

# Third quarter 2017

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Oslo, October 20, 2017

## Our values

Predictable

Driving results

Changemakers

Working together



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# Strong financial results and 394 MW in construction

- Proportionate revenues of NOK 922 million and EBITDA of NOK 500 million
- Successful issuance of the world largest green SRI Sukuk bond in Malaysia
- Construction progressing in Malaysia, Honduras and Brazil - NOK 385 million of construction revenues in Q3'17
- Entered partnership with Statoil for large scale solar in Brazil – sale of project rights with a net gain of NOK 375 million
- 400 MW in Egypt and 258 MW in South Africa approaching financial close with construction start in 2018



# Solid Development & Construction margins

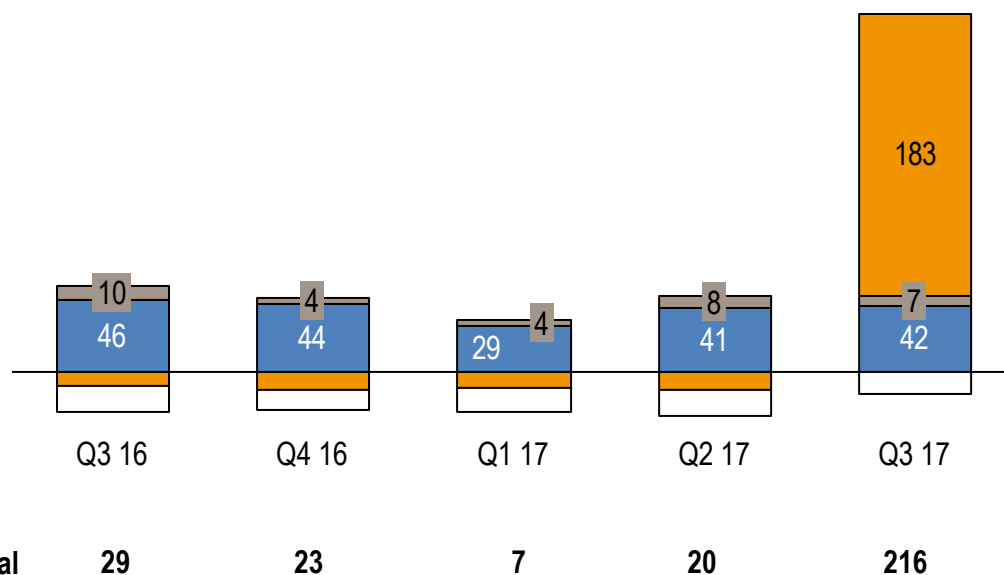
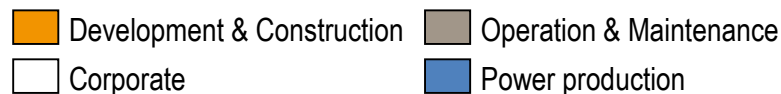
- NOK 385 million of construction revenues in Honduras and Malaysia
- NOK 375 million of project development margin on Statoil transaction in Brazil

Third quarter 2017 (NOK million)	Power Production 100% basis	Power Production SSO share*	Operation & Maintenance SSO share*	Development & Construction SSO share*	Corporate SSO share*	Total
Revenues and other income	279.8	138.6	19.8	760.4	3.3	922.0
EBITDA	242.5	118.8	8.8	383.6	-11.0	500.3
Operating profit (EBIT)	167.4	81.0	8.6	383.0	-11.3	461.2

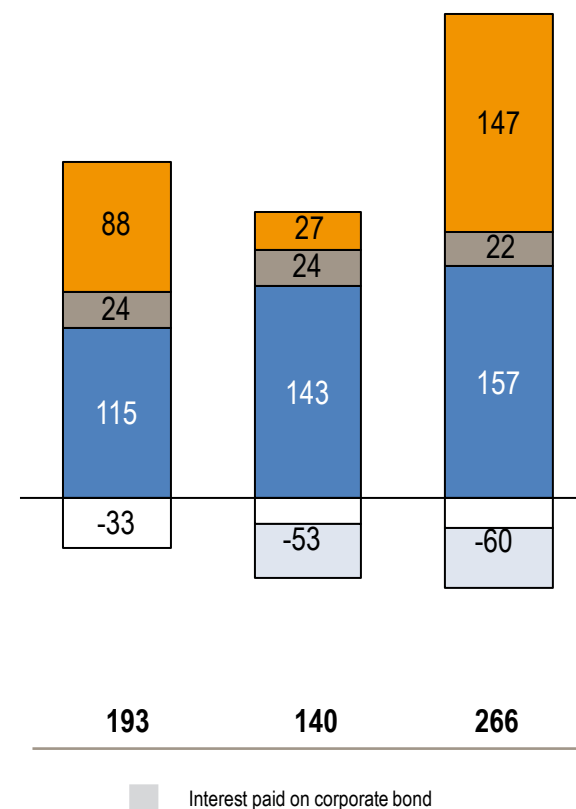
Third quarter 2016 (NOK million)	Power Production 100% basis	Power Production SSO share*	Operation & Maintenance SSO share*	Development & Construction SSO share*	Corporate SSO share*	Total
Revenues and other income	279.8	150.2	19.8	36.6	2.3	208.9
EBITDA	235.7	124.8	12.4	-13.9	-12.5	110.8
Operating profit (EBIT)	154.3	79.0	11.9	-15.5	-12.7	62.7

# Scatec Solar's share of cash flow to equity

## SSO proportionate share of cash flow to equity\*



## Last twelve months (NOKm)



# Partnership with Statoil in Brazil

## Apodi, 162 MW

- 20 year PPA with CCEE
- SSO 44%, Statoil 44%, Apodi 12%
- Capex: USD 215 million
- Project finance: USD 140 million



## Establishing a 50/50 Joint Venture with Statoil

- Develop, build, own and operate large scale solar plants
- Increased growth ambitions in Brazil
- Statoil brings local presence, project experience and balance sheet

