

# Fourth quarter 2017

Oslo, January 26, 2018

## Our values

Predictable

Driving results

Changemakers

Working together



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# Agenda

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- **Highlights** – Raymond Carlsen, CEO
- **Financials** – Mikkel Tørud, CFO
- **Project Development** – Terje Pilskog, EVP Project Development
- **Outlook** – Raymond Carlsen, CEO

- Q4'17 proportionate revenues of NOK 438 million and EBITDA of NOK 106 million
- Construction under way in Malaysia, Brazil and Honduras
- Financial close reached for 400 MW in Egypt
- 40 MW in Malaysia added directly to the backlog
- Successful issuance of NOK 750 million green bond
- Board of Directors propose 2017 dividends of NOK 0.78 per share – up 10 percent from 2016



Delivery of materials at the 162 MW Apodi site in Brazil

# Financial close for 800 MW – prepared for growth

## 2017 achievements:

- Strong financials across all segments
- Construction start and/or financial close for 794 MW:
  - 197 MW in Malaysia, 162 MW in Brazil
  - 35 MW in Honduras, 400 MW in Egypt
- Solid traction on business development across emerging markets – 3.5 GW of project pipeline and opportunities
- Established new partnerships - including Africa50 and Statoil
- Secured corporate funding to support growth plans
  - New equity, refinancing of bond, expanded bank group

### SSO's proportionate financials:

(NOK million)	2016	2017
Revenues	1,174	1,668
EBITDA	376	792
EBIT	147	632

### SSO's share of cash flow to equity:

(NOK million)	2016	2017
Power P. and O&M	172	165
D&C	-5	167
Corporate	-63	-65
Total	104	263

# Project update: Malaysia & Brazil

## Malaysia, 197 MW

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



## Status

- Civil works approaching completion on all three sites
- Mechanical installation started
- Grid connection planned sequentially during 1H 2018

## Brazil, 162 MW

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



## Status

- Civil works approaching completion
- Mechanical installation will commence soon
- Grid connection planned during 2H 2018



# Project update: Egypt & Honduras

## Egypt, 400 MW

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



## Status

- Financial close in October 2017
- Common infrastructure in completion
- Construction start during 1H 2018

## Honduras, 35 MW, phase 1

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



## Status

- Project experienced civil unrest
- Construction work will continue in close corporation with Honduran authorities
- Some impact on cost and schedule

# Project update: South Africa, Mozambique & Mali

## South Africa, 258 MW

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



## Status

- Preparing with IPP Office and lenders for financial close

## Mozambique, 40 MW

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



## Status

- Working to close out remaining conditions precedent of the loan to reach financial close

## Mali, 33 MW

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



## Status

- Currently finalizing project loan and guarantee agreements



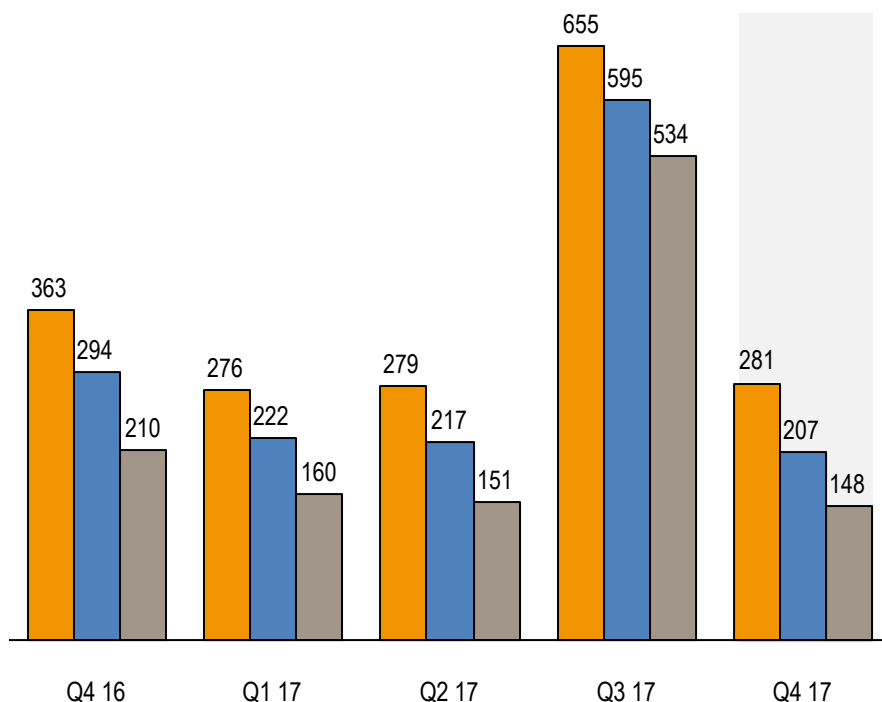
# Financial review

Mikkel Tørud, CFO

# Q4'17 - Consolidated & proportionate financials

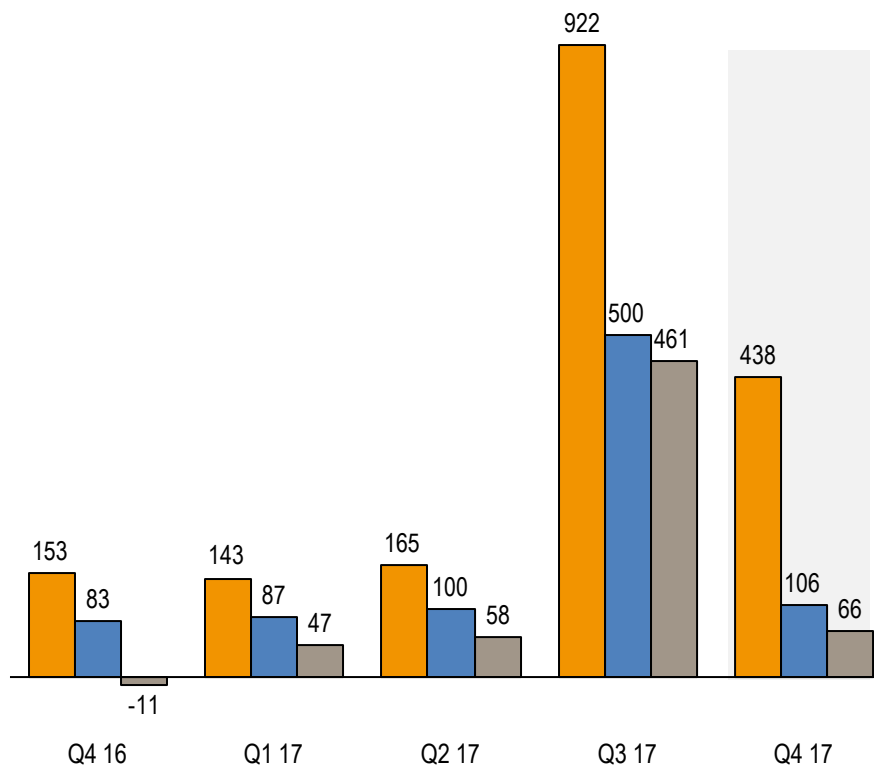
## Consolidated financials (NOK million)

