profit or loss as incurred.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is de-recognised.

General and specific borrowing costs directly attributable to the acquisition or construction of solar power plant are capitalised within property plant and equipment. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use are undertaken and continue to be capitalised until the date in which development of the relevant asset is complete. All other borrowing costs are recognised in the profit or loss in the period in which they incur.

Depreciation of a solar power plant commences when the plant is ready for managements intended use, normally at the date of grid connection and commissioning. The residual value of the

plant is taken into consideration when calculating the annual depreciation.

Impairment of property, plant and equipment

At each reporting date, the Group evaluates if there are indicators that property, plant and equipment may be impaired. If indicators exist, the recoverable amount of assets or cash generating units is estimated and compared with the carrying amount. The recoverable amount is the higher of the fair value less cost to sell and value in use.

For impairment of property, plant and equipment, the Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped to a level that provides separately identifiable and largely independent cash flows. In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount which is the higher of fair value less costs to sell and value in use. Frequently the recoverable amount of an asset proves to be the Group's estimated value in use, which is determined using a discounted cash flow model. The estimated future cash flows are based on budgets and forecasts for a period of up to five years and are adjusted for risks specific to the asset and discounted using a post- tax discount rate. Country risk is adjusted for in the discount rate. The use of post-tax discount rates in determining value in use does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

Impairments are reversed to the extent that conditions for impairment are no longer present.

Financial assets - Initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Loans and receivables

This category is the most relevant category of financial assets to the Group in the 2016 and 2015 consolidated financial statements. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 15.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty or the probability that they will enter bankruptcy.

Financial liabilities - Initial recognition and subsequent measurement

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables or, as derivatives designated as hedging instruments in an effective hedge. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Loans and borrowings

This is the category most relevant category of financial liabilities to the Group. Scatec Solar uses non-recourse financing for constructing and/or acquiring assets, exclusively using as guarantee the assets and cash flows of the project entities carrying out the activities financed. Compared to corporate financing, non-recourse financing has certain key advantages, including a clearly defined and limited risk profile. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 6 – Non-recourse financing.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Definition of equity instrument

Entities within the Group have issued certain instruments as part of the project financing structures to minority shareholders (shareholder loans). These shareholder loans are considered equity instruments only if both of the following conditions are met:

The instrument includes no contractual obligation either:

- · To deliver cash or another financial asset to another party; or
- · To exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the issuer

On the basis of the above, all payments related to such shareholder loans are of the discretion of the company. Accordingly, these shareholder loans are accounted for as equity. See note 2 and 25 for further information.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date of which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

The Group has interest rate swaps (fair value hedge) that is used as a hedge for the exposure of changes in the fair value of its floating rate secured loans; see Note 9 for more details.

The Group uses forward currency contracts as cash flow hedges of its exposure to foreign currency risk in forecast transactions.

The Group only applies hedge accounting for fair value hedges that meet the criteria in IAS 39. At the inception of each hedge relationship, the Group designates and documents the hedge accounting relationship, the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to change in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts recognised in other comprehensive income are

reclassified to profit or loss when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or liability, the gain or loss on the hedge instrument that was recognised in other comprehensive income is reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss. If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are reclassified to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs.

Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, Scatec Solar assesses whether the arrangement is or contains a lease.

The Group distinguishes between lease contracts and capacity contracts. Lease contracts provide the right to use a specific asset for a period of time. Capacity contracts confer the right to and the obligation to pay for availability of certain capacity volumes. Such capacity contracts that do not involve specified single assets that do not involve substantially all the capacity of an undivided interest in a specific asset or capacity contracts that have a contractually fixed price are not considered by the Group to qualify as leases. In doing this assessment the Group applies the conditions set forth by IFRIC 4. The Group's portfolio of PPAs comprise agreements with no indexation, partial indexation, full indexation and stepped pricing. With regards to the interpretation of the requirement "contractually fixed price per unit" Scatec Solar considers the contract price fixed also when the price is subject to inflation adjustment. With the exception of the power plants in Jordan, all of the existing PPAs are considered capacity contracts. The Jordanian PPAs have a pricing mechanism which requires power produced above a certain cap to be made available at significant discounts. As such the price is not absolutely fixed and the PPAs are accounted for as operational leases. This does not have an impact on the presentation of the operations in the statements of financial position or profit or loss.

Lease arrangements in which the Group is a lessee

Leases for which the Group assumes substantially all the risks and rewards of ownership are reflected as finance leases within property, plant and equipment and financial liabilities, respectively. All other leases are classified as operating leases and the costs are charged to the statement of profit or loss on a straight-line basis over the lease term, unless another basis is more representative of the benefits of the lease to the Group.

Finance lease assets and liabilities are reflected at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease. The finance lease assets are subsequently reduced by accumulated depreciation and impairment losses, if any. The assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases for which most of the risk and return associated with the ownership of the asset have not been transferred to the Group are classified as operating leases. During the contract period, lease payments are classified as operating costs and are recognised in the statement of comprehensive income in a straight–line.

Dividends

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

Restricted cash is cash reserved for a specific purpose and therefore not available for immediate and general use by the Group.

Held for sale assets

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position and qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's statement of financial position is reduced to zero and further losses are not recognised unless the Group has an obligation to cover any such loss. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss as part of the operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Group does not currently have any significant interest in joint ventures or joint operations.

Employee benefits

Wages, salaries, bonuses, pension and social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company. The Group has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognised in the consolidated statement of profit or loss in the period in which the contribution amounts are earned by the employees. Certain key employees were in 2014 invited to a retention and share incentive programme. The programme is entirely settled in shares. In 2015, a cash settled share based programme was introduced to certain key employees. In 2016, the company introduced an equity settled option program for leading employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in personnel expenses, together with a corresponding increase in equity over the vesting period. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected

within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in personnel expenses. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

Further information on both programmes is provided in note 25.

Government grants

Government grants are recognised when it is reasonably certain that the company will meet the conditions stipulated for the grants and that the grants will be received. Grants are recognised systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover. Grants are recognised either as cost reduction or as a deduction of the asset's carrying amount. Grants received for projects being capitalised are recognised systematically over the asset's useful life. As discussed in note 2 Key sources of estimation uncertainty, judgements and assumptions, the Red Hills project in the US has been granted an investment tax credit (ITC). Based on an analysis of facts and circumstances related to the ITC, Scatec Solar has concluded that it should be recognised based on IAS 20 Government Grants. Hence, the value of the ITC is presented as a reduction to the cost of the plant.

Provisions and contingent assets and liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance expenses in the consolidated statement of profit or loss.

A provision for a guarantee is recognised when the underlying products or services are sold. The provision is based on historical information on guarantees and a weighting of possible outcomes according to the likelihood of their occurrence.

The Group recognises as provisions the obligation under contracts defined as onerous. Contracts are deemed to be onerous if the unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received in relation to the contract.

Provision for asset retirement costs are recognised when the Group has a legal or constructive obligation to dismantle and remove a solar power plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The provisions are estimated per plant based on specific characteristics of each plant and also applicable macroeconomic conditions. When a liability for asset retirement costs is recognised, a corresponding amount is recorded to increase the related property, plant and equipment. This is subsequently depreciated as part of the cost of the plant. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Contingent liabilities arising from past events and for which it is not probable that an outflow of resources will be required to settle the obligation, if any, are not recognised but disclosed with indication of uncertainties relating to amounts and timing involved. Disclosures are not given if the possibility of an outflow in settlement is remote.

Contingent assets arising from past events that will only be confirmed by future uncertain events and are not wholly within the Group's control, are not recognised, but are disclosed when an inflow of economic benefits is probable.

Events after the reporting period

New information on the company's financial position at the end of the reporting period that becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position at the end of the reporting period, but which will affect the company's financial position in the future, are disclosed if significant.

Changes in accounting policies and disclosures New and amended standards and interpretations

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued. The adoption of these standards and interpretations are not expected to have material effect on the consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The implementation of IFRS 9 will is not expected have a significant impact on the financial statements of Scatec Solar.