## Statoil transaction

- Statoil paid USD 25 million for 40% of project – a further USD 30 million injected by Statoil as project equity
- The JV has acquired another 8% equity stake from Apodi
- Debt financing secured from Banco Nordeste (BNB)
- Construction start in October 2017 - grid connection in second half 2018

# Malaysia & Honduras – construction started

## Malaysia, 197 MW

- 25 year PPA with TNB
- SSO 100%\*
- Capex: USD 293 million
- Project finance: USD 234 million



## Status

- Financial close on October 6 - issued world largest green sukuk bond - 18 year tenor
- Scatec Solar investment in convertible preference shares and preference shares
- Construction under way

## Honduras, 35 MW, phase 1

- 25 year PPA with ENEE
- SSO 70%, Norfund 30%
- Capex: 80 MUSD\*\*
- Project finance: USD 50 million



## Status

- Construction start early July 2017 to comply with timeline in the PPA
- Approval of security package from lenders pending – closing may be delayed until COD
- Project has experienced civil unrest – situation improving but may impact cost and schedule



# Egypt & South Africa – approaching financial close

## Egypt, 400 MW

- 25 year PPA with EETC
- SSO 51%, Norfund 24%, Africa50 25%
- Capex: USD 445 million
- Project finance: USD 335 million



## Status

- Loan agreements were signed on October 19 with EBRD & partners
- Financial close expected by end of October 2017
- Construction start sequentially in first half of 2018

## South Africa, 258 MW

- 20 year PPA with ESKOM
- SSO 42%, Norfund 18%, BEEE Trust 40%
- Capex: USD 315 million
- Project finance: USD 260 million



## Status

- DoE moved forward with REIPPP in August – with lowered tariff to 0.77 Rand/kWh
- Preparing with IPP Office and lenders for financial close



# Mozambique & Mali – approaching financial close

## Mozambique, 40 MW

- 25 year PPA with EDM
- SSO 52.5%, Norfund 22.5%, EDM 25%
- Capex: USD 76 million
- Project finance: USD 62 million



## Status

- Loan agreement signed by IFC and Emerging Africa Infrastructure Fund in June, 2017
- Working to close out remaining conditions precedent of the loan to reach financial close

## Mali, 33 MW

- 25 year PPA with Energie du Mali
- SSO 51%, IFC 30%, Africa Power 19%
- Capex: USD 56 million
- Project finance: USD 42 million



## Status

- Final approval by African Development Bank of updated lending terms expected soon
- Currently finalizing project, loan and guarantee agreements

# Closing NOK 9 billion of project finance

Malaysia – debt USD 234 million - capex USD 293 million

- World largest green sukuk bond – 18 year tenor
- Accessing local debt market to reduce cost

• Egypt – debt USD 335 million - capex USD 445 million

- EBRD in partnership with Green Climate Fund, FMO, Islamic Development Bank, Islamic Corporation for Development (ICD)
- Climate finance directly involved with strong DFI support to realize the 1.8 GW solar programme in Egypt

• Brazil – debt USD 140 million – capex USD 215 million

- Banco Nordeste now engaging significantly in renewables
- Completion guarantee provided by a club of commercial banks