Revenues EBITDA EBIT



## SSO proportionate financials (NOK million)

Revenues EBITDA EBIT



# Solid financial results across segments

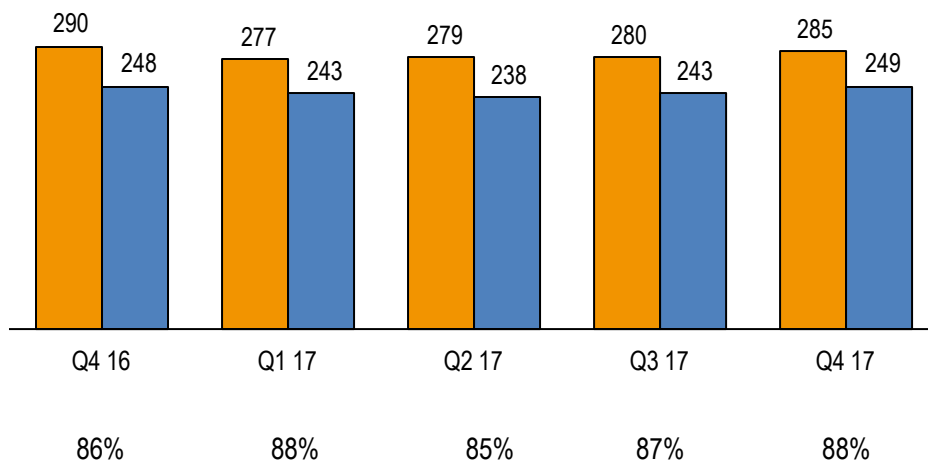
Fourth quarter 2017 (NOK million)	Power Production 100% basis	Power Production SSO share*	Operation & Maintenance SSO share*	Development & Construction SSO share*	Corporate SSO share*	Total
Revenues and other income	285	125	15	294	4	<b>438</b>
Gross margin	285	125	15	38	4	<b>182</b>
EBITDA	249	107	4	10	-15	<b>106</b>
Operating profit (EBIT)	174	68	4	9	-15	<b>66</b>
EBIT (%)	61%	54%	27%	3%	-	15%

Full year 2017 (NOK million)	Power Production 100% basis	Power Production SSO share*	Operation & Maintenance SSO share*	Development & Construction SSO share*	Corporate SSO share*	Total
Revenues and other income	1,120	532	69	1,054	13	<b>1,668</b>
Gross margin	1,120	532	69	442	13	<b>1,056</b>
EBITDA	973	454	28	361	-50	<b>792</b>
Operating profit (EBIT)	663	298	27	358	-51	<b>632</b>
EBIT (%)	59%	56%	39%	34%	-	38%

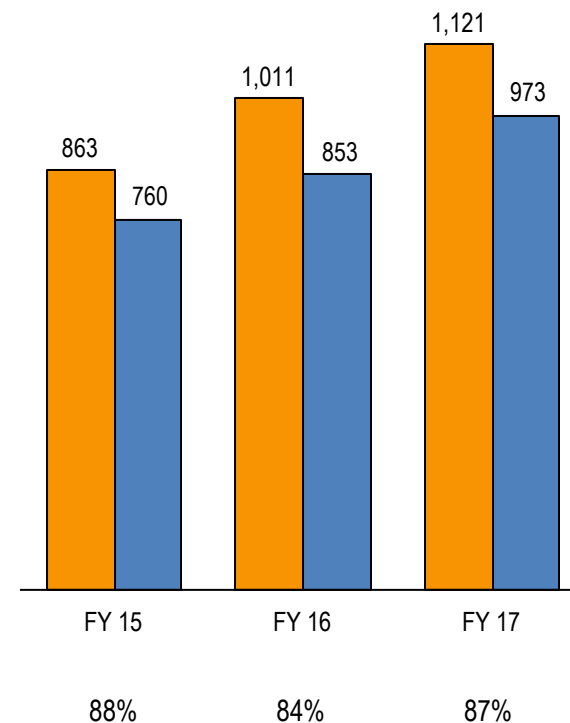
# Very stable revenues and EBITDA

## Quarterly (NOKm)

Revenues EBITDA



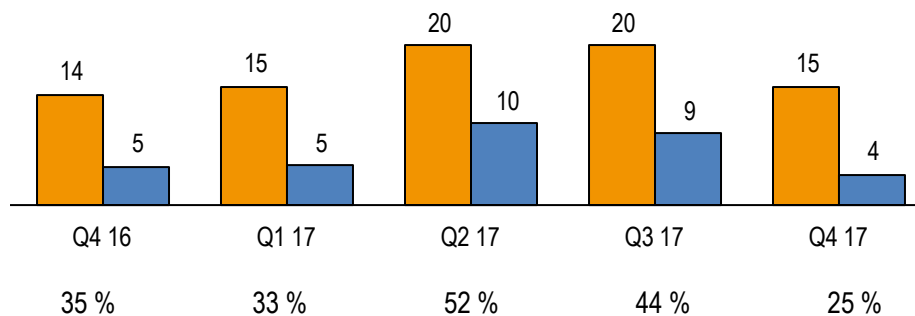
## Last twelve months (NOKm)



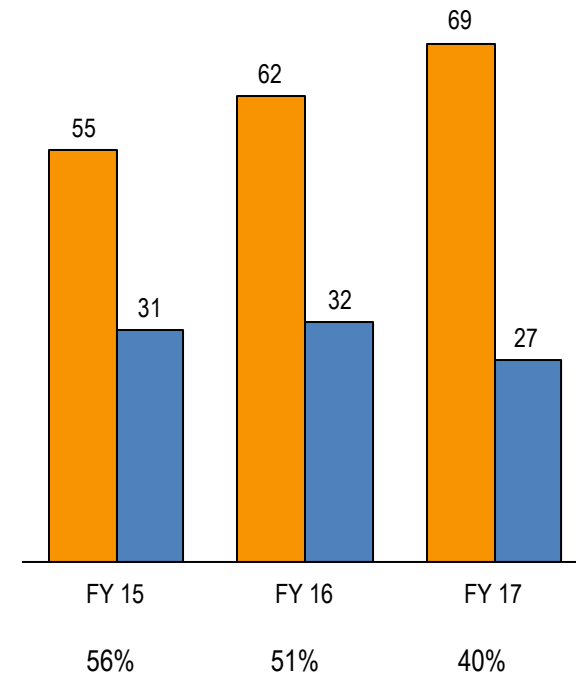
# Seasonally lower revenues and EBITDA

Quarterly (NOKm)

Revenues EBITDA



Last twelve months (NOKm)

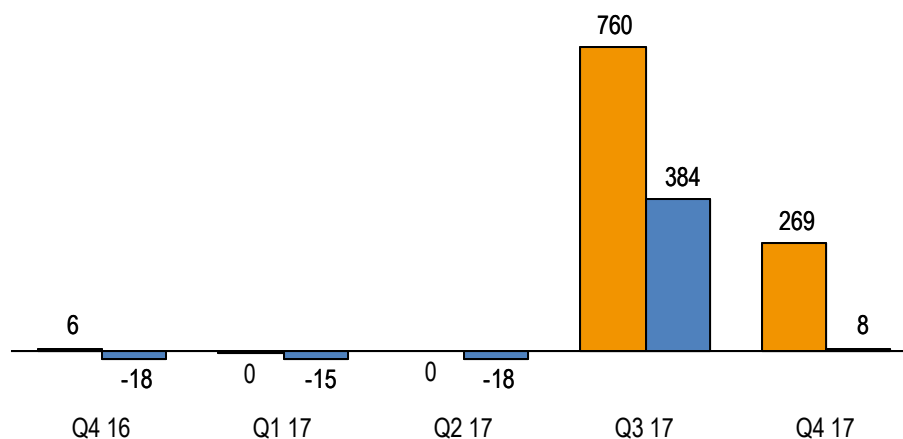


- The decrease in revenues and EBITDA quarter on quarter is mainly due to lower O&M performance bonus reflecting seasonally lower performance ratio