IFRS 15 Revenue from Contracts with Customers

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). Scatec Solar has made a detailed assessment of the impact of the new revenue recognition standard. The analysis was done for revenues generated in all operating segments. Our conclusion is that the new standard is not expected to significantly change the revenue recognition related to sale of power. With regards to variable consideration related to EPC and O&M agreements, the new standard is expected to cause postponed recognition of revenue compared to that of the current IAS 11/18.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases. The standard is effective from 1 January 2019. The standard requires all leases (with the exception of short-term and small asset leases) to be recognised in the statement of financial position as a right-of-use asset with subsequent depreciation. The new standard is expected to impact the Group's recognition of long term land lease agreements for the solar power plants. The Group plans to assess this effect during 2017.

Amendments to IFRS 2, IFRS 10, IAS 7, IAS 12 and IAS 28

These amendments are not expected to have any impact on the Group.

Parent company financial statements

Stateme	nt of income	128
Stateme	nt of financial position	129
Stateme	nt of cash flow	131
Notes to	the parent company financial statements	132
Note 1	General information	132
Note 2	Accounting principles	132
Note 3	Revenues	134
Note 4	Personnel expenses, number of employees and auditor's fee	135
Note 5	Property, plant and equipment	138
Note 6	Other operating expenses	139
Note 7	Financial income and expenses	139
Note 8	Tax	140
Note 9	Investments in subsidaries and associated companies	141
Note 10	Inventory	143
Note 11	Cash and cash equivalents	143
Note 12	Equity and shareholder information	144
Note 13	Guarantees, contractual obligations, contingent liabilities	145
Note 14	Transactions with related parties	147
Note 15	Provision for bad debt	147
Note 16	Bonds	148
Note 17	Other current liabilities	148
Note 18	Subsequent events	148

Statement of income

1 January – 31 December

NOK THOUSAND	NOTE	2016	2015
Revenues	3, 14	54,616	789,005
Total revenues		54,616	789,005
Costs of sales	2, 10	-20,994	-739,256
Personnel expenses	4	-55,105	-42,518
Other operating expenses	6, 14, 15	-47,044	-39,805
Depreciation, amortisation and impairment	5	-7 53	-495
Operating profit/(loss)		-69,282	-33,069
Interest and other financial income	7, 14	90,289	283,947
Interest and other financial expenses	7, 14, 16	-60,540	-251,864
Foreign exchange gain/(loss)		-5,349	64,130
Profit before tax		-44,882	63,145
Income tax (expense)/benefit	8	18,498	-28,587
Profit/(loss) for the period		-26,384	34,558
Allocation of profit/(loss) for the period			
Dividend	12	66,610	61,919
Transfer to/(from) other equity	12	-92,993	-27,361
Total allocation of profit/(loss) for the period		-26,384	34,558

Statement of financial position

as of 31 December

NOK THOUSAND	NOTE	2016	2015
Non-current assets			
Deferred tax assets	8	35,691	16,721
Property plant and equipment	5	6,009	4,365
Investments in subsidiaries	9	806,135	752,305
Loan to group companies	14	235,250	774,324
Other non-current receivables		17,565	14,138
Total non-current assets		1,100,651	1,561,853
Current assets			
Inventory	10	468,992	139,287
Trade and other receivables	15	2,214	97,230
Trade and other receivables group companies	3,15	460,004	400,728
Other current assets		8,415	51,669
Cash and cash equivalents	11	278,252	376,683
Total current assets		1,217,878	1,065,597
TOTAL ASSETS		2,318,529	2,627,451

Statement of financial position

as of 31 December

NOK THOUSAND	NOTE	2016	2015
Paid in capital			
Share capital	12	2,345	2,345
Share premium	12	819,052	807,902
Total paid in capital		821,397	810,248
Other equity			
Other equity	12	-89,039	3,955
Total other equity		-89,039	3,955
Total equity		732,359	814,202
Non-current liabilities			
Bonds	16	495,417	492,917
Liabilities to group companies	14	596,094	942,527
Other non-current assets		28,389	-
Total other non-current liabilities		1,119,900	1,435,444
Current liabilities			
Trade and other payables		38,845	109,707
Trade payables group companies	14	97,408	51,826
Income tax payable	8	662	1,370
Public duties payable		2,021	10,600
Dividend	12	66,610	61,919
Other current liabilities	17	260,725	142,383
Total current liabilities		466,270	377,805
Total Liabilities		1,586,170	1,813,249
TOTAL EQUITY AND LIABILITIES		2,318,529	2,627,451

Oslo, 20 March 2017

The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)

Jan Skogseth

Oref Bjorselli
Alf Bjørseth

Cecilie Amdahl

Mari Thjømøe

Raymond Carlsen (CEO)