• In addition: South Africa, Mali and Mozambique

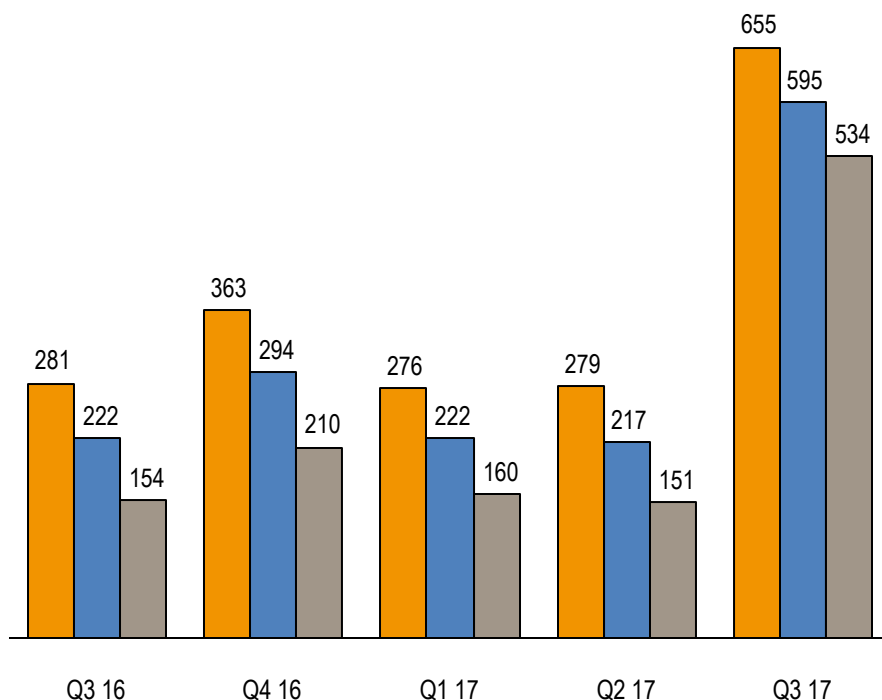


# Financial review

# Consolidated & proportionate financials

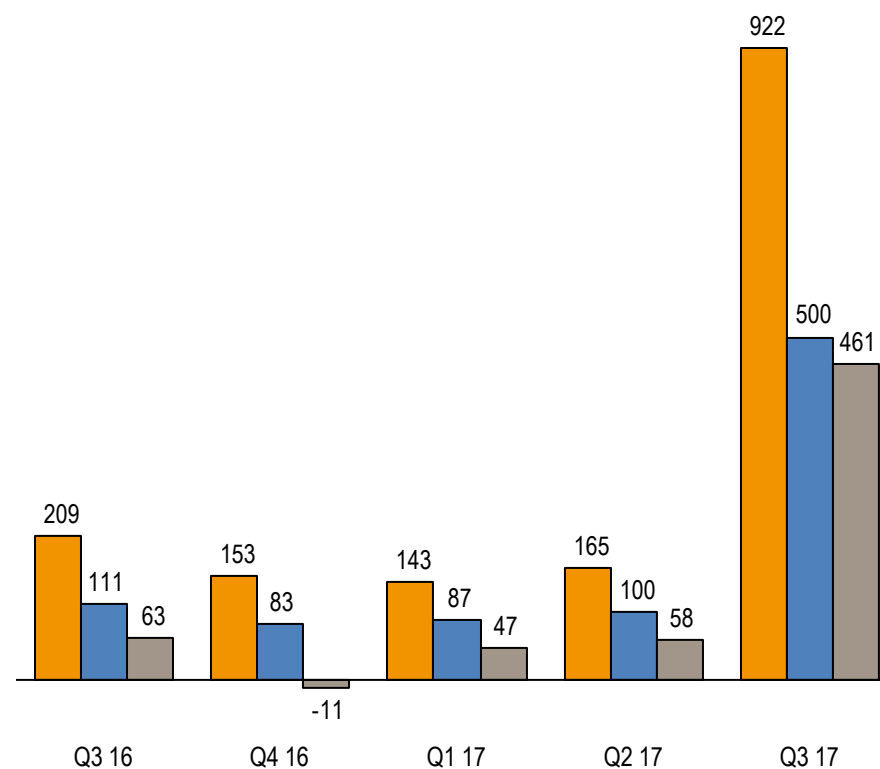
## Consolidated financials (NOK million)

Revenues EBITDA EBIT



## SSO proportionate financials (NOK million)

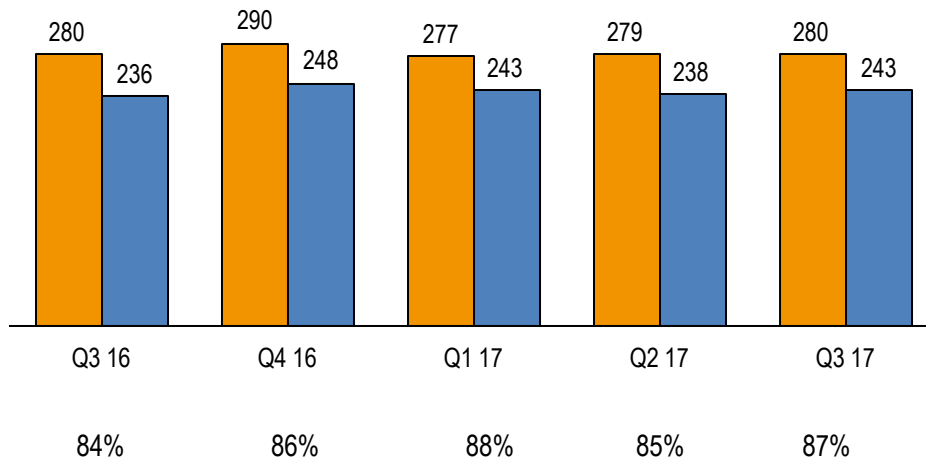
Revenues EBITDA EBIT



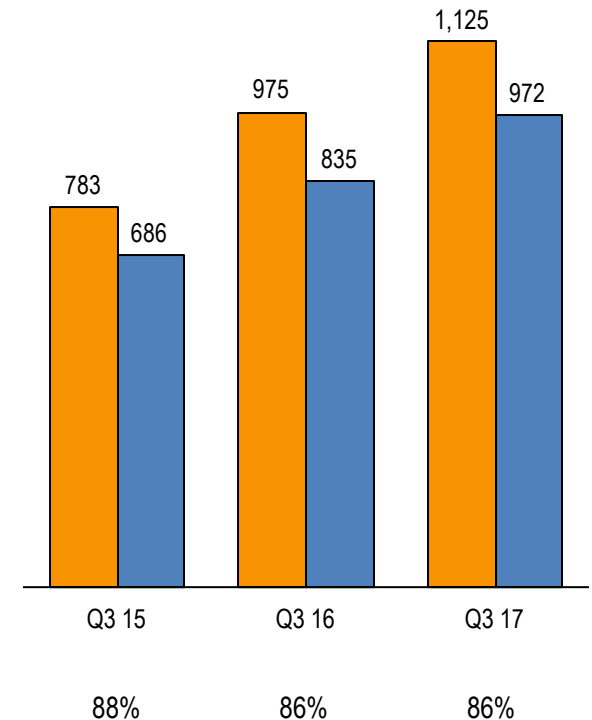
# Stable revenues and EBITDA

Quarterly (NOKm)

Revenues EBITDA



Last twelve months (NOKm)

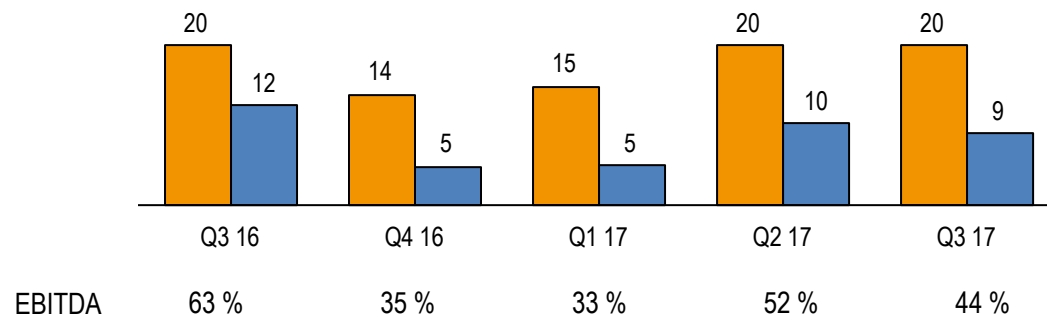


- Third quarter revenues and power production are in line with the same quarter last year
- A strengthening of ZAR/NOK of 12% offset the impact of the sale of the Utah plant in the fourth quarter 2016

