Annual Report

2017

Scatec Solar
Improving our future™

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 close to 1,000 MW.

Currently, the company is producing electricity from 322 MW of solar power plants in the Czech Republic, South Africa, Rwanda, Honduras and Jordan and another 434 MW are under construction.

With an established global presence, the company is growing briskly with a project backlog and pipeline of more than 1.5 GW under development in the Americas, Africa, Asia and the Middle East. Scatec Solar is headquartered in Oslo, Norway.

Read on

Our Vision

Improving our future

Our Mission

To deliver competitive and sustainable solar energy globally, to protect our environment and to improve quality of life through innovative integration of reliable technology

Our Values

Predictable
Working Together
Driving results
Changemakers

Index

In operation
322 MW

FY 2017 Production
627 GWh

Project backlog
749 MW

Under construction
434 MW

Scatec Solar in brief

Scatec Solar is an integrated independent solar power producer, delivering affordable, rapidly deployable and sustainable source of clean energy worldwide.

Key Facts

Established
2007

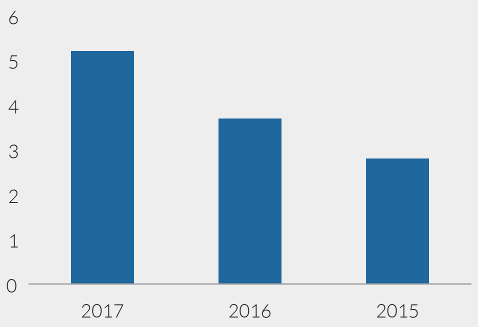
Employees
184

2017 revenues
1.5
Billion NOK

2017 GHG emissions avoided
700,000
Tons of CO_2

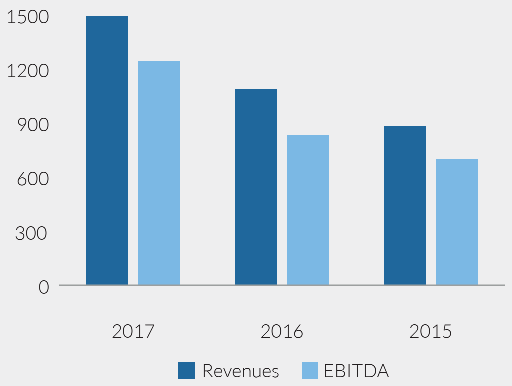
Market Capitalisation

NOK BILLION



Consolidated Revenues & EBITDA

NOK MILLION



Consolidated Group Financials

NOK MILLION	2017	2016	2015
Total revenues and other income	**1,492**	1,085	881
EBITDA [1]	**1,241**	833	698
Operating profit (EBIT [1])	**993**	563	523
Profit/(loss)	**438**	70	136
Profit/(loss) to Scatec Solar	**339**	4	68
Power Production (GWh)	**627**	791	466
Earnings per Share	**3.37**	0.04	0.72

1) See appendix for definition of this measure.

Key Events in 2017

2017 was a year of significant progress reaching financial close for 800 MW of solar projects

Q1

- Added 309 MW to project backlog with new projects in Malaysia, Brazil and Mozambique
- Raised NOK 380 million of new equity

Q2

- Power Purchase Agreements signed for 400 MW in Egypt

Q3

- 10-year anniversary of Scatec Solar
- Partnership with Statoil established in Brazil

Q4

- Financial closed reached for 197 MW in Malaysia
- 394 MW in Malaysia, Brazil and Honduras moved into construction
- Financial close achieved for 400 MW in Egypt
- A new 40 MW project secured in Malaysia

Operating Across the Globe

Solar power plants in operation: 322 MW

Plants under construction: 434 MW

Projects in backlog: 749 MW

Projects in pipeline

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

Our Locations

Europe

- HQ - Norway
- Czech Republic

South & Central America

- Honduras
- Brazil

Asia

- Malaysia

Africa & Middle East

- Egypt
- Burkina Faso
- Mali
- Nigeria
- Kenya
- Rwanda
- Mozambique
- South Africa
- Jordan

Together we are stronger.

This is why partnerships are integral to our business philosophy. Some of our partners, especially Development Finance Institutions, have been working in emerging markets for long and have strong relationships with local authorities.

We bring solar energy expertise to the table. Combining expertise means we become more competitive and effective than if we operated alone. A relationship does not mature into a partnership until we work on the second project. This establishes that the relationship is based on common values and works to mutual benefit. We have repeat alliances with several of our partners, representing shareholders, financing institutions and equity investors.

Driving these partnerships are our people. I am impressed when I see how our employees are able to deliver on complex tasks, whether it is intricate financing agreements or putting in place new execution methods or optimizing plant performance. In countries new to solar industry, achieving financial close is difficult and time consuming. But our experience in South Africa shows that the procedures gets standardized over time, so that when the third round is held, the process moves smoothly. We had been working on some projects for a few years, but three of them reached financial close in parallel in October 2017. In one month, we signed projects totaling 758 MW in Egypt, Malaysia and Brazil, which represent double of what we have in operation.

Adding to the complexity is that these projects are located in three continents. Financial close is challenging involving over a hundred agreements with a mosaic of stakeholders – banks, shareholders, loan providers, authorities, land owners, lawyers, construction and transport companies. There are many interfaces and they all have to fit because these agreements regulate different relationships during foreseen and unforeseen situations for the next 20 years. These projects also showcase financial innovation in raising capital of nearly USD one billion from a variety of sources, ranging from Islamic Green Bond to Climate Finance. Cost efficient capital is essential to deploy clean renewable energy to meet climate goals.

We have significantly expanded our employees base, which now stands at 184. Many new employees have come on board and each one of them adds value or enables the company to perform particular tasks. We have taken an extra floor in our Oslo Headquarters and our new offices in Cairo and Cape Town are impressive.

Like partnerships, sustainability is integral to our business philosophy. After conducting a feedback process with key stakeholders to improve our sustainability reporting practices, we incorporated the Global Reporting Initiative (GRI) into our Sustainability Report from this year. The GRI is a trusted reference for policy makers and regulators worldwide. It enables credible non-financial reporting, collects relevant qualitative and quantitative data and measures our sustainability frameworks.

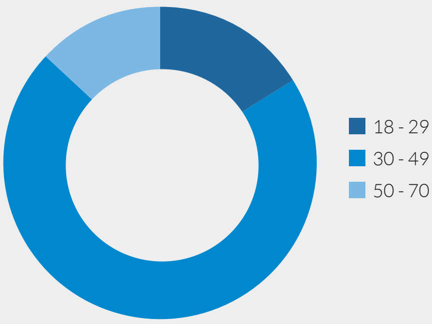
The solar industry is going through many changes. It is rewarding to see both solar technology and battery storage get cheaper and improving in efficiency. In Scatec Solar we will continue to develop our strategy and business model to adapt to a dynamic market environment, and we are convinced that we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

Raymond Carlsen (CEO)

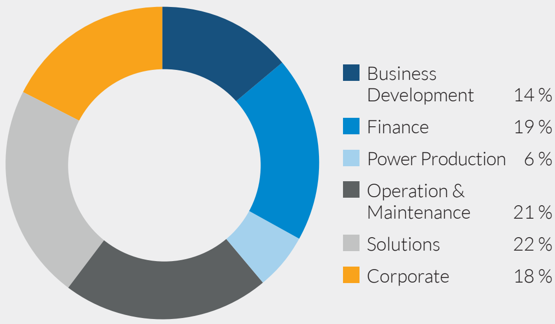
Partnerships are integral to our business philosophy

Women account for **37% of our staff** in 2017 up from 28% last year

Age groups



By Functions



Our People

The success of Scatec Solar lies in the capabilities and commitment of our employees.

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

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

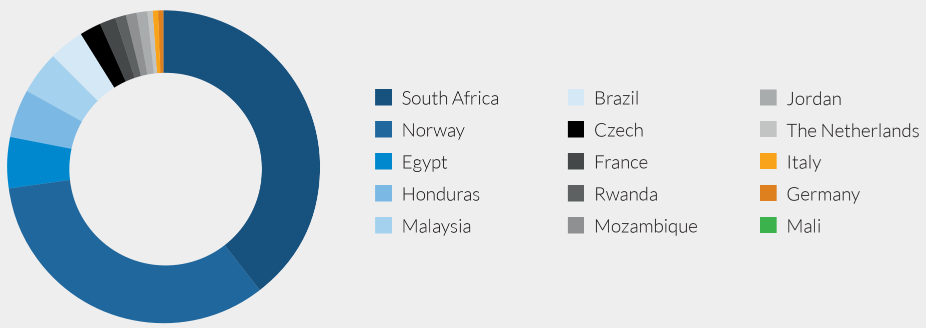
Navigating in complex emerging markets is not only requiring highly skilled professionals but also cultural diversity. Diversity ensures organizational success by matching international competence with local insights and we believe it reduces operational risk. Our employees represent more than 20 nationalities. Diversity is evidenced in terms of multiculturalism as well as age and gender. Worldwide, women account for 37% of our staff in 2017 up from 28% last year.

As our company grows, it is imperative that we strengthen our systems and processes. During 2017, we have improved our people processes such as onboarding, performance management and talent and salary review. Implementation of a new human resource system as enabled these improvement initiatives. An annual leadership survey was also introduced this year to collect feedback on our leaders to further improve our employee dialogue and people processes in the years to come.

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

We operate across five continents, but we are still a lean, flat organization. Our high-skilled, high performance employees have earned a reputation for delivering on ground breaking projects in complex environments. We hear from new recruits how inspiring they find this – the leeway given to small teams delivering difficult tasks. This trust is empowering and will be key for our business success in the years to come.

Geographic distribution of employees



Sustainability

Sustainability is an integral part of Scatec Solar's business model. We generate cost-effective, clean and reliable electricity and we always aim to conduct business in a sustainable manner wherever we operate.

We are committed to operate in line with the International Finance Corporation (IFC) Performance Standards and the Equator Principles and we collaborate with partners that also have high standards for the projects and their potential impact.

During 2017, we decided to take an important step forward with our efforts to improve our sustainability reporting practices. From this year our sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) Standards, a global best practice framework This is a result of a thorough evaluation of our sustainability strategy, stakeholder engagement and a desire to better demonstrate how our company operates across a range of economic, environmental and social aspects.

Our solar plants contribute to the reduction of greenhouse gas emissions in every country where we operate, but we also acknowledge that our own operations contribute to emissions. In 2017, we started to examine our own climate effect by collecting emissions data from all our operating sites, office spaces and air travels. The total greenhouse gas emissions from Scatec Solar in 2017 were estimated to 2,879 tons of CO_2 with the majority coming from air travels. At the same time our operating solar plants contributed to reduced CO_2 emissions of more than 700,000 tons in 2017. This figure will more than double when our projects currently under construction are grid connected. Reporting of greenhouse gas emissions is key to establish an accurate overview of where emissions are coming from and deciding how to potentially reduce them.

In 2016, we incorporated six of the United Nations Sustainable Development Goals (SDGs) to show our support and strengthen our reporting. The goals represented a way to prioritize our activities and initiatives in local communities and other relevant areas of our business. During this year, we have worked to further integrate the goals into our sustainability strategy by aligning our existing sustainability targets with each SDG and developing new targets and activities.

An explanation of our overall approach, policy, results, ambitions and goals related to our sustainability priorities is presented in the chapter "Sustainability" in the annual report. These areas are reported in line with the GRI Standards. We refer to the appendix for a complete GRI Content Index summarizing the reporting indicators for each of our sustainability priorities.

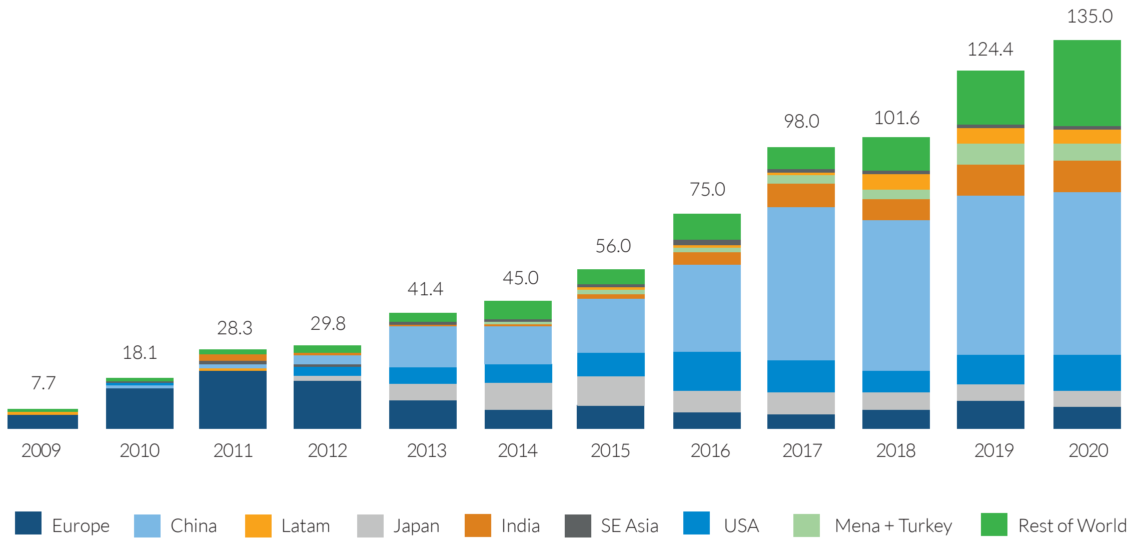
The Global Reporting Initiative (GRI) enables us to better analyse and communicate our impacts across a range of critical economic, environmental and social aspects

Market development

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

PV Market Outlook

GW



Source: Bloomberg New Energy Finance, Q1 2018 PV Market Outlook

According to Bloomberg New Energy Finance (BNEF) it was installed 98 GW of solar globally in 2017. This reflects a total investment of USD 161 billion representing about half of the total investments in renewable energy.

BNEF expects global power demand to grow by 58% from 2017 to 2040 representing investments of about USD 10 trillion in new power generation. Wind and solar is forecasted to account for 48% of total installed capacity by 2040, compared to 12% today.

In the short term, the solar market volume is expected to grow about 38% from 2017 to 2020, while capex per MW installed is expected to drop by 25% in the same time period.

The growth will primarily be driven by new markets in Latin America, the Middle East and Southeast Asia.

As the cost of solar continues to decline, policy makers around the world are looking to solar to cover their power needs and grow their economies. Governments in emerging economies sees private/public partnerships as an attractive implementation model where multilateral development banks and private players provide funding and kick-starts the solar market. The development banks have long-standing presence and experience in the country can provide non-recourse project finance. These markets represent very interesting opportunities for Scatec Solar and a strong basis for growth in the years to come.

Annual solar installations are expected to reach **135 GW by 2020**

Local development programmes – key highlights 2017

South Africa

Noluthando day care centre

- Spacious kindergarten for 395 children
- To provide community service to local parents
- Phase II underway with a considerable expansion of the building

Community internet cafes

- Internet cafes established in three local communities nearby our solar plants
- Increase availability of computers and information in the local community
- To encourage the youth to learn and apply for jobs

Welding training course

- A welding training course aimed at the youth in Hanover
- To transfer useful skills to improve employment opportunities
- 16 participants (13 males and 3 females)

Rwanda

Pineapple plantation

- Planted 21,000 pineapple trees
- To take advantage of the space between mango trees (previously planted) and the solar panels
- Local communities surrounding the solar plant are the beneficiaries

Local health clinic

- Support local health clinic serving around 100 patients/day
- Key services: Consultations, vaccinations, community health services, prevention and hygiene

Jordan

Maan Youth Club PV System

- A socio-cultural sports club and the only public club in the Ma'an area
- Installed a PV system of 11 Kw on the roof reducing the monthly electricity bill significantly
- Held training course for how to install a small PV system with more than 20 youth

Honduras

Tree nursery

- A small set up where trees are nurtured and grown by school children
- Local communities are the beneficiaries

Donations of school supplies

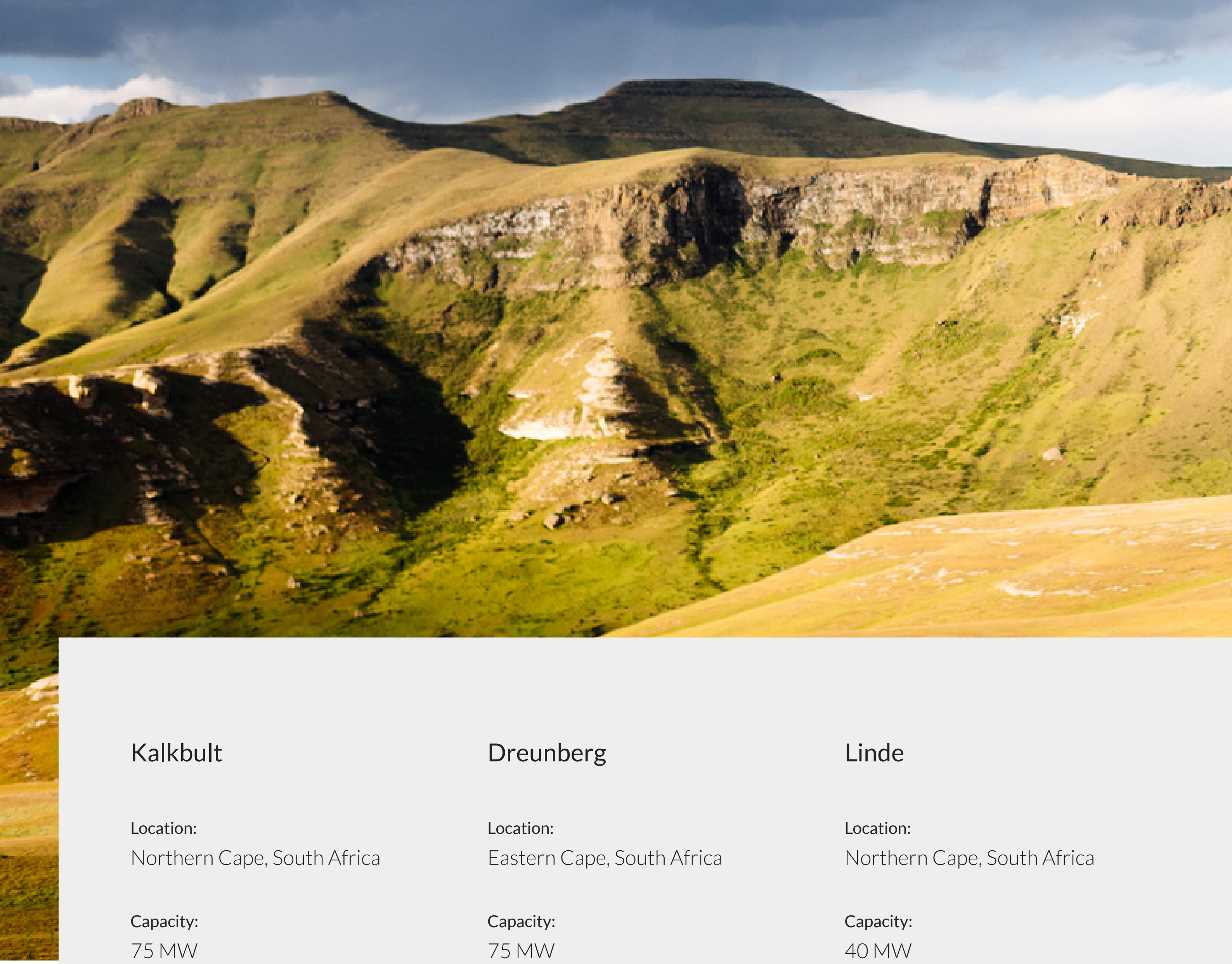
- School supplies donated to kindergartens and school children in four local communities
- Benefiting 679 children

4 QUALITY EDUCATION
7 AFFORDABLE AND CLEAN ENERGY

4 QUALITY EDUCATION
15 LIFE ON LAND
11 SUSTAINABLE CITIES AND COMMUNITIES

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

Providing energy for:
35,000 households

CO2 reduction per annum:
145,000 tons

Dreunberg

Location:
Eastern Cape, South Africa

Capacity:
75 MW

Providing energy for:
37,500 households

CO2 reduction per annum:
161,000 tons

Linde

Location:
Northern Cape, South Africa

Capacity:
40 MW

Providing energy for:
20,000 households

CO2 reduction per annum:
85,000 tons

Czech Republic

Location:
Czech Republic

Capacity:
20 MW

Providing energy for:
17,000 households

CO_2 reduction per annum:
12,000 tons

Agua Fria

Location:
Nacaome, Honduras

Capacity:
60 MW

Providing energy for:
80,000 households

CO_2 reduction per annum:
60,000 tons

Jordan

Location:
Maan, Jordan

Capacity:
43 MW

Providing energy for:
20,000 households

CO_2 reduction per annum:
63,000 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.

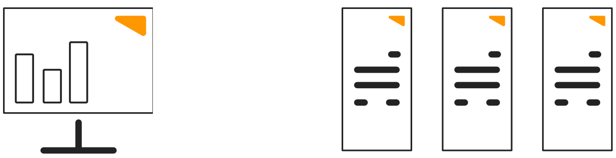
A 50 MW plant

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.

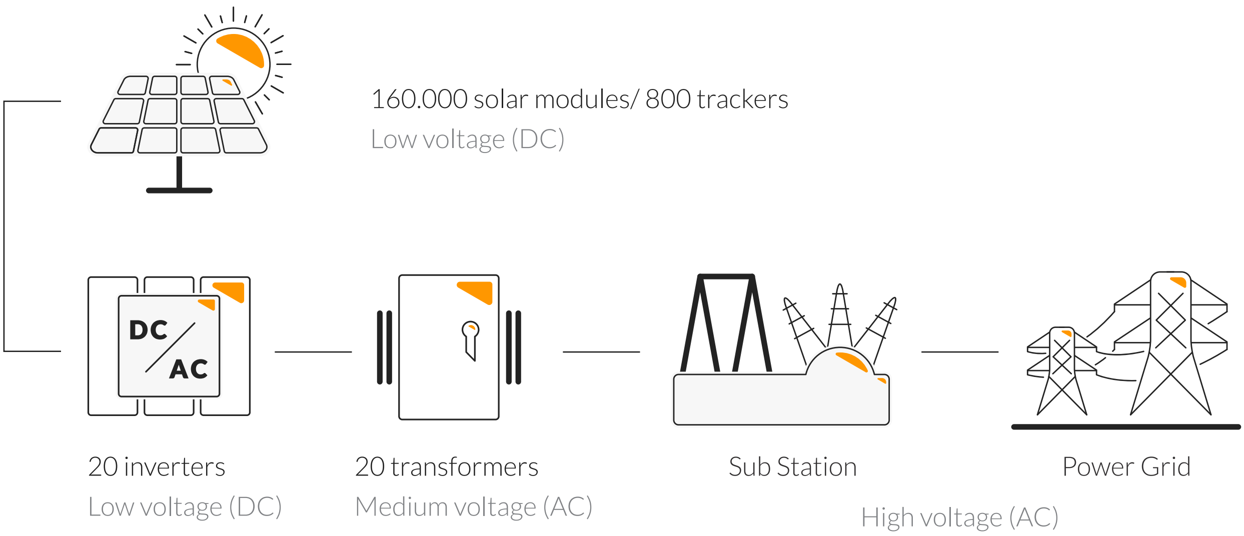
The components of a utility-scale solar PV system is shown below.

Scada

Plant Controll Room



Plant Controlling



Report from the Board of Directors

A summary of key operational and financial highlights of the year 2017

Article continues

Highlights 2017

- Record strong financial results - revenues of NOK 1,492 million (1,085) and EBITDA of NOK 1,241 million (833), up 48% from last year
- Reached financial close for 800 MW in Malaysia, Brazil, Honduras and Egypt through innovative financing structures - the world's first Sukuk green bond and climate finance
- Entered new strategic partnerships - Statoil in Brazil and Africa50 in Egypt
- Annual installations in the solar market grew by 31% to 98 GW in 2017 and is expected to reach 135 GW by 2020
- Developed a range of attractive projects in emerging markets – project pipeline and opportunities now stands at 3.5 GW
- The Board of Directors propose a dividend of NOK 80 million, equivalent to NOK 0.78 per share

Key figures

NOK MILLION	2017	2016
CONSOLIDATED FINANCIALS		
Total revenues and other income	**1,492**	1,085
EBITDA [1]	**1,241**	833
Operating profit (EBIT [1])	**993**	563
Profit/(loss)	**438**	70
Profit/(loss) to Scatec Solar	**339**	4
Net interest bearing debt	**4,358**	3,942
Power Production (GWh)	**627**	791
Earnings per Share	**3.37**	0.04
SSO PROPORTIONATE FINANCIALS [1]		
Total revenues and other income	**1,668**	1,174
EBITDA	**792**	376
Operating profit (EBIT)	**632**	147
Profit/(loss)	**326**	-84
Net interest bearing debt	**2,013**	1,918
Power Production (GWh)	**282**	356

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 power plant companies at the full amount. This reduces the consolidated equity and equity ratio.

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.

Segment and proportionate financials

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

To improve reporting transparency on underlying value creation across Scatec Solar's business activities the company introduced reporting on proportionate financials in 2017. The proportionate financials are made up of Scatec Solar's proportionate share of revenues, expenses, profits and cash flows from fully and equity consolidated investments.

PROPORTIONATE FINANCIALS 2017

NOK MILLION	POWER PRODUCTION 100% BASIS	POWER PRODUCTION SSO SHARE	OPERATION & MAINTENANCE SSO SHARE	DEVELOPMENT & CONSTRUCTION SSO SHARE	CORPORATE SSO SHARE	TOTAL
Total revenues and other income	1,120.3	532.2	68.6	1,054.3	13.1	1,668.2
Cost of sales	-	-	-	-612.0	-	-612.0
Gross profit	1,120.3	532.2	68.6	442.3	13.1	1,056.2
Operating expenses	-147.1	-78.1	-41.2	-81.8	-62.8	-263.9
EBITDA	973.2	454.1	27.5	360.5	-49.8	792.3
Depreciation, amortisation and impairment	-310.2	-155.8	-0.7	-2.6	-1.4	-160.4
Operating profit (EBIT)	663.1	298.3	26.7	357.9	-51.1	631.8

PROPORTIONATE FINANCIALS 2016

NOK MILLION	POWER PRODUCTION 100% BASIS	POWER PRODUCTION SSO SHARE	OPERATION & MAINTENANCE SSO SHARE	DEVELOPMENT & CONSTRUCTION SSO SHARE	CORPORATE SSO SHARE	TOTAL
Total revenues and other income	1,010.6	498.0	62.2	603.9	9.8	1,173.9
Cost of sales	-	-	-	-539.6	-	-539.6
Gross profit	1,010.6	498.0	62.2	64.4	9.8	634.3
Operating expenses	-157.3	-93.5	-30.6	-76.6	-57.2	-257.9
EBITDA	853.4	404.4	31.6	-12.2	-47.4	376.4
Depreciation, amortisation and impairment	-352.0	-216.1	-2.3	-10.4	-0.8	-229.6
Operating profit (EBIT)	501.4	188.3	29.3	-22.7	-48.1	146.8

Scatec Solar's Value Chain

Project development

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

Financing

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

Construction

- Engineering and Procurement
- Construction management
- Quality assurance

Operations

- Maximize performance and availability
- Maintenance and repair

Ownership (IPP)

- Asset management
- Financial and operational optimization

Scatec Solar Reporting Structure

Scatec Solar ASA

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

Power Production

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

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

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

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

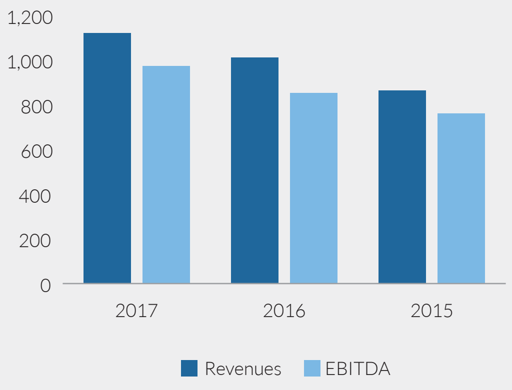
Scatec Solar's proportionate share of cash flow to equity from Power Production was NOK 142 million in 2017 down from NOK 148 million in 2016.

Key figures

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

Revenues & EBITDA by year

NOK MILLION



Key ratios

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

Production

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

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

Operation & Maintenance

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

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

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

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

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

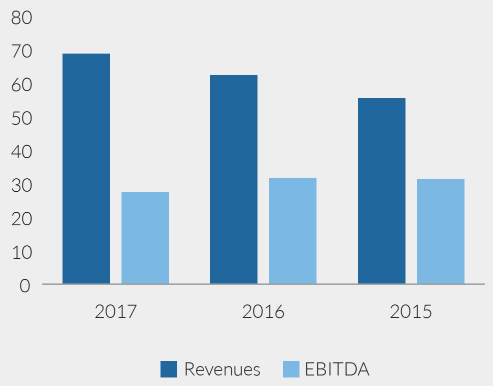
Scatec Solar's proportionate share of cash flow to equity from O&M was NOK 22 million in 2017, broadly in line with NOK 24 million in 2016.