# Moderate construction revenues - set to increase

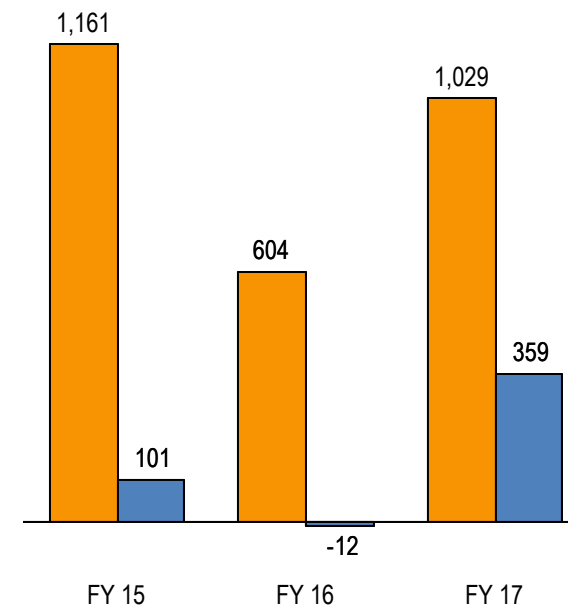
## Quarterly (NOKm)

Revenues EBITDA



Gross Margin	-	-	-	53%	13%
EBITDA	-	-	-	50%	3%

## Last twelve months (NOKm)



	15%	11%	43%
	9%	-2%	35%

- NOK 200 million of construction revenues in Malaysia and Honduras + Brazil through JV with Statoil
- Remaining construction contract value in Malaysia, Honduras and Brazil of NOK 2.6 billion

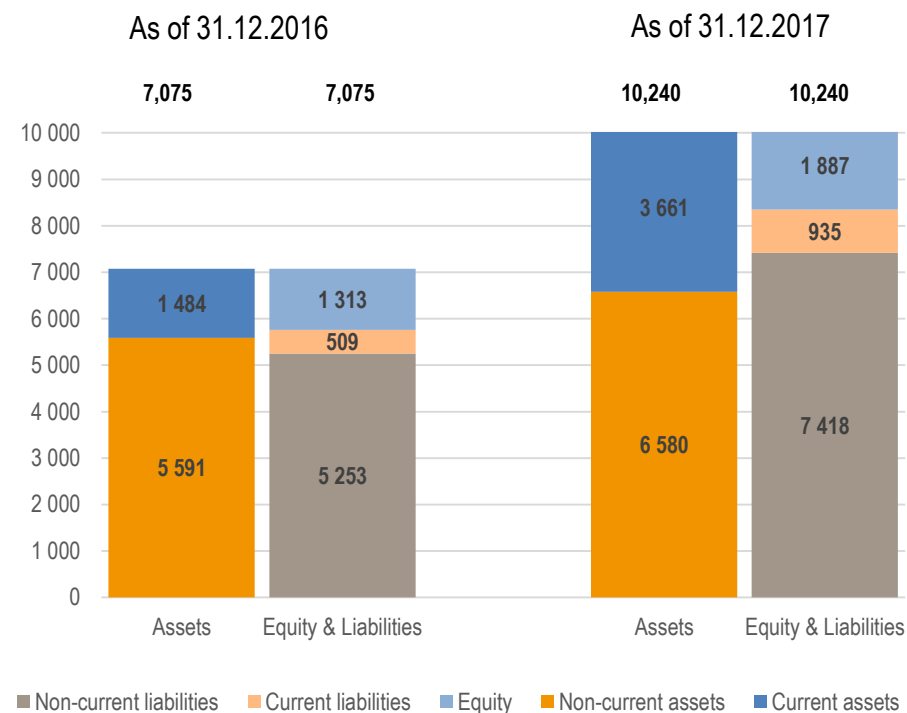


# A solid financial position

- Cash position of NOK 2,863 million of which NOK 688 million at the group level
- Group\* book equity strengthened to NOK 2,072 million – equity ratio of 74%
- Successful refinance of the 2018 Bond – new NOK 750 million bond with 4 year tenor

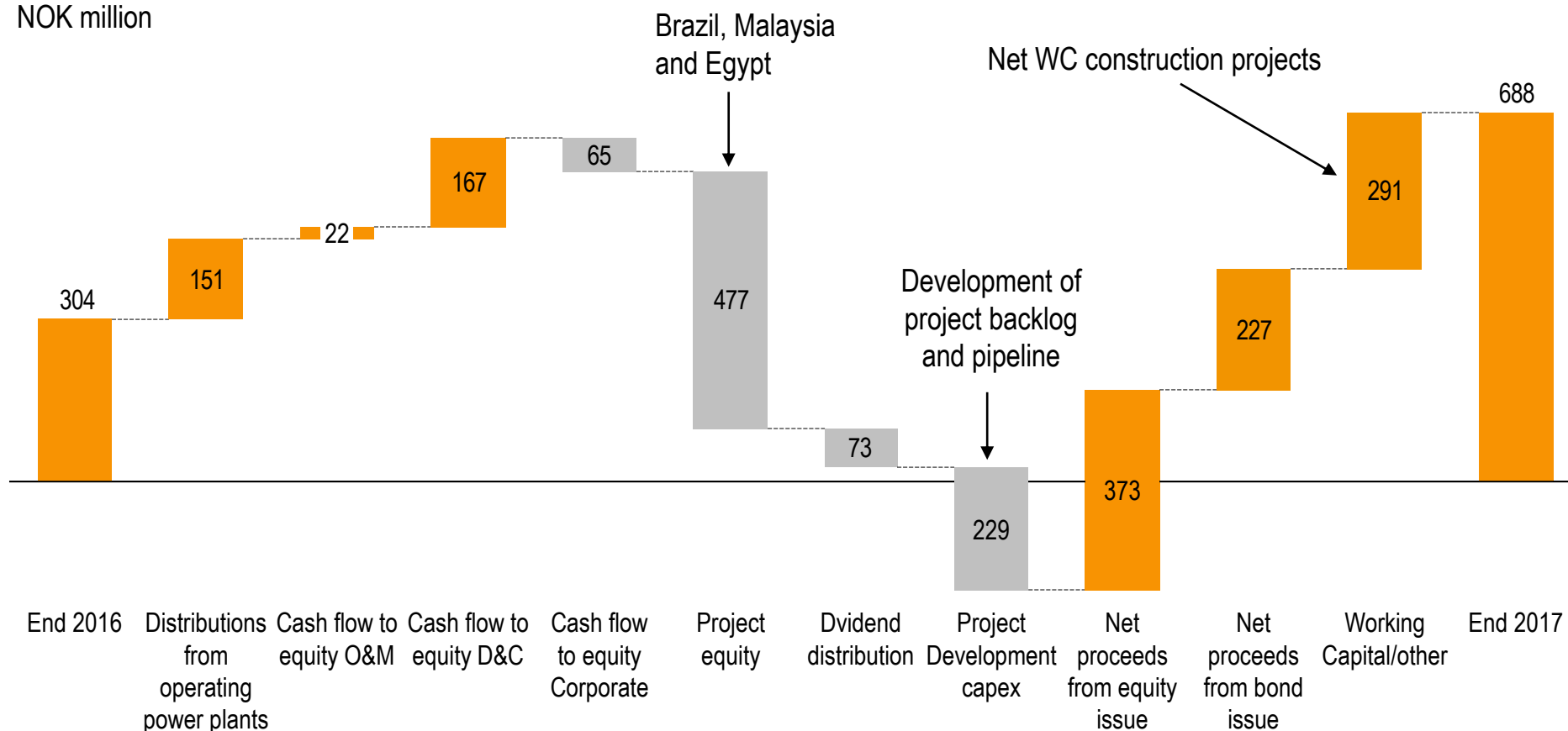
NOKm	Consolidated	SSO prop. Share	Group level**
<b>Cash</b>	2,863	1,880	688
<b>Interest bearing liabilities*</b>	-7,221	-3,894	-741
<b>Net debt</b>	-4,358	-2,013	-53