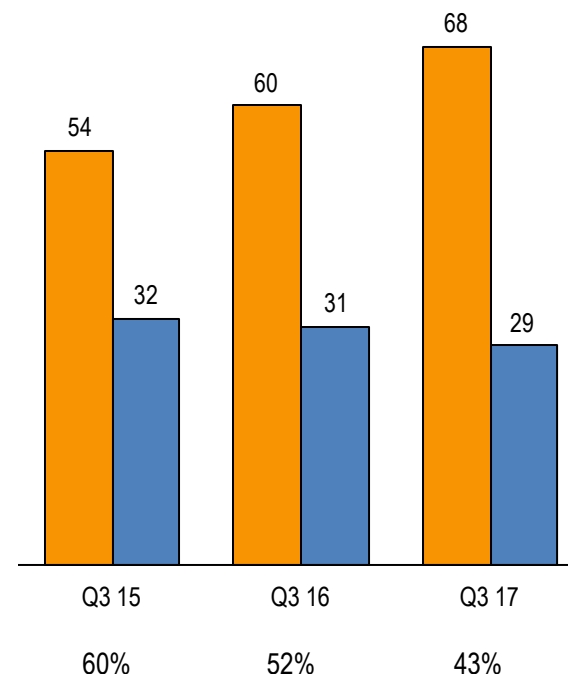
# Stable revenues and EBITDA

Quarterly (NOKm)

Revenues EBITDA



Last twelve months (NOKm)



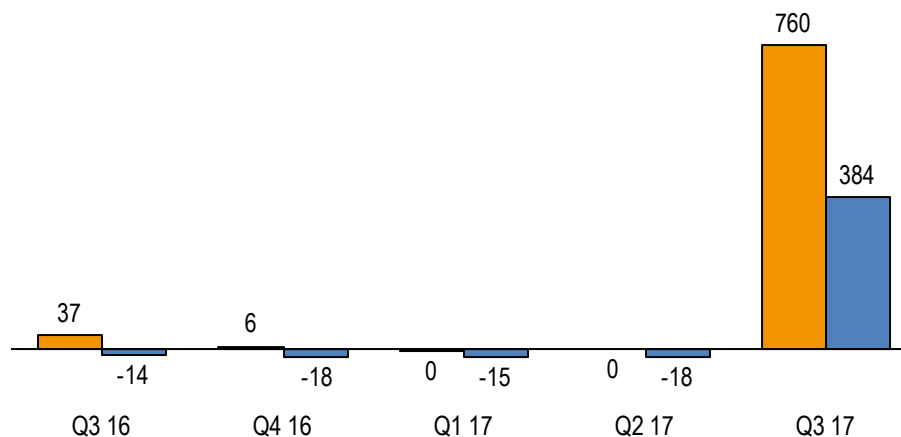
- Year on year EBITDA is mainly affected by only partial recognition of revenues in Jordan while carrying full cost of operating the plants – full recognition is expected upon formal 'taking over'



# Project backlog moving into construction

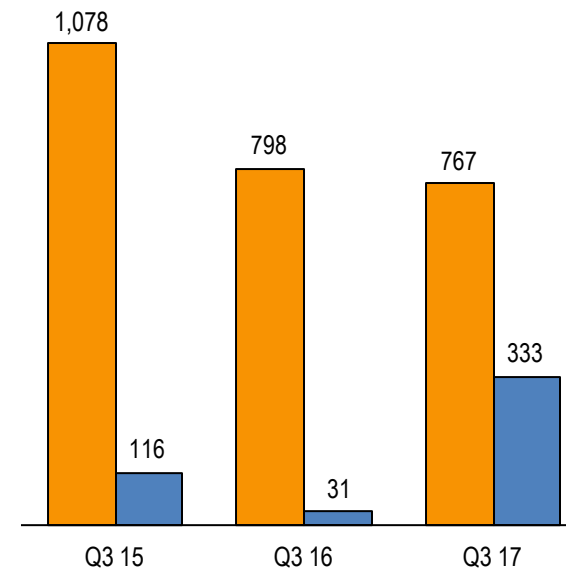
## Quarterly (NOKm)

Revenues EBITDA



Gross Margin	-	99%	-	-	53%
EBITDA	-38%	-273%	-	-	50%

## Last twelve months (NOKm)



	18%	13%	54%
	11%	4%	43%

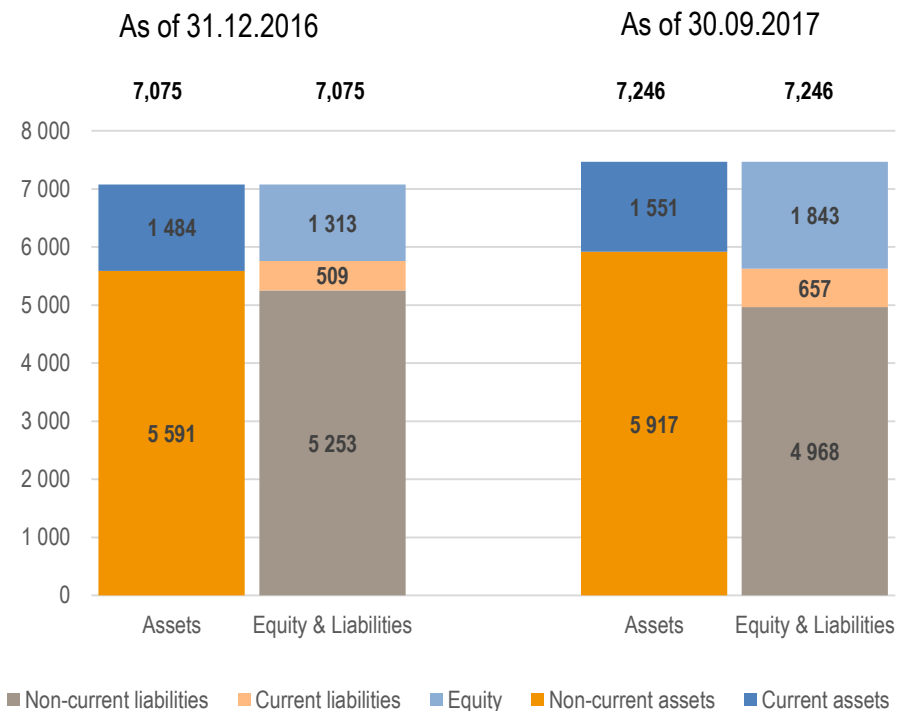
- Construction progressing in Malaysia, Honduras and Brazil - NOK 385 million of revenues
- Sale of project rights in Brazil with a net gain of NOK 375 million including NOK 200 million fair value adjustment of asset – project deconsolidated