Key figures

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

Revenues & EBITDA by year

NOK MILLION



Key ratios

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

Development & Construction

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

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

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

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

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

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

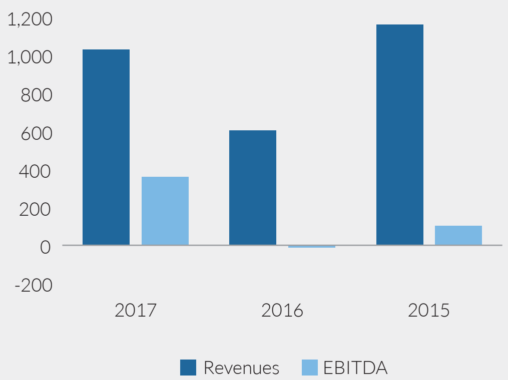
Scatec Solar's proportionate share of cash flow to equity from D&C was NOK 167 million in 2017, up from negative NOK 5 million in 2016.

Key figures

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

Revenues & EBITDA by year

NOK MILLION



Key ratios

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

Corporate & Eliminations

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

CORPORATE - KEY FIGURES

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

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

ELIMINATIONS - KEY FIGURES

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

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

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

Consolidated financial statements

Consolidated income statement

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

Revenues

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

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

Operating expenses

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

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

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

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

Operating profit

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

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

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

Net financial items

NET FINANCIAL ITEMS – KEY FIGURES

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

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

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

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

Profit before tax and net profit

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

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

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

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

Consolidated statement of comprehensive income

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

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

Consolidated statement of cash flow

Cash flow

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

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

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

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

Scatec Solar's proportionate share of cash flow to equity

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

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

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

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

Consolidated statement of financial position

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

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

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

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

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

Parent Company

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

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

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

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

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

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

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

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

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

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

Organisation

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

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

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

Sustainability

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

Corporate governance

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

Plants under construction, project backlog and pipeline

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

Projects under construction and in backlog

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

LOCATION	CAPACITY (MW)	CURRENCY [9]	CAPEX ESTIMATE (MILLION)	ANNUAL PRODUCTION (GWH)
Under construction				
Quantum, Malaysia	197	MYR	1,235	282
Apodi, Brazil	162	BRL	680	305
Los Prados, Honduras	35	USD	80	73
Mocuba, Mozambique	40	USD	80	77
Total under construction	434		5,500	737
Backlog				
Aswan, Egypt	400	USD	450	870
Upington, South Africa	258	ZAR	4,200	645
Segou, Mali	33	EUR	52	60
Los Prados II, Honduras	18	USD	20	37
RedSol, Malaysia	40	MYR	200	65
Total backlog	749		6,700	1,677
Total	1,183	NOK	12,200	2,414

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

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

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

Under construction

Quantum, Malaysia, 197 MW

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

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

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

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

Los Prados, Honduras, 35 MW

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

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

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

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

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

Apodi, Brazil, 162 MW

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

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

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

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

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

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

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

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

Mocuba, Mozambique, 40 MW

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

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

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

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

Backlog

Aswan, Egypt, 400 MW

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

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

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

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

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

Upington, South Africa, 258 MW

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

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

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

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

Segou, Mali, 33 MW

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

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

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

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

RedSol, Malaysia, 40 MW

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

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

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

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

Los Prados, Honduras, 18 MW

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

Pipeline

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

PIPELINE

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

South Africa, 430 MW

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

Pakistan, 150 MW

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

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

Nigeria, 100 MW

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

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

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

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

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

Kenya, 48 MW

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

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

Burkina Faso, 17 MW

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

Project opportunities

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

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

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

Outlook

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

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

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

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

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

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

Risk factors and risk management

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

Operational risk

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

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

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

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

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

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

Political risk

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

Financial risk

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

Dividend policy

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

Subsequent events

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

Oslo, 15 March 2018

The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)	Alf Bjørseth	Mari Thjømøe
Jan Skogseth	Gisele Marchand	Raymond Carlsen (CEO)

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.

Number of shares in Scatec Solar: 2,755,760

Mikkel Tørud

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.

Number of shares in Scatec Solar: 278,440

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.

Number of shares in Scatec Solar: 678,504

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.

Number of shares in Scatec Solar: 220

* The number of shares is quoted per year end 2017.

Terje Pilskog

EVP 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.

Number of shares in Scatec Solar: 489,268

Roar Haugland

EVP 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.

Number of shares in Scatec Solar: 235,735

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.

Number of shares in Scatec Solar: 0

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.

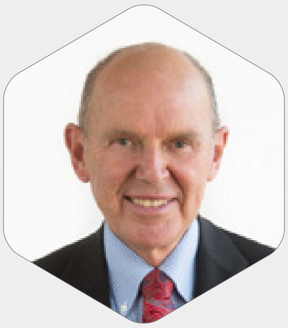
Current Board positions: Chair: Norsun, Norsk Titanium, Thor Energy.
Number of shares in Scatec Solar: 0

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

Current Board positions: Chair: Norconsult, E-CO Energi. Board member: SINTEF, TF Bank AB, Nordic Mining, Tryg AS.
Number of shares in Scatec Solar: 25,338



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.

Current Board positions: Chair: Think Technology, Sunergy AS. Board member: Scatec AS
Number of shares in Scatec Solar: 104,127

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.

Current Board positions: Chair: Federation of Norwegian Industries' Central Board, Federation of Norwegian Industries Oil and Gas, PSW Technology. Board member: Harding AS, SpareBank 1 SR-Bank.
Number of shares in Scatec Solar: 10,479

Gisele Marchand

Board Member

Mrs. Marchand has been CEO of the law firm Haavind AS since 2014. She has long and broad experience from executive positions in several financial institutions like Eksportkreditt, the Government Pension Fund and DNB, and she has extensive expertise in international finance. She is currently a board member in Gjensidige Forsikring, Selvaag Bolig and NorgesGruppen. She won the "Board Award" in Norway in 2015.

Current Board positions: Board member: Gjensidige Forsikring, Selvaag Bolig, NorgesGruppen, Boligbygg Oslo.
Number of shares in Scatec Solar: 0

* The number of shares is quoted per year end 2017.

Corporate Governance Report

Our approach to corporate governance is intended to decrease business risk, maximise value and utilise our recourses in an efficient and sustainable manner to the benefit of shareholders, employees and society at large.

Article continues

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"), 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 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 2018, but in no event later than 30 June 2018, 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 257,990 corresponding to 10% of the issued share capital. 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 2018, but in no event later than 30 June 2018, authorised by the General Meeting to, in one or more rounds, acquire shares with a total nominal value of up to NOK 257,990 corresponding to 10% of the issued share capital. 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 2017. 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 sharehold¬ers 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 Company held two general meetings in 2017, the annual general meeting held 24 April 2017, and an extraordinary general meeting on the 14 December 2017. The Company does not require all Directors to participate on each General Meeting, however such that the Chairman of the board, the Chief Executive Officer, a member of the nomination committee and the auditor of the Company should be present at all annual general meetings.

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 General Meeting (last held on 24 April 2017) elected the members of the Nomination Committee for a period of two years. The General Meeting also elected the Chairman of the Nomination Committee, and decide upon the committee's compensation. The current Nomination committee is composed of Mr. Inge K. Hansen (Chairman) and Mr. Alf Inge Gjerde (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. Mari Thjømøe and Ms. Gisele Marchand. The term of office for members of the Board is two years at a time. Mr. Andersen, Mr. Skogseth and Ms. Thjømøe were all elected at the Annual General Meeting in 2016. Mr. Bjørseth was elected at the Annual General Meeting in 2017 and Ms. Marchand was elected at the Extraordinary General Meeting in December 2017.

All members of the Board are considered independent of the Company's executive management and material business contacts. Furthermore, Mr. Jan Skogseth, Ms. Gisele Marchand 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

Seven (7) Board meetings were held in 2017. All meetings were quorate.

The Board approved the 2017 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 manage-ment 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 2017.

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 Thjømøe 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 were to:

- 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 Mr. Jan Skogseth 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 2017.

7. Risk management and internal control

The Board and internal control

In 2017, 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 2017, the Board ensured that the management presented quarterly financial statements informing the Board and the shareholders of current business performance for the second and third quarter, whilst the fourth quarter results were presented on 26 January 2018.

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 2017.

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 24 April 2017. 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 shareholders 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 2017 account of approximately NOK 80 million.

Shareholder Matters

Share capital and shareholder structure

On 2 October 2014, the shares of Scatec Solar ASA were listed on the Oslo Stock Exchange under the "SSO" ticker. Scatec Solar ASA has 103.2 million shares outstanding.

Per 31 December 2017 the number of shareholders amounted to 5,318. A list of the company's 20 largest shareholders per 31 December 2017 is presented in the table below.

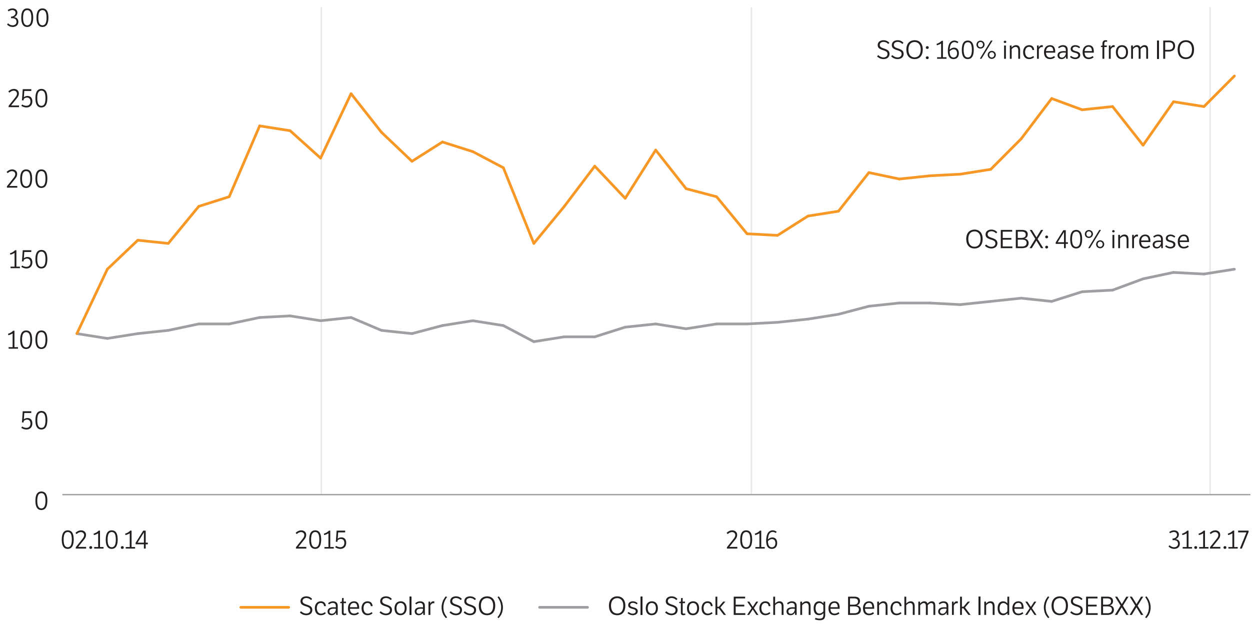
20 largest shareholders as per 31st of December 2017

SHAREHOLDER	NO. OF SHARES	OWNERSHIP	COUNTRY
Scatec AS	19,482,339	18.88%	NOR
Ferd AS	13,411,182	13.00%	NOR
Geveran Trading Co Ltd	4,210,646	4.08%	CYP
Folketrygdfondet	4,128,477	4.00%	NOR
Verdipapirfondet DNB Norge	3,587,553	3.48%	NOR
The Bank of New York Mellon	3,051,496	2.96%	BEL
Argentos AS	2,755,760	2.67%	NOR
UBS AG	2,530,471	2.45%	UK
JP Morgan Chase Bank London	2,491,746	2.41%	UK
Arctic Funds PLC	1,804,277	1.75%	BEL
SEB Prime Solutions Sissener Canop	1,600,000	1.55%	LUX
Gothic Corporation	1,539,598	1.49%	US
Storebrand Norge Verdipapirfond	1,504,153	1.46%	NOR
Verdipapirfondet Pareto Investment	1,412,000	1.37%	NOR
Verdipapirfondet DNB Miljøinvest	1,169,945	1.13%	NOR
Verdipapirfondet Pareto Nordic	984,000	0.95%	NOR
Obligasjon 1 AS	949,657	0.92%	NOR
Storebrand Verdipapirfond	798,373	0.77%	NOR
KLP Aksje Norge Indeks	779,757	0.76%	NOR
State Street Bank Trust Company	759,521	0.74%	US
Total 20 largest	68,950,951	66.82%	
Other	34,245,279	33.18%	
Total	103,196,230	100.00%	

The Scatec Solar share

By the end of 2017 the SSO share price was NOK 50. From the date of the listing in October 2014 to the end of 2017, the SSO share price has nearly tripled.

Share price development



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. The company is organizing a second Capital Markets Day in Oslo on May 30, 2018.

Analysts following Scatec Solar:

Equity analysts

Petter Nystrøm, ABG Sundal Collier
Preben Rasch-Olsen, Carnegie
Thomas Skeivys, Norne Securities
Andreas Bertheussen, Kepler Cheuvreux
Fredrik Steinslien, Pareto Securities
Mathias Lange Dokkan, Handelsbanken
Jo Erlend Korsvold, SEB

Credit analysts

Knut Olav Rønningen, DNB Markets
Eirik Vabo, Swedbank
Andreas Zsiga, Nordea Markets

Financial calendar 2018

Event	Date
Fourth quarter 2017:	26 January, 2018
First quarter 2018:	20 April, 2018
Annual General Meeting:	23 April, 2018
Capital Markets Day 2018	30 May, 2018
Second quarter 2018:	20 July, 2018
Third quarter 2018:	19 October, 2018
Fourth quarter 2018:	January, 2019

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

Sustainability

Sustainability is an integral part of Scatec Solar's business model. We generate cost-effective, clean and reliable electricity and we always aim to conduct business in a sustainable manner wherever we operate.

Article continues

Our Sustainability Approach

In 2017, we decided to take an important step forward with our efforts to improve reporting practices and increase transparency.

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

Stakeholder groups

Three years ago, we started a comprehensive process to identify and prioritise material sustainability aspects for our company. This process represents the foundation for the implementation of the GRI framework. The first step included a mapping of stakeholder groups based on the methodology defined in the AA1000 Stakeholder engagement standard. The stakeholder groups that were defined are groups that either are impacted by Scatec Solar, impact Scatec Solar and/or are invested in the success or failure of the company. The definition of stakeholder groups were tested on internal stakeholders and anchored at top management level. The list of stakeholders is shown on the next page.

Our sustainability priorities

The material sustainability topics for our company are defined based on an assessment of key stakeholder expectations, the significance of social, economic and environmental impacts and relevance to our strategy. It also stems from ongoing stakeholder dialogue that is part of daily business on the ground when planning and executing projects, as well as from the corporate level through stakeholders such as investors, regulators and financiers.

Key topics and concerns raised through stakeholder engagement are the basis of this report. The main concern of governments in host countries, that will often also be our customers, is mostly local impacts and value creation, which usually includes the economic value of the projects, increased access to energy and the potential for direct and indirect job creation, local content and education/training. Close dialogue with national governments is a natural part of our operations usually conducted by our project development team and community liaison officers. The main focus of local governments and communities is also local impact and value creation, specifically job creation, local content and education/training. A social impact assessment is conducted as part of the planning of all projects and based on this we develop a plan for stakeholder engagement. Scatec Solar emphasizes continuous dialogue with local and regional communities and other stakeholders in order to manage and meet expectations.

Co-investors and partners want to be assured that we are a trustworthy business partner that applies international best practice standards such as the International Finance Corporation (IFC) Performance Standards and the Equator Principles to manage environmental and social impacts. Investors with a specific impact investment focus are also concerned with local value creation and promotion of green energy. Some of our partners are also engaged with our ability

> «The Global Reporting Initiative enables us to better analyse and communicate our impacts across a range of critical economic, environmental and social aspects»
>
> Roar Haugland, EVP Sustainability & HSSE

Our stakeholder groups

National governments and customers

Local governments and communities

Co-investors and partners

NGO's

Financing partners

Suppliers

Shareholders

Norwegian government

Contractors

Employees

to promote Norwegian exports. A detailed dialogue regarding expectations is the starting point for all partnerships, and this is carefully detailed in our agreements. Financing partners also focus on our business conduct and efforts to ensure that we are a trustworthy business partner. Financing partners are mainly engaged prior to providing capital, and they often have very specific requirements with regards to how environmental, social and governance factors are assessed and managed.

Shareholders are interested in our ability to create value in the short and longer term and governance aspects such as anti-corruption. Existing and potential shareholders are engaged on a regular basis and often express their concerns and expectations directly to top management. See appendix 1 for more.

Materiality assessment

The materiality assessment on the next page serves as the basis for our sustainability framework (see appendix). Material aspects of high importance to stakeholders and high relevance for Scatec Solar's strategy attainment are shown in the top right corner. The material topics receive a high degree of management attention with clear goals that are monitored on a regular basis and reported externally. The rest of the topics are also considered important, but given less focus from stakeholders and considered less related to the company's strategy.

Ongoing stakeholder engagement

During 2017, we engaged with several different stakeholders specifically as part of the preparation process for this sustainability report. This included interviews to discuss our sustainability reporting and practices with various stakeholder groups ranging from partners, local municipalities, social investment funds, investment management companies, academic institutions and specialists in the field. Key topics and concerns raised through these meetings involved for example climate reporting, environmental and social governance, materiality assessment and quantitative data. The feedback from our stakeholders played a vital role for this year's report and improvement areas. The stakeholder meetings also reinforced the relevance of the topics in our materiality assessment presented on the next page.

Governance

Sustainability is an integral part of our organisation and embedded in all business units including project development, solutions/execution, asset management and operations. The sustainability team in each country consists of both corporate support teams and specialists, as well as field

workers who report to the global headquarter and ultimately to the Executive Vice President of Sustainability, who forms part of the Management team reporting directly to the Board of Directors. The sustainability function develops key performance indicators reviewed by the management on an annual basis. When relevant, both the Management and the Board of Directors review specific material sustainability topics including health, safety, security and environment (HSSE), corruption, procurement, environmental and social impacts and stakeholder engagement, usually on a monthly basis.

Scatec Solar has developed a policy for each material topic related to sustainability outlining the key principles and management approach governing the way we operate and address issues. The policy statements and management approach for material topics can be found in the beginning of each chapter of this report. Further information on our corporate governance can be found in the annual report and on our corporate website.

Materiality assessment

The materiality assessment below serves as the basis for our sustainability framework (see appendix). Material aspects of high importance to stakeholders and high relevance for Scatec Solar's strategy attainment are shown in the top right corner.

UN Sustainable Development Goals

In 2016 we incorporated six of the United Nations Sustainable Development Goals (UN SDGs) to show our support, strengthen our reporting and highlight areas to which we can contribute the most. The goals represent a way to prioritize our activities and initiatives in local communities and other relevant areas of our business. During this year, we have worked to review and further integrate the goals into our sustainability strategy by aligning our existing sustainability targets with each SDG and developing new targets and activities.

Scatec Solar acknowledges the importance of education and its role in transforming lives and fostering economic growth. We put strong emphasis on our contribution to education through local development programs from early childhood to adult vocational training and general skill enhancement. We have set a target to have minimum one development program related to education in every country where we have a solar plant in operation. In most countries, we have several different programmes across a broad range of age groups.

Scatec Solar's main objective is to deliver competitive and sustainable solar energy globally. As a company, we contribute directly to the sustainability goal "Affordable and clean energy". We currently have more than 700 MW installed capacity in operation and under construction in Europe, Africa, the Middle East, Latin America and Asia. Renewable energy is one of the fastest growing markets globally and we aim to have 1,300-1,500 MW in operation and under construction by the end of 2018.

Scatec Solar is strongly committed to providing fair, safe and healthy working conditions and always avoid the use of child or forced labor. Scatec Solar contributes, to job creation by employing local labour and suppliers as far as possible, regardless of whether this is a requirement or not. This contributes to reducing unemployment rates and provides knowledge and technical skills transfer to the communities where we are present. We also support and manage several Economic Development (ED) initiatives with the overall aim of enabling the sustainability of the regional economies surrounding our projects. Going forward, this will be an area of particular focus to us.

Scatec Solar attaches strong importance to local value creation – to create local jobs, enhance local skills, strengthen local supply chains, support entrepreneurship, fund research and community development programmes. We establish local development programmes for all our solar projects to contribute directly in the communities where we have operations. In addition to increasing access to electricity, one of our main efforts to contribute to sustainable cities and communities is local development programmes in the field of education, vocational training, health and infrastructure.

We always work to minimize our impact on the environment. We conduct environmental and social impact assessments for all projects to anticipate risks and we establish management systems to avoid, minimize and compensate for our impacts. We recognize that solar energy development may result in loss or fragmentation of habitat and/or disturbance of protected species. Whenever possible, Scatec Solar avoids impacts on biodiversity and ecosystem services. If an impact is unavoidable, measures are implemented to minimize impacts and restore biodiversity.

Our partnership-based approach is essential to our role as an integrated solar power producer, which requires solid partnerships with governments, authorities, developers, financing partners, contractors, suppliers, shareholders, NGOs and others. We work with strong and trusted partners such as the IFC, Norfund, KLP and several major international development banks that all have high standards for the projects and their associated impacts. Serious and credible partners return to us because of our proven track record from implementing projects in complex markets. Our strong partnerships represent a win-win because we build on each other's strengths and we gain new allies.

Delivering competitive renewable energy

Delivering clean and competitive energy

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

Electricity is vital for the economic growth of nations. We strive to increase access to clean, affordable and renewable electricity generation in emerging markets. Technological advances have considerably reduced the cost of all components, making solar energy competitive and the cheapest source of new electricity in many countries. The growth of our business, in itself, positively contributes to tackling several major global challenges such as increasing energy access, bridging energy deficits, tackling climate change, fighting pollution and contributing to help nations meet their carbon emission reduction commitments. We seek to demonstrate that the key to growth is to drive change through new and holistic solutions. Our policy is also to:

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 bridge energy gaps and provide clean energy achievements and results in 2017

Our achievements and results in 2017

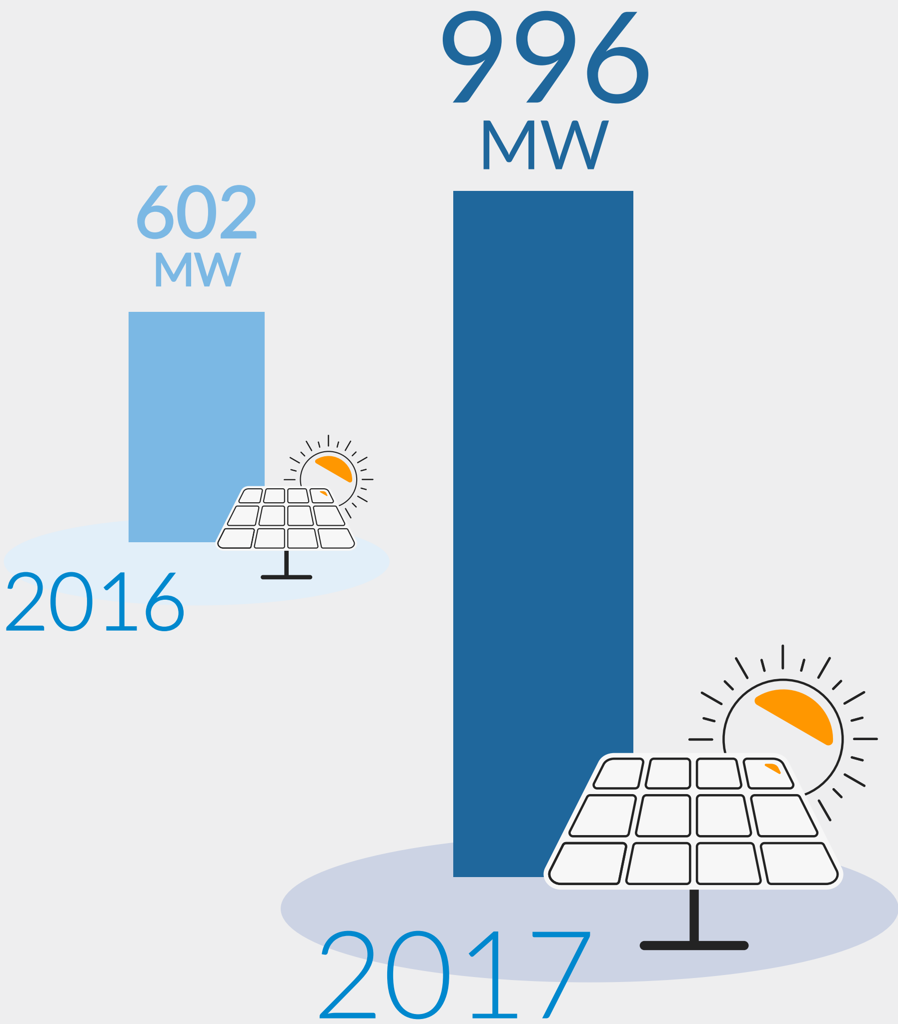
Scatec Solar made significant progress this year reaching financial close for nearly 800 MW in Malaysia, Brazil, Honduras and Egypt. In October 2017, we announced the establishment of a 50/50 joint venture with Statoil to build, own and operate large scale solar plants in Brazil. The potential for solar energy in Brazil is substantial and together with Statoil we are increasing our ambitions further in this market. The joint venture has an ambition to become a significant player in the Brazilian solar market and reaching financial close for the 162 MW projects located near Recife was a significant first step.

Financial close:

The date when all conditions of debt funding have been achieved and equity funding has been subscribed for, including execution of all project agreements

«We are bringing into the partnership a strong track record as an integrated independent solar power producer, while Statoil has a strong engagement and experience from Brazil through its other energy activities»

Raymond Carlsen, CEO



Accumulated installed capacity

At year-end, Scatec Solar was producing electricity from twelve solar power plants totalling 322 MW and had an additional 434 MW under construction. The total production from the plants in operation in 2017 reached 627 GWh, down from 791 GWh in 2016. The lower production in 2017 is explained by the sale of the 104 MW Utah Red Hills solar plant in the US in 2016. The production performance (plant uptime) of our power-producing assets across the portfolio has been above 99%.

Financial close for the three solar plants in Malaysia, totalling 197 MW was also reached towards the end of 2017. The solar projects are expected to generate 282,000 MWh of electricity and avoid about 210,000 tons of carbon emissions per year.

By end of October 2017, Scatec Solar and partners also reached financial close for the six solar projects in Egypt. The projects involving a total investment of USD 450 million are located in the Benban solar park near Aswan, Upper Egypt. Upon completion, Benban will be the largest solar installation in the world with a planned total capacity of 1,800 MW. The annual 870 GWh of electricity that will be produced from our 400 MW solar plants are expected to avoid about 350,000 tons of CO_2 emissions per year, supporting Egypt's emission reduction targets under the Paris Climate Agreement.

Project backlog

Our project backlog currently stands at 789 MW. See table below for an overview of each project.

BACKLOG PROJECTS	CAPACITY
Aswan, Egypt	400 MW
Upington, South Africa	258 MW
Segou, Mali	33 MW
Los Prados (phase II), Honduras	18 MW
RedSol, Malaysia	40 MW
Total	749 MW

Projects with a secure off-take agreement and assessed to have more than 90% likelihood of reaching financial close and subsequent realisation

Scatec Solar is continuously exploring partnerships and new and innovative business models for additional growth. This year the company established a new business area focused on opportunities and projects outside the core scope of the company. The fast pace of cost reductions and technology innovations in renewable energies is opening up a broad set of new business opportunities. New ventures will also introduce potential new risks, challenges and impacts, and as we mature this area we will make appropriate risk assessments and plans.

Our ambitions and goals

In 2018, we will work with dedication to manage the execution of our solar projects under construction in Malaysia, Brazil and Honduras. In parallel, we will continue to develop the rest of the backlog projects in Egypt, South Africa, Mozambique and Mali, totalling more than 700 MW. We will work to develop and complete these projects 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.

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, 394 under construction and a project backlog and pipeline of projects with a combined capacity of more than 1,500 MW. The pipeline includes new projects in South Africa, Pakistan, Nigeria, Kenya and Burkina Faso.

> «With technology innovation and cost reductions in the industry, we are exploring exciting new business models that will expand our growth opportunities»
>
> **Terje Pilskog, EVP Project Development & Project Finance**

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 is valuable in shaping and driving this agenda.

Our policy is to:

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

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. Innovative ways to raise capital is also opening up new possibilities for financing projects in many of our key markets.