## Financial position (NOKm)



# 2017 - movement of free cash at group level

NOK million

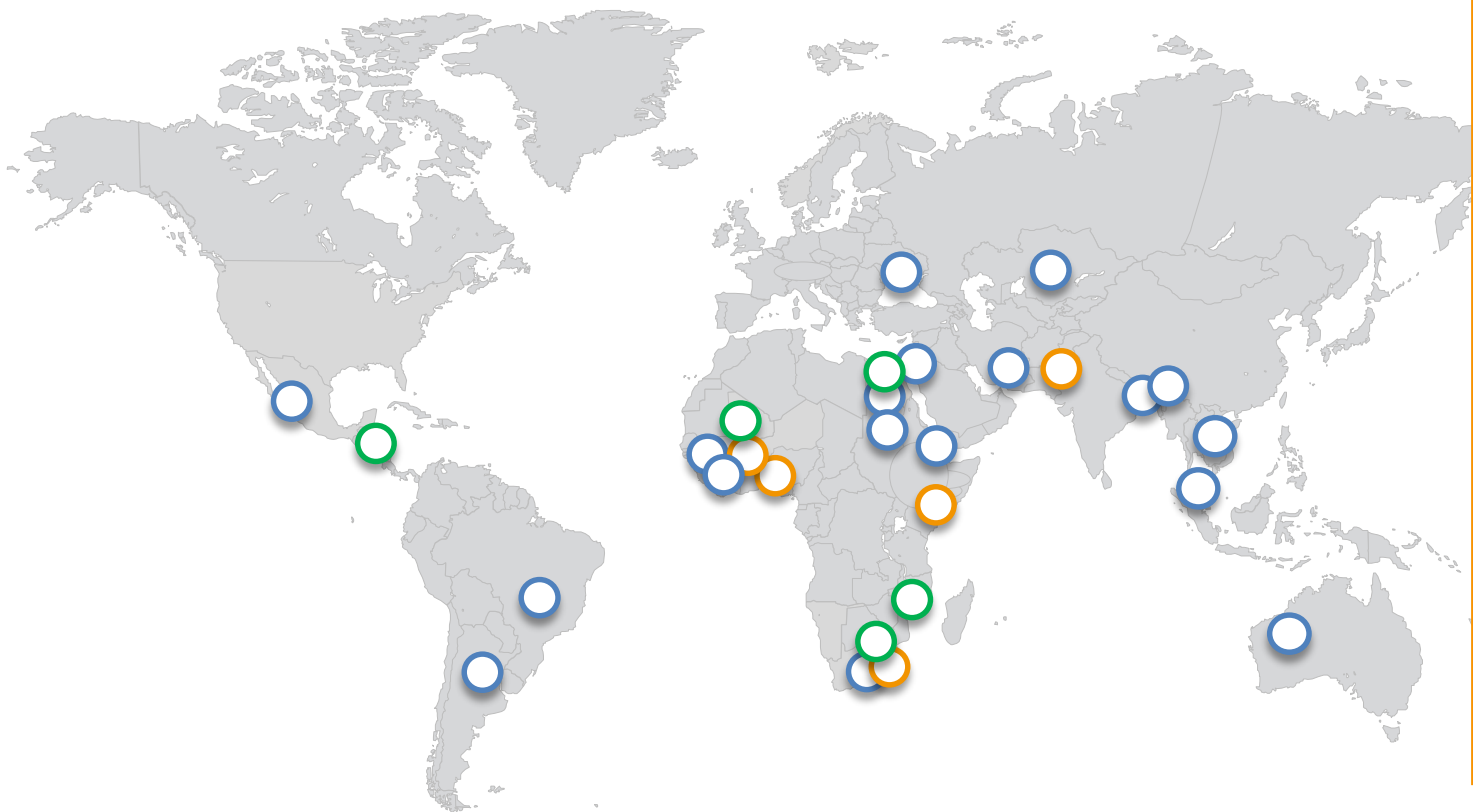


- Fully funded for projects under construction and in project backlog (1,183 MW)

# Project Development

Terje Pilskog, EVP Project Development

# Developing close to 3 GW of opportunities globally



## Legend

-  Backlog (789 MW)
-  Pipeline (745 MW)
-  Opportunities (~2 800 MW)

## Market Characteristics

- Solid solar irradiation
- Strong clean energy demand
- Renewable programmes supporting growth
- Active support from project finance banks and DFIs
- Credible local partners

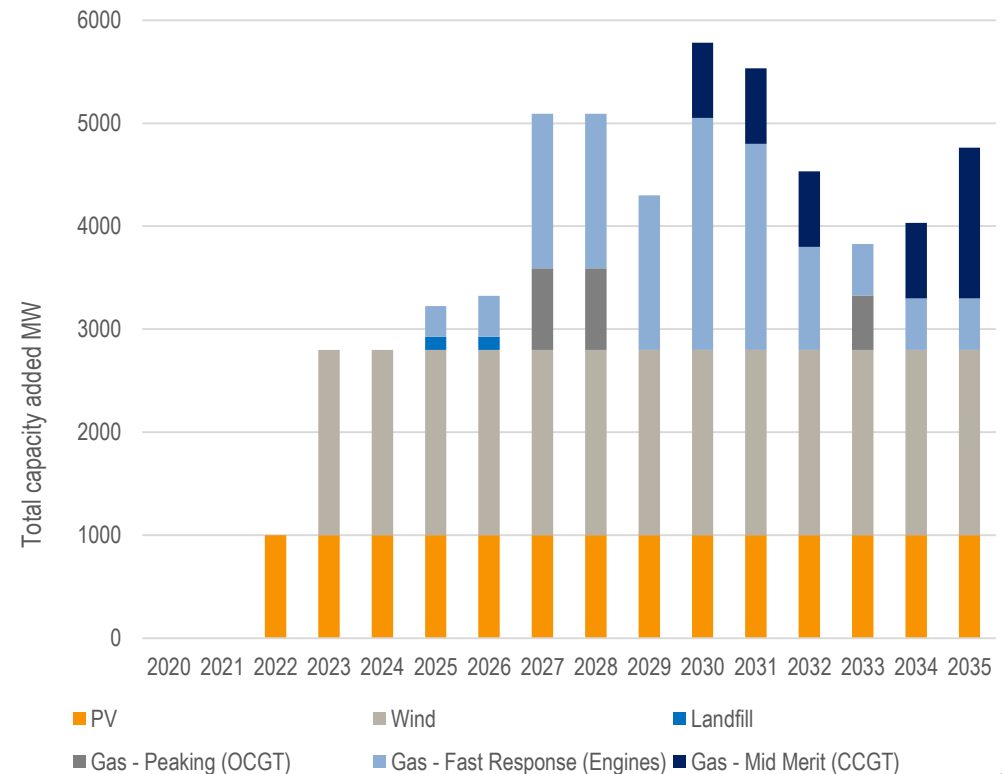
## Political situation

- ANC selected pro-business Cyril Ramaphosa as new party leader in December 2017
- Immediate effects of the leadership change
  - **Currency:** ZAR strengthened to best level in 2.5 years
  - **Corruption:** Prosecution of State Capture actors
  - **Eskom:** New board and acting CEO