# Solid financial position

- Cash position of NOK 1,119 million of which NOK 759 million in project companies
- Group\* book equity strengthened to NOK 2,040 million – equity ratio of 80%

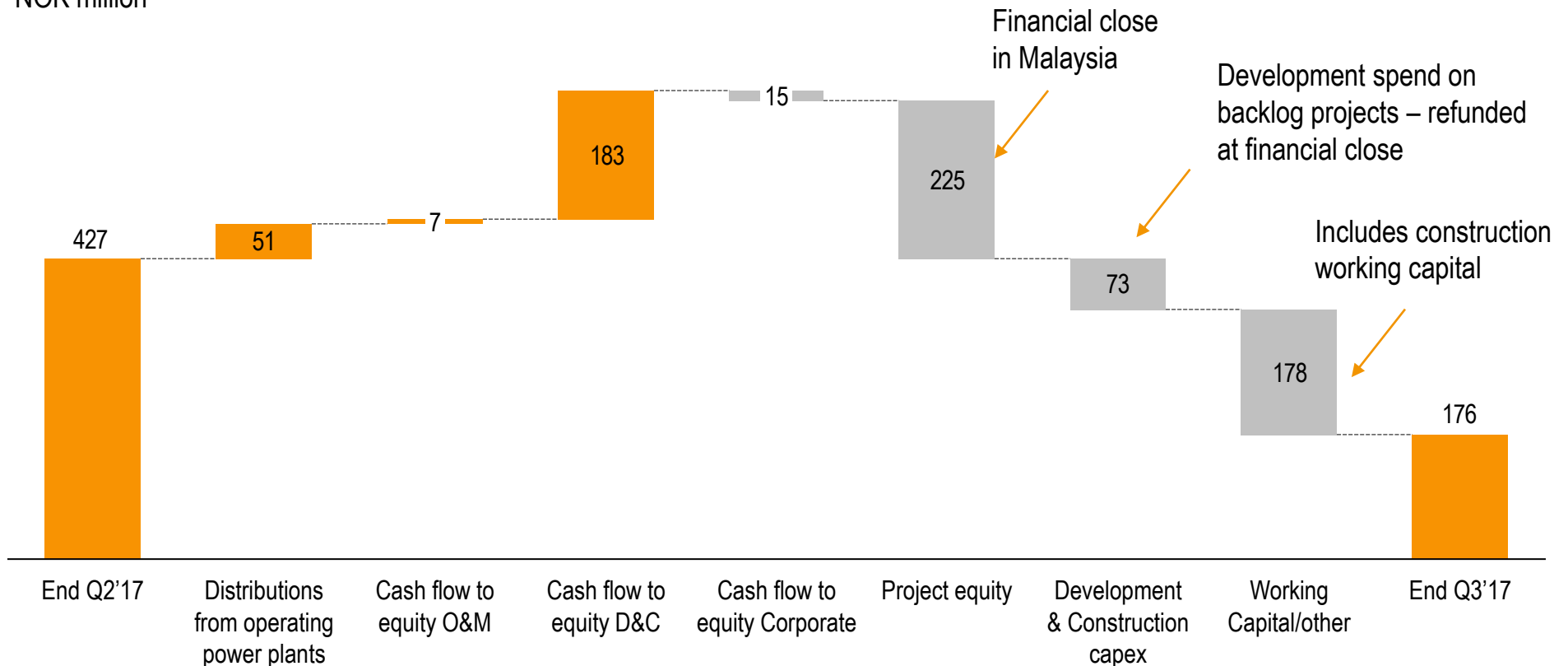
NOKm	Consolidated	SSO prop. Share	Group level**
<b>Cash</b>	1,119	739	176
<b>Interest bearing liabilities*</b>	-4,771	-2,578	-497
<b>Net debt</b>	-3,652	-1,839	-321

## Financial position (NOKm)



# Movement of free cash at group level

NOK million



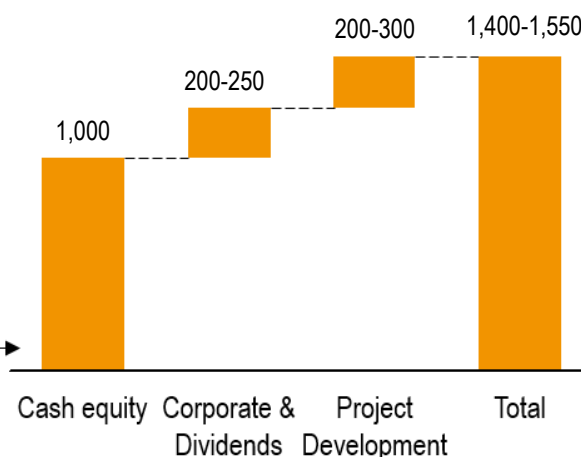
- NOK 500 million received for EPC advance payment after FC in Malaysia in October
- D&C Cash flow includes of NOK 200 million for Brazil project rights received in October