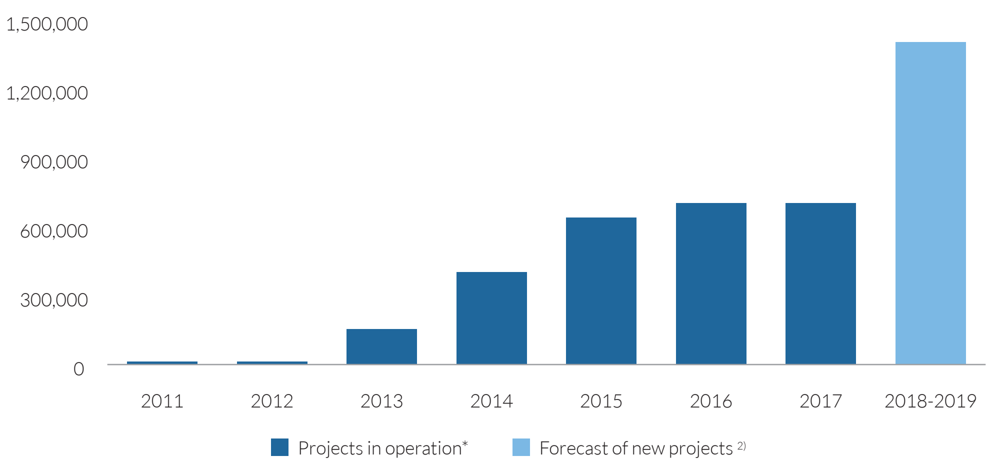
Our achievements and results in 2017

Scatec Solar's solar power plants in operation resulted in avoiding more than 700,000 tons of greenhouse gas emissions in 2017. This number is based on company estimates and certified emission volumes for projects registered under country-specific programmes. To estimate the emission reduction in tons for projects under development we use the predicted annual production multiplied by a grid emission factor. When projects are in operation we follow the methodology under the United Nations Framework Convention on Climate Change (UNFCCC) through the Clean Development Mechanism (CDM).

Clean Development Mechanism (CDM):

Under the Clean Development Mechanism emission-reduction projects in developing countries can earn certified emission reduction credits (CERs).

Accumulated greenhouse gas emissions avoided per year in tons of CO_2



1) This includes the 104 MW Utah Red Hills project, which was sold during fourth quarter 2016

2) Projects include Malaysia, Brazil, Egypt and Honduras

Global networks

Scatec Solar has many different stakeholders in various markets on a global scale. To facilitate networking and the sharing of knowledge on solar energy, we continue with active participation at several industry conferences and events worldwide. Some of the key events we participated in during 2017 are outlined below.

We also organised our second Sustainability Seminar in Oslo in collaboration with Sustainability Hub and several other companies including Storebrand, Statkraft and Aker BioMarine. Through our event participation we increase our company's partner network and enhance existing and foster new relations.

EVENTS	LOCATION
Africa Energy Forum	Copenhagen
Egypt CSR Forum	Cairo
Renewables in the Electrification of Mozambique	Maputo
ZERO conference	Oslo
MENA New Energy Forum	Dubai
BSG Solar Summit	Tunis

Exploring financial innovation

Our company is continuously exploring innovative ways to raise capital, among these our first Islamic Green Bond and climate finance. This has in total enabled the company to launch 758 MW of clean energy projects on three continents - Asia, Africa and South America. Our approach to project financing differs, with uniquely designed solutions appropriate for the specific local conditions in Malaysia, Brazil and Egypt.

Our strong and long-standing financial partnerships with Development Finance Institutions (DFIs) and multilateral financial institutions enable the successful raising of capital.

In addition, Norway's export credit agency, GIEK, which is mandated by the Norwegian Government to facilitate export financing to mitigate host country political and economic risks, has provided support through guarantees across Scatec Solar's project portfolio.

- Financial innovation enables Scatec Solar to launch projects worth nearly USD one billion -

Malaysia - 197 MW

- The world's largest Islamic Green (Sukuk) Bond of USD 237 million
- Complies with Islamic religious law
- Providing 80% of the capital expenditure
- AA rating by the Malaysian Rating Corporation Berhard
- Dark green rating from CICERO (The Center for International Climate and Environmental Research in Oslo)

Egypt - 400 MW

- Debt package of USD 335 million provided by: The European Bank of Reconstruction &Development (EBRD)
- The Dutch development bank FMO The Islamic Development Bank The Islamic Corporation for the Development of the Private Sector
- Includes USD 48 million from the UN's Green Climate Fund

«We want to explore and utilize financial structures that are optimal for each situation»

Mikkel Tørud, CFO

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 estimate the emission reductions from Scatec Solar projects to increase significantly in 2018 and 2019 with the additions of close to 400 MW currently under construction and a project backlog of close to 790 MW. When realised and in full operation, it is estimated that the emission reductions from our projects in Brazil, Malaysia and Egypt alone will amount to almost 700,000 tons of greenhouse gas emissions per year. This will more than double the amount of emissions avoided from our current operations.

«Getting cost efficient capital is essential to deploy renewable energy to meet climate goals. I am very proud of our organization's ability to innovate and deliver high value projects in new and different markets»

Raymond Carlsen, CEO

Being a trusted business partner

Environmental, Social and Governance (ESG) management

Our policy

The development of solar projects involves environmental and social implications. In alignment with Scatec Solar's policies, requirements of local legislations and adhering to international standards and best practices, we endeavour to minimize our impacts and build positive dialogue with project affected communities and other stakeholders. The environmental, social and governance (ESG) impacts of our projects are largely determined during the project development phase. Proactive management of ESG issues in the development and construction phase is essential to managing the impact and the success of the project.

Our policy is:

- To be committed to develop all projects in accordance with the IFC Performance Standards and the Equator Principles
- Conduct environmental and social impact assessments and additional ESG due diligence if significant matters are uncovered in initial impact assessments
- Integrate environmental, social and governance 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 2017

Scatec Solar is committed to operate in line with the Equator Principles and the IFC Environmental & Social Performance Standards to ensure consistent practices 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.

We have three projects currently under construction in Brazil, Malaysia and Honduras. According to the Equator Principles, the projects fall under "Category B" projects, meaning 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".

The Equator Principles

A risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in development projects

www.equator-principles.com

IFC Performance Standards

IFC's Environmental and Social Performance Standards define IFC clients' responsibilities for managing their environmental and social risks

www.ifc.org

Management of environmental and social impacts

In line with the IFC Performance Standards and Equator Principles, our activities are conducted in accordance with our sustainability policy and the requirements defined by these international standards for specific areas of impact including labor and working conditions, pollution prevention, community health and safety, land acquisition and involuntary resettlement, biodiversity conservation, indigenous people and cultural heritage.

We conduct environmental and social impact assessments (ESIAs) for all our projects to identify potential environmental and social risks posed by our activities. In 2016, we developed ESIAs for our projects in Mozambique, Mali, Malaysia and South Africa, and in 2017 assessments were completed for Brazil, Egypt and Nigeria. We also develop Environmental and Social Action Plans based on initial assessments and establish Environmental and Social Management Systems in all our projects to integrate environmental and social actions and requirements into our business activities for avoiding, minimizing and compensating for our impacts throughout our projects' life cycles.

The degree and type of impacts caused by solar projects vary from project to project based on several factors such as site location, environmental characteristics of the site and distance to settlements. Most of the environmental and social impacts from our projects occur during the development and construction phase.

During the development phase, the land clearing process may impact biodiversity by causing loss of habitats and disturbance of species. Whenever possible, we avoid impacts on biodiversity and ecosystem services. If an impact is unavoidable, we implement measures to minimize impacts and restore biodiversity. Habitat enhancement or creation of new conservation areas are options to be considered whenever impacts cannot be fully mitigated. For our Agua Fria project in Honduras, measures introduced prior to construction activities included limiting the removal of grass vegetation and trees only to the areas necessary for the construction of the plant by using colour paint marking to prevent unnecessary cutting and strictly forbidding any pollutant element in areas with presence of vegetation. A biological monitoring program is also planned for monitoring vegetation cover, inventory of flora and birds at the project site over time.

Securing land is another important aspect that can impact local communities surrounding the site, particularly when physical and/or economic displacement cannot be avoided. In this case, we follow strict requirements in accordance with the IFC Performance Standards to address and mitigate impacts by developing and implementing resettlement and livelihood restoration plans. Our target is always to ensure that the affected local households are assisted in adapting to the new situation and restoring their livelihoods to pre-project standards at a minimum.

Noise, air emissions, solid waste, waste water generation and increased transportation to and from the site area are typical impacts during the construction phase of a project. Each of these impacts are monitored and mitigated by implementing specific management plans.

Project classification according to the Equator Principles:

Category A: Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented

Category B: Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

Category C: Projects with minimal or no adverse environmental and social risks and/or impacts

Scatec Solar respects human rights and recognizes our responsibility of avoiding the infringement of rights of employees, local communities or other stakeholders wherever the company operates. In guidance with the IFC Performance Standards, we acknowledge that individuals of certain groups may require particular attention in relation to human rights risks (indigenous people, minorities and vulnerable groups), and we work to mitigate any adverse effects by specially designed measures. Meaningful consultations with project affected communities and other stakeholders on a regular basis and a well-functioning grievance mechanism that local communities trust are main tools for continuous review of risks and development of appropriate mitigating actions.

Stakeholder engagement

For all projects, dialogue with a broad range of stakeholders including the local communities are commenced at the early stage of a project. This provides a better understanding of a project's impacts and ensures that inputs are integrated into the project development process. Engagement with local communities is a continuous process during the entire project life of identifying and mitigating impacts and maintaining a good relationship based on openness and trust. Stakeholder engagement plans are developed for all projects that sets the requirements regarding consultation needs, frequency of consultations and methods of communication. Grievance mechanisms are also established at all projects as a channel for continuous communication and facilitating opportunities for Scatec Solar and communities to identify problems and develop solutions together.

Scatec Solar's carbon footprint

One of our main 2016 targets was to examine the climate effect of our projects during the various project phases. Our solar plants contribute to the reduction of greenhouse gas emissions in every country where we operate by providing clean electricity, but we also acknowledge that our own operations and the construction of our solar plants produce greenhouse gas emissions. In 2017, we therefore took an important step towards calculating our own climate effect by collecting emissions data from all our operating sites, office spaces and employee air travels. Reporting of greenhouse gas emissions is key to establish an accurate overview of our emissions and how to potentially reduce them.

Scatec Solar's emissions inventory [1)] was prepared according to the Greenhouse Gas Protocol Corporate Standard and GRI Standards. Greenhouse gas emissions are reported in three scopes following the operational control approach:

Scope 1: Direct GHG emissions from our operations

Scope 2: Indirect GHG emissions from purchased electricity and heat

Scope 3: Other indirect GHG emissions

1) The inventory boundary includes all of Scatec Solar's operations; solar power plants managed by the company, associated machinery and vehicles and our office spaces. The table below shows the estimated emissions calculations from scope 1, 2 and 3. Scope 3 includes air travel from our employees globally. Refer to the appendix for a more detailed description of methodology.

The total greenhouse gas emissions for 2017 were estimated to 2,879 tons of CO_2. This includes scope 1 emissions, market based scope 2 emissions and emissions from air travel, see table below for a breakdown.

EMISSIONS REPORTING	2017 TONS OF CO_2 EQUIVALENT [1)]
Scope 1: Total direct GHG emissions	210
From offices and sites	52
From vehicles	158
Scope 2: Total indirect GHG emissions from purchased electricity and heat	766
Location-based	715
Market-based	766
Scope 3: Total other indirect GHG emissions	1,903
From air travel	1,903

1) See appendix 2 for a detailed overview of methodology used.

Given the international nature of our company's business and operations, we are aware of our significant footprint related to air travel. We are working to raise awareness of the matter and reducing this figure when possible by for instance encouraging and facilitating the use of video conference meetings. When we have collected and analyzed all the data we seek to develop a reduction program for our company.

Further, we are aware of the industry developments to address climate risk and we intend to implement measures towards more comprehensive climate risk disclosure, specifically risk and opportunities assessments and risk management. We enter into local communities for 20-25 years and it is important to try to foresee and evaluate potential climate-related risks and opportunities to our people, business and physical assets. Over these timescales one of the most serious climate related risks for our business relates to the physical impacts of extreme weather including drought and floods. We have procedures in place to evaluate potential climate effects related to our sites. In Malaysia for example, we conducted an assessment of the potential for floods. Based on this, we developed a plan to manage and mitigate the risk.

Simultaneously, we see substantial opportunities related to the solar energy industry both from technology development, cost reductions and the transition to a low carbon economy. Solar energy is becoming cheaper and is now competitive with coal in many countries. Technology is developing rapidly enabling solar panels and other equipment to become more efficient. We take advantage of the emissions reductions resulting from our solar plants in operation and our projects continue to be registered with the United Nations Framework Convention on Climate Change (UNFCCC) for verification and certification of electricity generation. This displaces fossil fuel use leading to improved access to climate finance and lower cost implementations for solar projects. One important result related to climate financing in 2017 was the approval of our Egyptian projects for debt by the Green Climate Fund (GCF). This enabled all six projects to achieve financial close by the end of 2017.

Our ambitions and goals

We will work further to formalise Environmental, Social and Governance integration in the project development phase and in all aspects of our operating model. During 2018, we will increase our efforts to further strengthening our environmental and social management processes defined in our operating system and further enhance our systems for new projects.

For greenhouse gas reporting, the ambition for next year is to improve reporting quality and increase the reporting scope. This will include reporting of additional indirect sources of emissions to provide a better understanding of our wider greenhouse gas footprint. Based on this information we will be able to direct our efforts to reduce emissions as efficiently as possible, including those we are responsible for throughout our supply chain.

As part of developing our GRI reporting, we plan to report on water withdrawal by source and volume in 2018 for our plants in operation as another important sustainability topic.

> «We will work further to formalise Environmental, Social and Governance integration in the project development phase and in all aspects of our operating model.»
>
> Roar Haugland, EVP Sustainability & HSSE

Health, safety, security and environment (HSSE)

Our policy

Health, Safety, Security and Environment (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. We define and communicate the health and safety standards to our employees and contractors.

Our policy is to:

- 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
- Always undertake risk assessments of new countries and regions we plan to enter and develop security plans based on this

Our achievements and results in 2017

There were no fatal accidents in 2017. The Injury Rate (IR), excluding first aid injuries, amounted to 3.4 per million working hours, where 3.7 related to contractors and 2.7 to our own employees. Both operations and construction projects contributed to this, but none of the recordable injuries were classified as serious injuries. We had two lost time injuries during the year, both by contractors during maintenance work. No occupational diseases were registered in 2017. We are continuously working to monitor that all our subcontractors operate in line with our principles. Our Supplier Code of Conduct and Labour policy for site personnel is integrated into all our subcontracts to ensure that these basic principles are respected, also in the parts of the value chain we do not control directly.

One of our 2016 targets were to better analyse the data on accidents, lost time injuries and other HSSE indicators to be able to identify and respond to the challenges that can arise in this area. In 2017, we did an internal review of the HSSE reporting templates to ensure consistency across projects. We established a common reporting system of incidents within our Operating System, which now all plants and projects are utilizing. We put a strong emphasis on creating safe and good work sites for our employees, and in 2017 we also implemented initiatives to encourage the reporting of near misses and unsafe conditions.

We will work to expand our GRI reporting practices related to occupational health and safety to include a breakdown per region. Additionally, we seek to improve the level of detail related to reporting of significant spills on our sites by including the total volume, location, material and the impact of such spills.

Security practices

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. In 2017, we have continued to develop our 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. To safeguard our employees, the agency monitors the movement of our travelling personnel electronically by consent.

Scatec Solar also engages security personnel at its operational sites to protect employees, assets and local communities close to the company's projects and plants. While this is necessary for stable operations, it is important to be aware of the risk of misconduct. We try to mitigate this risk by training security staff on human rights and company policies. Approximately 60% of security personnel contracted by Scatec Solar globally have been trained in principles related to human rights. The training is conducted annually and is based on the following principles:

- Security officers should always be courteous to all employees, service providers, visitors and the public
- Security officers should use minimum force to detain suspect(s) found committing crimes related to the plant premises
- Security officers should respect individual integrity, dignity and privacy (sexual harassment not to be tolerated or condoned)

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 regards to high levels of work ethics and quality control on all our sites. We have set a goal to pass an external audit of our HSSE system by the year end 2018.

Our goal for 2018 is to have zero fatalities and serious injuries with disabilities. We have set the following targets for 2018:

We will work to expand our GRI reporting practices related to occupational health and safety to include a breakdown per region. Additionally, we seek to improve the level of detail related to reporting of significant spills on our sites by including the total volume, location, material and the impact of such spills.

We will continue to develop our 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. As part of developing our security training, we target to include human rights aspects in the training for all our security personnel globally in 2018.

KEY PERFORMANCE INDICATOR	TARGETS 2018
Fatality	-
LTIF (Lost time injury frequency)	≤ 1.7
TRIF (Total recordable injuries frequency)	≤ 3.4
Number of HSE observations including near misses	>1

Injury Rate: The frequency of injuries (excluding first aid injuries) relative to the total time worked by the total workforce in the reporting period

Anti-corruption

Our policy

We depend on a sustainable business environment and always seek to comply with high standards of business ethics. The selection of, and cooperation with, business partners including suppliers, agents, local partners, banks, governments and local authorities 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
- 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
- Ensure that our own high standards of anti-corruption behaviour are clearly reflected in contracts with our partners
- Provide anti-corruption training for all employees
- Pass all solar projects through four separate decision gates where screening, compliance and risk of corruption must be cleared

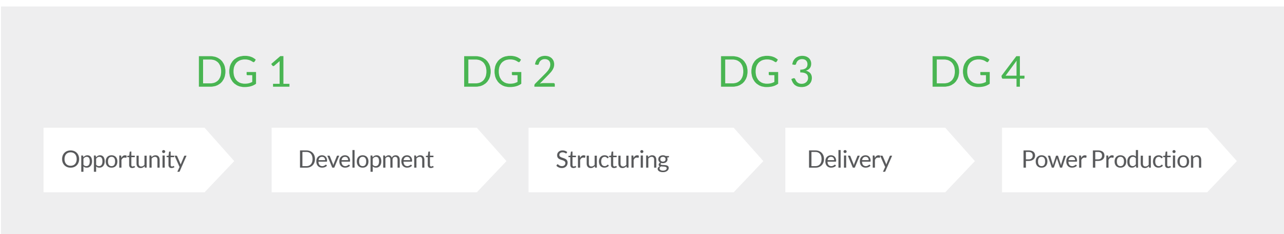
As a global company with strong growth in emerging markets, Scatec Solar operates in countries exposed to various levels of corruption as per the Transparency International Corruption Perceptions Index.

We undertake thorough assessments of the potential host country, region and partners before we decide to conduct our business. We always perform due diligence of potential partners and suppliers through a screening process from 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 IFC, member of the World Bank Group, and other leading Development Banks who are also concerned with high ethical standards. We are committed to develop all our projects in accordance with the IFC Performance Standards and the Equator Principles, whilst all subcontractor and suppliers must adhere to our supplier conduct principles.

Our achievements and results in 2017

In 2017, all operations including projects and business partners of Scatec Solar have been assessed for risks related to corruption. Projects moving from the opportunity, development and structuring phase to the delivery and power production phase are assessed through Decision Gates (DGs). There are four decisions gates with clear criteria and requirements related to screening, compliance and risk of corruption (see illustration below). During 2017, all projects passing decision gate 3 were screened for risk related to corruption. This includes four projects in Brazil, three projects in Malaysia, six projects in Egypt, three projects in South Africa, one project in Mozambique and one project in Mali.

Project phases and decision gates



Confirmed incidents of corruption

Confirmed incidents of corruption	1
Confirmed incidents in which employees were dismissed or disciplined for corruption	1
Confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	1
Public legal cases regarding corruption against the organization or its employees during the reporting period	-

The table above shows the 2017 statistics related to corruption. We reported one confirmed incident of corruption through our whistleblower channel during the year, which resulted in the termination of a contract with an employee and a supplier.

Specific corruption risk assessment

Scatec Solar operates in partnerships and seeks equity co-investments on a project basis to enhance value and reduce risk whenever feasible. The large-scale solar energy industry is characterized by high-value investment and significant government interaction through award of power purchase agreements, either through public tenders or bilateral negotiations, concessions and regulations. In addition, companies operating in the solar power industry needs licenses and permits to operate in a given country, to rezone land and to be allowed to produce and sell power. Most of the projects Scatec Solar undertakes involves an inherent risk of corruption. A high-level list of risk areas identified for our company is outlined on the next page, which applies to all our projects (alphabetical order).

RISKS	BRIEF DESCRIPTION	KEY MITIGATING ACTIONS
Customs	Importing of goods and services during the construction phase	Anti-corruption training for all employees
Employment	Personal relations and connections in hiring processes	Screening of all potential recruitments Ethics and dilemma training for all employees
Foreign exchange controls	Foreign exchange operations	Due diligence Strict control and authorization processes
Gifts and hospitality	Excessive gifts and/or hospitality	Raising awareness Anti-corruption training for all employees
Licenses and permits – lobbying	Projects are dependent on a range of permits and licenses	Internal policies and training Thorough due diligence of all partners
Local partner	Selection of partners	Screening and due diligence Background review by international risk-consulting firm if necessary
Power Purchase Agreement	Securing contracts	Pre-determined auction rules Public auction
Procurement	Sourcing of engineering, procurement and construction (EPC) services and components from suppliers	Frame agreements with management involvement Adherence to our Supplier Code of Conduct Anti-corruption training for all employees
Political donations	Political donations in relation to projects	Due diligence Anti-corruption training for all employees External assessments if necessary

Whistleblower function

A whistleblower function is available to all employees, suppliers, partners and clients of the company through internal channels and our corporate website. The mechanism includes a hotline available 24/7 operated by a neutral third party. All whistleblowers have the option to be anonymous.

During 2017, we received four reported incidents (one substantiated incident) through the whistleblower function. Two of the concerns related to the same matter and were investigated internally and solved. One concern was investigated externally by a third party, and the investigation led to the removal of an employee and a potential supplier. All relevant stakeholders were informed about the incident and the corrective actions that were taken. The fourth concern was investigated internally and solved without the need for further escalation.

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. In 2018, we will undertake an internal audit to review our current processes and initiatives to better position ourselves to operate in accordance with best practices.

We will ensure that all employees, regardless of position and region, complete the mandatory integrity, dilemma and anti-corruption training during the induction process. Additionally, we plan to organize training sessions on a quarterly basis in 2018 to increase availability of the course and encourage existing employees to update their knowledge in the areas whenever necessary.

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, workplace conditions, 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

1) Lifecycle approach: Accounting for total energy footprint from raw materials to decommissioning

Scatec Solar purchases goods and services from a wide variety of suppliers, from large international organisations to specialist local suppliers all over the world. We always aim to obtain goods and services at the right quality, delivered in a timely manner and at the optimum whole life value, whilst complying with our company policies. We seek to form mutually beneficial, long term and trusted relationships with our suppliers and to act responsibly, with integrity and to be fair, honest and open in all our commercial activities. All our suppliers are required to sign our Supplier Code of Conduct, which forms part of the contract between Scatec Solar and the supplier. We aim to treat all suppliers fairly and to provide them with honest feedback.

We source services and components during the development and structuring phases of our projects. The main procurement items include:

- Solar panels (modules): predominantly procured in China
- Inverter stations including combiner boxes: predominantly procured in Europe
- Steel structures: predominantly procured in Europe
- Construction services: predominantly procured locally

Risk assessment

We undertake risk assessments related to our supply chain on a regular basis. The main risks identified in our supply chain include amongst others corruption, labour rights, and social and environmental performance. We operate in countries exposed to various levels of corruption. We seek to mitigate this risk by ensuring that larger supplies of components are made under frame agreements where management is involved in assessing the various tenders and the final selection of vendor, and also that the payment structure is staged to meet delivery. All members of the supply chain management team have undergone anti-corruption training and are versed in the zero-tolerance principle applied by our company. For sub-contractors, the contract is awarded through competitive tenders and the sub-contract has strict anti-corruption provisions and undertakings that all the sub-contractors' suppliers and contractors must adhere to.

Our achievements and results in 2017

We audited two suppliers in 2017. One of the suppliers had fourteen serious findings and subsequently was not selected for the project. The other supplier had two serious findings, which were both corrected and closed within a period of 30 days.

During 2017, we revised our Supplier Code of Conduct and made updates on the basis of the international framework for Business Ethics. We also reviewed the Code of Conduct in accordance to the UK Bribery Act and the US Foreign Corrupt Practices act, the UN Guiding Principles on Business and Human Rights and the Ten Principles of the United Nations Global Compact.

Supply chain is responsible for supporting three business units:

1. Project Development: Early estimates and contracting of services such as legal, environmental and geotechnical studies

2. Solutions/Execution: Procurement and logistics process of services and goods for projects to ensure on time delivery, quality of goods and value creation

3. Operations and Maintenance: Procurement of spare and replacement parts for plants in operation, claim under warranties and contract services to assist with the maintenance of the plants

Social and environmental screening

The supply chain team has five senior team members with regional responsibilities. The team members are responsible for screening the market, running tenders in compliance with the Scatec Solar Ethics policy, Procurement Policy (see also policy statement in the beginning of the chapter), Sustainability policy and the Operating system requirements. Our Supplier Code of Conduct includes more than 20 compliance topics such as compliance with laws, safety and security, anti-corruption, human rights, environment and use of drugs and alcohol.

The percentage of new suppliers in 2017 that were screened for social and environmental criteria was 100%. The screening process involves a three-stage approach:

1. As part of their bid submission suppliers are mandated to submit their HR policy, ethics policy, environmental policy and management plan
2. A desktop evaluation of these documents form part of the bid assessment
3. On recommendation for selection, sustainability assessment based on supplier policies, self-assessment and supporting documents forms part of the supplier audit before final selection

After the screening process, we seek to continuously monitor and control our work and relationship to our suppliers. We appoint consultants or directly follow up on quality and the implementation of policies during the manufacturing phase.

All suppliers that participated in tenders during 2017 have been through a financial and legal due diligence, screening both the company and the board members. All of them have also confirmed conformance to our Supplier Code of Conduct and the IFC anti-corruption guidelines, which we integrate in all our contracts. All contracts integrate HSSE requirements, environmental and social requirements and quality assurance and quality control requirements. These are also required to be passed through to all sub-suppliers participating in a project.

During 2017, we observed zero negative environmental impacts from suppliers and as such no corrective action was taken.

Our ambitions and goals

In 2018, we aim to work even closer with our suppliers on environmental and social development targets. We will roll out a Supplier Development Programme where key qualified suppliers will be enrolled as silver, gold or platinum partners. Before entering the programme, we will undertake screenings of all suppliers related to compliance on environmental and social criteria. Together with the suppliers that are accepted into the programme we will set new environmental and social targets to be evaluated on an annual basis. We will also focus on pro-actively working with the suppliers on an ongoing basis to minimise findings and shorten the close out period for findings.

Going forward, we will continue to improve our processes, procedures and templates in our operating system by ensuring integration of our sustainability framework. We will also provide training to all employees in the supply chain team, as well as other members of the company affected by procurement processes to keep a vigilant and aware workforce.

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:

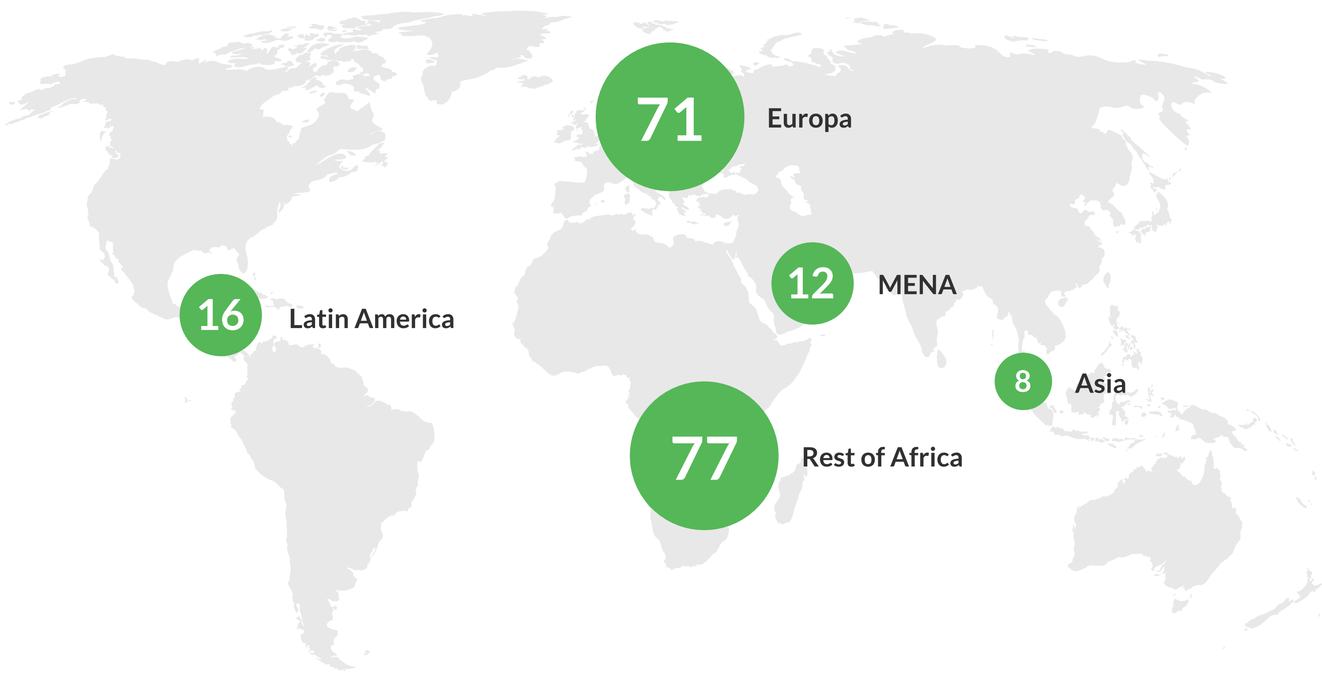
- Encourage a working environment guided by a culture based on our values
- Support our people with opportunities to develop according to their aspirations
- Build a high performance working environment, recognising peoples' achievements and rewarding them based on their results
- Ensure that each employee 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

Our achievements and results in 2017

The total number of employees in Scatec Solar reached 184 full time employees and 46 short-term employees in 2017. The company is building up a strong presence in key markets such as Egypt, Brazil and Malaysia. During the year, we had 52 new hires and the turnover rate was 13% for the total company.