## Future solar potential

- Integrated Resource Plan (IRP) sets volume, technology mix and pace of new generation capacity
- 1st iteration IRP 2010-2030 included 8.4 GW of PV
- 2<sup>nd</sup> draft IRP indicates annual addition of at least 1 GW of PV from 2022 onwards based on conservative demand and PV costs forecasts

Development of Proposed Integrated Resource Plan, 2020 - 2035



# Scatec Solar position in South Africa

## REIPPP Programme

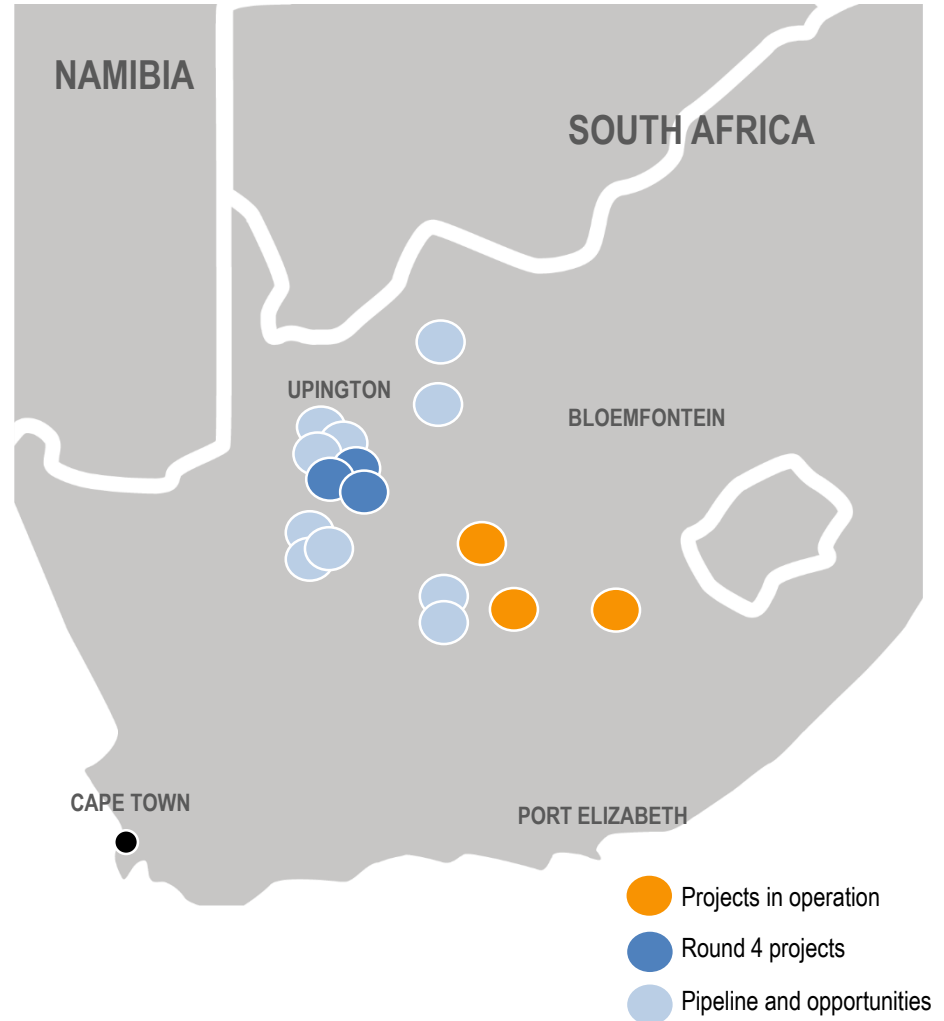
- 258 MW in Upington
  - Awarded preferred bidder status in 2015
  - Approved by Board of Eskom
  - Awaiting formal sign-off by Ministry
- 430 MW in pipeline
  - Validity of bid bonds extended to 31 March 2018

## Project opportunity portfolio

- Additional 400 MW of projects
- High irradiation, good interconnection situation

## Future potential

- Tenders
- Private PPAs in the C&I space
  - Wheeling to multi-site off-takers
  - Site-based generation for self-consumption





# Building position in South East Asia

## Regional strategy

### Malaysia

- RSS 3 to be launched
- Projects from previous auctions
- Bi-lateral and private PPAs in region

### Vietnam

- 4+ GW annual new capacity needed
- FiT in place; PV competitive with coal
- Negotiating first 50 MW project

### Bangladesh

- Urgent need for new capacity
- First 50 MW project awaiting approval

### Myanmar:

- 70 MW project proposal submitted



 Current Scatec Solar projects

## 40 MW RedSol project

- 35.49 MYR/MWh PPA price
- Capex of ~ 50 mUSD
- SSO to fund 100% equity
- ~75% leverage
- Target financial close end 2018

# Nigeria and Pakistan – development status

## Nova Scotia, Nigeria, 100 MW

- 20 year PPA with NBET
- SSO 51%, Norfund 24.5%, Africa 50 24.5%
- Capex: USD 150 million
- Mandated OPIC, IsDB and AfDB for project finance



## Triggers for further development

- Power Sector Restructuring Program approval by World Bank
- Finalization of Partial Risk Guarantee
- Sovereign Guarantee with Federal Government of Nigeria

## Sukkur, Pakistan, 150 MW

- Partnership with Nizam Energy
- 3 x 50 MWp projects in State of Sindh
- Capex: USD 150 million
- Tariff proposal backed by Lol from FMO



## Triggers for further development

- Application for costs+ tariff submitted in August 2017
- Generation license received for all 3 projects in August 2017
- Tariff hearing in November 2017
- Awaiting tariff award