# Fully funded to realize project backlog

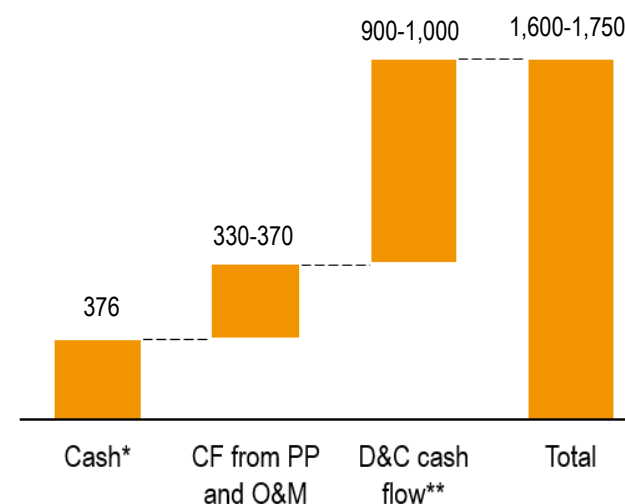
Funding of investments in project backlog and further project development over the next 1-2 years

**Uses – NOK million**

Funding backlog	NOKm
Capex	11,800
Total equity	2,800
SSO share of equity	1,700
<b>SSO cash equity</b>	<b>1,000</b>



**Sources – NOK million**



Annual cash flow to equity from PP and O&M expected of NOK  
 400 - 450 million with backlog grid connected

# Managing working capital through project execution

Project structuring to optimise cash flow:

- Equity injected at end of construction on some projects
- EPC milestones e.g. 15-25% advanced payment
- Utilise supply chain financing on key components
- Construction starting in sequence for larger projects
- Access to bank facilities matching growth plans

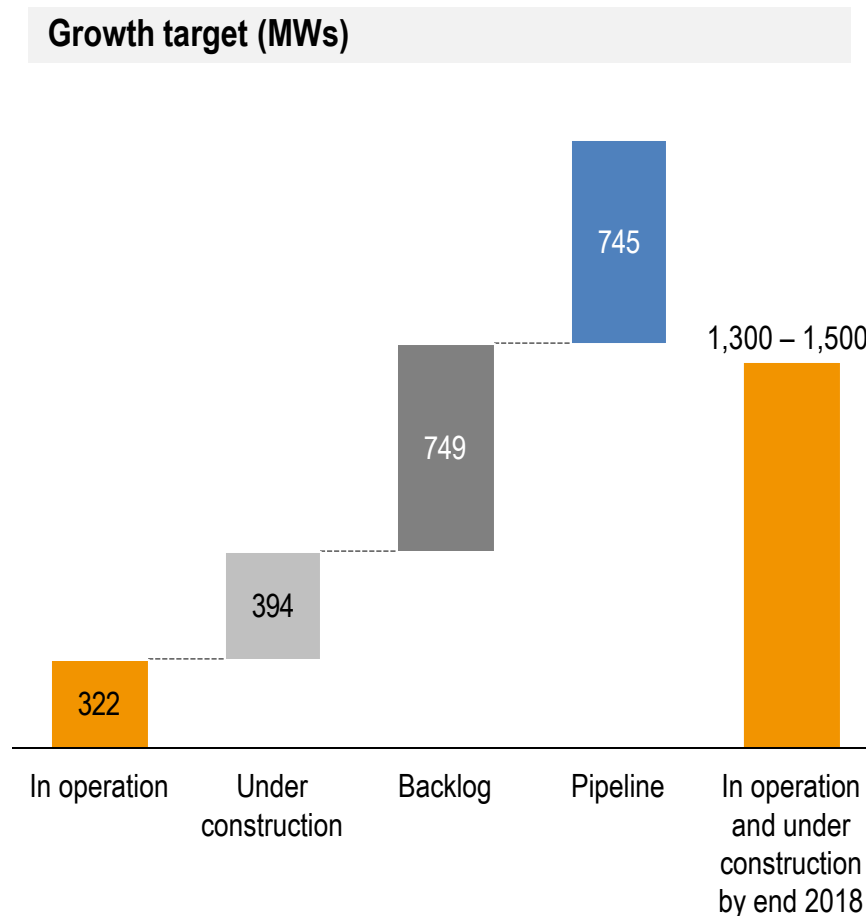


# Outlook



# More projects moving into construction

- New projects diversify our portfolio when operational
- Sufficient financial capacity to cover our equity investments in the projects
- Progressing well with development of new utility scale PV projects – return and margin targets remain
- Partnerships and new business models continue to be explored for additional growth opportunities



# Thank you

## **Our values**

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# Consolidated profit & loss

<i>(NOK million)</i>	Q3 17	Q2 17	Q3 16	YTD 17	YTD 16
<b>Total revenues</b>	<b>654.9</b>	<b>278.9</b>	<b>280.6</b>	<b>1,210.0</b>	<b>721.8</b>
OPEX	-60.4	-61.8	58.9	-176.2	182.4
<b>EBITDA</b>	<b>594.5</b>	<b>217.0</b>	<b>221.7</b>	<b>1,033.8</b>	<b>539.4</b>
Depreciation, amortization and impairment	-60.3	-66.0	-68.1	-188.2	-186.3
<b>Operating profit</b>	<b>534.3</b>	<b>151.1</b>	<b>153.6</b>	<b>845.6</b>	<b>353.0</b>
Interest, other financial income	11.1	16.6	8.8	40.8	36.7
Interest, other financial expenses	-119.3	-130.4	-131.1	-377.1	-369.1
Foreign exchange gain/(loss)	-14.3	-37.9	-19.2	-60.5	-37.2
<b>Net financial expenses</b>	<b>-122.5</b>	<b>-151.7</b>	<b>-141.5</b>	<b>-396.8</b>	<b>-369.6</b>
<b>Profit before income tax</b>	<b>411.8</b>	<b>-0.1</b>	<b>12.1</b>	<b>448.9</b>	<b>-16.6</b>
Income tax (expense)/benefit	-5.0	2.2	-0.1	-9.6	10.3
<b>Profit/(loss) for the period</b>	<b>406.8</b>	<b>1.5</b>	<b>11.2</b>	<b>439.3</b>	<b>-6.3</b>
<b>Profit/(loss) attributable to:</b>					
Equity holders of the parent	383.0	-12.7	-1.1	374.0	-42.7
Non-controlling interests	23.8	14.1	12.3	65.3	36.5
<b>Basic and diluted EPS (NOK)</b>	<b>3.71</b>	<b>-0.12</b>	<b>-0.01</b>	<b>3.73</b>	<b>-0.46</b>