Statement of cash flow

1 January – 31 December

Depreciation, amortisation and impairment 5 753 495 Interest and other financial income 7 -90,289 -283,947 Interest and other financial expenses 7,16 60,540 251,864 (Increase)/decrease in inventories 10 -329,705 -122,486 (Increase)/decrease in inventories 15 35,739 -389,755 (Increase)/decrease in trade receivables 15 35,739 -389,755 (Increase)/decrease in trade payables -25,280 141,354 Taxes paid 8 -1,370 -67 Other items 53,863 6,849 Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities 1 27,397 -1,098 Net cash flow from poperty, plant and equipment 5 -2,397 -1,098 Net loans to subsidiaries 1 273,422 -610,903 Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 59,015 211,995 Net ca	NOK THOUSAND	NOTE	2016	2015
Profit before taxes 44,882 63,145 Depreciation, amortisation and impairment 5 753 495 Interest and other financial income 7 90,289 2-83,947 Interest and other financial expenses 7,16 60,540 251,864 (Increase)/decrease in inventories 10 -329,705 -122,448 (Increase)/decrease in trade receivables 15 35,739 -389,755 (Increase)/decrease in trade payables 2-5,280 141,354 Taxes paid 8 1-1,370 -67 Other items 53,863 6,849 Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities -340,631 -332,510 Investments in property, plant and equipment 5 2,397 1,038 Net loans to subsidiaries 14 273,942 -610,903 Investments in subsidiaries and associated companies 9 7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,935 Ret cash flow from financing	Cash flow from operating activities			
Interest and other financial income 7 -90.289 -283.947 Interest and other financial expenses 7.16 60.540 251.864 (Increase)/decrease in inventories 10 -329.705 -122.448 (Increase)/decrease in inventories 15 35,739 -389.755 (Increase)/decrease in trade receivables 25,280 141,354 Taxes paid 8 -1,370 -67 Other items 53,863 6,849 Net eash flow from operating activities -340,631 -332,510 Cash flows from investing activities -10,988 -1,370 -67 Other items 5 -2,397 -1,098 -1,098 Net cash flow from investing activities 14 273,942 -610,903 Interests a cecived 7 31,274 13,806 Investments in subsidiaries and associated companies 9 59,115 211,995 Net cash flow used in investing activities 12 -61,918 -25,331 Proceeds from financing activities 12 -61,918 -25,331			-44,882	63,145
Interest and other financial expenses 7,16 60,540 251,864 (Increase)/decrease in inventories 10 -329,705 -122,448 (Increase)/decrease in trade receivables 15 35,739 -389,755 (Increase)/decrease in trade payables -25,280 141,354 Taxes paid 8 -1,370 -6,70 Other Items 53,863 6,849 Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities -340,631 -332,510 Net loans to subsidiaries 14 273,942 -610,903 Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 -7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow srom financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue	Depreciation, amortisation and impairment	5	753	495
(Increase)/decrease in inventories 10 -329,705 -122,448 (Increase)/decrease in trade receivables 15 35,739 -389,755 (Increase)/decrease in trade payables -25,280 141,354 Taxes paid 8 -1,370 -67 Other items 53,863 6,849 Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities -340,631 -32,377 -1,098 Net loans to subsidiaries 5 -2,397 -1,098 Net loans to subsidiaries and activities 7 31,274 13,806 Investments in subsidiaries and associated companies 9 7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bon	Interest and other financial income	7	-90,289	-283,947
(Increase)/decrease in trade receivables 15 35,739 -389,755 (Increase)/decrease in trade payables -25,280 141,354 Taxes paid 8 -1,370 -67 Other items 53,863 6,849 Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities -340,631 -32,251 Investments in property, plant and equipment 5 -2,397 -1,098 Net loans to subsidiaries 14 273,942 -610,903 Investments in subsidiaries and associated companies 9 -7,320 277,461 Investments in subsidiaries and associated companies 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 <td>Interest and other financial expenses</td> <td>7, 16</td> <td>60,540</td> <td>251,864</td>	Interest and other financial expenses	7, 16	60,540	251,864
(Increase)/decrease in trade payables -25,280 141,354 Taxes paid 8 -1,370 -67 Other items 53,863 6,849 Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities	(Increase)/decrease in inventories	10	-329,705	-122,448
Taxes paid 8 -1,370 -67 Other items 53,863 6,849 Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities 5 -2,397 -1,098 Net loans to subsidiaries 14 273,942 -610,903 Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 -7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period	(Increase)/decrease in trade receivables	15	35,739	-389,755
Other items 53,863 6,849 Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities Secondary of the property, plant and equipment 5 -2,397 -1,088 Net loans to subsidiaries 14 273,942 -610,903 Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities 112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921 <	(Increase)/decrease in trade payables		-25,280	141,354
Net cash flow from operating activities -340,631 -332,510 Cash flows from investing activities Secondary of the property, plant and equipment 5 -2,397 -1,098 Net loans to subsidiaries 14 273,942 -610,903 Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 -7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities 16 - 492,917 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Taxes paid	8	-1,370	-67
Cash flows from investing activities Investments in property, plant and equipment 5 -2,397 -1,098 Net loans to subsidiaries 14 273,942 -610,903 Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 -7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities 16 - 492,917 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Other items		53,863	6,849
Investments in property, plant and equipment 5 -2,397 -1,098 Net loans to subsidiaries 14 273,942 -610,903 Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 -7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities Dividends paid to equity holders 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Net cash flow from operating activities		-340,631	-332,510
Net loans to subsidiaries 14 273,942 -610,903 Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 -7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Cash flows from investing activities			
Interests received 7 31,274 13,806 Investments in subsidiaries and associated companies 9 -7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Investments in property, plant and equipment	5	-2,397	-1,098
Investments in subsidiaries and associated companies 9 -7,320 277,461 Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facilitiy 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Net loans to subsidiaries	14	273,942	-610,903
Dividends from and capital decrease in subsidiaries 9 59,015 211,995 Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Interests received	7	31,274	13,806
Net cash flow used in investing activities 354,515 -108,739 Cash flows from financing activities 12 -61,918 -25,331 Proceeds from corporate overdraft facility 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Investments in subsidiaries and associated companies	9	-7,320	277,461
Cash flows from financing activities Dividends paid to equity holders 12 -61,918 -25,331 Proceeds from corporate overdraft facilitiy 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Dividends from and capital decrease in subsidiaries	9	59,015	211,995
Dividends paid to equity holders 12 -61,918 -25,331 Proceeds from corporate overdraft facilitiy 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Net cash flow used in investing activities		354,515	-108,739
Proceeds from corporate overdraft facilitiy 11 - 425 Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Cash flows from financing activities			
Interest paid 7 -50,398 - Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Dividends paid to equity holders	12	-61,918	-25,331
Proceeds from bond issue 16 - 492,917 Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Proceeds from corporate overdraft facility	11	-	425
Net cash flow from financing activities -112,316 468,011 Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Interest paid	7	-50,398	-
Net increase/(decrease) in cash and cash equivalents -98,432 26,761 Cash and cash equivalents at beginning of period 376,683 349,921	Proceeds from bond issue	16	-	492,917
Cash and cash equivalents at beginning of period 376,683 349,921	Net cash flow from financing activities		-112,316	468,011
	Net increase/(decrease) in cash and cash equivalents		-98,432	26,761
Cash and cash equivalents at end of period 278,251 376,683	Cash and cash equivalents at beginning of period		376,683	349,921
	Cash and cash equivalents at end of period		278,251	376,683

Notes to the parent company financial statements

Note 1 General 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 producer.

On 2 October 2014, the shares of Scatec Solar ASA were listed on the Oslo Stock Exchange. Scatec AS is the largest shareholder of the Company as of 31 December 2016 with a shareholding of 20.8%. For further details on shareholder matters, refer to note 12.



The Company is pursuing an integrated business model across the complete lifecycle 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 financial statements were authorised for issue by the Board of Directors on 20 March 2017.

Note 2 Accounting principles

Statement of compliance

The financial statements of Scatec Solar ASA are prepared in accordance with the Norwegian Accounting Act of 1998 and Norwegian Generally Accepted Accounting Policies (NGAAP).

Basis for preparation

These financial statements have been prepared on the historical cost basis.

Accounting estimates and judgements

In preparing the financial statements, assumptions and estimates that have an effect on the amounts and presentation of assets and liabilities, income and expenses and contingent liabilities must be made. Actual results could differ from these assumptions and estimates.

Foreign currency translation

The functional currency and presentation currency of the Company is Norwegian kroner (NOK). Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Revenues and cost of sales

Scatec Solar ASA develops project rights that are the basis for construction of solar PV plants. Revenues are partly derived from the sale of these project rights. These transactions are primarily made with project companies which are under the control of the Group. Revenues are recognised upon the transfer of title. The accumulated cost of projects rights is expensed upon the transfer of title or when a project is abandoned and impaired. Cost of sales consists of capitalised payroll expenses, travel expenses and external expenses that are directly attributable to developing the project rights, such as legal fees, expenses incurred for obtaining permits etc.

Revenues from construction services are based on fixed price contracts and are accounted for using the percentage of completion method. The stage of completion of a contract is determined by actual cost incurred over total estimated costs to complete.

Scatec Solar periodically revise contract profit estimates and immediately recognises any losses on contracts. Incurred costs include all direct materials, costs for solar modules, labour, subcontractor costs, and other direct costs related to contract performance. Scatec Solar recognises direct material costs as incurred costs when the direct materials have been installed. When contracts specify that title to direct materials transfer to the customer before installation has been performed, revenue and associated costs are deferred and recognised once those materials are installed and have met any other revenue recognition requirements. Scatec Solar considers direct materials to be installed when they are permanently attached or fitted to the solar power systems as required by engineering designs.

Some construction contracts include product warranties. The expected warranty amounts are recognised as an expense at the time of sale, and are adjusted for subsequent changes in estimates or actual outcomes.

Further, Scatec Solar ASA derives revenues from the allocation of headquarter costs to its subsidiaries. Revenues from the sale of intercompany services are recognised when the services are delivered.

Employee benefits

Wages, salaries, bonuses, pension and social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company. The Group has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognised in the statement of profit or loss in the period in which the contribution amounts are earned by the employees.

Certain key employees were in 2014 invited to a retention and share incentive programme. The programme is entirely settled in shares. In 2015, a cash settled share based programme was introduced to certain key employees and in 2016 an option program was implemented. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in personnel expenses, together with a corresponding increase in equity over the vesting period. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in personnel expenses. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

For further information, refer note 4 – Employee benefits.

Interest income and expenses

Interest income and expenses are recognised in the income statement as they are accrued, based on the effective interest method.

Income tax expense

Income tax expense in the statement of income for the year

comprises current tax and changes in deferred tax. Income tax expense is recognised in the statement of income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analysed individually and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amounts for assets to be received (disputed tax positions for which payment has already been made) in each case are recognised within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues are estimated and recorded in the period in which they are earned or incurred, and are presented in net finance expenses in the statement of income.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable profits, convincing evidence is required.

Balance sheet classification

Current assets and liabilities consist of receivables and payables due within one year as well as project rights. Other balance sheet items are classified as non-current assets and liabilities.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated at cost, less accumulated amortisation/depreciation and accumulated impairment losses. Intangible assets and property, plant and equipment acquired separately are carried initially at cost.

Intangible assets and property, plant and equipment are amortised/depreciated on a straight-line basis over their expected useful life, from the date the assets are taken into use. The expected useful life of the assets is reviewed on an annual basis and changes in useful life are accounted for prospectively.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately on a straight-line basis over the estimated useful life of the component.