# Outlook

Raymond Carlsen, CEO

# 2018 guidance and targets

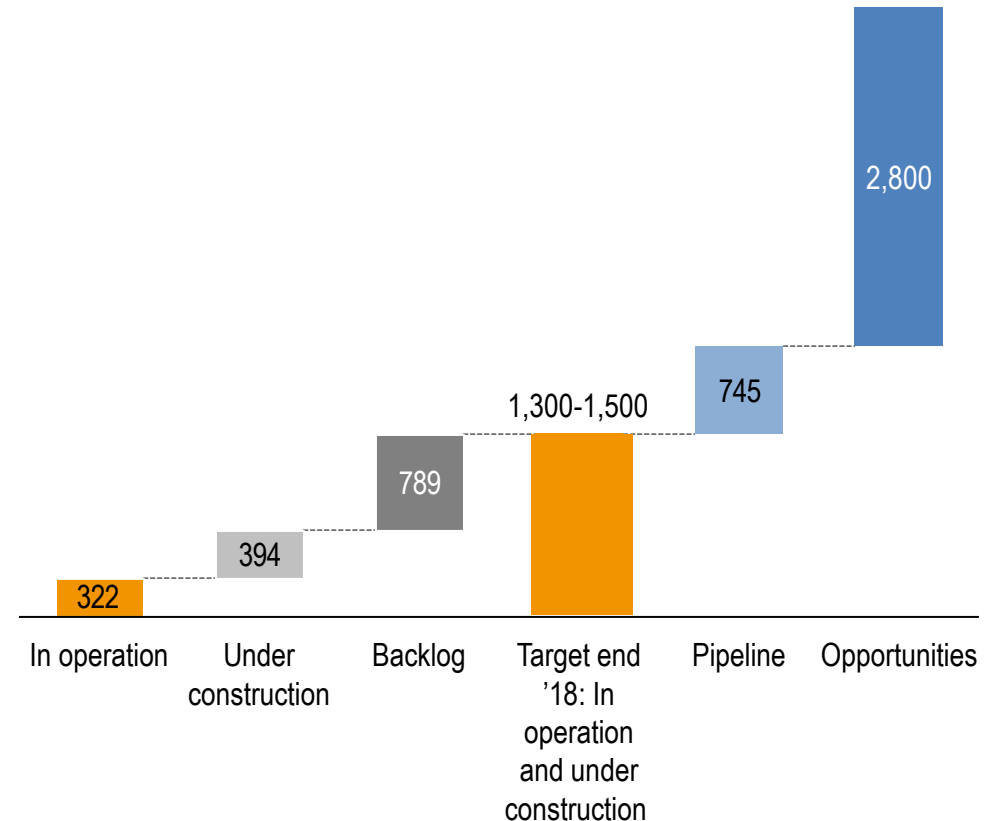
## Return and margin targets:

- Average equity return of 15% after tax on investments in new solar power plants
- Project development and construction (D&C) gross margins averaging 15%

## 2018 targets:

- Power Production - 635 GWh
- O&M revenues of NOK 70-80 million and EBITDA margins of 40-45%
- 2018 cash flow to SSO equity of NOK 160-180 million from plants in operation

## Growth target (MWs)



# Focus on project delivery and pipeline development

- Emerging markets continue to present themselves with attractive opportunities
- Further expansion of our portfolio will benefit from our strong partnerships
- Very high construction activity in 2018 and 2019
- Capital Markets Day to be held May 30, 2018



# Thank you

## **Our values**

Predictable

Driving results

Changemakers

Working together





# Consolidated profit & loss

<i>(NOK million)</i>	Q4 17	Q3 17	Q4 16	FY 17	FY 16
<b>Total revenues</b>	<b>281.5</b>	<b>654.9</b>	<b>363.1</b>	<b>1,491.5</b>	<b>1,084.9</b>
OPEX	-74.0	-60.4	-69.5	-250.2	-251.9
<b>EBITDA</b>	<b>207.4</b>	<b>594.5</b>	<b>293.6</b>	<b>1,241.3</b>	<b>833.0</b>
Depreciation, amortization and impairment	-59.9	-60.3	-83.7	-248.1	-270.1
<b>Operating profit</b>	<b>147.6</b>	<b>534.3</b>	<b>209.9</b>	<b>993.2</b>	<b>563.0</b>
Interest, other financial income	10.4	11.1	14.1	51.2	50.8
Interest, other financial expenses	-146.7	-119.3	-135.7	-523.8	-504.8
Foreign exchange gain/(loss)	0.7	-14.3	27.2	-59.8	-10.1
<b>Net financial expenses</b>	<b>-135.6</b>	<b>-122.5</b>	<b>-94.4</b>	<b>-532.3</b>	<b>-464.1</b>
<b>Profit before income tax</b>	<b>12.0</b>	<b>411.8</b>	<b>115.5</b>	<b>460.9</b>	<b>98.9</b>
Income tax (expense)/benefit	-13.4	-5.0	-38.7	-23.0	-28.4
<b>Profit/(loss) for the period</b>	<b>-1.4</b>	<b>406.8</b>	<b>76.8</b>	<b>437.9</b>	<b>70.4</b>
<b>Profit/(loss) attributable to:</b>					
Equity holders of the parent	-34.9	383.0	46.2	339.1	3.5
Non-controlling interests	33.5	23.8	30.5	98.8	67.0
<b>Basic and diluted EPS (NOK)</b>	<b>-0.34</b>	<b>3.71</b>	<b>0.49</b>	<b>3.36</b>	<b>0.04</b>

# Consolidated cash flow statement

<i>(NOK million)</i>	Q4 17	Q3 17	Q4 16	FY 17	FY 16
Net cash flow from operations	175.9	190.9	214.8	844.1	732.0
Net cash flow from investments	-536.0	-192.4	211.8	-874.1	-582.0
Net cash flow from financing	1,931.8	-129.4	-199.8	1,639.8	-660.0
Net increase/(decrease) in cash and cash equivalents	1,571.7	-130.9	226.8	1,609.8	-510.1
Effect of exchange rate changes on cash and cash equivalents	172.5	-58.9	56.5	116.1	8.7
Cash and cash equivalents at beginning of the period	1,118.9	1,308.8	853.9	1,137.2	1,638.6
<b>Cash and cash equivalents at end of the period</b>	<b>2,863.1</b>	<b>1,118.9</b>	<b>1,137.2</b>	<b>2,863.1</b>	<b>1,137.2</b>

# Segment results – Q4'17

<i>(NOK million)</i>	Power Production	Operation & Maintenance	Development & Construction	Corporate	Eliminations	Total
External revenues	285.8	-	-	-	-	285.8
Internal revenues	-	14.6	268.6	4.1	-287.3	-
Net gain/(loss) from sale of project assets	-	-	2.6	-	-	2.6
Net income / (loss) from JV and associates	-0.9	-	-2.0	-	-4.1	-7.0
<b>Total revenues and other income</b>	<b>285.0</b>	<b>14.6</b>	<b>269.2</b>	<b>4.1</b>	<b>-291.4</b>	<b>281.5</b>
Cost of sales	-	-	-234.4	-	234.4	-
<b>Gross profit</b>	<b>285.0</b>	<b>14.6</b>	<b>34.8</b>	<b>4.1</b>	<b>-57.0</b>	<b>281.5</b>
Operating expenses	-35.6	-11.0	-26.8	-18.7	18.1	-74.0
<b>EBITDA</b>	<b>294.4</b>	<b>3.6</b>	<b>8.0</b>	<b>-14.6</b>	<b>-39.0</b>	<b>207.4</b>
Depreciation, amortisation and impairment	-74.9	0.1	-0.8	-0.4	16.2	-59.8
<b>Operating profit (EBIT)</b>	<b>174.4</b>	<b>3.7</b>	<b>7.2</b>	<b>-14.9</b>	<b>-22.8</b>	<b>147.6</b>