# Consolidated cash flow statement

<i>(NOK million)</i>	Q3 17	Q2 17	Q3 16	YTD 17	YTD 16
Net cash flow from operations	190.9	215.3	196.0	668.2	517.1
Net cash flow from investments	-192.4	-101.7	-66.9	-338.1	-793.8
Net cash flow from financing	-129.4	-360.5	-177.1	-292.0	-460.2
Net increase/(decrease) in cash and cash equivalents	-130.9	-246.9	-48.0	38.1	-736.9
Effect of exchange rate changes on cash and cash equivalents	-58.9	-6.8	-5.9	-56.4	-47.8
Cash and cash equivalents at beginning of the period	1,308.8	1,562.5	907.8	1,137.2	1,638.6
<b>Cash and cash equivalents at end of the period</b>	<b>1,118.9</b>	<b>1,308.8</b>	<b>853.9</b>	<b>1,118.9</b>	<b>853.9</b>

# Segment results – Q3'17

<i>(NOK million)</i>	Power Production	Operation & Maintenance	Development & Construction	Corporate	Eliminations	Total
External revenues	279.7	-	-	-	-	279.7
Internal revenues	-	19.8	385.3	3.3	-408.3	-
Net gain/(loss) from sale of project assets	-	-	375.2	-	-	375.2
Net income / (loss) from JV and associates	0.1	-	-0.1	-	-	-
<b>Total revenues and other income</b>	<b>279.8</b>	<b>19.8</b>	<b>760.4</b>	<b>3.3</b>	<b>-408.3</b>	<b>654.9</b>
Cost of sales	-	-	-355.8	-	355.8	-
<b>Gross profit</b>	<b>279.8</b>	<b>19.8</b>	<b>404.5</b>	<b>3.3</b>	<b>-52.5</b>	<b>654.9</b>
Operating expenses	-37.3	-11.0	-21.0	-14.3	23.1	-60.4
<b>EBITDA</b>	<b>242.5</b>	<b>8.8</b>	<b>383.6</b>	<b>-11.0</b>	<b>-29.4</b>	<b>594.5</b>
Depreciation, amortisation and impairment	-75.1	-0.2	-0.6	-0.3	16.1	-60.3
<b>Operating profit (EBIT)</b>	<b>167.4</b>	<b>8.6</b>	<b>382.9</b>	<b>-11.3</b>	<b>-13.3</b>	<b>534.3</b>

# Proportionate financials

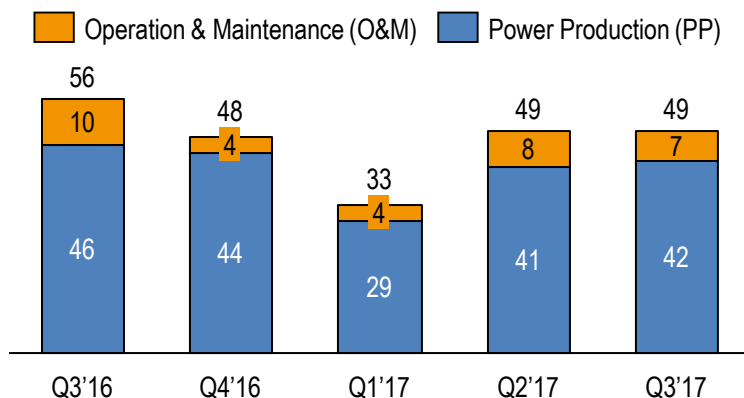
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Operating expenses	-37.3	-19.7	-11.0	-21.0	-14.3	-65.9
<b>EBITDA</b>	242.5	118.8	8.8	383.6	-11.0	500.3
Depreciation , amort. and impairment	-75.1	-37.9	-0.2	-0.6	-0.4	-39.1
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Revenues	279.8	150.2	19.8	36.6	2.3	208.9
Gross Profit	279.8	150.2	19.8	-0.1	2.3	172.1
Operating expenses	-44.1	-25.4	-7.4	-13.8	-14.8	-61.3
<b>EBITDA</b>	235.7	124.8	12.4	-13.9	-12.5	110.8
Depreciation, amort. and impairment	-81.4	-45.8	-0.5	-1.6	-0.2	-48.1
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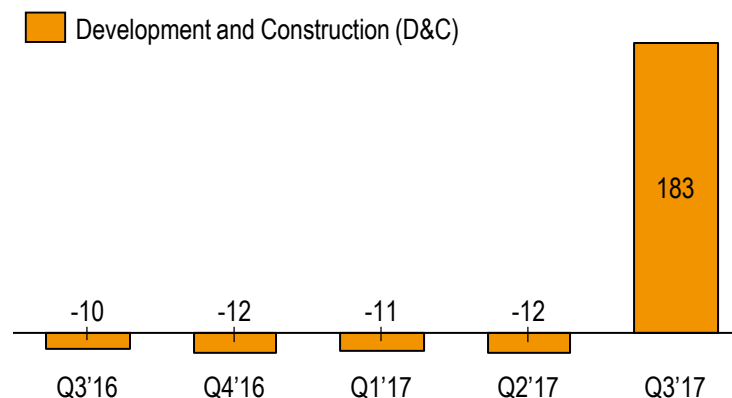