An item of intangible assets and property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in the statement of income in the period the item is derecognised.

Subsidiaries and investment in associated companies

Subsidiaries are all entities controlled by Scatec Solar ASA. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

Subsidiaries and investment in associated companies are accounted for using the cost method, and are recognised at cost less impairment. The cost price is increased when funds are added through capital increases. Dividends to be received are recognised either as income or a reduction of the investment in the subsidiary, at the date the dividend is declared by the general meeting of the subsidiary. To the extent that the dividend relates to distribution of results from the period Scatec Solar ASA has owned the subsidiary, it is recognised as income. Dividends which are repayment of invested capital are recognised as a reduction of the investment in the subsidiary.

Financial assets and liabilities

Scatec Solar ASA assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables has been incurred, the carrying amount of the asset is reduced. Interest-bearing borrowings are initially recognised at cost. After initial recognition, such financial liabilities are measured at amortised costs using the effective interest method. Amortised cost is calculated by taking into account any issue costs. Trade payables are carried at cost.

Other current assets

Inventories are stated at the lower of cost and net realisable value and comprise costs of solar PV project assets that are intended for sale. Project assets consist primarily of costs relating to solar power projects in various stages of development that is capitalised prior to the sale of the solar power project to a third party for further project development or prior to the signing of a project construction contract. These costs include costs for land and costs for developing a solar power plant. Development costs can include legal, consulting, permitting, and other similar costs such as interconnection or transmission upgrade costs as well as directly attributable payroll expenses.

Scatec Solar reviews project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Scatec Solar considers a project commercially viable if it is anticipated to be realised for a profit once it is either fully developed or fully constructed. Scatec Solar consider a partially developed project commercially viable if the anticipated selling price is higher than the carrying value of the related project assets. A number of factors are assessed to determine if the project will be profitable, the most notable of which is whether there are any changes in environmental, ecological, permitting, or regulatory conditions that impact the project. Such changes could cause the cost of the project to increase or the selling price of the project to decrease. The accumulated cost of a project is expensed as cost of sales either when it is sold or when a project is impaired.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months. In the statement of cash flows, the overdraft facility is presented gross as part of changes in current liabilities.

Dividends

Distribution of dividends is resolved by a majority vote at the Annual General Meeting of the shareholders of Scatec Solar ASA, and on the basis of a proposal from the Board of Directors.

Dividends are recognised as a liability at the reporting date of the financial year that the proposal of dividend relates to. Additional dividends proposed based on previous fiscal year approved financial statements (i.e. between 1 January and the date that the current year financial statements will be approved) are recognised as a liability at the balance sheet date.

Events after the reporting period

New information on the company's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period but which will affect the company's financial position in the future are disclosed if significant.

Statement of cash flow

The cash flow statement is prepared using the indirect method.

Note 3 Revenues

REVENUES BY BUSINESS AREA

NOK THOUSAND	2016	2015
Services	54,616	789,005
Sum	54,616	789,005

Revenues comprise EPC services, sale of project rights and management services – all rendered to Group companies and associates. The revenue reduction compared to 2016 is explained by the fact that the company was not engaged in construction projects during 2016.

REVENUES BY GEOGRAPHICAL DISTRIBUTION

NOK THOUSAND	2016	2015
Jordan	37,244	53,646
Honduras	5,672	722,039
South Africa	5,534	5,148
France	2,582	717
USA	2,383	1,489
Egypt	636	-
Czech	423	475
Italy	54	76
Mozambique	50	-
Germany	31	1,464
Rwanda	7	214
UK	-	3,736
Sum	54,616	789,005

See note 14 - Transactions with related parties for further information.

Note 4 Personnel expenses, number of employees and auditor's fee

PERSONNEL EXPENSES		
NOK THOUSAND	2016	2015
Salaries	49,854	32,257
Share-based payment	14,958	14,270
Payroll tax	8,635	6,418
Pension costs	4,685	2,454
Other benefits and personnel costs	2,180	1,387
Capitalised to PPE (project assets)	-25,180	-14,268
Total personnel expenses	55,105	42,518

The average number of FTEs that has been employed in the company through 2016 was 46 (2015: 29).

SALARIES AND PERSONNEL EXPENSES FOR THE MANAGEMENT OF SCATEC SOLAR ASA

2016						
NOK THOUSAND	TITLE	SALARY 1)	OPTIONS AWARDED 2)	OTHER BENEFITS 3)	PENSION COST	LOANS OUT- STANDING
Raymond Carlsen	Chief Executive Officer	2,785	116	12	143	
Mikkel Tørud	Chief Financial Officer	2,155	90	11	139	1,501
Snorre Valdimarsson	EVP General Counsel	1,595	67	12	139	1,471
Terje Pilskog	EVP Project Development & Project Finance	1,876	78	11	140	1,413
Roar Haugland	EVP People Development & Sustainability	1,587	67	11	146	1,413
Torstein Berntsen	EVP Power Production and Asset Management	1,779	74	14	143	1,413
Pål Helsing	EVP Solutions	1,735	-	6	141	-

2014			NUMBER OF OPTIONS	OTHER	PENSION	LOANS OUT-
NOK THOUSAND	TITLE	SALARY 1)	AWARDED 2)	BENEFITS 3)	COST	STANDING
Raymond Carlsen	Chief Executive Officer	2,174	-	121	90	-
Mikkel Tørud	Chief Financial Officer	2,086	-	19	86	1,467
Snorre Valdimarsson	EVP General Counsel	1,544	-	80	86	1,438
Terje Pilskog	EVP Project Development & Project Finance	1,870	-	19	87	1,381
Roar Haugland	EVP People Development & Sustainability	1,550	-	19	92	1,381
Torstein Berntsen	EVP Power Production and Asset Management	1,764	-	24	90	1,381
Christian Blom	EVP Solutions	1,365	-	19	82	153

- 1) Including paid out holiday allowance.
- 2) See below for further information.
- 3) Other benefits include benefits such as insurance, free phone, and car allowance.

REMUNERATION FOR THE BOARD OF DIRECTORS 1)

	2016			2015				
2015 NOK THOUSAND	BOARD REMUNER- ATION	AUDIT COMMITTEE	REMUNER- ATION COMMITTEE	ELECTION COMMITTEE	BOARD REMUNER- ATION	AUDIT COMMITTEE	REMUNER- ATION	ELECTION COMMITTEE
Alf Didrooth	250				250			
Alf Bjørseth	250		-	-	250	-	-	
Cecilie Amdahl	250		25	-	250	-	25	-
Mari Thjømøe	250	50	-	-	250	50	=	-
Yuji Tachikawa (from 07.05.2015 until 04.05.2016)	250	-	-	-	250	-	-	-
John Andersen Jr.	400	50	25	-	400	50	25	_
Inge Hansen (from 07.05.2015)	-	-	-	45	-	-	-	-
Alf Inge Gjerde (from 07.05.2015)	-	-	-	30	-	-	-	-
Ole Grimsrud (until 13.08.14)	-	-	-		-	-		

¹⁾ Annual fees.

Remuneration policy and concept for the accounting year 2016

In accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a) the Board of Directors intends to present the following statement regarding remuneration of the Executive Management Team to the Annual General Meeting

1. General

This declaration is prepared by the board of directors in Scatec Solar ASA ("Scatec Solar") in accordance with the Norwegian Public Limited Liability Companies Act (the "Companies Act") section 6-16a, for consideration at the annual general meeting on 24 April 2017.

Principles in this declaration regarding allocation of shares, subscription rights, options and any other form of remuneration stemming from shares or the development of the share price in the company or in other group companies are binding for the board of directors when approved by the general meeting. Such guidelines are described in section 3.1.2. Other guidelines are precatory for the board of directors. If the board of directors in an agreement deviates from these guidelines, the reasons for this shall be stated in the minutes of the board of directors' meeting.

The principles set out for determination of salaries and other remuneration applies for the Chief Executive Officer, the Chief Financial Officer, and the Executive Vice Presidents of Scatec Solar (together "Executive Management"), as of today seven individuals, for the financial year 2017 and until new principles are resolved by the general meeting in accordance with the Companies Act.