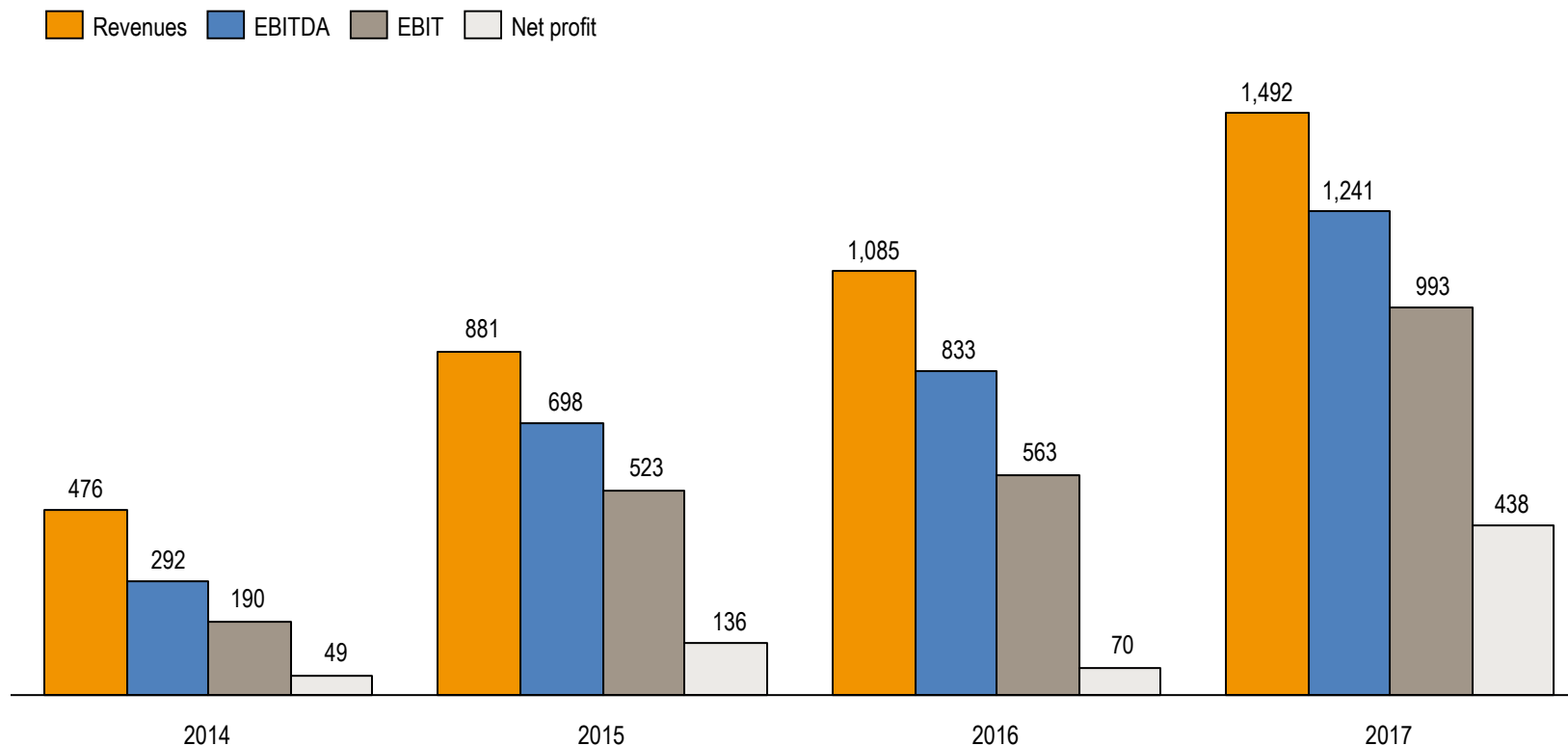
# Project companies' financials – Q4'17

<i>(NOK million)</i>	Czech Republic	Kalkbult	Linde	Dreunberg	ASYV	Agua Fria	Jordan	Segment overhead	Total segment	SSO prop. share
<b>SSO shareholding</b>	100%	39%	39%	39%	54%	40%	90/50.1%			
<b>Revenues</b>	11.1	85.1	46.4	85.4	7.4	26.1	24.3	-0.8	285.0	125.5
<b>OPEX</b>	-3.4	-8.9	-3.9	-5.7	-1.1	-5.5	-2.5	-4.6	-35.6	-18.8
<b>EBITDA</b>	7.7	76.2	42.5	79.7	6.3	20.6	21.8	-5.4	249.4	106.7
<b>Net interest expenses</b>	-5.2	-26.4	-11.8	-23.7	-2.6	-9.1	-11.5	0.4	-89.9	-40.8
<b>Normalised loan repayments</b>	-5.9	-8.2	-7.4	-13.8	-3.2	-11.8	-6.8	-	-57.0	-28.0
<b>Cash flow to equity*</b>	-2.0	32.0	16.9	31.1	0.2	-0.3	3.7	-3.7	77.7	30.0

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

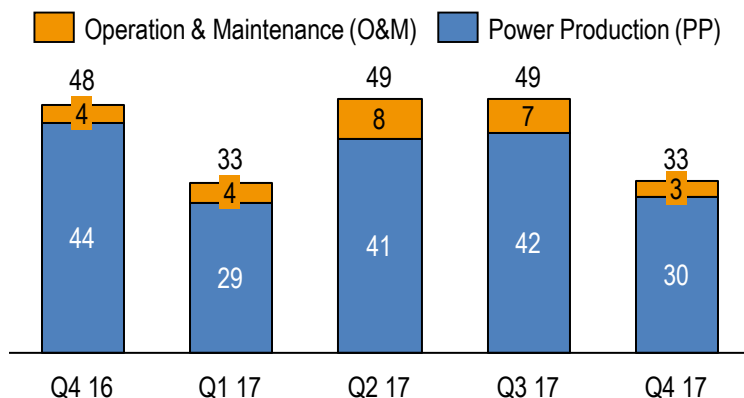
# Profitable growth over the last four years