# Cash flow to Scatec Solar's equity

## Cash flow to equity from PP and O&M\* (NOKm)



## Cash flow to equity from D&C\* (NOKm)



- Calculation of SSO's share of cash flow to equity based on proportionate method:

Q3'17 - NOKm	Power Production	O&M	D&C	Corporate	Total
Revenues	138.6	19.8	561.1	3.3	722.8
EBITDA	118.8	8.8	184.2	-11.0	300.8
Net interest & loan repayments	-69.1	-	0.3	-9.1	-77.9
Tax	-7.7	-2.1	-1.9	4.9	-6.8
<b>SSO share of CF to equity*:</b>	<b>42.2</b>	<b>6.7</b>	<b>182.6</b>	<b>-15.1</b>	<b>216.4</b>

(\*) Cash flow to equity is defined as EBITDA less normalised (i.e. average over each calendar year) loan and net interest repayments, less normalised income tax payments. The definition implies changes in net working capital and investing activities are excluded from the figure.

# Project companies' financials – Q3'17

(NOK million)	Czech Republic	Kalkbult	Linde	Dreunberg	ASYV	Agua Fria	Jordan	Segment overhead	Total segment	SSO prop. share
<b>SSO shareholding</b>	100%	39%	39%	39%	54%	40%	90/50.1%			
<b>Revenues</b>	33.1	80.8	32.7	59.8	7.3	27.4	38.3	0.3	279.8	138.6
<b>OPEX</b>	-2.9	-9.1	-5.3	-8.5	-1.2	-3.7	-2.4	-4.1	-37.3	-19.7
<b>EBITDA</b>	30.2	71.7	27.4	51.3	6.1	23.7	35.9	-3.9	242.5	118.8
<b>Net interest expenses</b>	-5.1	-26.6	-13.4	-25.6	-2.7	-8.9	-11.4	0.8	-92.8	-41.6
<b>Normalised loan repayments</b>	-5.6	-8.2	-7.4	-13.9	-3.1	-11.5	-6.6	-	-56.4	-27.5
<b>Cash flow to equity*</b>	16.5	28.7	5.0	9.2	0.1	3.3	17.2	-2.3	77.6	42.2

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

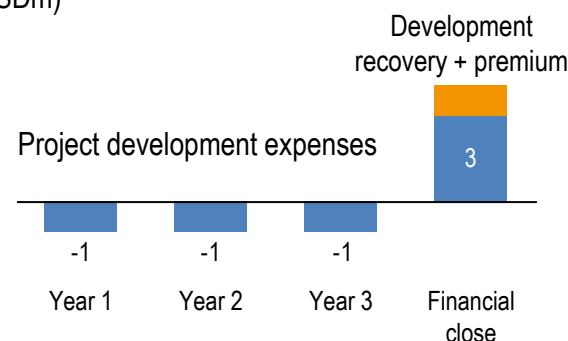
# Managing working capital

## Working capital in project development phase:

- Project development expenses normally represents 4-5% of project capex
- SSO recovers the project development expenses at financial close – often with a premium
- Project development cost is part of the project company capex budget

## Project development cash flow\*:

(USDm)

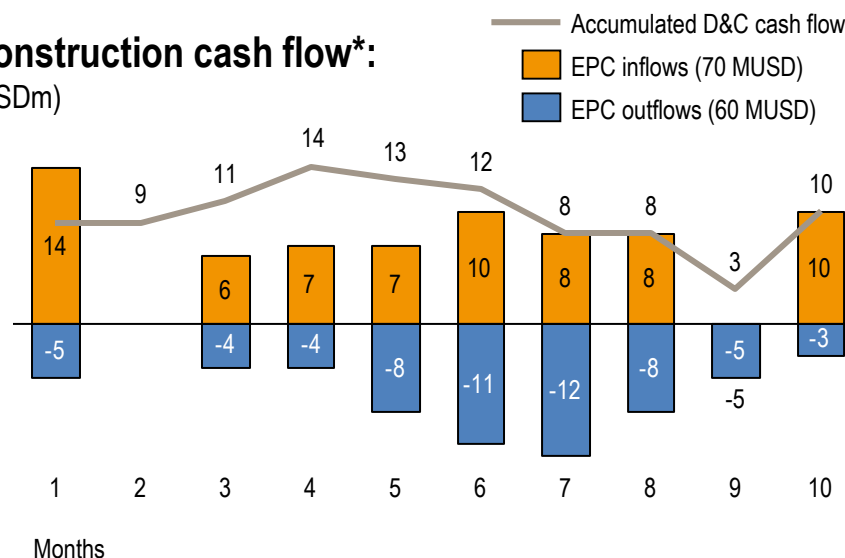


## Working capital in construction phase:

- Targeting positive EPC cash flow through milestone payments from project company + trade finance
- 15-25% Advanced Payment paid at Financial Close for all EPC Contracts
- Milestone based construction financing part of SPV project finance facility
- EPC normally provides performance bonds to project company/customer

## Construction cash flow\*:

(USDm)



(\*) 50 MW solar power plant example

# Project pipeline status

Project	Capacity	Status
South Africa	430 MW	SSO bid the projects in November 2015. Award of preferred bidder status expected after closing of the round 4 Upington projects.
Pakistan	150 MW	All required development steps completed. Received grid study approval and have applied for a “costs plus tariff” that has been admitted to hearing.
Nigeria	100 MW	Signed Joint Development Agreement with Norfund and Africa50 in Nov 2016. Working with lenders and the World Bank to secure remaining project documents.
Kenya	48 MW	Re-initialed PPA with local utility Kenya Power and Lighting Company in June 2017. Partners continue the work to complete the development of the project.
Burkina Faso	17 MW	Concession agreement to be signed with Ministry of Energy. Awaiting final sign-off from Ministry of Finance before PPA can be signed.
<b>Total</b>	<b>745 MW</b>	