A truly global company continuously expanding into new regions, Scatec Solar is characterised by great diversity. Our global workforce of full time employees is represented by more than 20 different nationalities. The geographic distribution of our 184 full time permanent employees is illustrated in the chart below.

Geographic distribution in Scatec Solar



Skill development and training has been a key priority in 2017. We have worked to formalize the onboarding and ongoing training processes for all employees. We have introduced several new platforms to enable this including an online video platform.

We report and monitor the health and working environment of our employees on a regular basis. An overview of sickness absence rate and gender diversity for the headquarter in Norway and the total company is shown in the table below. The percentage of women working full time in the company increased from 28% in 2016 to 37% in 2017.

In 2017, we also introduce a new set of indicators related to governance bodies. The table on the next page shows the gender diversity and age groups of the Management and the Board of Directors, as well as gender diversity for the total company.

Indicators related to health and working environment

SICKNESS ABSENCE RATE (%) [1]	2017	2016	2015
Head quarter (Norway)	2.5%	2.4%	2.3%
Total company	2.1%	2.2%	2.4%

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

Indicators related to gender diversity and age groups

GOVERNANCE BODY	GENDER (% FEMALE)			AGE GROUP (%)		
	2017	2016	2015	Under 30	30-50	Over 50
Management	0%	0%	0%	0%	57%	43%
Board of Directors	40%	40%	40%	0%	20%	80%
Head quarter (Norway)	44%	40%	31%			
Total company	37%	28%	26%			

The lack of female representation in the management is a matter we are aware of and working to improve. We expect an increase in female employees globally in the coming years. We already see a positive trend with the percentage of females in the company increasing from 28% in 2016 to 37% in 2017, which is due to the company's strong focus on female recruitment whenever possible. See appendix xx for more information on employees and other workers.

Collective Bargaining Agreement

The entire workforce of Scatec Solar is covered by the company's Global HR policy and related procedures, which state that all employees are to be paid fair salary levels in accordance with local laws and regulations. The percentage of full time and short term employees that are covered by formal collective bargaining agreements amounts to 11%.

Our ambitions and goals

In 2018, we will work to further establish recruitment partnerships in countries where we have projects under development and construction and maintain a global workforce characterised by strong diversity and talent. We have set a target to increase the number of female employees globally by 10% in 2018.

We will work to further develop our onboarding and training offerings to all employees and will continue to develop our new HR platform by providing employees with increased development and training facilitates through videos and feedback.

Gender diversity

> «The percentage of women working in our company globally increased from 28% to 37% in 2017»
>
> Roar Haugland, EVP Sustainability & HSSE


Scatec Solar


Scatec Solar

Contributing to local value creation

Contributing to local value creation

Our policy

Our goal is to positively impact the societies in which we operate, both directly and indirectly. We strive to employ local labour, identify needs in the local communities for our community development programmes and maintain open and transparent dialogue with relevant stakeholders.

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
- Develop a structured stakeholder engagement 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 officer 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

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. Potential main impacts of our projects on local communities can include physical and economic displacement, changes in vegetation and infrastructure and increased activity levels in the area. Impacts during construction (traffic, noise, dust and similar) are considered limited and effectively mitigated if and where nearby communities exist.

Further, we often operate 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. Community and stakeholder engagement is therefore central to our way of doing business. In all our operating projects, we have local community engagement and impact assessments. The integration of a project is a critical part of stakeholder engagement. If not carried out in a timely and integrated manner this can lead to misinterpretations and concerns in local communities.

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 IFC Performance Standards. 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. We also implement a grievance mechanism for all our projects, available locally at the project site and on our corporate website. Since our establishment, we have also gained considerable experience when it comes to working with local communities in different countries, and we always try to build upon this knowledge.

Economic value

NOK MILLION	GROUP
Total revenues and other income	1,492
Operating costs (includes depreciation, amortization and impairment)	404
Personnel expenses	95
Payments to providers of capital (dividends and interest payments)	549
Payments to governments (only includes income tax)	17
Community investments	N/A
Economic value retained	N/A

Our achievements and results in 2017

Local Job Creation

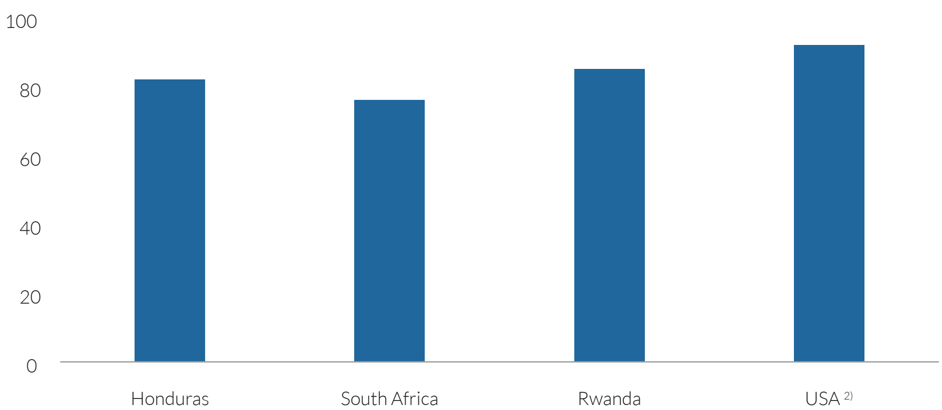
Without income generation, no community is stable or sustainable. Scatec Solar is strongly committed to contributing to job creation, and we employ local labour and suppliers as far as possible, regardless of whether this is a requirement or not. This contributes to reducing unemployment rates and provides knowledge and technical skills transfer to the communities where we are present.

Most of the 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. The graph below 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%.

During 2017, we started construction activities in Malaysia, Brazil and Honduras. We seek to employ local labour as far as possible in these countries. In Honduras for example, we have committed to employ 80% of unskilled labor from the communities surrounding the plant. Read more about the local recruitment process in the case study on the next page.

Percentage of local job creation from all our solar projects during peak construction period [1)]

Percentage of local employees hired



1) Figures are not available for Czech Republic and Jordan.
2) The 104 MW Utah Red Hills project was sold during fourth quarter 2016

Local recruitment in Honduras:

During 2017 in preparation of the construction phase of the Los Prados project in Honduras several meetings were held with the four community boards to address the local recruitment process.

The project has a **commitment to hire 80% of unskilled labor** from these communities during the construction phase. As part of the outcome of the process a Letter of Understanding was signed with community representatives and the project with the Namasigue Mayor as a witness of honor of the process.

The first step of the process involved getting a census of available people to work in the project. Over 650 people enrolled in the census, showing their disposition to work in the project. During the recent construction of the substation, 103 people from local communities have so far worked in the project.

We also try to hire locally for the permanent positions in the various stages of our value chain including engineers, plant managers, HSSE experts, civil and mechanical workers, security personnel and community liaison officers to mention a few. The table below shows some examples of permanent local job creation on a senior management level and other positions across our projects in operation.

Local supply chain development

Scatec Solar strives to use and strengthen local supply chains and entrepreneurs to the extent possible in our local operations. We seek to procure and contract between 20-30% of local goods and services such as accommodation, vehicles, staff, fencing and civil contractors, depending on the country and availability of goods and services. Once aw solar plant is in operation, we usually achieve a minimum level of 60–80% of local contracts of goods and services.

Stakeholder Engagement in local communities

There are various ways in which projects engage with local communities. To inform the communities on the project and potential impacts, manage expectations and to ensure local support and understanding of our projects, regular meetings with local leaders and representatives from local communities are held in all the local communities where we have presence. For example, in Jordan 34 stakeholder meetings were held during 2017, which were mostly with local communities and authorities such as the Maan governor and municipality, Maan parliament, Maan public hospital and youth club and the Ministry of Education to mention some. It is important to highlight that local stakeholder engagement for us means our presence and interaction with local communities on a regular and ongoing basis. Topics and issued raised during local stakeholder meetings that are considered material are communicated to the management through biweekly progress reports, usually from project managers or other project team members

We usually experience a lot of engagement in local communities during the initial project phases of development and construction. Stakeholder meetings in Malaysia, Brazil, Mozambique and Honduras have been an important part of our stakeholder engagement efforts in 2017. In Honduras, we experienced social unrest from members of the local communities surrounding the project in conjunction with construction startup. We have worked together with community members, central and local authorities, and other important stakeholders to resolve the situation and establish a trust based dialogue. As with all projects, our approach has been carried out in line with international standards and recommendations.

Prior to activities in the local community we developed an Environmental and Social Impact Assessment with a corresponding plan to mitigate and manage impacts. We also developed a Stakeholder Engagement plan and implemented local initiatives of social projection to meet basic needs in critical social areas such as education and health.

Permanent local job creation for plants in operation

PERMANENT EMPLOYEES	2017
Senior management level	
Plant Managers	9
Other Levels	
Operation & Maintenance operators	32
Community Liaison Officers	8
Contractors	
Security guards	63

Grievance mechanism

Scatec Solar has a publicly available grievance mechanism for all projects through the corporate website and at each local project site. The grievance mechanism is targeted towards individuals, communities and companies who have feedback or concerns regarding our projects. It is a channel to present issues to the administration of the projects and is directly supervised by the sustainability unit. All grievances are taken seriously, and we aim to have a response time of maximum 30 working days. The mechanism is available in five different languages on our website: English, Arabic, Spanish, Portuguese and French, and represents a valuable platform for engaging with communities.

The number of grievances received during 2017 for all projects in operation, under construction and in backlog totaled 118. The large increase from previous years is primarily due to additional projects under development or construction, which usually represents the phases with most feedback and concerns from stakeholders of the projects. Of the total number of grievances, 67 related to the Mocuba project in Mozambique. Many of these grievances were connected to the resettlement programme that was carried out during the year and were mostly concerns from locals affected by the programme. The majority of the grievances were solved by communicating our processes and principles and engaging with the local communities on a regular basis, apart from four grievances that were still in the process of being resolved by the end of the year. These were all resolved during the first month of 2018. The remaining 11 unresolved grievances from other locations are still being addressed and resolved.

Community dialogue and engagement indicators

	2017	2016	2015
Percentage of operations with implemented local community engagement, impact assessments, and development programmes	100%	100%	100%
Number of grievances received	118	16	19
Number of grievances addressed and resolved	103	10	19

In 2017, we established a new internal system for handling grievances on our company's intranet to standardize the process of reporting and managing grievances. All relevant employees received training in the new system. We are currently in a process of transition to the new system in all locations.

Local development programmes

Scatec Solar plans and implements community development programmes in all the local communities where we have operations. The projects under the programs are identified in close dialogue with local stakeholders and in consultations with local community members in order to address the prioritized needs and significant social challenges of the communities. We have aligned our sustainability vision with the UN's Sustainable Development Goals (SDGs) and our community development programmes are bracketed within several of the goals. See pages 20-21 for key highlights from our community development initiatives from 2017 with corresponding goals.

Our ambitions and goals

We will continue to strengthen the CLO position with clear guidelines about the role and responsibilities. This will include guidance as to how the formal engagement process should proceed and how dialogues should be conducted, documented and reported. We will also strengthen our sustainability teams, both at local and corporate levels.

In 2018, we will plan for and contribute to new local development initiatives for our projects in Malaysia, Brazil and Honduras to ensure that we positively impact the local communities and uphold an active and open dialogue. We have set a new target to establish minimum one development project related to education in every country where we have a solar plant in operation.

We will continue to develop our policy of hiring local labour when constructing new solar plants in 2018 and use and strengthen local supply networks. We have a target of employing on average between 60-80% local labour in each project whenever feasible.

Finally, we seek to procure and contract between 20-30% of local goods and services such as accommodation, vehicles, staff, fencing and civil contractors, depending on the country and availability of goods and services. We also target a minimum level of 60–80% of local contracts of goods and services during the operational phase of our projects.

Consolidated financial statements Group

Consolidated statement of profit or loss

1 January – 31 December

NOK THOUSAND	NOTE	2017	2016
Revenues	3	1,121,052	1,012,938
Net gain/loss) from sale of project assets	3, 12, 21	377,821	75,405
Net income/(loss) from JVs and associated companies	3, 21	-7,371	-3,394
Total revenues and other income		1,491,502	1,084,942
Personnel expenses	26	-94,673	-86,199
Other operating expenses	19	-155,539	-165,713
Depreciation, amortization and impairment	12, 13	-248,058	-270,083
Operating profit		993,232	562,954
Interest and other financial income	20	51,224	50,796
Interest and other financial expenses	20	-523,761	-504,801
Net foreign exchange gain/(loss)	4, 20	-59,810	-10,052
Net financial expenses		-532,347	-464,057
Profit before income tax		460,885	98,897
Income tax (expense)/benefit	14	-22,975	-28,410
Profit/(loss) for the period		437,910	70,487
Profit/(loss) attributable to:			
Equity holders of the parent		339,096	3,502
Non-controlling interests	24	98,814	66,985
Basic earnings per share (NOK)	22	3.36	0.04
Diluted earnings per share (NOK)	22	3.35	0.04

Consolidated statement of comprehensive income

1 January – 31 December

NOK THOUSAND	NOTE	2017	2016
Profit/(loss) for the period		437,910	70,487
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Net movement of cash flow hedges	9	-61,780	-114,582
Income tax effect	14	16,858	32,084
Foreign currency translation differences	29	30,760	5,341
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-14,162	-77,157
Total comprehensive income for the year, net of tax		423,748	-6,670
Attributable to:			
Equity holders of the parent		336,050	-69,115
Non-controlling interests		87,698	62,446

Consolidated statement of financial position

NOK THOUSAND	NOTE	AS OF 31 DECEMBER 2017	AS OF 31 DECEMBER 2016
ASSETS			
Non-current assets			
Deferred tax assets	14	401,901	327,456
Property, plant and equipment - in solar projects	12	5,580,404	5,059,802
Property, plant and equipment - other	12	37,926	21,465
Goodwill	13	24,138	22,289
Financial assets	9	176	18,237
Investments in JVs and associated companies	21	415,149	-
Other non-current assets	27	120,095	141,789
Total non-current assets		6,579,789	5,591,038
Current assets			
Trade and other receivables	15	238,789	231,484
Other current assets	18, 27	558,526	114,104
Financial assets	9	157	1,289
Cash and cash equivalents	7	2,863,091	1,137,224
Total current assets		3,660,563	1,484,101
TOTAL ASSETS		10,240,352	7,075,139

Consolidated statement of financial position

NOK THOUSAND	NOTE	AS OF 31 DECEMBER 2017	AS OF 31 DECEMBER 2016
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Share capital	23	**2,580**	2,345
Share premium		**1,194,660**	819,053
Total paid in capital		**1,197,240**	821,398
Other equity			
Retained earnings		**31,024**	-221,977
Other reserves		**81,659**	85,309
Total other equity		**112,683**	-136,668
Non-controlling interests	24	**577,305**	628,009
Total equity		**1,887,228**	1,312,739
Non-current liabilities			
Deferred tax liabilities	14	**184,948**	127,508
Non-recourse project financing	6	**6,163,851**	4,304,098
Bonds	5	**740,799**	495,417
Financial liabilities	9	**28,657**	7,330
Other non-current liabilities	17, 27, 28	**299,436**	318,798
Total non-current liabilities		**7,417,691**	5,253,151
Current liabilities			
Trade and other payables	16	**216,339**	29,346
Income tax payable	14	**19,400**	10,680
Non-recourse project financing	6	**316,645**	279,473
Financial liabilities	9	**26,576**	6,584
Other current liabilities	17, 27	**356,473**	183,166
Total current liabilities		**935,433**	509,249
Total liabilities		**8,353,124**	5,762,400
TOTAL EQUITY AND LIABILITIES		**10,240,352**	7,075,139

Oslo, 15 March 2018

The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)

Alf Bjørseth

Mari Thjømøe

Jan Skogseth

Gisele Marchand

Raymond Carlsen (CEO)

Consolidated statement of changes in equity

				OTHER RESERVES				
NOK THOUSAND	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	HEDGING RESERVES	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At 1 January 2016	2,345	807,903	-164,909	127,460	34,343	**807,142**	618,255	**1,425,397**
Profit for the period	-	-	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**
Profit for the period	-	-	339,096	-	-	**339,096**	98,814	**437,910**
Other comprehensive income	-	-	605	20,789	-24,439	**-3,045**	-11,117	**-14,162**
Total comprehensive income	-	-	339,701	20,789	-24,439	**336,051**	87,697	**423,748**
Share-based payment	-	2,879	-	-	-	**2,879**	-	**2,879**
Share capital increase	235	379,655	-	-	-	**379,890**	-	**379,890**
Transaction cost, net after tax	-	-6,927	-	-	-	**-6,927**	-	**-6,927**
Dividend distribution	-	-	-73,269	-	-	**-73,269**	-185,288	**-258,557**
Capital increase from non-controlling interests [1)]	-	-	-	-	-	**-**	33,456	**33,456**
Step-by-step acquisition	-	-	-13,431	-	-	**-13,431**	13,431	**-**
At 31 December 2017	2,580	1,194,660	31,024	104,500	-22,841	**1,309,923**	577,305	**1,887,228**

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 2,475 thousand (2016: NOK 4,438 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.

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.

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.

Consolidated statement of cash flow

NOK THOUSAND	NOTE	2017	2016
Cash flow from operating activities			
Profit before taxes		460,885	98,899
Taxes paid	14	-17,392	-29,143
Carry-back tax payment received	14	8,481	
Depreciation and impairment	12,13	248,058	270,083
Net income from associated companies/sale of project assets	21	-370,649	-72,011
Interest and other financial income	20	-51,224	-50,796
Interest and other financial expenses	20	523,761	504,801
Unrealised foreign exchange (gain)/loss	20	-55,745	29,036
(Increase)/decrease in trade and other receivables	15	-7,305	-10,102
(Increase)/decrease in other current/non-current assets	18	-420,901	148,448
Increase/(decrease) in trade and other payables	16	186,993	-87,951
Increase/(decrease) in current liabilities	17	153,945	-176,228
Increase/(decrease) in financial assets/liabilities and other changes		185,213	106,935
Net cash flow from operating activities		844,120	731,971
Cash flows from investing activities			
Interest received		51,224	50,797
Investments in property, plant and equipment	12	-673,092	-883,634
Proceeds from sale of project assets, net of cash disposed		-	250,840
Net investments in associated companies	21	-252,275	-
Net cash flow used in investing activities		-874,143	-581,997
Cash flow from financing activities			
Proceeds from non-controlling interest shareholder financing, include both equity contributions and shareholder loans		31,436	-
Interest paid		-475,896	-509,047
Proceeds from non-recourse project financing	6,10	1,973,828	241,337
Repayment of non-recourse project financing	6,10	-230,633	-156,706
Share capital increase	23	372,963	-
Proceeds from corporate bond issue	5,10	750,000	-
Repayment of corporate bond	10	-523,314	-
Dividends paid to equity holders of the parent company	23	-73,269	-61,918
Dividends and other distributions paid to non-controlling interest	23	-185,287	-173,699
Net cash flow from financing activities		1,639,828	-660,033
Net increase/(decrease) in cash and cash equivalents		1,609,805	-510,059
Effect of exchange rate changes on cash and cash equivalents		116,062	8,679
Cash and cash equivalents at beginning of the period		1,137,224	1,638,604
Cash and cash equivalents at end of the period	7	2,863,091	1,137,224
Cash in power plant companies in operation	7	793,264	708,466
Cash in power plant companies under development/construction	7	1,323,938	7,000
Other restricted cash	7	57,833	117,840
Free cash	7	688,056	303,918
Total cash and cash equivalents		2,863,091	1,137,224
Hereof presented as:			
Cash and cash equivalents		2,863,091	1,137,224

Notes to the Consolidated financial statements Group

Note 1 Corporate information

Scatec Solar ASA was founded in 2007 and is incorporated and domiciled in Norway. The address of its registered office is Karenslyst Allé 49, NO-0279 OSLO, Norway.

Scatec Solar ASA ("the Company"), its subsidiaries and investments in associated companies and joint ventures ("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.

The Company is listed on the Oslo Stock Exchange. For further details on shareholder matters, refer to note 23.

The consolidated financial statements for the full year 2017 were authorised for issue in accordance with a resolution by the Board of Directors on 15 March 2018.

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.

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:

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

Consolidation of power plant 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 power plant 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 power plant 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 power plant companies*

In 2012 Scatec Solar established three power plant 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 power plant companies. During 2014 Scatec Solar and two other shareholders established a power plant company in Rwanda for the purpose of constructing and operating the ASYV solar power plant. Scatec Solar has a shareholding of 54% as part of a shareholder agreement. During 2015 Scatec Solar completed the construction of the Agua Fria (Honduras) solar power plant. Scatec Solar holds 40% of the power plant company. In 2016 the construction of the three plants in Jordan (ORYX/EJRE/GLAE) were completed. Scatec Solar has a shareholding of 90% and 50.1% in the power plant companies respectively. During 2016 five power plant companies in Egypt and one in Honduras were incorporated and consolidated for the first time. Scatec Solar has an economic interest of 51% in the Egyptian projects and a shareholding of 70% in the Honduran Los Prados power plant. Construction is well under way for the latter power plant and is expected to start in the first half of 2018 for the Egypt portfolio. During first quarter 2017 three power plant companies in Malaysia were consolidated for the first time, and during the third quarter the construction of the power plants commenced. Scatec Solar's investment is held through redeemable convertible preference shares which will constitute a shareholding of 49% upon conversion. In the third quarter 2017 Scatec Solar also signed an agreement to establish a 50/50 joint venture in Brazil with Statoil. The joint venture will build, own and operate large scale solar power plants. As of the effective date of the agreement, Scatec Solar lost control (as defined by IFRS 10 for consolidation purposes) of the power plant companies and full consolidation ceased. The investments are equity consolidated as Scatec Solar and Statoil are considered to be in joint control of the investees.

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 power plant company as defined by IFRS 10 Consolidated Financial Statements, all facts and circumstances, including the above agreements are analysed. For the power plant companies referred to above, except from the joint venture arrangement with Statoil, 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 where 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 have not been fully eliminated. Consequently, the presentation of the operations of the group would significantly differ from the previous presentation. Cash in and out flows as well as value creation is not affected.

Presentation of shareholder loans

In relation to the structuring and financing of the power plant 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 power plant company. Accordingly, the shareholder loans are presented as equity. Shareholder loans provided to other power plant 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 2,590,518 thousand (2016: NOK 2,675,197 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 2017 the Group has recorded a valuation allowance of NOK 12,882 thousand (2016: NOK 21,714 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 12,882 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 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 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.

Note 3 Operating segments

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 four segments; Power Production (PP), Operation and Maintenance (O&M), Development and Construction (D&C) and Corporate.

Financing and operation of solar power plants is ring-fenced in power plant companies with a non-recourse project finance structure - where Scatec Solar contributes with the required equity, either alone or together with co-investors. 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 power plant companies to Scatec Solar and any other project equity investors in accordance with the shareholding and the terms of the finance documents. 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.

Revenues and gross margins related to deliveries of development and construction, and operation and maintenance services to power plant 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

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.

As per 31 December 2017, 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 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 (104MW) 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 completed construction of 43MW plants in Jordan in 2016, 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.

Development and Construction revenues were recognised for projects in Brazil, Malaysia and Honduras in 2017. Projects under construction currently stands at 394 MW per reporting date. The backlog of projects with secured offtake of future power production is currently at 749 MW, while the project pipeline consists of several projects with a combined capacity of 745 MW.

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.

Scatec Solar ASA

	Power Production	Operation & Maintenance	Development &Construction	Corporate	Eliminations
Main activites	• Ownership and management of power producing assets	• Technical and operational services	• Project developement • Engineering and Procurement • Contruction management • Quality assurance	• Corporate services • Management • Group finance	• Elimination of revenues and profits from internal transactions

	Power Production	Operation & Maintenance	Development &Construction
Assets / projects with revenues recognized	**South Africa (39%):** Kalkbult, 75 MW Linde, 40 MW Dreunberg, 75 MW	**South Africa:** Kalkbult, 75 MW Linde, 40 MW Dreunberg, 75 MW	**Malaysia:** Quantum, 197 MW
	Rwanda (54%): ASYV, 9 MW	**Rwanda:** ASYV, 9 MW	**Brazil:** Apodi, 162 MW
	Czech Republic (100%): Portfolio 20 MW	**Czech Republic:** Portfolio, 20 MW	**Honduras:** Los Prados (phase I), 35 MW
	Honduras (40%): Agua Fria, 60 MW	**Honduras:** Agua Fria, 60 MW	**Backlog:** 789 MW
	Jordan: Oryx, 10 MW (90%) Ejre/Glae, 33 MW (50.1%)	**Jordan:** Oryx, 10 MW	**Pipeline:** 745 MW

The management team assesses the performance of the operating segments based on a measure of gross profit and operating profit, hence interest income/expense is not disclosed per segment. The measurement basis for the segment data follows the accounting policies used in the consolidated financial statement for 2017 as described in Note 32 - Summary of significant accounting policies.

2017 NOK THOUSAND	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	ELIMINATIONS	TOTAL
External revenues	1,121,052	-	-	-	-	**1,121,052**
Internal revenues	-	68,648	654,059	13,055	-735,762	**-**
Net gain/(loss) from sale of project assets	-	-	377,821	-	-	**377,821**
Net income/(loss) from associated companies	-741	-	-2,528	-	-4,102	**-7,371**
Total revenues and other income	1,120,311	68,648	1,029,352	13,055	-739,864	**1,491,502**
Cost of sales	-	-	-590,246	-	590,246	**-**
Gross profit	1,120,311	68,648	439,106	13,055	-149,618	**1,491,502**
Personnel expenses	-14,589	-14,420	-32,767	-33,205	308	**-94,673**
Other operating expenses	-132,476	-26,760	-47,631	-29,625	80,953	**-155,539**
Depreciation, amortisation and impairment	-310,188	-731	-2,565	-1,354	66,780	**-248,058**
Operating profit	663,058	26,737	356,143	-51,129	-1,577	**993,232**

2016 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**

Geographical areas

In presenting information based on 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 2017 and 2016 is presented on the next page.

NOK THOUSAND	EXTERNAL REVENUE [1] 2017	2016
South Africa	742,539	661,988
The Netherlands	377,821	-
Jordan	136,799	56,158
Honduras	111,724	117,543
Czech	98,609	93,136
Rwanda	30,728	31,148
USA	653	124,664
Italy	-	2,242
Norway	-	1,411
Germany	-	53
Total	1,498,873	1,088,343

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

NOK THOUSAND	PROPERTY, PLANT AND EQUIPMENT 2017	2016
South Africa	2,154,168	2,072,076
Honduras	1,096,507	876,853
Jordan	866,854	928,379
Czech	421,649	406,833
Malaysia	379,193	-
Egypt	359,559	-
Rwanda	147,314	160,627
Norway	114,164	629,678
Mozambique	39,410	-
UAE	30,301	-
Mexico	2,988	-
The Netherlands	2,247	-
USA	2,225	3,577
France	1,014	827
Mali	738	-
Italy	-	2,081
Germany	-	336
Total	5,618,330	5,081,267

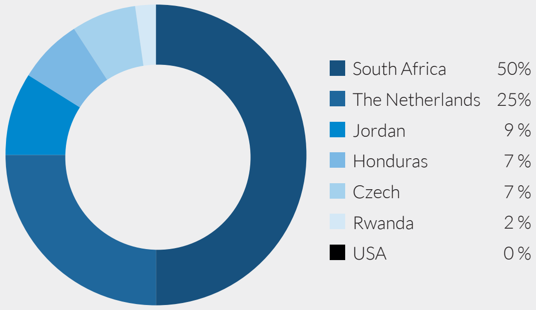
Major customers

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 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.