2. The main principles of the company's remuneration policy for Executive Management personnel

Executive Management salaries in Scatec Solar shall be determined based on the following main principles:

2.1 Executive Management remuneration shall be competitive, but not leading

Executive Management remuneration shall, as a general quideline, be suitable to attract and retain skilled leaders. The salaries for the Executive Management should be comparable with levels in similar businesses.

2.2 Executive Management remuneration is to be motivational

Executive Management remuneration should be structured to motivate the Executive Management to strive to realise the Company's strategic goals. The main element of Executive Management salaries should be the regular salary, although additional variable incentives should be available to motivate the Executive Management's efforts on behalf of the company.

3. Principles regarding benefits that can be offered in addition to regular salary

Scatec Solar has sought to structure a plan combining fixed salary, short term incentive and share based long term incentive to ensure (i) to motivate the Executive Management to strive to realise the Company's strategic goals including financial results, (ii) be suitable to attract and retain skilled leaders taking into account the international market the company participates in, and (iii) that the plan is approximately the average for management salaries for comparable Executive Management in similar businesses.

3.1 Additional benefits

3.1.1 Short Term Incentive - Bonus scheme

The members of the Executive Management forgave any variable bonus for the financial year 2016 as part of the restricted share award granted to the Executive Management in 2014.

As part of the new incentive and retention plan in effect from 2016, the Executive Management will be invited to participate in a bonus arrangement based on key performance indicators both on the Company's overall and financial performance as well as the individual's performance. The bonus shall not exceed fifty percent (50%) of the annual fixed salary.

3.1.2 Long Term Incentive – Option Program

The Company has in 2016 implemented a share option plan (the "Option Plan") whereby the Executive Management and certain of the Company's key employees (hereunder unused allocation to future employees), may over a three-year period be allocated options corresponding to up to 4 600 000 shares of the Company, equivalent to approximately five percent (5%) of the total outstanding shares. The Options will be granted over a three year period and will vest linear over a five year period (subject to employment at time of vesting). The options will have no value if the share price is reduced post the grant date. The Option Plan was presented to the annual general meeting on 4 May 2016 and approved.

In October 2016, the Executive Management were awarded in aggregate 492 000 options, with such individual allocation as set out in section 4 below, each option at an exercise price of NOK 29,57 and vesting in three equal tranches on 1 January 2018, 1 January 2019 and 1 January 2020.

It is intended that the Board of Directors may use its authorisation to increase the share capital of the Company and/or buy own shares to settle options being exercised under the Option Plan.

3.1.3 Pension plans and insurance

The company has established a pension scheme in accordance with the Norwegian Occupation Pension Act. The pension scheme is based on a defined contribution for all Norwegian employees. The pension scheme covers salary from 1G (NOK 88.370) to 12G (NOK 1.060.440) and is therefore in accordance with Norwegian legislation.

The company may, but currently has not, sign early retirement agreements for Executive Management.

The company may compensate the Executive Management and the manager's family, as defined as close associates pursuant to the Norwegian Securities Trading Act section 2-5 no. 1 and 2, for health and life insurance plans in line with standard conditions for executive positions, in addition to mandatory occupational injury insurance required under Norwegian Law.

3.1.4 Severance schemes

Agreements may be signed regarding severance pay for the company's Chief Executive Officer ("CEO") and other members of the Executive Management in order to attend to the company's needs, at all times, to ensure that the selection of managers is in commensuration with the company's needs. Pursuant to the Norwegian Working Environment Act, such agreements will not have a binding effect on executives other than the CEO.

Severance schemes shall be sought set up so that they are acceptable internally and externally. In addition to salary and other benefits during the term of notice, such schemes are not to give entitlement to severance pay for more than 12 months.

3.1.5 Benefits in kind

Executive Management may be offered the benefits in kind that are common for comparable positions, e.g. free telephone service, home PC, free broadband service, newspapers.

3.1.6 Executive wages in other Scatec Solar companies

Other companies in the Scatec Solar group are to follow the main principles for the determining of management salaries and remuneration as set out in this declaration. Scatec Solar aims at coordinating management remuneration policy and the schemes used for variable benefits throughout the group.

Pension costs

The Company has a defined contribution plan in line with the requirement of the law. NOK 4,685 thousand is expensed related to the defined contribution plan in 2016 (2015 NOK 2,454 thousand).

AUDIT

NOK THOUSAND	2016	2015
Audit fees	1,459	1,576
Other attestation services	80	15
Tax services	2,660	3,335
Other services	284	486
Total	4,484	5,412

VAT is not included in the numbers above.

Carrying amount at 31 December

Estimated useful life (years)

Note 5 Property, plant and equipment

OFFICE EQUIPMENT		
NOK THOUSAND	2016	2015
Accumulated cost at 01.01	5,039	3,940
Additions	2,397	1,099
Accumulated cost at 31 December	7,436	5,039
Accumulated depreciation at 01.01	673	178
Depreciations for the year	753	495
Accumulated depreciation at 31 December	1,426	673

4,365

3-5

6,009

3-5

Note 6 Other operating expenses

NOK THOUSAND	2016	2015
Facilities	4.224	2 212
Facilities	4,334	3,313
Professional fees	22,766	18,387
IT and communications	9,422	6,503
Travel costs	4,955	4,959
Other costs	4,175	6,643
Provisions for loss on receivables (ref note15)	1,392	-
Total other operating expenses	47,044	39,805

Note 7 Financial income and expenses

INTEREST AND OTHER FINANCIAL INCOME

NOK THOUSAND	2016	2015	
Interest income from group companies	27,141	25,360	
Other interest income	4,133	13,806	
Dividend from group companies	59,015	244,782	
Total interest and other financial income	90,289	283,947	

INTEREST AND OTHER FINANCIAL EXPENSES

NOK THOUSAND	2016	2015
Interest expenses from group companies	-18,361	-24,351
Other interest expenses	-41,786	-6,985
Impairment of financial assets	-	-220,223
Other financial expenses	-393	-305
Total interest and other financial expenses	-60,540	-251,864

See Note 11 – Cash and cash equivalents and 16 - Bonds for further information on company financing.

Note 8 Tax

NOK THOUSAND	2016	2015
NON THOUSAND	2016	2015
Income tax expense:		
Current taxes (including CFC)	-662	1,370
Withholding tax on received dividends	67	-11,305
Change in deferred tax	19,093	-15,912
Total tax expense	18,498	-28,587
Tax basis:		
Profit before taxes	-44,882	63,145
Net non-deductible income and expenses ¹⁾	-36,138	-3,587
Changes in temporary differences	2	-1,410
Utilisation of tax losses carried forward	-	-53,075
Tax base	-81,018	5,073
Current taxes according to statutory tax rate (25%/27%)	-	-1,370

¹⁾ Net non-deductible income and expenses for 2016 is mainly related to non-taxable dividend partly offset by non-deductible share based payment expenses.

RECONCILIATION OF NOMINAL STATUTORY TAX RATE TO EFFECTIVE TAX RATE

NOK THOUSAND	2016	2015
Expected income tax expense according to statutory tax rate (25%/27%)	11,221	-17,049
Non-deductible expenses	9,034	968
Withholding tax on received dividends/CFC	-595	-11,305
Taxes from previous years	258	7
Effect of changed statutory tax rate (25% to 24% and 27% to 25%)	-1,420	-1,208
Income tax expense	18,498	-28,587
Effective tax rate (%)	41.2%	45.7%

TEMPORARY DIFFERENCES AS OF DECEMBER 31:

NOK THOUSAND	2016	2015	CHANGE
Tax loss carried forward	-135,880	-54,284	-81,596
Property, plant and equipment	-163	-121	-42
Receivables	-5,953	-5,542	-411
Total temporary differences	-141,997	-59,947	-82,050
Recognised tax liability/(asset)	-34,079	-14,987	-19,093

Included in the deferred tax asset as of 31 December 2016 is also a withholding tax receivable of NOK 1,612 thousand (2015: NOK 1,734 thousand). NOK 29,311 thousand of the tax loss carried forward expire in 2024. The remaining tax loss can be carried forward indefinitely.