Distribution of external revenues



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, and was sold in December 2016. The electricity was sold in the merchant market.

The Oryx, GLAE and EJRE power plants in Jordan commenced operations respectively in June, July and August 2016. The electricity is 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.

For revenue earned from sale of project assets, refer to note 29.

Note 4 Financial risk management

General information relevant to risks

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 no 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). 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, EUR, MYR, BRL 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 inter-company balances. As the Group expands its operations with projects in new markets the currency risk exposure increases. 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. The general policy of the Group is not to hedge foreign currency exposure based on long term cash flows from the power plant companies operating the solar power plants. Subsidiaries with functional currency other than NOK do not hedge NOK positions versus their own functional currency. The Group will in 2018 evaluate to transfer to a USD company for currency management purposes, as the Group's portfolio of projects under construction and in operation grows with the majority of power purchasing agreements being USD based, USD indexed or inflation adjusted in local currency. For the Group's power plant 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 power plant entities are at fixed interest rates, whereas the non-recourse financing (denominated in ZAR) in the South African power plant 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 at fixed rate. The projects in Jordan, reached commercial operation date in 2016 and have

70% of the total non-recourse financing at a fixed rate. The projects under construction at the end of 2017 in Malaysia have secured MYR denominated, fixed interest non-recourse financing through issuance of the world's largest green Islamic bond, whereas the non-recourse financed projects in Brazil have BRL denominated inflation indexed interest rates.

In November 2017 Scatec Solar successfully completed a NOK 750 million senior unsecured green bond issue with maturity in November 2021. The bonds carry an interest of 3 month NIBOR + 4.75%. The interest rate 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 2017, the Group secured funding through issuance of a NOK 750 million senior unsecured bond. As of 31 December 2017, the Group has total short term contractual commitments of approximately NOK 1,237 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 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.

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. 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, the Group's 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.

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 3,781,301 thousand at 31 December 2017.

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

Note 5 Bonds

During fourth quarter 2017 Scatec Solar completed a NOK 750 million senior unsecured green bond issue with maturity in November 2021. The bonds carry an interest of 3 month NIBOR + 4.75%, to be settled on a quarterly basis.

An application has been made in February 2018 for the bonds to be listed on the Oslo Stock Exchange.

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 50 million*

b. *Maximum debt to capitalisation ratio: Scatec Solar shall maintain a debt to capitalisation ratio of maximum 50%*

c. *Minimum interest coverage ratio: Scatec Solar shall maintain a cash flow interest coverage ratio of minimum 2.*

Per 31 December 2017, Scatec Solar was in compliance with all bond covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 2,072,020 thousand per year end.

The proceeds from the bond issue was used for a full redemption of the NOK 500 million senior unsecured green bond with maturity in November 2018 and will be used for financing of eligible activities as defined in the Scatec Solar green bond framework. The NOK 500 million bond carried an interest of 3-month NIBOR + 6.50%. The full redemption of the NOK 500 million bond was carried out through a consent solicitation process, at early redemption price of 104.25% of par value and with early consent fee of 0.50%.

The redemption proposal was duly passed in a bondholders' meeting 6 November 2017.

During 2017, an interest amounting to NOK 41,125 thousand was expensed (2016: 41,013 thousand).

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 9,375 thousand being amortised over the 4-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.

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

The table below specifies non-recourse financing at 31 December 2017 and 2016.

NOK THOUSAND	INTEREST RATE [3]	MATURITY DATE	2017	2016
Loan facilities (ZAR) - Scatec Solar SA 166 (Pty) Ltd. (Kalkbult) [1, 2]	11.57%	31.12.2028	**1,018,659**	997,514
Loan facilities (ZAR) - Simacel 160 (Pty) Ltd. (Dreunberg) [1, 2]	11.24%	31.12.2029	**1,093,775**	1,092,142
Loan facilities (ZAR) - Simacel 155 (Pty) Ltd. (Linde) [1, 2]	11.71%	30.06.2029	**538,733**	540,395
Loan facilities (CZK) – Czech portfolio [1]	5.79%	11.05.2029	**398,010**	370,112
Loan facilities (USD) - Gigawatt Global Rwanda Ltd (ASYV) [1]	8.34%	11.01.2030	**125,528**	145,445
Loan facilities (USD) – Jordan portfolio [1]	5.88%	10.01.2032	**772,837**	833,417
Loan facilities (USD) – Produccion De Energia S.A (Aqua Fria) [1]	6.94%	31.12.2026	**531,651**	604,546
Loan facilities (MYR) – Quantum Solar Park (Semenanjung) SDN. BHD.	5.79%	23.02.2035	**2,001,303**	-
Total non-recourse financial liabilities			**6,480,496**	4,583,571
Of which non-current non-recourse financial liabilities			**6,163,851**	4,304,098
Of which current non-recourse financial liabilities			**316,645**	279,473

1) The rate of interest is a calculated average.
2) The rate of interest is a calculated including interest rate swap agreements and excluding fees.
3) All loans are fixed or swapped to fixed rate interests.

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 4,622,817 thousand (2016 NOK 4,422,584) (after elimination of internal profits), whereas the local book value is NOK 5,885,378 thousand (2016 NOK 5,599,201).

Repayment structure

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

NOK THOUSAND	LOAN REPAYMENT	INTEREST PAYMENT	TOTAL
2018	283,045	525,596	**808,641**
2019	442,671	495,599	**938,270**
2020	360,093	465,394	**825,487**
2021	402,573	429,888	**832,461**
2022	470,003	391,286	**861,289**
2023	497,587	350,863	**848,450**
2024	648,624	309,600	**958,224**
2025	484,768	261,885	**746,653**
2026	569,409	214,888	**784,297**
2027	441,891	168,425	**610,316**
2028	524,979	124,331	**649,310**
2029	456,850	87,766	**544,616**
2030	294,377	54,167	**348,544**
2031	142,031	41,608	**183,639**
2032	181,384	29,176	**210,560**
2033	141,918	19,437	**161,355**
2034	141,918	10,865	**152,783**
2035	81,096	2,179	**83,275**
Total future loan repayment	6,565,217	3,982,953	**10,548,170**

The tables below specify the payment structure of principal and interests per project of the non-recourse financing.

PRINCIPAL REPAYMENTS

NOK THOUSAND	KALKBULT	LINDE	DREUNBERG	CZECH	ASYV	AGUA FRIA	JORDAN	MALAYSIA	TOTAL
2018	49,373	34,835	70,506	27,933	10,708	48,992	40,698	-	**283,045**
2019	61,403	32,672	77,163	29,399	6,498	50,920	42,698	141,918	**442,671**
2020	80,043	35,016	57,756	31,094	6,851	54,424	44,224	50,685	**360,093**
2021	98,683	40,358	70,462	32,888	7,548	57,099	44,850	50,685	**402,573**
2022	98,683	44,510	78,552	34,740	8,295	58,527	45,326	101,370	**470,003**
2023	98,683	52,228	91,256	36,727	9,116	60,471	47,736	101,370	**497,587**
2024	98,683	56,380	98,189	38,759	9,977	64,057	49,428	233,151	**648,624**
2025	98,683	47,480	113,205	40,957	10,978	70,596	52,184	50,685	**484,768**
2026	109,648	48,666	109,738	43,765	12,020	68,922	55,006	121,644	**569,409**
2027	109,648	53,414	100,498	46,356	13,177	-	57,976	60,822	**441,891**
2028	115,130	59,350	105,120	48,579	14,194	-	60,962	121,644	**524,979**
2029	-	33,829	121,292	20,444	14,153	-	64,392	202,740	**456,850**
2030	-	-	-	-	13,760	-	67,740	212,877	**294,377**
2031	-	-	-	-	-	-	71,072	70,959	**142,031**
2032	-	-	-	-	-	-	39,466	141,918	**181,384**
2033	-	-	-	-	-	-	-	141,918	**141,918**
2034	-	-	-	-	-	-	-	141,918	**141,918**
2035	-	-	-	-	-	-	-	81,096	**81,096**
Total future principal repayments	1,018,660	538,738	1,093,737	431,641	137,275	534,008	783,758	2,027,400	**6,565,217**

INTEREST PAYMENTS

NOK THOUSAND	KALKBULT	LINDE	DREUNBERG	CZECH	ASYV	AGUA FRIA	JORDAN	MALAYSIA	TOTAL
2018	115,462	60,621	124,231	20,782	10,568	34,207	46,284	113,441	**525,596**
2019	108,856	55,974	114,628	19,509	10,010	30,883	44,234	111,505	**495,599**
2020	101,586	52,431	107,576	18,001	9,444	27,462	41,732	107,162	**465,394**
2021	91,658	48,126	100,157	16,428	8,796	23,672	38,917	102,134	**429,888**
2022	80,176	43,347	91,731	14,798	8,107	19,922	36,200	97,005	**391,286**
2023	68,961	38,139	82,464	13,048	7,360	15,959	33,419	91,513	**350,863**
2024	58,339	32,362	72,494	11,262	6,564	11,890	30,581	86,108	**309,600**
2025	46,599	25,899	60,064	9,327	5,653	7,376	27,471	79,496	**261,885**
2026	35,021	20,670	46,902	7,275	4,676	2,905	24,270	73,169	**214,888**
2027	22,504	15,071	34,743	5,096	3,611	-	20,899	66,501	**168,425**
2028	9,986	8,825	23,002	2,782	2,462	-	17,368	59,906	**124,331**
2029	-	1,905	10,668	351	1,346	-	13,588	59,908	**87,766**
2030	-	-	-	-	246	-	9,632	44,289	**54,167**
2031	-	-	-	-	-	-	5,496	36,112	**41,608**
2032	-	-	-	-	-	-	1,198	27,978	**29,176**
2033	-	-	-	-	-	-	-	19,437	**19,437**
2034	-	-	-	-	-	-	-	10,865	**10,865**
2035	-	-	-	-	-	-	-	2,179	**2,179**
Total future interest payments	739,148	403,370	868,660	138,659	78,843	174,276	391,289	1,188,708	**3,989,953**

Covenants

Czech portfolio

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 1.20 : 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.

Quantum Solar Park (Semenanjung) SDN. BHD.

The loan agreement contains financial covenants included, but not limited to: maintain a FSCR of minimum 1.25. FSCR with cash post distribution: min 1.5x. FSRA (Finance Service Reserve Account) of 6 months, and to maintain a financial Gearing of no more than 80/20. The agreement contains further restriction on MRA to be funded in stages after COD, no changes to shareholders structure, no other financial indebtedness and no material amendments to project documents.

The power plant companies meet the financial covenants at 31 December 2017. Refer to the definitions chapter for description of the abbreviations.

Note 7 Cash

NOK THOUSAND	2017	2016
Cash in power plant companies in operation	793,264	708,466
Cash in power plant companies under development / construction	1,323,938	7,000
Other restricted cash	57,833	117,840
Free cash	688,056	303,918
Total cash and cash equivalents	2,863,091	1,137,224

Cash in power plant 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 power plant companies under development and construction comprise shareholder financing and draw down on term loan facilities by power plant 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 power plant companies not yet distributed to the power plant companies.

RECONCILIATION OF MOVEMENT IN FREE CASH

NOK THOUSAND	2017	2016
Free cash at beginning of the period	303,918	651,359
Proportionate share of cash flow to equity O&M	21,512	24,250
Proportionate share of cash flow to equity D&C	166,570	-5,138
Proportionate share of cash flow to equity CORP	-65,277	-63,132
Project development capex	-229,337	-495,916
Equity contributions/collateralised for equity commitments in power plant companies	-477,484	-33,007
Distributions from power plant companies	150,531	134,016
Share capital increase, net after transaction cost and tax	372,963	-
Dividend distribution	-73,269	-61,919
Net proceeds from bond issuance	226,686	-
Working capital / Other	291,243	153,405
Free cash at end of the period	688,056	303,918

In 7 July 2017 Scatec Solar entered into a new guarantee facility, a new USD 30 million overdraft facility and an inter-creditor agreement. The facilities replaced all other corporate guarantees and overdraft facilities existing at the date of the new agreements. Financial covenants were changed during the fourth quarter 2017 and equal the financial covenants in the new NOK 750 million bond agreement.

The guarantee facility has Nordea Bank as agent, Nordea Bank and ABN Amro as issuing banks and Nordea Bank, ABN Amro and Swedbank as guarantee instrument lenders. The guarantee facility is established to support a growing portfolio under construction. The guarantee facility will mainly be used to provide advanced payment, performance and warranty bonds under the construction agreements, as well as for trade letter of credits. The inter-creditor agreement is entered into by Scatec Solar, the issuing banks under the guarantee facility and GIEK. GIEK can issue counter indemnity in favour of the issuing banks on behalf of the relevant instrument lenders.

The overdraft facility has Nordea Bank as overdraft lender and 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%. The agreements are adapted for a later replacement of the new overdraft facility with a new revolving credit facility with the instrument lenders under the guarantee facility. Scatec Solar has not drawn on the overdraft facility per 31 December 2017.

Note 8 Guarantees and commitments

Scatec Solar is often required to provide advance payment, performance and warranty guarantees in connection with construction activities, as well as bid bonds in connection with tender processes. Outstanding advance payment, performance and warranty guarantees are mainly issued in relation to construction contracts entered into with power plant companies where Scatec Solar has a controlling interest. Advance payment guarantees typically represent 15-25% of construction contract value and 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 to the provider in a tender process. Scatec Solar is also providing equity guarantees to project lenders, if project debt is disbursed to power plant companies before equity. Power plant companies are in some markets providing development and land lease guarantees.

The Group has provided the following guarantees at 31 December 2017

- *Guarantees for advance payments of NOK 555,503 (NOK 0 thousand as of 31 December 2016) related to the construction contracts for power plants in Malaysia*
- *Performance guarantees NOK 288,862 thousand (NOK 191,867 thousand as of 31 December 2016) related to the construction contracts for power plants in Malaysia and Jordan*
- *Warranty guarantees of NOK 56,151 thousand (NOK 174,067 thousand as of 31 December 2016) related to power plants constructed by Scatec Solar in South Africa, Honduras and Jordan*
- *Bid bonds of NOK 58,292 thousand (NOK 185,536 thousand as of 31 December 2016) related to tenders/bidding for new projects in South Africa, Brazil and Ivory Coast*
- *Other guarantees of NOK 1,045,801 thousand (NOK 99,219 thousand as of 31 December 2016) related to equity guarantee in Malaysia, development guarantees in Egypt and Nigeria and land lease guarantees in Czech, South Africa, Jordan and Egypt*

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

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

GUARANTEES' DURATION

NOK THOUSAND	2018	2019	2020	>2020
Advance payment guarantees [1]	555,503	-	-	-
Performance guarantees [2]	288,862	-	-	-
Warranty guarantees [3]	56,151	-	-	-
Bid Bonds [4]	58,292	-	-	-
Other guarantees [5]	982,634	57,673	-	5,494
Total	1,941,442	57,673	-	5,494

1) Of which NOK 0 thousand to third parties
2) Of which NOK 0 thousand to third parties
3) Of which NOK 0 thousand to third parties
4) Of which NOK 58,292 thousand to third parties
5) Of which NOK 1,045,801 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 advance payment, performance and warranty guarantees in Malaysia, 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 guarantee facility with Nordea Bank as agent and Nordea Bank, ABN Amro and Swedbank as guarantee instrument lenders. Financial covenants are equal to financial covenants in the green bond issued in November 2017. Per 31 December 2017, Scatec Solar was in compliance with all bond covenants.

See Note 5 – Bonds for further information and definitions.

Contractual obligations

Scatec Solar has contractual obligations through office lease agreements for the operational companies in the group. Further, the group has land lease agreements for the PV power plants in South Africa, Czech, Honduras, Jordan, Rwanda and Malaysia. Scatec Solar ASA and Scatec Solar Solutions Malaysia BDH has contracts with suppliers of equipment and sub-EPC contractors related to the construction of the plants in Honduras and Malaysia.

CONTRACTUAL OBLIGATIONS

NOK THOUSAND	2018	2019	2020	>2020
Leases (office rental)	17,752	10,075	10,232	16,965
Leases (PV power plant land areas)	3,472	3,472	3,472	58,288
Total purchase modules, inverters etc	538,139	-	-	-
Total purchase services	685,200	-	-	-
Total contractual obligations	1,244,563	13,547	13,704	75,253

Contingent liabilities

In June and August 2016 respectively, the GLAE and EJRE power plant companies in Jordan put forward notices to Scatec Solar EPC with claims of liquidated damages of USD 2,451 thousand based on delayed Commercial Operation Date. Scatec Solar EPC has rejected the claims on the basis that there has been actions and omissions on the hand of the power plant companies which have a direct impact on the time for completion and Scatec Solar 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 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 power plant companies. As at December 31 2017 both the claim of liquidated damages and variation orders are upheld by the power plant companies and Scatec Solar EPC respectively, while neither of the claims has been accepted by the counterparty. The parties are in dialogue to resolve the disagreements.

The Agua Fria power plant in Honduras was completed and commenced operations in July 2015, where Scatec Solar was the contractor. Prior to start of construction, the design of the plant was altered which reduced Capacity from 49,9 MW to approximately 44.15 MW without reducing the actual production and revenue stream of the plant. The commissioning of the plant was delayed as compared to the original schedule where the majority of the delay being deemed caused by events owner should bear the risk for, however, a dispute arose where the owner claimed both that delay liquidated damages and capacity damages given the previous reduction in capacity. Scatec Solar's view was that neither delay damages nor capacity damages where due. As an amicable solution the parties agreed that the claims would be forfeited against an extension of the facility to reach a capacity of 47 MW at an installation cost of USD 6 million combined.

Per December 2017 the construction of the extension has not yet been initiated due to interruptions out of the control of Scatec Solar. The owner has claimed that final completion certificate, and hence the final payment, will not be paid until the extension is built. Scatec's position is that it is the owner that has not initiated the extension and as such there is no requirement of having finalized the extension prior to achieving final completion. Consequently, no settlement provision has been made in the group financial statements as at 31 December 2017. Agua Fria is a subsidiary of Scatec Solar ASA, the ownership being 40%.

Note 9 Derivative financial instruments

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 interest rates swap contracts and forward exchange contracts are classified as derivatives designated as hedging instruments in effective hedges. 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.

DERIVATIVE FINANCIAL ASSETS

NOK THOUSAND	2017	2016
Interest rate swap contracts		
Current portion	157	1,289
Non-current portion	176	18,237
Total derivative financial assets	333	19,526

DERIVATIVE FINANCIAL LIABILITIES

NOK THOUSAND	2017	2016
Interest rate swap contracts		
Current portion	16,050	6,584
Non-current portion	28,657	7,330
Forward exchange contracts		
Current portion	10,526	-
Total derivative financial liabilities	55,233	13,914

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2017 were NOK 1,986,913 thousand (2016 NOK 2,116,612 thousand). The fixed interest rates vary from 7.3% to 8.4%, and the main floating rates is linked to 3-month JIBAR.

The notional principal amounts of the outstanding forward exchange derivate contracts were NOK 237,206 (2016: 0). The forward rates USD/MYR varies from 4.11 to 4.25.

Reconciliation of hedging reserve

HEDGING RESERVE - INTEREST RATE SWAP CONTRACTS

NOK THOUSAND	2017	2016
Opening balance	4,097	88,059
Reclassification during the year to profit or loss, gross	-	-10,403
Reclassification during the year to profit or loss, tax effect	-	2,913
Net gain/(loss) during the year of the not-yet matured contracts	-61,780	-106,211
Tax on items recognised in OCI	16,858	29,739
Hedging reserve	-40,825	4,097
Of which equity holders of the parent company	--22,841	1,598

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.

2017 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	-	-	-	-	176	**176**
Other non-current assets	-	120,018	-	72	-	**120,090**
Total non-current financial assets	-	120,018	-	72	176	**120,266**
Trade and other receivables	-	238,789	-	-	-	**238,789**
Other current assets	-	558,526	-	-	-	**558,526**
Financial assets	-	-	-	-	157	**157**
Cash and cash equivalents	-	2,863,091	-	-	-	**2,863,091**
Total current financial assets	-	3,660,406	-	-	157	**3,660,563**
Non-recourse project financing	-	-	6,163,851	-	-	**6,163,851**
Bonds	-	-	740,799	-	-	**740,799**
Financial liabilities	-	-	-	-	28,657	**28,657**
Other financial liabilities	-	-	299,436	-	-	**299,436**
Total non-current financial liabilities	-	-	7,204,086	-	28,657	**7,232,743**
Trade and other payables	-	-	216,339	-	-	**216,339**
Non-recourse project financing	-	-	316,645	-	-	**316,645**
Other financial liabilities	-	-	-	-	26,576	**26,576**
Other current liabilities	-	-	356,473	-	-	**356,473**
Total current financial liabilities	-	-	889,457	-	26,576	**916,033**

2016 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	-	-	-	-	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	-	-	1,289	**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**

Reconciliation of liabilities arising from financing activities, as defined by IAS 7, is presented below.

2017			NON-CASH CHANGES			
NOK THOUSAND	2016	CASHFLOWS	FOREIGN EXCHANGE MOVEMENT	FAIR VALUE CHANGES	OTHER/ RECLASSIFI-CATIONS	2017
Long-term borrowings	4,304,098	1,973,828	124,476	-	-238,551	**6,163,851**
Bond	495,417	226,686	-	-	18,696	**740,799**
Short-term borrowings	279,473	-230,633	4,399	-	263,405	**316,645**
Derivatives (net)	-5,612	-	-	60,512	-	**54,900**
Shareholder loan from non-controlling interests	175,547	-52,146	-	-5,419	10,256	**128,239**
Current liabilities to non-controlling interests	33,441	83,582	-	-	-8,460	**108,563**
Total liabilities arising from financial liabilities	5,282,364	2,001,317	128,876	55,093	45,347	**7,512,996**

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 for to hedge financial risk. Derivatives 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) except for the effective portion of cash flow hedges, which is recognised in OCI until the transactions they hedge occur. 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. All financial investments are recognised in the consolidated statement of financial position at fair value and are classified as available for sale assets.

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.

2017 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)	-	-	-	-
Fair value based on price inputs other than quoted prices (Level 2)		333	-55,233	**-54,900**
Fair value based on unobservable inputs (Level 3)	72			**72**
Total fair value at 31 December 2017	72	333	-55,233	**-54,828**

2016 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)	-	-	-	-
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**

Fair value in level 1 is based on prices quoted in an active market for identical assets or liabilities. At year end 2017 and 2016 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 2017 and 2016 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 2017, 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 2017, 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 2017 and 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 transactional currency against the functional currency and a -5% change refers to a strengthening of the transactional currency against the functional currency.

NOK THOUSAND	NOK	EUR	USD	ZAR
At 31 December 2017				
Net gain/(loss) (-5% sensitivity)	-9,709	-24,266	22,213	42,939
Net gain/(loss) (5% sensitivity)	9,709	24,266	-22,213	-42,939
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 2017 and 2016, interest rate sensitivities are calculated by assuming a +1/-1% change in the interest rates.

NOK THOUSAND		
At 31 December 2017	1%	-1%
Net gain/(loss)	17,855	-17,855
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 DEVELOPMENT AND CONSTRUCTION	MACHINERY AND EQUIPMENT	TOTAL
Accumulated cost at 1 January 2017	4,985,830	649,553	33,874	**5,669,257**
Additions	-21,771	671,120	23,743	**673,092**
Transfers	-	-	-	-
Disposed assets at cost	-	-	-3,444	**-3,444**
Effect of movements in foreign exchange	122,843	31,398	1,193	**155,434**
Accumulated cost at 31 December 2017	5,086,902	1,352,071	55,366	**6,494,339**
Accumulated depreciation and impairment losses at 1 January 2017	566,233	9,348	12,409	**587,990**
Depreciation for the year	240,258	-	5,912	**246,170**
Impairment losses	1,888	-	-	**1,888**
Accumulated depreciation and impairment losses disposed assets	-	-	-1,560	**-1,560**
Effect of movements in foreign exchange	42,298	-1,456	679	**41,521**
Accumulated depreciation and impairment losses at 31 December 2017	850,677	7,892	17,440	**876,009**
Carrying amount at 31 December 2017	4,236,225	1,344,179	37,926	**5,618,330**
Estimated useful life (years)	20-25	N/A	3-5	
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	

The Group operates solar power plants in Europe, Middle East, Africa and South America. During 2017 the Group commenced construction of the Los Prados power plant in Honduras, the Quantum plants in Malaysia as well as the four Apodi plants in Brazil. The power plant companies in Brazil are equity consolidated and hence not included in the below table. The six power plants in Egypt reached financial close in the fourth quarter of 2017 and have not yet commenced construction. 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 development and construction' to "solar power plants". During 2017 the Group capitalised borrowing costs amounting to NOK 15,499 thousand (2016: NOK 18,014 thousand).

The negative additions to solar power plants is related to recalculation of the asset retirement obligation which is reduced mainly due to increased raw material prices.

The carrying value of development projects that have not yet reached the construction phase was NOK 640,315 thousand at 31 December 2017 (31 December 2016: NOK 637,218 thousand). Scatec Solar's proportionate share of the carrying value of the development projects is approximately NOK 391 million (31 December 2016: 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 power plant entities' assets, including solar power plants, are pledged as security for the non-recourse financing.

IMPAIRMENTS

NOK THOUSAND	2017	2016
Development projects	-	8.191
Solar power plants	1,888	13,417
Other	-	594
Reversal of previous impairment losses	-	-
Total impairment losses	1,888	22,202

During 2017, the Group impaired equipment amounting to NOK 1,888 thousand (2016: NOK 22,202 thousand) related to a lightning strike at two of the plants in South Africa. The damages are covered by the insurance contract on the plant, and the compensation is recognized as part of revenues. The impairment losses of NOK 22,202 thousand incurred in 2016 relate to development projects which were taken out of the pipeline (NOK 8,191 thousand) as well as an impairment of a 0.5 MW roof top plant as part of the exit of the US market (NOK 13,417 thousand).

All impairment losses on development projects are recognised in the Development & Construction segment whereas impairments related to power plants are 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 a 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 is expected to 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 power plant companies. The profitability of the power plant 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 1,144 million of internal profit which provides an additional buffer compared to the power plant 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. As of 31 December 2017 and 2016, 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	2017	2016
Operating segment:		
Development and construction	**24,138**	22,289
Total at 31 December	**24,138**	22,289

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 2018, which is based on the Group's project backlog. Consequently, expected cash flows from 2019 onwards are 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 28 times and the asset is not impaired.

Note 14 Tax

NOK THOUSAND	2017	2016
Tax payable	-13,223	-12,425
Change in deferred tax	1,315	-15,917
Withholding tax	-12,833	-
Correction of previous years' income taxes	1,766	-68
Income tax expense	-22,975	-28,410
Reconciliation of Norwegian nominal tax rate to effective tax rate		
Profit before income tax	460,885	98,897
Nominal tax rate (24% / 25%)	-110,612	-24,724
Tax effect of:		
Tax rates different from nominal rate	11,885	14,941
Share of net income from associated companies	-1,769	-849
Permanent differences	5,131	-4,761
Non taxable gain on sale of project assets	90,677	
Current tax on dividend received and withholding tax	-12,833	-
Use and capitalisation of previously unrecognised losses carried forward	931	-
Valuation allowance loss carried forward	-2,129	-12,836
Effect of change of statutory tax rate	-3,115	-1,420
Correction of previous years taxes	1,766	-68
Other items	-2,907	1,306
Calculated tax expense	-22,975	-28,41
Effective tax rate	-4.98%	28.7%

For 2017 the effective tax rate is influenced by non-taxable gain on the sale of projects. Further, the effective tax rate is also affected by a reversal of valuation allowance on tax losses carried forward, partly offset by withholding tax paid on dividends from the South-African plants. 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. The effective tax rate has been and will be impacted by the volume of construction activities as the tax rate in the construction companies normally is higher than in the power plant companies. This means that the full tax expense on the internal profit will not be eliminated and hence increase the effective tax rate during construction. The opposite effect will occur when the eliminated internal profit is reversed through lower depreciation at the tax rate of the power plant company.

SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

NOK THOUSAND	2017	2016
Deferred tax assets		
Tax losses carried forward	704,296	746,095
Property, plant and equipment	446,607	335,947
Financial instruments	17,824	3,691
Bad debt provision	5,438	1,488
Other items	-933	-2,853
Offsetting of tax balances [1]	-758,449	-735,198
Valuation allowance	-12,882	-21,714
Total deferred tax assets	401,901	327,456

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.

NOK THOUSAND	2017	2016
Deferred tax liabilities		
Property, plant and equipment	923,218	857,009
Financial instruments	12,928	5,399
Other items	7,251	298
Offsetting of tax balances [1]	-758,449	-735,198
Total deferred tax liabilities	184,948	127,508

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	2017		2016	
COUNTRY	LOSS CARRIED FORWARD	DEFERRED TAX ASSET	LOSS CARRIED FORWARD	DEFERRED TAX ASSET
South Africa	2,254,740	621,333	2,437,340	678,521
Norway	288,478	66,350	135,880	32,550
Czech	3,048	580	12,551	2,384
USA	-	-	46,453	7,327
France	14,928	-	14,774	-
Rwanda	-	-	3,215	621
Italy	14,081	-	12,666	-
Egypt	10,651	2,387	8,543	1,922
Mexico	2,191	657	2,198	659
Honduras	435	107	1,577	397
Netherlands	1,966	-	1,966	-
Total at 31 December	2,590,518	691,414	2,675,197	724,381

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 2017 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, 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 330,463 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	2017	2016
Net deferred tax asset at 1 January	199,948	137,234
Recognised in the consolidated statement of profit or loss	1,315	-15,917
Deferred tax on financial instruments recognised in other comprehensive income	16,858	32,084
Recognised in the consolidated statement of changes in equity	4,668	4,374
Disposals of subsidiaries	-	29,118
Offset against tax carry-back payment received	-8,481	-
Withholding taxes carried forward	-	-1,715
Translation differences	2,645	14,770
Net deferred tax asset at end of period	216,953	199,948

Note 15 Trade receivables

NOK THOUSAND	2017	2016
Accounts receivables	151,488	149,989
Provision for bad debt	-	-
Accrued income and other receivables	87,301	81,495
Total trade receivables	238,789	231,484

Information on credit risk and foreign exchange risk regarding accounts receivables is further provided in Note 4 - financial risk management. Accrued income is related to energy production in the last month of the year, which is invoiced in January the following year.

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

NOK THOUSAND	TOTAL	NOT DUE	OVERDUE
2017	151,488	123,243	28,245
2016	149,989	128,321	21,668

The overdue receivables are mainly related to sale of electricity from the Agua Fria plant in Honduras. The collection risk is considered low even though payment regularly occurs after due date.

	OVERDUE			
NOK THOUSAND	LESS THAN 30 DAYS	30 - 60 DAYS	60 - 90 DAYS	MORE THAN 90 DAYS
2017	9,337	8,254	9,206	1,449
2016	10,073	10,159	154	1,282

Note 16 Trade and other payables

NOK THOUSAND	2017	2016
Trade and other payables	**216,339**	29,346
Total trade and other payables	**216,339**	29,346

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 increased payables at 31 December 2017 compared to 31 December 2016 of NOK 186,993 thousand, reflects commencement of construction of the Los Prados plant in Honduras and the Quantum projects in Malaysia as well as the preparations of construction activities in Egypt and Mozambique.

Note 17 Other non-current and current liabilities

Other non-current liabilities comprise the following:

NOK THOUSAND	2017	2016
Shareholder loan from non-controlling interests	**128,239**	175,547
Other long term provisions and accruals	**95,580**	52,746
Asset retirement obligations (ref note 28)	**75,617**	90,505
Total other non-current liabilities	**299,436**	318,798

Other current liabilities comprise the following:

NOK THOUSAND	2017	2016
Current liabilities to related parties (ref note 27)	**5,910**	3,197
Dividends to non-controlling interests	-	20,112
Current liabilities to non-controlling interests	**108,563**	33,441
Accrued expenses related to assets under development/construction	**66,354**	49,971
Public dues other than income taxes	**79,077**	15,960
Accrued dividends to shareholders	-	11,307
Accrued interest expenses	**5,194**	4,333
Deferred income	**2,207**	1,672
Accrued payroll	**27,350**	10,836
Other accrued expenses	**61,818**	32,337
Total other current liabilities	**356,473**	183,166

Note 18 Other non-current and current assets

Other non-current assets comprise the following:

NOK THOUSAND	2017	2016
Non-current assets from related parties (ref. note 27)	5,809	17,003
Loan to non-controlling interests	79,333	91,932
Shareholder loan	265	3,054
Loan to employees	812	1,500
Other non-current receivables	33,804	28,300
Total other non-current assets	120,023	141,789

Other current assets comprise the following:

NOK THOUSAND	2017	2016
Current assets from related parties (ref. note 27)	-	1,683
Receivables related to assets under development/construction	321,607	9,889
Receivables from Non-controlling interests	3,625	30,823
Receivables from public authorities /prepaid taxes, VAT etc	137,539	38,526
Accrued interest income	3,023	3,231
Deposits	1,729	2,495
Other receivables and prepaid expenses	90,561	27,458
Total other current assets	558,526	114,104

Receivables related to assets under construction reflects working capital components on the construction contracts for the projects in Malaysia and Los Prados in Honduras.

Note 19 Other operating expenses

Other operating expenses for the years ended 31 December 2017 and 2016 comprise:

NOK THOUSAND	2017	2016
Facilities	48,845	57,666
Professional fees	51,893	46,866
Other office costs	17,838	14,307
Travel costs	10,965	10,905
Social development contributions	18,565	9,749
Provisions for loss on receivables	457	5,536
O&M external fees	2,230	9,468
Other costs	4,746	11,216
Total other operating expenses	155,539	165,713

Professional fees comprise the following costs:

NOK THOUSAND	2017	2016
Consultant fees	24,948	25,687
Legal fees	10,184	7,568
Audit services fees (including tax and other services provided by the auditors)	8,657	7,134
External accounting services	8,104	6,461
Total professional fees	51,893	46,866

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	2017	2016
Audit services	4,510	4,110
Other attestation services	130	80
Tax services	3,274	2,660
Other services	743	284
Total remuneration	8,657	7,134

VAT is not included in the numbers above.

Note 20 Financial income and expenses

INTEREST AND OTHER FINANCIAL INCOME

NOK THOUSAND	2017	2016
Interest income	50,872	50,439
Other financial income	352	357
Total financial income	51,224	50,796

INTEREST AND OTHER FINANCIAL EXPENSES

NOK THOUSAND	2017	2016
Interest expenses	-482,095	-496,317
Other financial expenses	-41,666	-8,484
Total financial expenses	-523,761	-504,801
Foreign exchange gains/(losses)	-59,810	-10,052
Net financial expenses	-532,347	-464,057

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 JVs and associated companies

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

PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS

COMPANY	REGISTERED OFFICE	2017	2016
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%
Kube Energy AS	Oslo, Norway	25.0%	-
Scatec Solar Brazil BV	Amsterdam, Netherlands	50.0%	-
Apodi I Energia SPE S.A	Jaboatão dos Guararapes, Brazil	43.75%	-
Apodi II Energia SPE S.A	Jaboatão dos Guararapes, Brazil	43.75%	-
Apodi III Energia SPE S.A	Jaboatão dos Guararapes, Brazil	43.75%	-
Apodi IV Energia SPE S.A	Jaboatão dos Guararapes, Brazil	43.75%	-
Scatec Solar Solutions Brazil BV	Amsterdam, Netherlands	50.0%	-
Scatec Solar Brasil Servicos De Engenharia LTDA	Recife, Brazil	50.0%	-

Megawatt Holding AS and Sansca Limited had no activity in 2017, 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. The company incurred a loss in 2017 primarily due to write-off of non-collectible receivables.

On 29 September 2017 Scatec Solar signed an agreement to establish a 50/50 joint venture with Statoil to build, own and operate large scale solar power plants in Brazil. As the first step of the agreement Statoil secured a 40% equity position in Scatec Solar's existing 162 MW Apodi project. Statoil paid USD 25 million for the project rights and for participation in the joint venture. Statoil has in addition injected USD 35 million in the power plant companies to fund their share of the project. The joint venture will be responsible for construction, operation and maintenance as well as asset management of the plant. As of the effective date Scatec Solar lost control (as defined by IFRS 10 for consolidation purposes) of the power plant companies and full consolidation ceased. Upon deconsolidation of the subsidiaries a net gain of NOK 176 million was recognized. As of the same date the investments were equity consolidated as Scatec Solar and Statoil are considered to be in joint control of the investees. The joint venture is recognized at fair value, resulting in a net gain of NOK 199 million. The fair value adjustment is allocated to the power purchase agreement (PPA). No amortizations have been recorded as the PPA is not yet effective.

MATERIAL PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS

NOK THOUSAND	
Carrying amount 1 January 2016	-
Share of profit for the year	-3.394
Reclassification (equity consolidated investments with a net negative carrying value are presented net with loans provided to the equity consolidated company)	**+3.394**
Carrying amount 31 December 2016	-
Consideration received for the sale of 50% of the Brazil projects (reinvested in JV)	199,313
Fair value adjustment of retained ownership	199,313
Loan to joint venture	21,630
Investment in joint venture after transaction 29 September 2017	**420,255**
Share of profit for the year	-7,371
Effects of movement in foreign exchange	-7,818
Reclassification (equity consolidated investments with a net negative carrying value is classified as external loans in the groups statement of financial position)	10,082
Carrying amount of investments in JV and associated companies 31 December 2017	**415,149**

100% FIGURES OF SUMMARIZED FINANCIAL INFORMATION FOR THE BRAZIL JV COMPANIES

NOK THOUSAND	29.09-31.12.2017
Revenues	57,019
Operating expenses	-48,044
Operating profit/(loss)	**8,975**
Net financial items	-542
Profit before income tax	**8,433**
Income tax	-2,894
Profit/(loss) after tax	**5,539**
Non-controlling interests	-87
Net profit/loss (100%) after non-controlling interests	**5,626**
Scatec Solar's Share	2,726
Elimination of internal profit between JV companies and down-stream sale of EPC services	60
Net share of Profit for the year	**2,786**

STATEMENT OF FINANCIAL POSITION IN BRAZIL PROJECT

NOK THOUSAND	31.12.2017
Non-current assets	204,577
Current assets	55,616
Cash and cash equivalents	282,614
Total assets	**542,808**
Non-current liabilities	37,171
Current liabilities	52,545
Total liabilities	89,716
Total Equity	453,092
Non-controlling-interests	43,334
Total equity excluding NCI	409,758
Scatec Solar share of equity	201,547
Elimination of unrealized internal profit between JV companies	-5,190
Fair value remeasurement at first time recognition of JV	197,392
Loan to JV	21,421
Net investment in JV at 31.12.2017	**415,170**

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	2017	2016
Profit/(loss) attributable to the equity holders of the company and for the purpose of diluted shares	339,096	3,502
Weighted average number of shares outstanding for the purpose of basic earnings per share	101,063	93,816
Earnings per share for income attributable to the equity holders of the company - basic (NOK)	3.36	0.04
Effect of potential dilutive shares:		
Weighted average number of shares outstanding for the purpose of diluted earnings per share	101,290	93,957
Earnings per share for income attributable to the equity holders of the company - diluted (NOK)	3.35	0.04

Note 23 Share capital, shareholder information and dividend

At year-end 2017 the total number of shareholders in Scatec Solar was 5,318.

During first quarter 2017 Scatec Solar successfully raised NOK 379,890 thousand through a private placement consisting of 9,380 thousand new shares at a price of 40.50 per share. At 31 December 2017, the share capital amounted to NOK 2,580 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 2017.

SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP
SCATEC AS	19,482,339	18.88%
FERD AS	13,411,182	13.00%
GEVERAN TRADING CO LTD	4,210,646	4.08%
FOLKETRYGDFONDET	4,128,477	4.00%
VERDIPAPIRFONDET DNB NORGE (IV)	3,587,553	3.48%
THE BANK OF NEW YORK MELLON SA/NV	3,051,496	2.96%
ARGENTOS AS	2,755,760	2.67%
UBS AG	2,530,471	2.45%
JPMORGAN CHASE BANK, N.A., LONDON	2,491,746	2.41%
ARCTIC FUNDS PLC	1,804,277	1.75%
SEB PRIME SOLUTIONS SISSENER CANOP	1,600,000	1.55%
GOTHIC CORPORATION	1,539,598	1.49%
STOREBRAND NORGE I VERDIPAPIRFOND	1,504,153	1.46%
VERDIPAPIRFONDET PARETO INVESTMENT	1,412,000	1.37%
VERDIPAPIRFONDET DNB MILJØINVEST	1,169,945	1.13%
VERDIPAPIRFONDET PARETO NORDIC	984,000	0.95%
OBLIGASJON 1 AS	949,657	0.92%
STOREBRAND VERDI VERDIPAPIRFOND	798,373	0.77%
KLP AKSJENORGE INDEKS	779,757	0.76%
STATE STREET BANK AND TRUST COMP	759,521	0.74%
Total 20 largest shareholders	68,950,951	66.82%
Total other shareholders	34,245,279	33.18%
Total shares outstanding	103,196,230	100.0%

BOARD OF DIRECTORS	NUMBER OF SHARES	OWNERSHIP
John Andersen Jr.	-	0.00%
Alf Bjørseth [1)]	104,127	0.10%
Jan Skogseth	10,479	0.01%
Gisele Marchand	-	0.00%
Mari Thjømøe [2)]	25,338	0.02%
Total at 31 December 2017	139,944	0.14%

1) 64,292 shares held through the 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	2.67%
Mikkel Tørud	Chief Financial Officer	278,440	0.27%
Terje Pilskog [2)]	EVP Project Development & Project Finance	489,268	0.47%
Roar Haugland [3)]	EVP People Development & Sustainability	235,735	0.23%
Torstein Berntsen [4)]	EVP Power Production	678,504	0.66%
Snorre Valdimarsson	EVP General Counsel	220	0.00%
Pål Helsing	EVP Solutions	-	0.00%
Total at 31 December 2017		4,437,927	4.30%

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 2017 the Board of Directors has proposed a dividend of NOK 0.78 per share, totalling NOK 80,493 thousand. The share will be traded excluding dividend rights (ex-date) on the day following the Annual General Meeting to be held 23 April 2018.

On 24 April 2017, the Annual General Meeting of Scatec Solar ASA resolved to pay a dividend of NOK 0.71 per share, totalling NOK 73,269 thousand. The dividend was paid to the shareholders on 15 June 2017.

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 power plant companies owning the power plants, leading to material non-controlling interest.

Consolidation of power plant 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 2017 Scatec Solar established;

- *Three power plant companies and one holding company in Malaysia*
- *One power plant company in Mali*
- *One holding company in Netherland for operating of power plant companies in South Africa*
- *One power plant company in Egypt, established in 2016 (as 100% ownership)*

There are no material changes in the structure of the other fully consolidated companies with non-controlling interest. For JV and associates see note 21 Investments in JV's and associated companies.

PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS

NAME	COUNTRY OF INCORPORATION AND OPERATION	2017	2016
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%
Gigawatt Global Rwanda (ASYV)	Rwanda	46%	57%
Central Solar de Mocuba (Mocuba)	Mozambique	47,5%	47,5%
Segou Solaire SA	Mali	50%	-
Chateau St Jean	USA	20%	20%
BFL S.R.L	Italy	-	-
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%
Aswan Solar Power SAE	Egypt	49%	-
Zafarana Solar Power SAE (Zafarana)	Egypt	49%	51%
Red Sea Solar Power SAE (Red Sea)	Egypt	49%	51%
Sun Infinite Binbane SAE (Sun Infinite)	Egypt	49%	51%
Kom Ombo Renewable Energy SAE (Kom Ombo)	Egypt	49%	51%
Daraw Solar Power SAE (Philadelphia)	Egypt	49%	51%
Egypt Solar BV	Netherland	49%	30%
Daraw BV	Netherland	30%	30%
Upper Egypt BV	Netherland	49%	30%
Scatec Nigeria BV	Netherland	30%	30%
Kom Ombo BV	Netherland	30%	30%
Scatec Solar South Africa 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%
Quantum Solar Power Semenanjung	Malaysia	51%	-
Quantum Solar Power Kedah	Malaysia	51%	-
Quantum Solar Power Melaka	Malaysia	51%	-
Quantum Solar Power Terengganu	Malaysia	51%	-

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. 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 under development and construction" is defined as power plant companies that the group considered to be non-material (Chateau St. Jean and Scatec Solar SA) and power plant companies where power plants is under development and to be constructed (Central Solar de Mocuba, Segou Solaire, Aswan Solar Power, Zafarana Solar Power, Red Sea Solar Power, Sun Infinite Binbane, Kom Ombo Renewable

Energy, Philadelphia Power, Egypt Solar BV, Daraw BV, Upper Egypt BV, Scatec Solar Nigeria BV, Kom Ombo BV, Scatec Solar South Africa BV, Quantum Solar Power Semenanjung, Quantum Solar Power Kedah, Quantum Solar Power Melaka and Quantum Solar Power Terengganu):

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

NOK THOUSAND	2017	2016
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	75,083	101,870
Simacel 155 (Pty) Ltd (Linde)	88,676	102,320
Simacel 160 (Pty) Ltd (Dreunberg)	158,750	198,530
Scatec Solar SA 163 (Pty) Ltd	-20,663	-20,112
Gigawatt Global Rwanda (ASYV)	16,338	14,981
Scatec Solar AS/ Jordan PSC (Oryx)	7,393	6,956
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	81,984	78,606
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	40,032	37,350
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	86,456	96,130
Other under development and construction	43,256	11,378
Total non-controlling interest	577,305	628,009

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

NOK THOUSAND	2017	2016
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	47,905	35,559
Simacel 155 (Pty) Ltd (Linde)	19,311	15,175
Simacel 160 (Pty) Ltd (Dreunberg)	30,237	23,702
Scatec Solar SA 163 (Pty) Ltd.	645	-
Gigawatt Global Rwanda	2,082	424
Scatec Solar AS/ Jordan PSC (Oryx)	-767	293
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	8,247	-367
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	5,036	234
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	-5,103	-2,583
Other under development and construction	-8,779	-5,452
Total non-controlling interest	98,814	66,985

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

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR 2017 (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	-	-	320,573	149,894	272,039	50,822
Cost of sales	-	-	-	-	-	-1,836
Gross profit	-	-	320,573	149,894	272,039	48,986
Operating expenses	-58	-96	-103,306	-52,684	-95,582	-38,966
Operating profit	-58	-96	217,267	97,210	176,457	10,020
Net financial expenses	303	-3,198	-111,938	-53,324	-119,816	1,177
Profit before income tax	245	-3,294	105,329	43,886	56,641	11,197
Income tax (expense)/benefit	-	-	-29,579	-12,655	-15,953	-3,149
Profit/(loss) for the period	245	-3,294	75,750	31,231	40,688	8,048
Other comprehensive income	-	-	-9,079	-8,921	-16,900	-
Total comprehensive income	245	-3,294	66,671	22,310	23,788	8,048
Attributable to non-controlling interests	86	-955	40,669	13,609	14,511	644
Dividends paid to non-controlling interests	29,330	32,224	55,859	27,267	38,075	-

NOK THOUSAND	ASYV	ORYX	EJRE	GLAE	AGUA FRIA	OTHER UNDER DEVELOPMENT AND CONSTRUCTION
Total revenues and other income	30,728	31,430	70,526	34,843	111,724	34,790
Cost of sales	-	-	-	-	-	-
Gross profit	30,728	31,430	70,526	34,843	111,724	34,790
Operating expenses	-11,532	-15,913	-30,745	-15,734	-64,115	-39,200
Operating profit	19,196	15,517	39,781	19,109	47,609	-4,410
Net financial expenses	-14,675	-11,407	-24,996	-13,025	-56,443	-19,771
Profit before income tax	4,521	4,110	14,785	6,084	-8,834	-24,181
Income tax (expense)/benefit	-613	-248	-878	-368	181	-993
Profit/(loss) for the period	3,908	3,862	13,907	5,716	-8,653	-25,174
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	3,908	3,862	13,907	5,716	-8,653	-25,174
Attributable to non-controlling interests	1,797	386	6,940	2,852	-5,192	-8,910
Dividends paid to non-controlling interests	-	-	-	-	-	2,532

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR 2016 (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	-	-	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	ORYX	EJRE	GLAE	AGUA FRIA	OTHER UNDER DEVELOPMENT AND CONSTRUCTION
Total revenues and other income	31,148	19,001	21,957	15,206	117,543	776
Cost of sales	-	-	-	-	-	-
Gross profit	31,148	19,001	21,957	15,206	117,543	776
Operating expenses	-13,520	-10,635	-14,541	-8,784	-63,982	-2,779
Operating profit	17,628	8,366	7,416	6,422	53,561	-2,003
Net financial expenses	-16,295	-7,346	-8,907	-6,434	-57,700	-6,140
Profit before income tax	1,333	1,020	-1,491	-12	-4,139	-8,143
Income tax (expense)/benefit	-399	-62	-	-	-	1,729
Profit/(loss) for the period	934	958	-1,491	-12	-4,139	-6,414
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	934	958	-1,491	-12	-4,139	-6,414
Attributable to non-controlling interests	532	96	-744	-6	-2,483	-3,133
Dividends paid to non-controlling interests	-	-	-	-	-	17,412

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (STAND ALONE BASIS)

NOK THOUSAND	SCATEC SOLAR SA 165	SCATEC SOLAR SA 164	KALKBULT	LINDE	DREUNBERG	SCATEC SOLAR SA 163
Property, plant and equipment	-	-	1,111,072	608,660	1,206,908	438
Other non-current assets	94,723	92,010	1,415	21,271	58,390	95,478
Cash and cash equivalents	5,802	6,599	169,749	74,160	139,224	2,846
Other current assets	29	394	69,237	38,786	71,029	9,613
Non-recourse financing	-	-	-1,018,659	-538,733	-1,097,430	-
Other non-current liabilities	-54,840	-113,536	-135,743	-64,175	-119,008	-68,434
Current liabilities	-6,157	-43,529	-15,403	-3,609	-35,180	-4,073
Total equity	39,557	-58,062	181,668	136,360	223,933	35,868
Attributable to:						
Equity holders of parent	25,712	-41,224	70,851	53,180	87,334	32,999
Non-controlling interest	13,845	-16,838	110,817	83,180	136,599	2,869

NOK THOUSAND	ASYV	ORYX	EJRE	GLAE	AGUA FRIA	OTHER UNDER DEVELOPMENT AND CONSTRUCTION
Property, plant and equipment	154,746	221,461	506,167	254,141	807,798	1,145,603
Other non-current assets	-66	6,515	-	-	197	2,491,764
Cash and cash equivalents	12,923	49,681	119,120	59,814	115,231	1,332,589
Other current assets	6,424	3,931	9,624	4,652	54,801	729,880
Non-recourse financing	-125,528	-181,765	-397,663	-205,856	-531,520	-26,583
Other non-current liabilities	-34,478	-30,498	-44,676	-21,662	-300,649	-5,182,758
Current liabilities	-878	-1,254	-29,596	-14,678	-1,715	-64,654
Total equity	13,143	68,071	162,976	76,411	144,143	425,841
Attributable to:						
Equity holders of parent	7,101	61,264	81,651	38,282	57,657	221,424
Non-controlling interest	6,042	6,807	81,325	38,129	86,486	204,417

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

NOK THOUSAND	SCATEC SOLAR SA 165	SCATEC SOLAR SA 164	KALKBULT	LINDE	DREUNBERG	SCATEC SOLAR SA 163
Property, plant and equipment	-	-	1,119,936	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	-101,160	-70,505	-176,471	-11,798
Current liabilities	-5,419	-38,712	-16,005	-22,388	-18,844	-24,374
Total equity	45,077	49,565	230,009	121,390	186,472	25,596
Attributable to:						
Equity holders of parent	29,300	35,191	89,704	47,342	72,724	23,548
Non-controlling interest	15,777	14,374	140,305	74,048	113,748	2,048

NOK THOUSAND	ASYV	ORYX	EJRE	GLAE	AGUA FRIA	OTHER UNDER DEVELOPMENT AND CONSTRUCTION
Property, plant and equipment	166,280	239,860	556,602	279,280	888,516	144,317
Other non-current assets	259	6,844	-	-	-	69,128
Cash and cash equivalents	17,231	55,754	103,862	50,082	88,579	15,690
Other current assets	6,267	4,370	11,137	5,112	38,661	269,327
Non-recourse financing	-145,445	-200,691	-428,251	-223,016	-604,305	-
Other non-current liabilities	-29,481	-37,764	-57,176	-22,490	-248,807	-383,687
Current liabilities	-5,362	-862	-29,437	-14,629	-2,241	-35,701
Total equity	9,749	67,511	156,737	74,339	160,403	79,074
Attributable to:						
Equity holders of parent	4,192	60,760	78,525	37,244	64,161	52,053
Non-controlling interest	5,557	6,751	78,212	37,095	96,242	27,021

Note 25 Project equity financing provided by co-investors

In relation to the structuring and financing of the power plant 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*

Based on the above, all payments related to the shareholder loans are at the discretion of the power plant company. Accordingly, these shareholder loans are accounted for as equity.

At 31 December 2017, the following financing have been granted by co-investors to consolidated power plant companies.

2017 NOK THOUSAND	TOTAL FINANCING	FORMAL EQUITY	SHAREHOLDER LOAN RECOGNISED IN EQUITY	FINANCIAL LIABILITY
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	81,039	74,925	6,114	-
Simacel 155 (Pty) Ltd (Linde)	32,556	22,609	9,947	-
Simacel 160 (Pty) Ltd (Dreunberg)	103,616	44,005	59,612	-
Gigawatt Global Rwanda (ASYV)	17,999	4,289	13,711	-
Scatec Solar AS/ Jordan PSC (Oryx)	56,308	87	56,221	-
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	75,469	721	74,748	-
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	35,461	721	34,740	-
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	209,370	91,981	-	117,389
Los Prados	18,683	16,369	-	2,314
Scatec Solar Intertec Mexico SAPI de CV	3,087	3,087	-	-
Aswan Solar Power SAE (BB1)	8,653	5,303	-	3,350
Zafarana Solar Power SAE (ZAF1)	7,857	4,507	-	3,350
Red Sea Solar Power SAE (ZAF2)	7,889	4,539	-	3,350
Upper Egypt Solar Power (BB2)	9,373	6,023	-	3,350
Kom Ombo Renewable Energy SAE (BB3)	7,869	4,519	-	3,350
Daraw Solar Power SAE (BB4)	11,242	7,892	-	3,350
Total project financing from non-controlling interests	686,469	291,574	255,092	139,803

2016 NOK THOUSAND	TOTAL FINANCING	FORMAL EQUITY	SHAREHOLDER LOAN RECOGNISED IN EQUITY	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

For the year ended 31 December 2017 NOK 19,791 thousand (NOK 38,277 thousand per 31 December 2016) of interest on financing provided by co-investors have been accrued, of which NOK 9,444 thousand is recognised directly in equity (NOK 16,437 per 31 December 2016).

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 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 power plant company.

Note 26 Employee benefits

SALARIES AND OTHER PERSONNEL COSTS

NOK THOUSAND	2017	2016
Salaries	128,498	91,331
Share-based payment	4,550	14,958
Payroll tax	16,082	10,927
Pension costs	8,834	7,083
Other personnel costs	7,780	4,833
Capitalised to PP&E (project assets)	-71,071	-42,933
Total personnel expenses	94,673	86,199

MANAGEMENT GROUP REMUNERATION

NOK THOUSAND	2017	2016
Salary and bonus	14,289	13,512
Pension	1,012	991
Other benefits	94	76
Total reportable benefits paid	15,395	14,579

For further details refer to note 4 in the separate financial statements for the parent company. No severance package agreements have been established with management.

Long term incentive programs thousand

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 on October 3 2016. The first award under the program was 757 thousand options, which vest 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 of which three have subsequently left the company. The 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). To calculate the fair value of the options, the Black-Scholes-Merton option-pricing model is applied on each tranche. Share price (spot), exercise price, expected option lifetime, expected volatility, expected dividend and risk-free interest rate are the input parameters in the model. Expected volatility is calculated on the historical volatility based on the company's own share prices. The fair value of the equity instruments is measured at grant date, which was 6 October 2016. At grant date the fair value of the first award (excluding social security tax) was estimated to NOK 7,098 thousand. The fair value of the first award is expensed as the options vests. During 2017 NOK 3,106 thousand was expensed relating to this incentive program (NOK 844 thousand was expensed in 2016).

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 3,125 thousand (NOK 4,040) has been recognised per 31 December 2017. The payment to the participants in 2017 amounted to NOK 2,358 thousand, whereas the recognised expense was NOK 1,443 thousand.

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. Since the shares were fully vested in 2017 it was not recognised any cost as a personnel expense related to this plan in 2017 (2016: 10,305 thousand).

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 FISCAL YEAR

NUMBER OF FTES EMPLOYED DURING THE FINANCIAL YEAR	2017	2016
South Africa	72	67
Norway	62	46
Egypt	9	8
Honduras	9	10
Malaysia	8	-
Brazil [1)]	7	-
Czech	4	4
France	4	5
Jordan	2	3
Mozambique	2	1
Rwanda	2	2
Germany	1	1
Italy	1	2
The Netherlands	1	-
Total	184	149

1) Equity consolidated joint venture.