Note 9 Investments in subsidaries and associated companies

The table below sets forth Scatec Solar ASA's ownership interest in subsidiaries as well as investments owned by Scatec Solar's subsidiaries. Ownership interest corresponds to voting interest if not otherwise stated.

Ownership interest in daughter-daughter companies are shown by direct ownership interest of daughter-company.

NOK THOUSAND				.
COMPANY	REGISTERED OFFICE	OWNERSHIP INTEREST	CARRYING VALUE 2016	CARRYING VALUE 2015
Scatec Solar GmbH	Regensburg, Germany	100%	43,837	43,837
Scatec Solar SA163 (Pty) Ltd	Cape Town, South Africa	92%	15,894	15,631
Scatec Solar Italy S.R.L	Rome, Italy	100%	-	-
BFL F S.R.L	Rome, Italy	100%	-	-
Scatec Solar S.R.O	Prague, Czech	100%	132,690	159,021
Signo Solar PP01 S.R.O	Prague, Czech	100%	-	=
Signo Solar PP02 S.R.O	Prague, Czech	100%	-	=
Signo Solar PP03 S.R.O	Prague, Czech	100%	-	-
Signo Solar PP04 S.R.O	Prague, Czech	100%	-	-
SPV 1 Solar S.R.O	Prague, Czech	100%	22,760	31,222
Scatec Solar India Pvt. Ltd.	New Delhi, India	100%	-	
Scatec Solar North America Inc.	California, USA	100%	85,311	85,311
Utah Red Hills Renewable Park, LLC	California, USA	-	-	
Altamaha Renewable Energy Park, LLC	California, USA	-	-	
Live Oak Solar Farm, LLC	California, USA	-	-	
Three Peaks Power, LLC	California, USA	-	-	
Scatec California Solar No 1, LLC	California, USA	100%	-	
Scatec California Partners, LP	California, USA	100%		
Scatec Solar Hawaii LLC	Hawaii, USA	100%	-	
Chateau St Jean Solar LLC	California, USA	80%		
Tourves SPV SAS	St Raphael, France	100%	6	4
Scatec Solar SAS	Paris, France	100%	305	305
Scatec Solar Jordan EPC	Amman, Jordan	100%	- 303	
Scatec Solar AS/Jordan PSC	Amman, Jordan	90%	51,798	4,144
Anwar Al Ardh For Solar Energy Generation PSC	Amman, Jordan	50.1%	71,569	5,726
Ardh Al Amal For Solar Energy Generation PSC	Amman, Jordan	50.1%	33,634	2,691
Scatec Luxemburg Holding SA	Luxemburg	50.176	55,054	2,091
Scatec Solar Asia Pacific Pte Ltd				
	Singapore	70%	-	
Scatec Solar SA (Pty) Ltd	Sandton, South Africa	65%	21.026	01 016
Scatec Solar SA 165 (Pty) Ltd	Sandton, South Africa Sandton, South Africa	39%	31,826	81,816
Scatec Solar SA 166 (Pty) Ltd	<u> </u>		24.010	105 100
Scatec Solar SA 164 (Pty) Ltd	Sandton, South Africa	71%	34,818	195,199
Simacel 155 (Pty) Ltd	Sandton, South Africa	39%	-	
Simacel 160 (Pty) Ltd	Sandton, South Africa	39%	-	
Scatec Solar Management Services (Pty) Ltd	Sandton, South Africa	100%	-	
Scatec Solar Corporation	Tokyo, Japan	-	-	
Scatec Solar Rwanda Ltd	Rwanda	100%	9	9
Gigawatt Global Rwanda Ltd	Rwanda	43%	6,279	12,902
Scatec Solar Honduras SA	Honduras	100%	9	9
Produccion de Energia Solar Demas Renovables SA	Honduras	40%	59,630	59,630
Fotovoltaica Surena S.A 1)	Honduras	70%	10,194	12,227
Generaciones Energeticas S.A ¹⁾	Honduras	70%	10,194	12,227
Fotovoltaica Los Prados S.A ¹⁾	Honduras	70%	9,121	10,918

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NOK THOUSAND				
COMPANY	REGISTERED OFFICE	OWNERSHIP INTEREST	CARRYING VALUE 2016	CARRYING VALUE 2015
Foto Sol S.A ¹⁾	Honduras	70%	4,532	5,453
Energias Solares S.A ¹⁾	Honduras	70%	5,664	6,793
Scatec Solar Africa (Pty) Ltd 1)	South Africa	100%	-	-
Scatec Solar DMCC ¹⁾	United Arab Emirates	100%	119	-
Central Solar de Mocuba SA ¹⁾	Mozambique	52.5%	-	-
Scatec Solar Mozambique Limitada 1)	Mozambique	100%	9	-
Scatec Solar Mexico SAPI de CV ¹⁾	Mexico	100%	-	-
Scatec Solar Intertec Mexico SAPI de CV	Mexico	60%	-	-
Saferay Solar SAPI de CV ¹⁾	Mexico	60%	-	-
SIM Solar 1 SAPI de CV ¹⁾	Mexico	60%	-	-
SIM Solar SAPI de CV ¹⁾	Mexico	60%	-	-
Scatec Solar Netherlands B.V 1)	The Netherlands	100%	-	-
Scatec Solar Nigeria B.V ¹⁾	The Netherlands	100%	-	-
Scatec Sukhur BV Offshore Holdco 1)	The Netherlands	100%	-	-
Scatec Solar Solutions Egypt LLC ¹⁾	Egypt	100%	-	-
Egypt Solar B.V ¹⁾	The Netherlands	70%	-1	-
Upper Egypt 2 B.V 1)	The Netherlands	70%	-	-
Upper Egypt Solar Power ¹⁾	Egypt	49%	-	-
Kom Ombo 2 B.V 1)	The Netherlands	70%	-	-
Kom Ombo Renewable Energy SAE 1)	Egypt	49%	2,511	-
Daraw B.V 1)	The Netherlands	70%	-	-
Philadelphia Power SAE ¹⁾	Egypt	49%	-	-
Zafarana 2 B.V 1)	The Netherlands	100%	-	-
Zafarana Solar Power SAE ¹⁾	Egypt	49%	1,639	-
Red Sea Solar Power 2 B.V 1)	The Netherlands	100%	-	-
Red Sea Solar Power SAE 1)	Egypt	49%	3,836	-
Aswan Solar Power SAE ¹⁾	Egypt	100%	4,156	7,003
			642,349	752,305

¹⁾ Companies established in 2016.

NOK THOUSAND

ASSOCIATES AND JOINT VENTURES	OFFICE	OWNERSHIP	CARRYING VALUE 2016	CARRYING VALUE 2015
Megawatt Holding AS	Oslo, Norway	50%	-	=
SanSca Limited	Hong Kong	25%	-	-
Scatec Energy	California, USA	50%	-	-
Total			-	-

 $During\ 2016, the\ Company\ impaired\ shares\ in\ Scatec\ Solar\ Italy\ S.R.L,\ amounting\ to\ NOK\ 9,975\ thousand.$

²⁾ Companies sold or liquidated in 2016.

Note 10 Inventory

The carrying value of projects under development are presented as inventories and are stated at the lower of cost and net realisable value. The project assets are intended for sale to project companies at financial close.

PROJECT GEOGRAPHY

NOK THOUSAND	2016	2015
Americas	312,303	79,170
South-Africa	44,814	26,909
West Africa	35,313	14,925
Middle East	40,948	9,239
East Africa	26,747	6,553
Asia	8,867	2,491
Carrying value inventory at 31.12	468,992	139,287

During 2016 the company impaired project assets in the amount of NOK 2,643 thousand (2015: NOK 89 thousand). The impairments are presented in cost of sales.

Note 11 Cash and cash equivalents

NOK THOUSAND	2016	2015
Restricted cash	65,102	124,066
Free cash	213,150	252,617
Total cash and cash equivalents	278,252	376,683

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 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 31 December 2016, the company has not drawn on the facility.



Overdraft interest is the 7-day interbank offer rate in the relevant currency plus a margin of 2.5%.