Note 27 Transactions with related parties

The Scatec Solar Group has during 2017 and 2016, had transactions with the following related parties:

Related party	Nature of transaction
Scatec Solar Brazil B.V. (associate)	Financing
Scatec Solar Solutions Brazil SDE (associate)	Financing
Scatec Energy LLC (associate)	Financing
Key management employees	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 2017 and 2016 are:

OTHER NON-CURRENT ASSETS COMPRISE THE FOLLOWING

NOK THOUSAND	2017	2016
Loan to associated companies	22,296	9,792
Loan to key management personnel	5,929	7,211
Total other non-current assets	28,225	17,003

OTHER CURRENT RECEIVABLES ON RELATED PARTIES COMPRISE THE FOLLOWING

NOK THOUSAND	2017	2016
Receivables on associated companies	-	1,683
Total current receivables on related parties	-	1,683

See Note 18 – Other non-current and current assets for specification of total non-current and current assets.

The company had no other non-current liabilities to related parties according to definition described above.

OTHER CURRENT LIABILITIES TO RELATED PARTIES COMPRISE THE FOLLOWING

NOK THOUSAND	2017	2016
Accrued payroll to key management personnel	5,910	3,197
Total current liabilities to related parties	5,910	3,197

See Note 17 – Other non-current and current liabilities for specification of total other non-current and other current liabilities.

See Note 21- Investment in associated companies for the presentation of the consolidations.

Note 28 Asset retirement obligations

Provision for asset retirement costs are recognized 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 capitalized 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. 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
Provisions at 31 December 2016	90,505
Effect of change in the discount rate and the passage of time	15,941
Effects of movements in foreign exchange	-1,053
Provisions at 31 December 2017	75,617

Note 29 Net gain/(loss) from sale of project assets

In the third quarter of 2017 Scatec Solar signed an agreement to establish a 50/50 joint venture with Statoil to build, own and operate large scale solar power plants in Brazil. As the first step of the agreement Statoil secured a 40% equity position in Scatec Solar's existing 162 MW Apodi project. Statoil paid USD 25 million for the project rights and for participation in the joint venture. Statoil has in addition injected USD 35 million in the power plant companies to fund their share of the project. The joint venture will be responsible for construction, operation and maintenance as well as asset management of the plant.

As of the effective date Scatec Solar lost control (as defined by IFRS 10 for consolidation purposes) of the power plant companies and full consolidation ceased. Upon deconsolidation of the subsidiaries a net gain of NOK 176 million was recognized. As of the same date the investments were equity consolidated as Scatec Solar and Statoil are considered to be in joint control of the investees. The joint venture is recognized at fair value, resulting in a net gain of NOK 199 million. The fair value adjustment is allocated to the power purchase agreement (PPA). No amortizations have been recorded as the PPA is not yet effective. In total net gain from sale of project assets during 2017 amounted to NOK 378 million.

In the fourth quarter of 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 power plant company with MIC Renewable Energy Holdings LLC, owned by Macquarie Infrastructure Corporation (NYSE; MIC). 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 power plant 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 of 2016 and were presented as held for sale assets at 31 December 2015. Also included in net gain from sale of project assets for 2016 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 million.

Note 30 Consolidated subsidiaries

The following subsidiaries are included in the consolidated financial statements.

COMPANY	REGISTERED OFFICE	CONSOLIDATED ECONOMIC INTERESTS 2017	CONSOLIDATED ECONOMIC INTERESTS 2016
Scatec Solar Solutions GmbH	Regensburg, Germany	100%	100%
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%
Scatec Solar PV1 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%
Scatec California Solar No 1, LLC [2)]	California, USA	-	100%
Scatec California Partners, LP [2)]	California, 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	50.10%	50.1%
Ardh Al Amal For Solar Energy Generation PSC	Amman, Jordan	50.10%	50.1%
Scatec Luxemburg Holding SA [2)]	Luxemburg	-	-
Scatec Solar Africa (Pty) Ltd	South Africa	100%	100%
Scatec Solar Management Services (Pty) Ltd	Sandton, South Africa	100%	100%
Scatec Solar SA163 (Pty) Ltd	Cape Town, South Africa	92%	92%
Scatec Solar SA (Pty) Ltd	Sandton, South Africa	70%	70%
Scatec Solar SA 165 (Pty) Ltd	Sandton, South Africa	65%	65%
Scatec Solar SA 166 (Pty) Ltd	Sandton, South Africa	39%	39%
Scatec Solar SA 164 (Pty) Ltd	Sandton, South Africa	71%	71%
Simacel 155 (Pty) Ltd	Sandton, South Africa	39%	39%
Simacel 160 (Pty) Ltd	Sandton, South Africa	39%	39%
Scatec Solar Rwanda Ltd	Rwanda	100%	100%
Gigawatt Global Rwanda Ltd	Rwanda	54.03%	43%
Scatec Solar Honduras SA	Honduras	100%	100%
Produccion de Energia Solar Demas Renovables SA	Honduras	40%	40%
Fotovoltaica Surena S.A	Honduras	70%	70%
Generaciones Energeticas S.A	Honduras	70%	70%
Fotovoltaica Los Prados S.A	Honduras	70%	70%
Foto Sol S.A	Honduras	70%	70%
Energias Solares S.A	Honduras	70%	70%
Scatec Solar Mali SAS [1)]	Bamako, Mali	100%	-
Segou Solaire S.A. [1)]	Bamako, Mali	50%	-
Scatec Solar DMCC	United Arab Emirates	100%	100%
Central Solar de Mocuba SA	Mozambique	52.50%	52.50%
Scatec Solar Mozambique Limitada	Mozambique	100%	100%
Scatec Solar Mexico SAPI de CV	Mexico	100%	100%
Scatec Solar Intertec Mexico SAPI de CV	Mexico	60%	60%
Saferay Solar SAPI de CV	Mexico	60%	60%

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COMPANY	REGISTERED OFFICE	CARRYING VALUE 2017	CARRYING VALUE 2016
SIM Solar 1 SAPI de CV	Mexico	60%	60%
SIM Solar SAPI de CV	Mexico	60%	60%
Scatec Sukhur B.V. Offshore Holdco	The Netherlands	100%	100%
Scatec Solar Netherlands B.V.	The Netherlands	100%	100%
Scatec Solar Nigeria B.V.	The Netherlands	100%	100%
Nova Scotia Power Development Limited [1)]	Abuja, Nigeria	100%	100%
Scatec Solar Solutions Egypt LLC	Egypt	100%	100%
Egypt Solar B.V. [4)]	The Netherlands	51%	70%
Upper Egypt 2 B.V. [4)]	The Netherlands	51%	70%
Upper Egypt Solar Power [4)]	Egypt	51%	49%
Kom Ombo 2 B.V. [4)]	The Netherlands	51%	70%
Kom Ombo Renewable Energy SAE [4)]	Egypt	51%	49%
Daraw B.V. [4)]	The Netherlands	51%	70%
Philadelphia Power SAE	Egypt	51%	49%
Zafarana 2 B.V.	The Netherlands	51%	100%
Zafarana Solar Power SAE	Egypt	51%	49%
Red Sea Solar Power 2 B.V	The Netherlands	51%	100%
Red Sea Solar Power SAE	Egypt	51%	49%
Aswan Solar Power SAE	Egypt	51%	100%
Scatec Solar Mali B.V. [1)]	The Netherlands	100%	-
Scatec Solar Solutions Malaysia Sdn Bhd [1)]	Kuala Lumpur, Malaysia	100%	-
Scatec Solar Malaysia B.V. [1)]	The Netherlands	100%	-
Quantum Solar Park Semenanjun gSdn Bhd [1) 4)]	Kuala Lumpur, Malaysia	65%	-
Quantum Solar Park (Kedah) Sdn Bhd [1) 4)]	Kuala Lumpur, Malaysia	65%	-
Quantum Solar Park (Melaka) Sdn Bhd [1) 4)]	Kuala Lumpur, Malaysia	65%	-
Quantum Solar Park (Terengganu) Sdn Bhd [1) 4)]	Kuala Lumpur, Malaysia	65%	-
Scatec Solar South Africa B.V. [1)]	The Netherlands	70%	-
Dyason's Klip 1 (Pty) Ltd [1)]	South Africa	42%	-
Dyason's Klip 2 (Pty) Ltd [1)]	South Africa	42%	-
Sirius Solar PV Project One (RF) (Pty) Ltd [1)]	South Africa	42%	-
Scatec Energy LLC [3)]	USA	50%	50%
Scatec Solar Brazil B.V. [3)]	The Netherlands	50%	-
Apodi I Energia SPE S.A. [3)]	Brazil	43.75%	-
Apodi II Energia SPE S.A. [3)]	Brazil	43.75%	-
Apodi III Energia SPE S.A. [3)]	Brazil	43.75%	-
Apodi IV Energia SPE S.A. [3)]	Brazil	43.75%	-
Scatec Solar Brazil Solutions B.V. [3)]	The Netherlands	50%	-
Scatec Solar Brazil Serviços de Engenharia Ltda [3)]	Brazil	50%	-

1) Companies established/consolidated in 2017.
2) Companies sold or liquidated in 2017.
3) Joint venture companies, see note 21.
4) The 65% and 51% economic interest in the Malaysia and Egypt projects respectively are Scatec`s estimated economic interest over the projects lifetime based on our right to economic return obtained through shareholdings and other contractual arrangements.

For information on associated companies and joint venture companies, see Note 21.

Note 31 Subsequent events

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

Note 32 Summary of significant accounting policies

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 1,000) 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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of 31 December 2017. 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 non-financial 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 long-term 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 are 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.

Investment in associates and joint ventures

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. In a situation where a joint venture is established by rendering joint control to another party in a business, that before the transaction was fully consolidated, will the consolidated assets and liabilities are derecognized at book value at the time of the transaction and replaced by a single-line- asset in the Consolidated statement of financial position, measured at fair value. The difference between the carrying amount of the net consolidated assets and the fair value of the joint venture is fully recognized in the consolidated statement of profit and loss when the derecognized assets constitute a business under the definition in IFRS 3.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint Venture in addition to amortisation of any fair value adjustment at the time of investment.

When the Group's share of a loss exceeds the Group's investment in an associate or joint venture, 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 or joint venture, 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 or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate or joint venture.

With application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 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

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

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. See Note 9 for more details.

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 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 in operation 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.

Lease arrangements in which the Group is a lessor

Scatec Solar has not entered into arrangements in which the Group is a lessor.

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 legislation 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*

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 recognized in personnel expenses, together with a corresponding increase in equity over the vesting period. The cumulative expense recognized 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 recognized 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 recognized 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.

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.

Provision for asset retirement costs are recognized 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 also in addition to applicable macroeconomic conditions. When a liability for asset retirement costs is recognized, 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

The Group applied for the first- time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information the current period in note 10.

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 not 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.

With regard to variable consideration related to intra-group EPC and OM agreements, under the current IAS 11/18 revenue is recognised when it is probable the economic benefits associated with the transaction will flow to the entity. Under the new standard an entity may include some or all of it in the transaction price – but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. We have concluded that the changed criterion will not impact revenue recognition for intra- group EPC and OM agreements.

The analysis of IFRS 15 potential impact on revenue recognition related to sale of power has shown that revenues should be recognised based on volumes delivered at the contractually agreed and invoiced price. The transaction price will be adjusted for the agreed inflation adjustment (and other relevant price adjustments) each year, when it occurs. This is in line with current revenue recognition under IAS 18. IFRS 15 will therefore not impact revenue recognition related to the sale of power. Segment revenues as presented in note 3 Operating segments will, in line with the above, remain unchanged.

IFRS 16 Leases

In January 2016 the IASB issued IFRS 16 Leases. The standard is effective from 1 January 2019.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group has made an analysis based on the contracts in place in 2017. The new standard is expected to mainly impact the Group's recognition of long term land lease agreements for the solar power plants and office leases. The accounting effect for land leases varies across the solar plants due to differences in contract terms impacting whether there is a lease or not. The analysis indicates that the total effects on the financial statements for 2017 would have been limited. EBITDA would have increased by NOK 13 million (1.1%), operating profit (EBIT) would have increased by NOK 4 million (0.4%), while the total balance sheet would have increased by NOK 105 million (1.0%). The actual accounting effects from implementation in 2019 will depend on the contracts in place at the time.

Amendments to IFRS 2, IFRS 10, IAS 12 and IAS 28

These amendments are not expected to have any impact on the Group.

Parent company financial statements

Statement of income

1 January – 31 December

NOK THOUSAND	NOTE	2017	2016
Revenues	3	487,709	54,616
Total revenues		487,709	54,616
Costs of sales	2, 10	-429,796	-20,994
Personnel expenses	4	-61,513	-55,105
Other operating expenses	6, 14, 15	-76,598	-47,044
Depreciation, amortisation and impairment	5	-1,354	-753
Operating profit/(loss)		-81,552	-69,282
Interest and other financial income	7, 14	205,769	90,289
Interest and other financial expenses	7, 14	-77,289	-60,540
Foreign exchange gain/(loss)		-71,459	-5,349
Profit before tax		-24,531	-44,882
Income tax (expense)/benefit	8	26,043	18,498
Profit/(loss) for the period		1,512	-26,384
Allocation of profit/(loss) for the period			
Dividend	12	80,493	66,610
Transfer to/(from) other equity	12	-78,981	-92,993
Total allocation of profit/(loss) for the period		1,512	-26,384

Statement of financial position

1 January – 31 December

NOK THOUSAND	NOTE	2017	2016
Non-current assets			
Deferred tax assets	8	76,673	35,691
Property plant and equipment	5	11,069	6,009
Investments in subsidiaries	9	811,083	806,135
Loan to group companies	14	715,317	235,250
Other non-current receivables		14,491	17,565
Total non-current assets		1,628,634	1,100,651
Current assets			
Inventory	10	276,871	468,992
Trade and other receivables	15	1,744	2,214
Trade and other receivables group companies	3,15	852,248	460,004
Other current assets		13,922	8,415
Cash and cash equivalents	11	331,886	278,252
Total current assets		1,476,671	1,217,878
TOTAL ASSETS		3,105,305	2,318,529

Statement of financial position

as of 31 December

NOK THOUSAND	NOTE	2017	2016
Paid in capital			
Share capital	12	2,580	2,345
Share premium	12	1,194,660	819,052
Total paid in capital		1,197,240	821,397
Other equity			
Other equity	12	-174,680	-89,039
Total other equity		-174,680	-89,039
Total equity		1,022,561	732,359
Non-current liabilities			
Bonds	16	740,799	495,417
Liabilities to group companies	14	673,673	596,094
Other non-current liabilities		41,993	28,389
Total other non-current liabilities		1,456,464	1,119,900
Current liabilities			
Trade and other payables		65,636	38,845
Trade payables group companies		79,768	97,408
Income tax payable	8	662	662
Public duties payable		15,495	2,021
Dividend	12	80,493	66,610
Other current liabilities	17	384,226	260,725
Total current liabilities		626,280	466,270
Total Liabilities		2,082,744	1,586,170
TOTAL EQUITY AND LIABILITIES		3,105,305	2,318,529

Oslo, 15 March 2018

The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)

Alf Bjørseth

Mari Thjømøe

Jan Skogseth

Gisele Marchand

Raymond Carlsen (CEO)

Statement of cash flow

1 January – 31 December

NOK THOUSAND	NOTE	2017	2016
Cash flow from operating activities			
Profit before taxes		-24,531	-44,882
Depreciation, amortisation and impairment	5	1,354	753
Interest and other financial income	7	-205,769	-90,289
Interest and other financial expenses	7	77,561	60,540
(Increase)/decrease in inventories	10	192,121	-329,705
(Increase)/decrease in trade receivables	15	-391,773	35,739
Increase/(decrease) in trade payables		9,151	-25,280
Taxes paid	8	-	-1,370
Other items		122,847	53,863
Net cash flow from operating activities		-219,040	-340,631
Cash flows from investing activities			
Investments in property, plant and equipment	5	-7,465	-2,397
Proceeds from sale of fixed assets		1,051	-
Net loans to subsidiaries	14	-365,279	273,942
Interests received		37,235	31,274
Investments in subsidiaries and associated companies	9	-33,283	-7,320
Dividends from and capital decrease in subsidiaries	9	168,534	59,015
Net cash flow from investing activities		-199,206	354,515
Cash flows from financing activities			
Proceeds from share capital increase	12	372,963	-
Dividends paid to equity holders	12	-73,269	-61,918
Interest paid		-54,500	-50,398
Proceeds from bond issue	16	750,000	-
Repayment of bond	16	-523,314	-
Net cash flow from financing activities		471,880	-112,316
Net increase/(decrease) in cash and cash equivalents		53,635	-98,432
Cash and cash equivalents at beginning of period		278,251	376,683
Cash and cash equivalents at end of period		331,886	278,251

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 and joint ventures ("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.

The Company is listed on the Oslo Stock Exchange.

The consolidated financial statements for the full year 2017 were authorised for issue in accordance with a resolution by the Board of Directors on 15 March 2018.

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 a historical cost basis.

Accounting estimates and judgements

In preparing the financial statements, assumptions and estimates that have had 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 cost 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.

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 power plant companies which are under the control of the Group. Revenues are recognized 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. These transactions are primarily made with power plant companies which are under the control of the Group.

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 recognized 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 recognized 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 recognized 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 Company has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognized 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 recognized in personnel expenses, together with a corresponding increase in equity over the vesting period. The cumulative expense recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 derecognized 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 recognized in the statement of income in the period the item is derecognized.

Subsidiaries and investment in associated companies

Subsidiaries are all entities controlled by Scatec Solar ASA. Control is achieved when the Company 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.

Subsidiaries and investment in associated companies are accounted for using the cost method, and are recognized at cost less impairment. The cost price is increased when funds are added through capital increases. Dividends to be received are recognized 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 recognized as income. Dividends which are repayment of invested capital are recognized 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 recognized at cost. After initial recognition, such financial liabilities are measured at amortised costs using the effective interest method. Transaction costs are taken into account when calculating amortised cost. Trade payables are carried at cost.

Other current assets

Inventories are measured 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, based on a proposal from the Board of Directors.

Dividends are recognized as a liability at the reporting date of the financial year that the proposal of dividend relates to. Additional proposed dividends based on the previous fiscal year approved financial statements (i.e. between 1 January and the date that the current year financial statements will be approved) are recognized as a liability at the balance sheet date.

Events after the reporting period

New information of 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	2017	2016
Services	487,709	54,616
Sum	487,709	54,616

Services comprise EPC services, sale of project rights and management services – all rendered to Group companies and associates.

REVENUES BY GEOGRAPHICAL DISTRIBUTION

NOK THOUSAND	2017	2016
Honduras	221,800	5,672
South- Africa	75,700	5,534
Egypt	70,924	636
Malaysia	73,275	-
Dubai	30,513	-
Brazil	13,697	-
France	494	2,582
Jordan	442	37,244
Czech	385	423
Mozambique	178	50
Rwanda	162	7
Germany	52	31
Italy	49	54
Mali	37	-
USA	-	2,383
Netherlands	1	-
Sum	487,709	54,616

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	2017	2016
Salaries	80,099	49,827
Share-based payment	4,324	14,958
Payroll tax	13,547	8,635
Pension costs	5,980	4,685
Other benefits and personnel costs	3,639	2,180
Capitalised to PPE (project assets)	-46,076	-25,180
Total personnel expenses	61,513	55,105

The average number of FTEs that has been employed in the company through 2017 was 62 (2016: 46).

SALARIES AND PERSONNEL EXPENSES FOR THE MANAGEMENT OF SCATEC SOLAR ASA

2017 NOK THOUSAND	TITLE	SALARY 1)	NUMBER OF OPTIONS AWARDED 2)	OTHER BENEFITS 3)	PENSION COST	LOANS OUT-STANDING
Raymond Carlsen	Chief Executive Officer	3,121	116	18	146	-
Mikkel Tørud	Chief Financial Officer	2,205	90	12	142	1,535
Snorre Valdimarsson	EVP General Counsel	1,686	67	13	143	1,504
Terje Pilskog	EVP Project Development & Project Finance	1,920	78	12	143	1,446
Roar Haugland	EVP People Development & Sustainability	1,686	67	12	148	-
Torstein Berntsen	EVP Power Production and Asset Management	1,821	74	15	146	1,445
Pål Helsing	EVP Solutions	1,850	-	12	144	-

2016 NOK THOUSAND	TITLE	SALARY [1]	NUMBER OF 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	-

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]

	2017				2016			
NOK THOUSAND	BOARD REMUNER-ATION	AUDIT COMMITTEE	REMUNER-ATION COMMITTEE	ELECTION COMMITTEE	BOARD REMUNER-ATION	AUDIT COMMITTEE	REMUNER-ATION	ELECTION COMMITTEE
Alf Bjørseth	250	-	-	-	250	-	-	-
Cecilie Amdahl (until 24.04.2017)	-	-	-	-	250	-	25	-
Mari Thjømøe	250	50	-	-	250	50	-	-
Yuji Tachikawa (until 04.05.2016)	-	-	-	-	250	-	-	-
John Andersen Jr.	400	50	25	-	400	50	25	-
Jan Skogseth (from 04.05.2016)	250	-	25	-	-	-	-	-
Karin Bing Orgland (from 24.04.2017 until 05.10.2017)	104	-	-	-	-	-	-	-
Inge Hansen	-	-	-	45	-	-	-	45
Alf Inge Gjerde	-	-	-	30	-	-	-	30
Gisele Marchand (from 14.12.2017)	146	-	-	-	-	-	-	-

Remuneration policy and concept for the accounting year 2017

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 23 April 2018.

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 2018 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 guideline, 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 is part of 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

In 2016 the Company 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.

The second grant, of three contemplated annual grants, was awarded 2 January 2018.

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 93.634) to 12G (NOK 1.123.608) 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. No severance package agreements have been established with the Company's Chief Executive Officer ("CEO") and other members of the Executive Management.

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 5,980 thousand is expensed related to the defined contribution plan in 2017 (2016 NOK 4,685 thousand).

AUDIT

NOK THOUSAND	2017	2016
Audit fees	1,504	1,459
Other attestation services	130	80
Tax services	2,344	2,660
Other services	731	284
Total	4,708	4,483

VAT is not included in the numbers above.

Note 5 Property, plant and equipment

OFFICE EQUIPMENT

NOK THOUSAND	2017	2016
Accumulated cost at 01.01	7,436	5,039
Additions	7,465	2,397
Disposed assets at cost	-1,083	-
Accumulated cost at 31 December	13,818	7,436
Accumulated depreciation at 01.01	1,426	673
Depreciations for the year	1,354	753
Accumulated depreciation disposed assets	-32	-
Accumulated depreciation at 31 December	2,748	1,426
Carrying amount at 31 December	11,069	6,009
Estimated useful life (years)	3-5	3-5

Note 6 Other operating expenses

NOK THOUSAND	2017	2016
Facilities	6,277	4,334
Professional fees	26,912	22,766
IT and communications	12,819	9,422
Travel costs	4,359	4,955
Other costs	4,452	4,175
Provisions for loss on receivables (ref note15)	20,154	1,392
Total other operating expenses	74,973	47,044

Note 7 Financial income and expenses

INTEREST AND OTHER FINANCIAL INCOME

NOK THOUSAND	2017	2016
Interest income from group companies	32,523	27,141
Other interest income	4,713	4,133
Dividend from group companies	168,534	59,015
Total interest and other financial income	205,769	90,289

INTEREST AND OTHER FINANCIAL EXPENSES

NOK THOUSAND	2017	2016
Interest expenses from group companies	-8,053	-18,361
Other interest expenses	-41,254	-41,786
Other financial expenses	-27,983	-393
Total interest and other financial expenses	-77,289	-60,540

See Note 11 – Cash and cash equivalents and 16 - Bonds for further information on company financing.

During fourth quarter 2017 Scatec Solar refinanced the NOK 500 million senior unsecured green bond with maturity in November 2018. The refinancing included certain one-off expenses, including early redemption price above par, early consent fee and solicitation agent fee. The one-off expenses are included in other financial expenses with NOK 27,302.

Note 8 Tax

NOK THOUSAND	2017	2016
Income tax expense:		
Current taxes (including CFC)	-	662
Withholding tax on received dividends	12,833	-67
Change in deferred tax	-38,876	-19,093
Total tax expense(income)	-26,044	-18,498
Tax basis:		
Profit before taxes	-24,531	-44,882
Net non-deductible income and expenses [1]	-160,181	-36,138
Changes in temporary differences	16,945	2
Utilisation of tax losses carried forward	-	-
Tax base	-167,767	-81,018
Current taxes according to statutory tax rate (24% / 25%)	-	-

1) Net non-deductible income and expenses for 2017 and 2016 are mainly related to non-taxable dividends partly offset by non-deductible share based payment expenses. For 2017 the items also include tax-deduction on transaction costs from capital increase recognized in equity.

RECONCILIATION OF NOMINAL STATUTORY TAX RATE TO EFFECTIVE TAX RATE

NOK THOUSAND	2017	2016
Expected income tax expense according to statutory tax rate (24% / 25%)	-5,887	-11,221
Non-deductible expenses	-36,256	-9,034
Withholding tax on received dividends/CFC	12,833	595
Taxes from previous years	-	-258
Effect of changed statutory tax rate (24% to 23% and 25% to 24%)	3,267	1,420
Income tax expense(income)	-26,044	-18,498
Effective tax rate (%)	106.2%	41.2%

TEMPORARY DIFFERENCES AS OF DECEMBER 31:

NOK THOUSAND	2017	2016	CHANGE
Tax loss carried forward	-303,719	-135,880	-167,839
Property, plant and equipment	-332	-163	-169
Receivables	-22,658	-5,953	-16,705
Total temporary differences	-326,709	-141,997	-184,712
Recognised tax liability/(asset)	-75,143	-34,079	-41,064

Included in the deferred tax asset as of 31 December 2017 is also a withholding tax receivable of NOK 1,530 thousand (2016: NOK 1,612 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 2017	CARRYING VALUE 2016
Scatec Solar Solutions GmbH	Regensburg, Germany	100%	43,837	43,837
Scatec Solar SA163 (Pty) Ltd	Cape Town, South Africa	92%	15,897	15,897
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%	113,466	132,689
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%	16,025	22,760
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%	10	10
Scatec Solar SAS	Paris, France	100%	305	305
Scatec Solar Jordan EPC	Amman, Jordan	100%	-	-
Scatec Solar AS/Jordan PSC	Amman, Jordan	90%	51,798	51,798
Anwar Al Ardh For Solar Energy Generation PSC	Amman, Jordan	50.1%	71,569	71,569
Ardh Al Amal For Solar Energy Generation PSC	Amman, Jordan	50.1%	33,634	33,634
Scatec Luxemburg Holding SA	Luxemburg	-	-	-
Scatec Solar Asia Pacific Pte Ltd	Singapore	-	-	-
Scatec Solar SA (Pty) Ltd	Sandton, South Africa	70%	2,662	-
Scatec Solar SA 165 (Pty) Ltd	Sandton, South Africa	65%	79,642	76,250
Scatec Solar SA 166 (Pty) Ltd	Sandton, South Africa	39%	-	-
Scatec Solar SA 164 (Pty) Ltd	Sandton, South Africa	71%	151,926	145,532
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	54%	20,179	17,920
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	Honduras	70%	10,193	10,194
Generaciones Energeticas S.A	Honduras	70%	10,193	10,194
Fotovoltaica Los Prados S.A	Honduras	70%	9,121	9,121

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NOK THOUSAND COMPANY	REGISTERED OFFICE	OWNERSHIP INTEREST	CARRYING VALUE 2017	CARRYING VALUE 2016
Foto Sol S.A	Honduras	70%	4,532	4,532
Energias Solares S.A	Honduras	70%	5,664	5,664
Scatec Solar Africa (Pty) Ltd	South Africa	100%	-	-
Scatec Solar DMCC	United Arab Emirates	100%	119	119
Central Solar de Mocuba SA	Mozambique	52.5%	-	-
Scatec Solar Mozambique Limitada	Mozambique	100%	8,214	9
Scatec Solar Mexico SAPI de CV	Mexico	100%	-	-
Scatec Solar Intertec Mexico SAPI de CV	Mexico	60%	-	-
Saferay Solar SAPI de CV	Mexico	60%	-	-
SIM Solar 1 SAPI de CV	Mexico	60%	-	-
SIM Solar SAPI de CV	Mexico	60%	-	-
Scatec Solar Netherlands B.V	The Netherlands	100%	12,882	1
Scatec Solar Nigeria B.V	The Netherlands	100%	-	-
Scatec Sukhur B.V Offshore Holdco	The Netherlands	100%	-	-
Scatec Solar Solutions Egypt LLC	Egypt	100%	-	-
Egypt Solar B.V	The Netherlands	70%	-	-
Upper Egypt 2 B.V	The Netherlands	70%	-	-
Upper Egypt Solar Power	Egypt	51%	-	-
Kom Ombo 2 B.V	The Netherlands	70%	-	-
Kom Ombo Renewable Energy SAE	Egypt	51%	-	1,230
Daraw B.V	The Netherlands	70%	-	-
Philadelphia Power SAE	Egypt	49%	-	-
Zafarana 2 B.V	The Netherlands	100%	-	-
Zafarana Solar Power SAE	Egypt	49%	-	1,639
Red Sea Solar Power 2 B.V	The Netherlands	100%	-	-
Red Sea Solar Power SAE	Egypt	51%	-	1,880
Aswan Solar Power SAE	Egypt	100%	1,707	4,156
Scatec Solar Mali S.A.1)	Mali	100%	143	-
Segou Solaire S.A	Mali	50%	64	64
Other			181	172
			809,023	806,134

1) Companies established in 2017.

NOK THOUSAND ASSOCIATES AND JOINT VENTURES	OFFICE	OWNERSHIP	CARRYING VALUE 2017	CARRYING VALUE 2016
Megawatt Holding AS	Oslo, Norway	50%	-	-
SanSca Limited	Hong Kong	25%	-	-
Scatec Energy	California, USA	50%	-	1
Kube Energy AS	Oslo, Norway	25%	2,000	
Total			2,000	1

During 2016, the Company impaired shares in Scatec Solar Italy S.R.L, amounting to NOK 9,975 thousand.

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 related to solar power plants under development and construction.

PROJECT GEOGRAPHY

NOK THOUSAND	2017	2016
Americas	214,254	312,303
West Africa	41,165	35,313
Middle East	14,212	40,948
Asia	4,376	8,867
East Africa	1,710	26,747
South-Africa	1,154	44,814
Carrying value inventory at 31.12	276,871	468,992

No impairments were done during 2017 (2016: NOK 2,643 thousand). The impairments for 2016 are presented in cost of sales.

Note 11 Cash and cash equivalents

NOK THOUSAND	2017	2016
Restricted cash	27,543	65,102
Free cash	304,343	213,150
Total cash and cash equivalents	331,886	278,252

On 7 July 2017 Scatec Solar entered into a new guarantee facility, a new USD 30 million overdraft facility and an intercreditor agreement. The facilities replaced all other corporate guarantees and overdraft facilities existing at the date of the new agreements. Financial covenants were changed during 2017 and equal the financial covenants in the new NOK 750 million bond agreement.

The overdraft facility has Nordea Bank as overdraft lender and 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%. The agreements signed on 7 July 2017, are adapted for a later replacement of the new overdraft facility with a new revolving credit facility with the instrument lenders under the guarantee facility. Scatec Solar has not drawn on the overdraft facility per 31 December 2017.

During the fourth quarter 2017 Scatec Solar completed a NOK 750 million senior unsecured green bond issue with maturity in November 2021. The bonds carry an interest of 3-month NIBOR + 4.75%, to be settled on a quarterly basis. An application will be made for the bonds to be listed on the Oslo Stock Exchange. During 2017 the bond interest amounting to NOK 41,215 thousand (41,013) was expensed.

Ref Note 16 for further information on the bonds.

Note 12 Equity and shareholder information

NOK THOUSAND	ISSUED CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Equity as of 31.12.2016	2,345	819,052	-89,039	**732,359**
Profit/(loss) for the period	-	-	1,512	**1,512**
Share-based payment	-	2,879	-	**2,879**
Share capital increase	235	379,655	-	**379,890**
Transaction cost, net after tax	-	-6,927	-	**-6,927**
Accrued dividend	-	-	-80,493	**-80,493**
Additional dividend paid	-	-	-6,659	**-6,659**
Equity as of 31.12.2017	2,580	1,194,660	-174,680	**1,022,561**

During first quarter 2017 Scatec Solar successfully raised NOK 379,890 thousand through a private placement consisting of 9,380 thousand new shares at a price of 40.50 per share. At 31 December 2017, the share capital amounted to NOK 2,580 thousand. All shares rank in parity with one another and carry one vote per share.

For 2017 the Board of Directors has proposed a dividend of NOK 0.78 per share, totalling NOK 80,493 thousand. The share will be traded excluding dividend rights (ex-date) on the day following the Annual General Meeting to be held 23 April 2018.

On 24 April 2017, the Annual General Meeting of Scatec Solar ASA resolved to pay a dividend of NOK 0.71 per share, totalling NOK 73,269 thousand. The dividend was paid to the shareholders on 15 June 2017. Due to the share capital increase, the dividend paid exceeded the accrual at 31 December 2016 by NOK 6,659 thousand.

The tables below show the largest shareholders of Scatec Solar ASA and shares held by Management and Board of Directors at 31 December 2017.

SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP
SCATEC AS	19,482,339	18.88%
FERD AS	13,411,182	13.00%
GEVERAN TRADING CO LTD	4,210,646	4.08%
FOLKETRYGDFONDET	4,128,477	4.00%
VERDIPAPIRFONDET DNB NORGE (IV)	3,587,553	3.48%
THE BANK OF NEW YORK MELLON SA/NV	3,051,496	2.96%
ARGENTOS AS	2,755,760	2.67%
UBS AG	2,530,471	2.45%
JPMORGAN CHASE BANK, N.A., LONDON	2,491,746	2.41%
ARCTIC FUNDS PLC	1,804,277	1.75%
SEB PRIME SOLUTIONS SISSENER CANOP	1,600,000	1.55%
GOTHIC CORPORATION	1,539,598	1.49%
STOREBRAND NORGE I VERDIPAPIRFOND	1,504,153	1.46%
VERDIPAPIRFONDET PARETO INVESTMENT	1,412,000	1.37%
VERDIPAPIRFONDET DNB MILJØINVEST	1,169,945	1.13%
VERDIPAPIRFONDET PARETO NORDIC	984,000	0.95%
OBLIGASJON 1 AS	949,657	0.92%
STOREBRAND VERDI VERDIPAPIRFOND	798,373	0.77%
KLP AKSJENORGE INDEKS	779,757	0.76%
STATE STREET BANK AND TRUST COMP	759,521	0.74%
Total 20 largest shareholders	68,950,951	66.82%
Total other shareholders	34,245,279	33.18%
Total shares outstanding	103,196,230	100.0%

BOARD OF DIRECTORS	NUMBER OF SHARES	OWNERSHIP
John Andersen Jr.	-	0.00%
Alf Bjørseth [1]	104,127	0.10%
Jan Skogseth	10,479	0.01%
Gisele Marchand	-	0.00%
Mari Thjømøe [2]	25,338	0.02%
Total at 31 December 2017	139,944	0.14%

1) 64,292 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	2.67%
Mikkel Tørud	Chief Financial Officer	278,440	0.27%
Terje Pilskog [2]	EVP Project Development & Project Finance	489,268	0.47%
Roar Haugland [3]	EVP People Development & Sustainability	235,735	0.23%
Torstein Berntsen [4]	EVP Power Production	678,504	0.66%
Snorre Valdimarsson	EVP General Counsel	220	0.00%
Pål Helsing	EVP Solutions	-	0.00%
Total at 31 December 2017		4,437,927	4.30%

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 4 – Employee benefits for information on share options granted to the management.

Note 13 Guarantees, contractual obligations, contingent liabilities

Scatec Solar is often required to provide advance payment, performance and warranty guarantees in connection with construction activities, as well as bid bonds in connection with tender processes. These guarantees are issued under the guarantee facility established by Scatec Solar ASA. Outstanding advance payment, performance and warranty guarantees are mainly issued in relation to construction contracts entered into with power plant companies where Scatec Solar has a controlling interest. Advance payment guarantees typically represent 15-25% of construction contract value and 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 to the provider in a tender process. Scatec Solar ASA is also providing equity guarantees to project lenders, if project debt is disbursed to power plant companies before equity.

When required, Scatec Solar ASA is providing a parent guarantee on behalf of subsidiaries for their fulfilment of contractual obligations.

Scatec Solar ASA has provided the following guarantees at 31 December 2017

- *Advance payment guarantees of NOK 555,503 thousand (NOK 0 as of 31 December 2016) related to the construction contracts for power plants in Malaysia*
- *Performance guarantees of NOK 288,862 thousand (NOK 189,160 thousand as of 31 December 2016) related to the construction contracts for power plants in Malaysia and Jordan*
- *Warranty guarantees of NOK 56,151 thousand (NOK 133,865 thousand as of 31 December 2016) related to power plants constructed by Scatec Solar in South Africa, Honduras and Jordan*
- *Bid bonds of NOK 58,292 thousand (NOK 185,536 thousand as of 31 December 2016) related to tenders/bidding for new projects in South Africa, Brazil and Ivory Coast*
- *Other guarantees of NOK 588,459 thousand (NOK 86,193 thousand as of 31 December 2016) related to equity guarantee in Malaysia and development guarantees in Egypt and Nigeria*

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

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

GUARANTEE DURATION

NOK THOUSAND	2018	2019	2020	>2020
Advance payment guarantees [1]	555,503	-	-	-
Performance guarantees [2]	288,862	-	-	-
Warranty guarantees [3]	56,151	-	-	-
Bid Bonds [4]	58,292	-	-	-
Other guarantees [5]	530,786	57,673	-	-
Total	1,489,594	57,673	-	-

1) Of which NOK 0 thousand to third parties
2) Of which NOK 0 thousand to third parties
3) Of which NOK 0 thousand to third parties
4) Of which NOK 58,292 thousand to third parties
5) Of which NOK 588,459 thousand to third parties

The guarantees issued from Scatec Solar ASA are issued by Nordea Bank with the exception of bid bonds in South Africa. The advance payment, performance and warranty guarantees in Malaysia, 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 guarantee facility with Nordea Bank as agent and Nordea Bank, ABN Amro and Swedbank as guarantee instrument lenders. Financial covenants are equal to financial covenants in the green bond issued in November 2017. Per 31 December 2017, Scatec Solar was in compliance with all bond covenants.

See Note 16 – Bonds for further information and definitions.

Contractual obligations

Scatec Solar has contractual obligations through office lease agreements for the operational companies in the group. Further, the group has land lease agreements for the PV power plants in South Africa, Czech, Honduras, Jordan, Rwanda and Malaysia. Scatec Solar ASA and Scatec Solar Solutions Malaysia BDH has contracts with suppliers of equipment and sub-EPC contractors related to the construction of the plants in Honduras and Malaysia.

CONTRACTUAL OBLIGATIONS

NOK THOUSAND	2018	2019	2020	>2020
Leases (office rental)	6,281	6,226	6,218	6,218

Contingent liabilities

The Proderssa power plant in Honduras was completed and commenced operations in July 2015, where Scatec Solar was the contractor. Prior to start of construction, the design of the plant was altered which reduced the capacity from 49.9 MW to approximately 44.15 MW, without reducing the actual production and revenue stream of the plant. The commissioning of the plant was delayed as compared to the original schedule where the majority of the delay being deemed caused by events owner should bear the risk for. However, a dispute arose where the owner claimed both that delay liquidated damages and capacity damages given the previous reduction in capacity. Scatec Solar's view was that neither delay damages nor capacity damages where due. As an amicable solution the parties agreed that the claims would be forfeited against an extension of the facility to reach a capacity of 47 MW at an installation cost of USD 6 million combined.

Per December 2017, the construction of the extension has not yet been initiated due to interruptions out of the control of Scatec Solar. At 31 December 2017, Owner has claimed that final completion certificate, and hence the final payment, will not be paid until the extension is built. Scatec Solar's position is that it is the Owner that has not initiated the extension and as such there is no requirement of having finalized the extension prior to achieving final completion. Consequently, no settlement provision has been made in the Group financial statements as of 31 December 2017. Proderssa is a subsidiary of Scatec Solar ASA, the ownership being 40%.

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 2017 and 2016 are:

Subsidiaries – EPC services

Scatec Solar ASA sold EPC services amounting to NOK 246,775 thousand in total during 2017 (2016: NOK 42,945 thousand). Scatec Solar ASA has been the main EPC contractor for the construction of the Los Prados solar power plants in Honduras which commenced in 2017. During 2017 total revenues on the Los Prados contract amounted to NOK 164,123 thousand (2016: NOK 0 thousand). In 2017 the company also started to deliver construction services to subsidiaries in Malaysia and Brazil contracted as a sub-contractor. The revenues for 2017 were NOK 69,084 thousand and NOK 13,210 thousand respectively. In 2016 Scatec Solar completed the construction project of Agua Fria in Honduras with total revenues of NOK 4,940 thousand.

In addition, the company has provided EPC services related to construction of three solar power plants in Jordan during 2017 and 2016 where the revenues amounted to NOK 358 thousand (2016: NOK 37,244 thousand.) In 2016 the company also sold EPC services to a subsidiary in US amounting to NOK 762 thousand.

Subsidiaries – development services

During 2017 the company sold development projects rights amounting to NOK 225,244 thousand. The sale of rights related to the financial close and transfer of rights for the Los Prados projects to the power plant companies in Honduras amounting to NOK 56,512 thousand as well as the Egypt projects portfolio of NOK 70,254 thousand. The company also sold the capitalised project asset values of the development projects where the role as main developer / project owner was transferred from Norway to South Africa for projects defined as sub-sahara projects amounting to NOK 67,961 thousand in total as well as the development project in Mozambique where the role as main developer was transferred from Norway to the Scatec Solar DMCC company in Dubai resulting in an income of NOK 30,517 thousand. During 2016 no projects in the company's project pipeline reached financial close and Scatec Solar ASA transferred no development rights to the power plant companies.

Related to the financial close of the project portfolio in Malaysia during 2017 the company recorded a sales income of NOK 2,639 from an external developer.

Related to a sale of a solar power 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 2017 charged NOK 12,836 thousand for corporate services provided to its subsidiaries (2016: NOK 10,120 thousand).

Subsidiaries and associates - financing

In the course of the ordinary business, inter-company financing is provided from Scatec Solar to 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 and note.

Related to the joint venture entered into with Statoil during 2017, the company had a receivable on the associated company Scatec Solar Brazil SDE EPC per end 31.12.2017 of NOK 13,792 thousand (2016: NOK 0 thousand).

Scatec AS – consultancy services
Scatec Solar acquired project development services from Scatec AS. For the year ended 31 December 2017 the company incurred fair share of travel agency service cost of NOK 105 thousand. In 2016 the company was charged consultancy service cost of NOK 810 thousand. Travel agency service and consultancy services are presented as other operating expenses in the statement of income. As per 31 December 2017 the trade payables to Scatec AS was NOK 9 thousand (2016: NOK 0 thousand).

Ref note 4 for info regarding transactions with key management personnel.

Note 15 Provision for bad debt

NOK THOUSAND	2017	2016
Bad debt realised	6,244	1,392
Provision for bad debt	13,910	-
Total expenses	20,154	1,392
Bad debt reserve 31 December	22,658	5,953

The company recorded additional provision for bad debt of NOK 20,154 thousand in 2017 where NOK 4,821 thousand related to receivables on group companies and NOK 15,333 thousand related to associated companies. The company also realised bad debt of NOK 6,244 thousand against provisions expensed previous years. In 2016 no additional provisions were recorded.

In 2016 the company realised NOK 1,392 thousand related to the sale of the UK project portfolio.

Note 16 Bonds

During fourth quarter 2017 Scatec Solar completed a NOK 750 million senior unsecured green bond issue with maturity in November 2021. The bonds carry an interest of 3 month NIBOR + 4.75%, to be settled on a quarterly basis. An application has been made in February 2018 for the bonds to be listed on the Oslo Stock Exchange.

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 50 million*

b) *Maximum debt to capitalisation ratio: Scatec Solar shall maintain a debt to capitalisation ratio of maximum 50%*

c) *Minimum interest coverage ratio: Scatec Solar shall maintain a cash flow interest coverage ratio of minimum 2.*

Per 31 December 2017, Scatec Solar was in compliance with all bond covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 2,072,020 thousand per year end.

The proceeds from the bond issue was used for a full redemption of the NOK 500 million senior unsecured green bond with maturity in November 2018 and will be used for financing of eligible activities as defined in the Scatec Solar green bond framework. The NOK 500 million bond carried an interest of 3-month NIBOR + 6.50%. The full redemption of the NOK 500 million bond was carried out through a consent solicitation process, at early redemption price of 104.25% of par value and with early consent fee of 0.50%. The redemption proposal was duly passed in a bondholders' meeting 6 November 2017.

During 2017, an interest amounting to NOK 41,125 thousand was expensed (2016: 41,013 thousand).

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 9,375 thousand being amortised over the 4-year period until maturity.

See Note 11 – Cash for description of other sources of corporate funding.

Note 17 Other current liabilities

NOK THOUSAND	2017	2016
Deferred income EPC projects	246,257	221,377
Liabilities to co-developers	83,751	-
Withholding taxes on cross border transactions	-	11,307
Accrued interest expenses	5,194	4,333
Vacation allowances, bonus accruals etc.	25,697	12,428
Employee withholding tax	-	3,137
Other	23,327	8,143
Total current liabilities	384,226	260,725

Note 18 Subsequent events

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

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.

Lost time injury (LTI)

Lost time injury (LTI)	An occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more.

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):	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.
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 power plant 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.

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.

Other Definitions

Full-Time Equivalent Employee (FTE): An employee which have a contract with the company with no end date.

Responsibility statement

We confirm to the best of our knowledge, that the condensed interim financial statements for the period 1 January 2017 to 31 December 2017 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, 15 March 2018
The Board of Directors of Scatec Solar ASA

John Andersen jr. (Chairman)	Alf Bjørseth	Mari Thjømøe
Jan Skogseth	Gisele Marchand	Raymond Carlsen (CEO)

Alternative Performance Measures

Scatec Solar discloses alternative performance measures (APM's) in addition to those normally required by IFRS. This is based on the Group's experience that APM's are frequently used by analysts, investors and other parties for supplemental information.

The purpose of APM's is to provide an enhanced insight into the operations, financing and future prospect of the Group. Management also uses these measures internally to drive performance in terms of long-term target setting. APM's are adjusted IFRS measures that are defined, calculated and used in a consistent and transparent manner over the years and across the Group where relevant.

Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. Disclosures of APMs are subject to established internal control procedures.

Definition of alternative performance measures used by the Group for enhanced financial information

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

EBIT: is defined as earnings before interest and tax and corresponds to operating profit in the consolidated statement of profit or loss.

EBIT margin: is defined as EBIT divided by total revenues and other income

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

EBITDA margin: is defined as EBITDA divided by total revenues and other income

Scatec Solar's proportionate share: is defined as the equity holders of the parent company's proportionate share of revenues, expenses, profits and cash flows from fully and equity consolidated investments.

Project equity: is defined as equity and shareholder loans.

Cash in power plant companies in operation: is defined as restricted cash in proceed 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 distribution as determined by shareholder and non-recourse financing agreements.

Cash in power plant companies under development/construction: comprise shareholder financing and draw down on term loan facilities by power plant companies to settle outstanding external EPC invoices.

Gross interest-bearing debt: is defined as the Group's total debt obligations and consists of non-current and current external non-recourse financing and external corporate financing, irrespective of its maturity as well as bank overdraft and discounted notes.

Net gain project sale: is defined as sales revenue less costs from sale of project assets.

Gross margin: is defined as total sales revenue including net gain/loss from sale of project assets and net gain/loss from associates minus the cost of goods sold (COGS) divided by total sales revenue, expressed as a percentage. The gross margin represents the percentage of total sales revenue that the Group retains after incurring the direct costs associated with producing the goods and services.

Net working capital includes trade- and other receivables, other current assets, trade- and other payables, income tax payable, other current liabilities and intercompany receivables and payables.

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

SSO Proportionate Financials: calculates revenues and profits for Scatec Solar based on the proportionate equity ownership in its subsidiaries without eliminations. The Group introduced SSO Proportionate Financials as the Group is of the opinion that this method improves earnings visibility. The consolidated revenues and profits are mainly generated in the Power Production segment. Activities in Operation & Maintenance and Development & Construction segment mainly reflect deliveries to other companies controlled by Scatec Solar (with from 39% to 100% ownership), for which revenues and profits are eliminated in the Consolidated Financial Statements.

Below is the reconciliation between SSO Proportionate Financial and consolidated financials for the Group:

FY 2017

	SSO PROPORTIONATE FINANCIALS	RESIDUAL OWNER SHIP INTERESTS	ELIMINATIONS	CONSOLIDATED FINANCIALS
Revenues	1,295.2	561.6	-735.8	1,121,1
Net gain/(loss) from sale of project assets	377.8	-	-	377.8
Net income/(loss) from associates	-5.4	2.1	-4.1	-7.4
Total revenues and other income	1,668.2	563.1	-739.9	1,491.5
Cost of sales	-612.0	21.8	590.2	-
Gross profit	1,056.2	584.9	-149.6	1,491.5
Operating expenses	-263.9	-67.5	81.3	-250.2
EBITDA	792.3	517.4	-68.4	1,241.3
Depreciation, amortisation and impairment	-160.4	-154.4	66.8	-248.1
Operating profit (EBIT)	631.8	363.0	-1.6	993.2
Profit/(loss)	325.9	120.1	-8.1	437.9
Net interest bearing debt	2.013	2,129	216	4,358

FY 2016

	SSO PROPORTIONATE FINANCIALS	RESIDUAL OWNER SHIP INTERESTS	ELIMINATIONS	CONSOLIDATED FINANCIALS
Revenues	1,169.0	512.7	-668.8	1,012.9
Net gain/(loss) from sale of project assets	8.3	-	67.1	75.4
Net income/(loss) from associates	-3.4	-	-	-3.4
Total revenues and other income	1,173.9	512.7	-601.7	1,084.9
Cost of sales	-539.6	-	539.6	0.0
Gross profit	634.3	512.7	-62.1	1,084.9
Operating expenses	-257.9	-63.7	69.7	-251.9
EBITDA	376.4	449.0	7.7	833.0
Depreciation, amortisation and impairment	-229.6	-135.8	95.4	-270.1
Operating profit (EBIT)	146.8	313.1	103.1	563.0
Profit/(loss)	-83.5	90.2	63.8	70.5
Net interest bearing debt	1,918	2,024	-	3,942

Cash flow to equity: is a measure that seeks to estimate value creation in terms of the company's ability to generate funds for equity investments in new solar power plant projects and/or for shareholder dividends over time. The measure is defined as EBITDA less normalised loan and interest repayments, less normalised income tax payments. The definition excludes changes in net working capital, investing activities and fair value adjustment of first time recognition of joint venture investments.

Net interest expense: is defined as interest income less interest expenses, excluding shareholder loan interest expenses and accretion expenses on asset retirement obligations.

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.

Normalised income tax payment: calculated as operating profit (EBIT) less normalized net interest expense multiplied with the nominal tax rate of the jurisdiction where the profit is taxed.

FY 2017

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL
EBITDA	973.2	27.5	159.7	-49.8	1,110.6
Net Interest expenses	-380.9	0.6	3.4	-36.5	-413.4
Normalised loan repayments	-232.6	-	-	-	-232.6
Normalised income tax payment	-67.2	-6.6	3.7	21.0	-49.0
Cash flow to equity	292.5	21.5	-12.3	-16.7	47.2
SSO average shareholding	49%	100%	100%	100%	
SSOs cash flow to equity	142.4	21.5	166.8	65.3	265.5

FY 2016

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL
EBITDA	853.4	31.6	-12.2	-47.4	825.4
Net Interest expenses	-386.5	-0.1	1.9	-37.0	-421.7
Normalised loan repayments	-232.7	-	-	-	-232.7
Normalised income tax payment	-41.6	-7.0	5.0	20.4	-23.2
Cash flow to equity	192.5	24.5	-5.3	-63.9	147.8
SSO average shareholding	77%	100%	100%	100%	
SSOs cash flow to equity	148.3	24.5	-5.3	-63.9	103.5

Definitions of financial covenants terms

Debt to Capitalisation Ratio: is defined as the Gross Debt of the Recourse Group divided by the Capitalization of the Recourse Group.

Cash Flow Interest Coverage Ratio: is defined as, for any Relevant Period, the Issuer`s aggregate Cash Flow to Equity from Power Production, O&M and Corporate (as reported in the Issuer`s quarterly statements and for Corporate adjusted by adding back any Net Interest Costs already deducted) divided by the Net Interest Costs of the Recourse Group.

Recourse Group: is defined as all entities in the Group, excluding the Solar Park Companies (each a Recourse Group Company).

Appendix

1 Stakeholder engagement

Key topics and concerns that have been raised through stakeholder engagement, including:

- How the organization has responded to those key topics and concerns, including through its reporting
- The stakeholder groups that raised each of the key topics and concerns

STAKEHOLDER GROUP	ENGAGEMENT (102-43)	KEY CONCERNS (102-44 I)	RESPONSE (102-44 II)
National governments and customers	Close dialogue with national governments is a natural part of our operations and our projects often involve regular dialogue. This dialogue is usually conducted by our project development team or community liaisons.	The main concern of governments in host countries, that will often also be our customers, is local impacts and value creation, which usually includes the economic value of the projects, increased access to energy, the potential for direct and indirect job creation.	Refer to chapter 3
Local government and communities	A social impact assessment is conducted as part of the planning of all projects and based on this a plan for stakeholder engagement is developed. Scatec Solar emphasizes continuous dialogue with local and regional communities in order to manage and meet expectations. A dedicated community liaison officer (CLO) is appointed to all our locations.	The main concern of local governments and communities is also local impacts and value creation, specifically job creation, local content and education/training.	Refer to chapter 3
Co-investors and partners	A detailed dialogue with regards to expectations is the starting point for all partnerships, and detailed in our agreements. Depending on the partnership we keep close dialogue with our partners.	Co-investors and partners are concerned that we are a trustworthy business partner that applies international best practice standards such as the IFC Performance Standards and the Equator Principles in order to manage environmental and social impacts. Investors with a specific impact investment focus are also concerned with the local value creation, and promotion of green energy. Some of our partners are also concerned with our ability to promote Norwegian exports.	Refer to chapter 2 and 3
Financing partners	Financing partners are mainly engaged prior to providing capital, and often have very specific requirements with regards to how environmental, social and governance factors are assessed and managed.	Financing partners also focus on our business conduct and efforts to ensure that we are a trustworthy business partner. Local financiers and financiers with an impact focus are also concerned with our local impact and value creation in terms of for example access to energy and job creation.	Refer to chapter 2 and 3
Shareholders	Existing and potential shareholders are engaged on a regular basis and often express their concerns and expectations directly with top management.	Shareholders are concerned with the ability to create value in the short and longer term and governance aspects such as anti-corruption and being a trustworthy business partner.	Refer to chapter 2
Employees	Our employees make up our company and who we are.	Many of our employees are proud of our social and environmental impact through promoting renewable energy and our ability to demonstrate local value creation. Employees are also concerned with own working conditions, health and safety, and opportunities to develop competencies and career path.	Refer to chapter 1, 2 and 3
Contractors	Contractors concerns are heard as part of project they are involved with and our contractors are considered as if they were our own employees when on our sites.	Contractors that work on our projects are concerned with their working conditions, fair wages, health and safety and opportunities to develop competencies.	Refer to chapter 2

STAKEHOLDER GROUP	ENGAGEMENT (102-43)	KEY CONCERNS (102-44 I)	RESPONSE (102-44 II)
Norwegian government and regulators	The Norwegian government is engaged through the various institutions that are interested in our efforts in Norway and in other countries.	The Norwegian government regulates our efforts and is also interested in supporting the positive impacts of our efforts in Norway and abroad.	Refer to chapter 1 and 3
Suppliers	Supplier visits are undertaken each year to monitor and establish a platform for good dialogue and feedback.	Our suppliers are concerned with fair pricing, working conditions, and health and safety.	Refer to chapter 2
NGO's	NGO's that represent local communities are engaged through each phase of the project. Environmental NGOs in Norway are engaged through collaboration with regards to promoting renewable energy.	NGOs in the local communities are concerned with our ability to create local value. Norwegian environmental NGOs support us in our efforts to promote renewable energy.	Refer to chapter 1 and 3

1.2 Our sustainability priorities

The material sustainability topics for our company were defined based on an assessment of key stakeholder expectations, the significance of social, economic and environmental impacts and the relevance to our strategy. The mapping of stakeholders' expectations was based on results of the ongoing stakeholder dialogue that is part of daily business on the ground when planning and executing projects, as well as at the corporate level with stakeholders such as investors, regulators and financiers. This information was collected and structured through interviews with key internal stakeholders. The significance of social, economic and environmental impacts was based on an assessment of impacts through the value chain in the countries where we operate.

1.3 Our sustainability framework

Our sustainability framework illustrating the most material topics for our company:

Auditor’s report

Statsautoriserte revisorer
Ernst & Young AS

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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

Opinion

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 of 31 December 2017, the statement of income and statements of 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 of 31 December 2017, statement of profit or loss, statements of comprehensive income, cash flows and changes in equity 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 2017, 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 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards 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 and the Group 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 2017. 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 assessment 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 and IFRS 11 regarding control and joint control, other factors than ownership can be decisive as to whether Scatec Solar has 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 significant impact on classification and presentation of the project companies in the consolidated financial statements, the control assessments are considered a key audit matter.

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 and IFRS 11. 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 and 21 are consistent with the assessments performed by management.

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) are 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 presentation.
- 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 safeguards.

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, 22 March 2018
ERNST & YOUNG AS

Thomas Embretsen

Thomas Embretsen
State Authorised Public Accountant (Norway)

Design and layout: Artbox AS, Print: Printbox AS

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