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 2016, an interest amounting to NOK 41,013 thousand (2015: NOK 4,575 thousand) was expensed.

Note 12 Equity and shareholder information

NOK THOUSAND	ISSUED CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Equity as of 31.12.2015	2,345	807,902	3,955	814,202
Profit/(loss) for the period	-	=	-26,384	-26,384
Share-based payment	-	11,150	-	11,150
Dividend	-	-	-66,610	-66,610
Equity as of 31.12.2016	2,345	819,052	-89,039	732,359

For 2016 the Board of Directors has proposed a dividend of NOK 0.71 per share, totalling NOK 66,610 thousand. The share will be traded excluding dividend rights (ex-date) on the day following the Annual General Meeting to be held 24 April 2017.

On 4 May 2016, the Annual General Meeting of Scatec Solar ASA resolved to pay a dividend of NOK 0.66 per share, totalling NOK 61,919 thousand. The dividend was paid to the shareholders on 15 June 2016.

At 31 December 2016, the share capital amounted to NOK 2,345 thousand. All shares rank in parity with one another and carry one vote per share.

The tables below show the largest shareholders of Scatec Solar ASA and shares held by Management and Board of Directors at 31 December 2016.

SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP
SCATEC AS	19,482,339	20.77 %
FERD AS	11,711,182	12.48 %
GEVERAN TRADING CO LTD	4,389,503	4.68 %
VERDIPAPIRFONDET DNB NORGE (IV)	2,797,772	2.98 %
ARGENTOS AS	2,755,760	2.94 %
FOLKETRYGDFONDET	1,868,477	1.99 %
VERDIPAPIRFONDET PARETO INVESTMENT	1,535,000	1.64 %
STOREBRAND NORGE I VERDIPAPIRFOND	1,349,158	1.44 %
VERDIPAPIRFONDET PARETO NORDIC	1,250,000	1.33 %
VICTORIA INDIA FUND AS	1,168,200	1.25 %
DNB LIVSFORSIKRING ASA	1,164,498	1.24 %
SEB PRIME SOLUTIONS SISSENER CANOP	1,150,000	1.23 %
JPMORGAN CHASE BANK, N.A., LONDON	1,116,772	1.19 %
JPMORGAN CHASE BANK, N.A., LONDON	1,054,637	1.12 %
GOTHIC CORPORATION	1,014,982	1.08 %
STOREBRAND VERDI VERDIPAPIRFOND	960,156	1.02 %
BELITO AS	677,609	0.72 %
TOLUMA NORDEN AS	630,000	0.67 %
VERDIPAPIRFONDET DNB MILJØINVEST	610,612	0.65 %
UBS AG	568,468	0.61%
Total 20 largest shareholders	57,255,125	61,03%
Total other shareholders	36,561,105	38.97%
Total shares outstanding	93,816,230	100.0%

BOARD OF DIRECTORS	NUMBER OF SHARES	OWNERSHIP
John Andersen Jr.	-	0.00%
Alf Bjørseth ¹⁾	19,552,174	20.81%
Jan Skogseth Skogseth	-	0.00%
Cecilie Amdahl	-	0.00%
Mari Thjømøe ²⁾	20,557	0.02%
Total at 31 December 2016	19,572,731	20.83%

^{1) 19,482,339} shares held through the controlled company Scatec AS.

²⁾ Held through the controlled company Thjømøe Kranen AS.

MANAGEMENT		NUMBER OF SHARES	OWNERSHIP
Raymond Carlsen ¹⁾	Chief Executive Officer	2,755,760	2.94%
Mikkel Tørud	Chief Financial Officer	278,440	0.30%
Terje Pilskog ²⁾	Chief Operating Officer	489,268	0.52%
Roar Haugland ³⁾	EVP Business Development	385,735	0.41%
Torstein Berntsen ⁴⁾	EVP Power Production & Asset Management	678,504	0.72%
Snorre Valdimarsson	EVP General Counsel	275,220	0.29%
Total at 31 December 2016		4,862,927	5.18%

¹⁾ Held through the controlled company Argentos AS.

Refer to note 4 – Employee benefits for information on share options granted to the management.

Note 13 Guarantees, contractual obligations, contingent liabilities

The Scatec Solar group is constructing, operating and maintaining solar projects in several locations and with different legal entities as the primary contract party. When required, Scatec Solar ASA is providing a parent quarantee on behalf of subsidiaries for their fulfilment of such contractual obligations. A bid bond is a guarantee issued by Scatec Solar to the provider in a tender process.

Scatec Solar ASA has provided the following guarantees at 31 December

- Advance payment guarantees of NOK 0 (NOK 125,307 thousand as of 31 December 2015), as no power plant was in early phase of construction
- Performance guarantees of NOK 189,160 thousand (NOK 305,047 thousand as of 31 December 2015) related to the construction contracts for power plants in Honduras and Jordan
- Warranty guarantees of NOK 133,865 thousand (NOK 357,879 thousand as of 31 December 2015) related to power plants constructed by Scatec Solar in South Africa, Honduras and Jordan
- Bid bonds of NOK 185,536 thousand (NOK 105,098 thousand as of 31 December 2015) related to tenders/bidding for new projects in South Africa, Malaysia, Egypt and Nigeria
- Other guarantees of NOK 86,193 thousand (NOK 256,361 thousand as of 31 December 2015) mainly related to infrastructure investments in Egypt

The quarantee volumes specified below include both guarantees issued from recourse group to project companies (subsidiaries) and guarantees issued to third parties.

²⁾ Held through the controlled company Océmar AS.

³⁾ Held through the controlled company Buzz Aldrin AS.

^{4) 677,609} shares held through the controlled company Belito AS. 895 shares held by Torstein Berntsen's spouse.

The guarantees have the following duration (closing balance of total guarantee exposure):

GUARANTEE DURATION

NOK THOUSAND	2017	2018	2019	>2019
Performance guarantees 1)	119,134	70,026	-	=
Warranty guarantees ²⁾	94,154	39,711	-	-
Bid Bonds ³⁾	185,536	-	-	-
Other guarantees 4)	84,336	-	-	1,857
Total	483,160	109,737	=	1,857

- 1) Of which NOK 0 thousand to third parties besides subsidiaries
- 2) Of which NOK 1,238 thousand to third parties besides subsidiaries
- 3) Of which NOK 185,536 thousand to third parties besides subsidiaries
- 4) Of which NOK 86,193 thousand to third parties besides subsidiaries

The quarantees issued from Scatec Solar ASA are issued by Nordea Bank with the exception of bid bonds in South Africa. The performance and warranty guarantees in Honduras, Jordan and South Africa are counter guaranteed by The Norwegian Export Credit Guarantee Agency (GIEK). The guarantees issued by Nordea Bank are issued under the uncommitted overdraft and guarantee facility with Nordea Bank. Financial covenants are equal to financial covenants in the green bond. Per 31 December 2016, Scatec Solar was in compliance with all bond covenants.

See Note 16 – Bonds for further information and definitions.

Contractual obligations

Scatec Solar ASA has lease obligation for office rental in Oslo, Norway. Scatec Solar ASA has entered into a purchase agreement with suppliers related to purchase of services for EPC in Honduras. Other contractual obligations consist of share purchase agreements with local developers for power plant projects in Brazil and Nigeria. These agreements and similar agreements in other countries contain additional payments if the solar plants are realised. Additional payments are not included, as they are dependent on start and completion of construction of the solar plants.

CONTRACTUAL OBLIGATIONS

NOK THOUSAND	2017	2018	2019	>2019
Leases	3,714	1,751	=	=
Total purchase services	11,206	=	=	=
Other contractual obligations	20,371	=	=	-

Note 14 Transactions with related parties

Related parties **Transactions** Scatec AS (shareholder) Consultancy services

Subsidiaries and associates Management, development and EPC services and financing

Employees Loan and payroll

Transactions with related parties

All related party transactions have been carried out as part of the normal course of business and at arm's length. The most significant transactions in 2016 and 2015 are:

Subsidiaries - EPC services

Scatec Solar ASA has been the main EPC contractor for the construction of the Agua Fria solar power plant in Honduras. During 2016 total revenues on the contract amounted to NOK 4,940 thousand (2015: NOK 721,862 thousand). In addition, the company has provided EPC services related to construction of three solar power plants in Jordan during 2016 where the revenues amounted to NOK 37,244 thousand (2015: NOK 23,841 thousand.)

Subsidiaries – development services

During 2016 no projects in the company's project pipeline reached financial close and Scatec Solar ASA transferred no development rights to the project companies. During 2015 the company sold fours project rights amounting to NOK 33,542 thousand. Related to a sale of a solar plant in USA in 2016 the company sold capitalised project assets to the subsidiary amounting to NOK 1,411 thousand.

Subsidiaries - management service income

Scatec Solar has during 2016 charged NOK 10,120 thousand for corporate services provided to its subsidiaries (2015: NOK 6.100 thousand).

Subsidiaries and associates - financing

In the course of the ordinary business inter-company financing is provided between Scatec Solar and its subsidiaries. Long-term financing is interest bearing and priced at arm's length. Refer to note 7 for specification of interest income/expenses from/to subsidiaries.

Scatec AS – consultancy services

Scatec Solar acquired certain consultancy services, such as accounting and project development services, from Scatec AS. For the year ended 31 December 2016 the company incurred consultancy service cost of NOK 810 thousand (2015: NOK 2,103 thousand). Consultancy services are presented as other operating expenses in the statement of income. As per 31 December 2016 there were no trade payables to Scatec AS (2015: NOK 180 thousand).

Note 15 Provision for bad debt

NOK THOUSAND	2016	2015
Bad debt realised	1,392	17,784
Provision for bad debt	-	-17,784
Change in bad debt provision last year	-	-6
Total expenses	1,392	-6
Bad debt reserve 31 December	8,748	18,338

The company recorded no additional provision for bad debt either in 2016 or 2015.

There company realised bad debt of NOK 1,392 thousand in 2016 related to the sale of the UK project portfolio. During 2015 provisions of NOK 17,784 thousand, whereof total amount related to receivables on group companies, were reversed as provisions and recorded as actual loss.

The company has reclassified a bad debt provision of NOK 9,590 thousand as part of a debt to equity conversion in one of its subsidiaries

Note 16 Bonds

During fourth quarter 2015 Scatec Solar completed a NOK 500 million senior unsecured green bond issue with maturity in November 2018. The bonds were listed on the Oslo Stock Exchange in December. The bonds carry an interest of 3 month NIBOR + 6.5%, to be settled on a quarterly basis. During 2016, an interest amounting to NOK 41,013 thousand was expensed (2015: NOK 4,574 thousand). During the term of the bonds, Scatec Solar shall comply with the following financial covenants at all times:



Scatec Solar completed a NOK 500 million senior unsecured green bond issue in the end of 2015 with maturity in November 2018.

- a. Minimum liquidity: Scatec Solar shall maintain free cash of minimum NOK 30 million
- b. Maximum debt to capitalisation ratio: Scatec Solar shall maintain a debt to capitalisation ratio of maximum 55%
- c. Maximum cash flow coverage ratio: Scatec Solar shall maintain a cash flow coverage ratio of maximum:
 - a) 7x from 19 November 2015 to 19 November 2016;
 - b) 6x from 20 November 2016 to 19 November 2017; and
 - c) 5x from 20 November 2017 to 19 November 2018

Per 31 December 2016, Scatec Solar was in compliance with all bond covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 1,313,568 thousand per year end. Refer to the loan agreement available on www.scatecsolar.com/investor/debt for further information and definitions.

The loan is carried at amortised cost with the total fees of NOK 7,500 thousand being amortised over the 3-year period until maturity.

See Note 11 – Cash for description of other sources of corporate funding.

Note 17 Other current liabilities

NOK THOUSAND	2016	2015	
Deferred income EPC projects	221,377	115,587	
Withholding taxes on cross border transactions	11,307	11,307	
Accrued interest expenses	4,333	4,575	
Vacation allowances, bonus accruals etc.	12,428	6,170	
Employee withholding tax	3,137	1,940	
Other	8,143	2,804	
Total current liabilities	260,725	142,383	

Note 18 Subsequent events

No events occurred after the balance sheet date with significant impact on the financial statements for 2016.

Definitions

Backlog

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.

Pipeline

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

subsequent realisation.

Opportunities

Project 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.

Adjusted equity ratio: is defined as an approximation to the Group's equity ratio excluding assets, liabilities and equity pertaining to

non-recourse financing of the solar power project companies.

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 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 and 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.

Lost time injury (LTI): an occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more.

Definitions of project finance terms

Debt Service Cover Ratio (DSCR): The amount of cash flow available to meet annual interest and principal payments on debt.

Loan Life Cover Ratio (LLCR): A ratio used to estimate the ability of a borrowing company to repay an outstanding loan. It is calculated by dividing

the net present value (NPV) of the money available for debt repayment by the amount of senior debt owed by

the company.

Project Life Cover Ratio (PLCR): A ratio of the net present value (NPV) of the cash flow over the remaining full life of the project to the outstanding debt

balance in the period.

Responsibility statement

We confirm to the best of our knowledge, that the consolidated financial statements for the period 1 January 2016 to 31 December 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, 20 March 2017

The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)

Alf Bjørseth

Mari Thjømøe

Raymond Carlsen (CEO)

Auditor's report



Statsautoriserte revisorer

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Scatec Solar ASA

Report on the audit of the financial statements

We have audited the financial statements of Scatec Solar ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2016, the statement of income, cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2016, statement of profit or loss, statement of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement



of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Control assessments of project companies

The group has entered into partnerships for shareholding of project companies owning solar power plants. Scatec Solar seeks to obtain operational and financial control of the project companies also when Scatec Solar's owns less than 50 % of the shares. Based on the criteria in IFRS 10 regarding control, other factors than ownership can be decisive as to whether Scatec Solar has obtained control Management's assessment of control is based on shareholder agreements and other contractual arrangements. Assessments are performed for new project companies, and an annual reassessment is performed for material project companies. The assessments are complex and involve significant use of management judgment, and due to the material impact on classification and presentation of the project companies in the consolidated financial statements, the control assessments are considered a key audit

We have evaluated management's assessment of control for new project companies and the annual reassessment for material project companies. We read the shareholder agreements and other key contractual agreements and compared the terms and conditions with the requirements in IFRS 10. We also considered other agreements such as the development, financing, Engineering, Procurement and Construction (EPC) and Operation & Maintenance (O&M) agreements.

We evaluated the information provided in disclosure and that the description in note 2 is consistent with the assessments performed by management.

Impairment of development projects

Scatec Solar acquires land rights such as land permits, connection rights and local government approvals for the construction of solar power plants on designated land. Commercial practices and legal and regulatory frameworks differ between jurisdictions and may change over time. Changes may cause additional expenses, reduced future revenue due to delays and other external circumstances that may have impact on carrying value of development projects. The carrying value of development projects that have not yet reached the construction phase was MNOK 637 for the Group as of 31 December 2016.

Due to the carrying value, the risk of changes in regulatory requirements and delays, and the complexity of projects, impairment of projects in a development phase is considered a key audit matter.

We evaluated the Group's process and internal controls for identifying projects with risk of impairment. Where indicators of impairment were identified, we analyzed the impairment test. We evaluated the consistency of the estimated future cash flows against the most recent assumptions about capacity, tariffs, capital expenditures and operating cost. We evaluated the weighted average cost of capital (WACC) by comparing input data based on available market information, such as risk free interest on government bonds, debt ratio, beta, market risk premium and country risk premium. We involved internal valuation specialists in our team to recalculate the mathematical accuracy of the impairment model and to evaluate the components and the calculation of the WACC.

We performed analysis of the sensitivity of key input data and assessed the company's disclosures in note 2 - "Key sources of estimation uncertainty, judgements and assumptions" and note 12 - "Property plant & equipment" of the consolidated financial statements.



Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 27 March 2017 **ERNST & YOUNG AS**

Thomas Embetien

Thomas Embretsen State Authorised Public Accountant (Norway)

Independent auditor's report - Scatec Solar ASA

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