## Consolidated financials (NOK million)

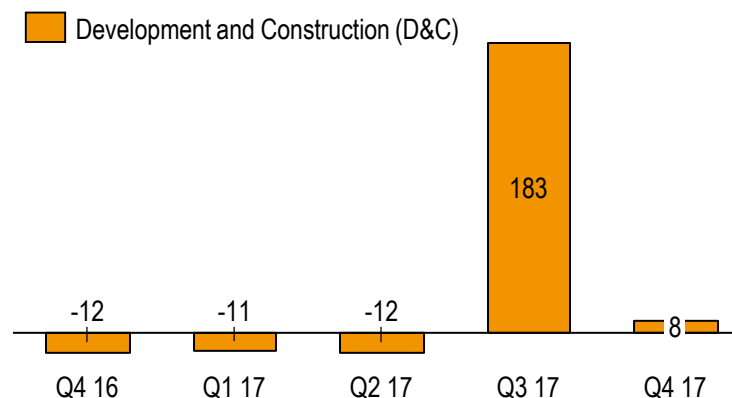


# Cash flow to Scatec Solar's equity

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



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



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

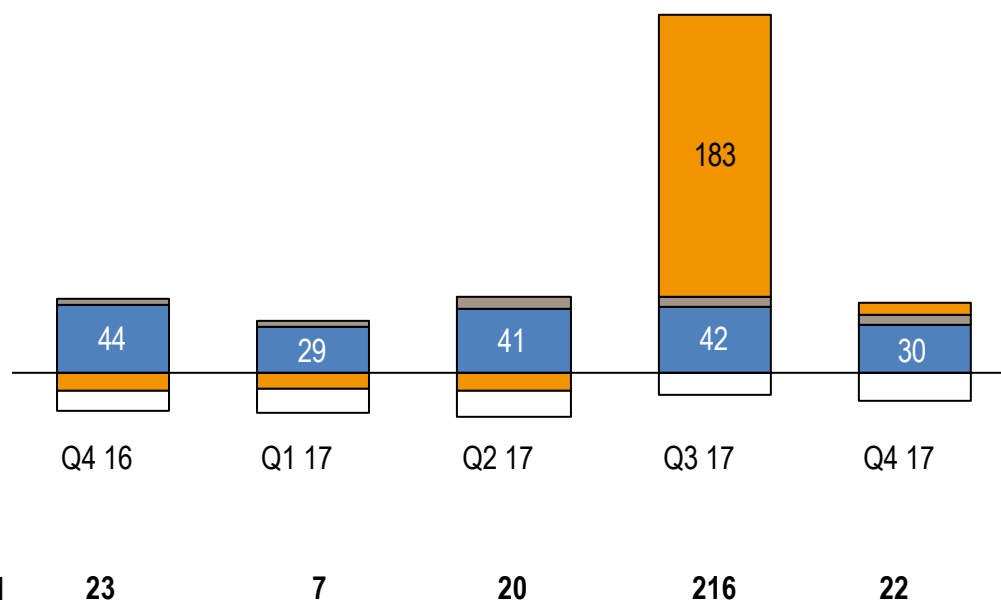
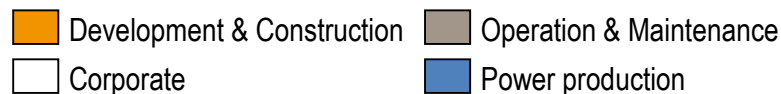
Q4 17 - NOKm	Power Production	O&M	D&C	Corporate	Total
Revenues	125.5	14.6	294.2	4.1	438.4
EBITDA	106.7	3.6	9.7	-14.6	105.4
Net interest & loan repayments	-68.8	0.6	0.8	-10.0	-77.4
Tax	-8.0	-1.0	-2.7	5.9	-5.8
<b>SSO share of CF to equity*:</b>	<b>30.0</b>	<b>3.2</b>	<b>7.7</b>	<b>-18.6</b>	<b>22.3</b>

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

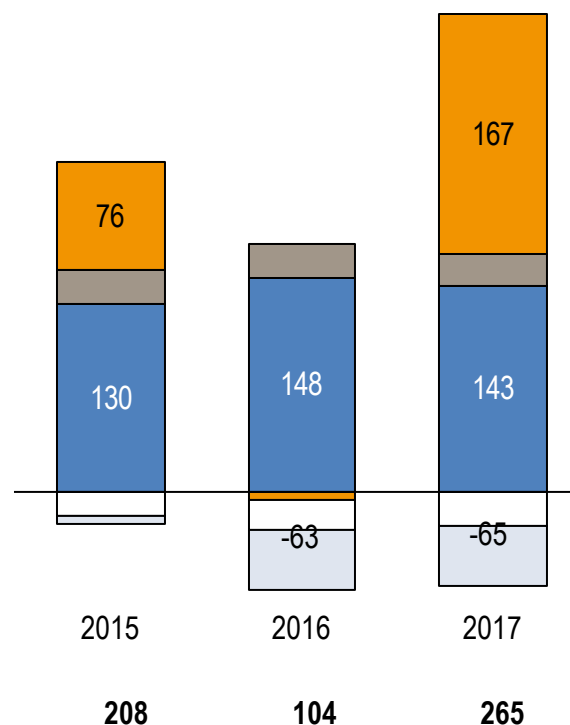


# Scatec Solar's share of cash flow to equity

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

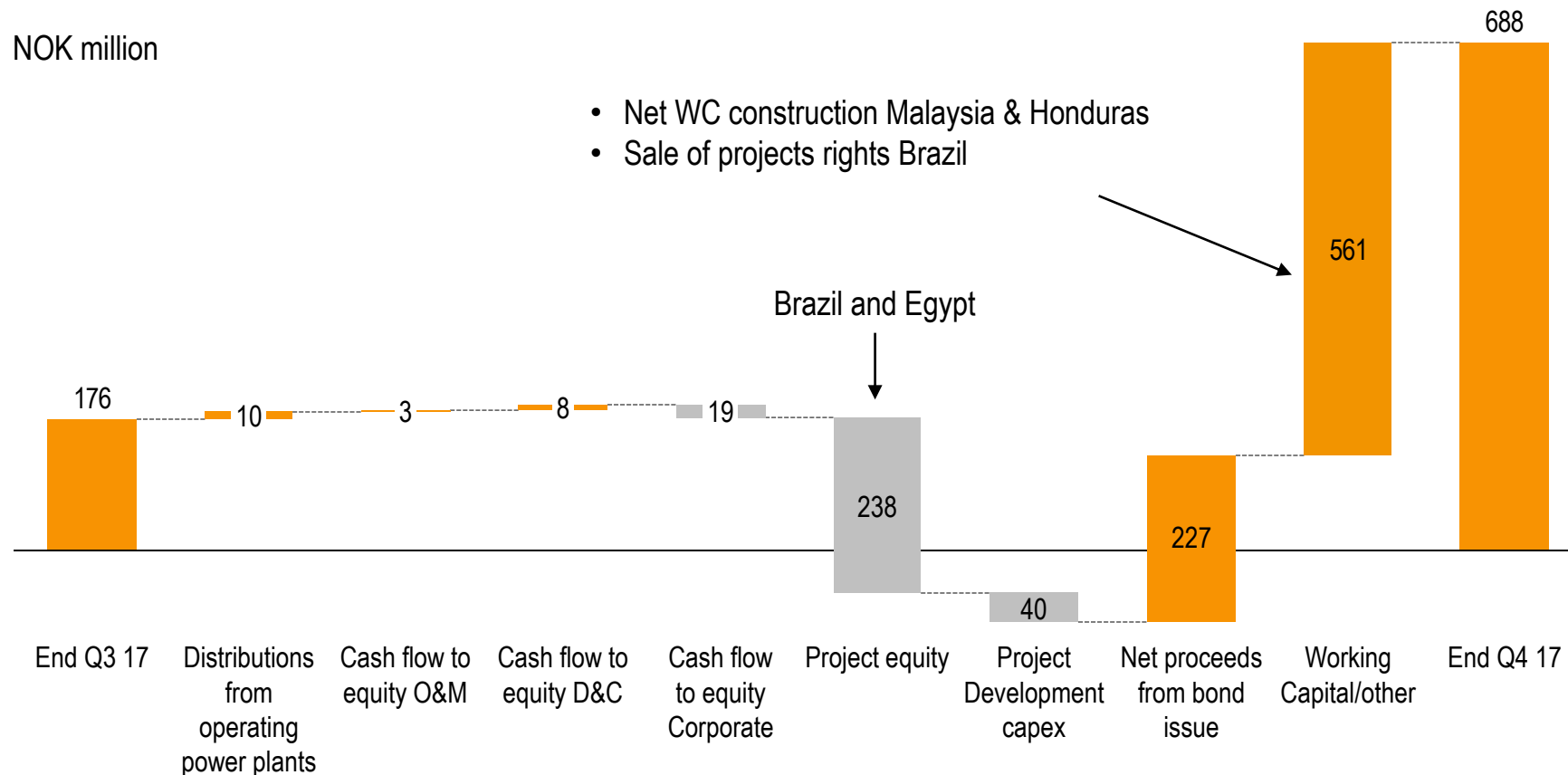


## Last twelve months (NOKm)



Interest paid on corporate bond

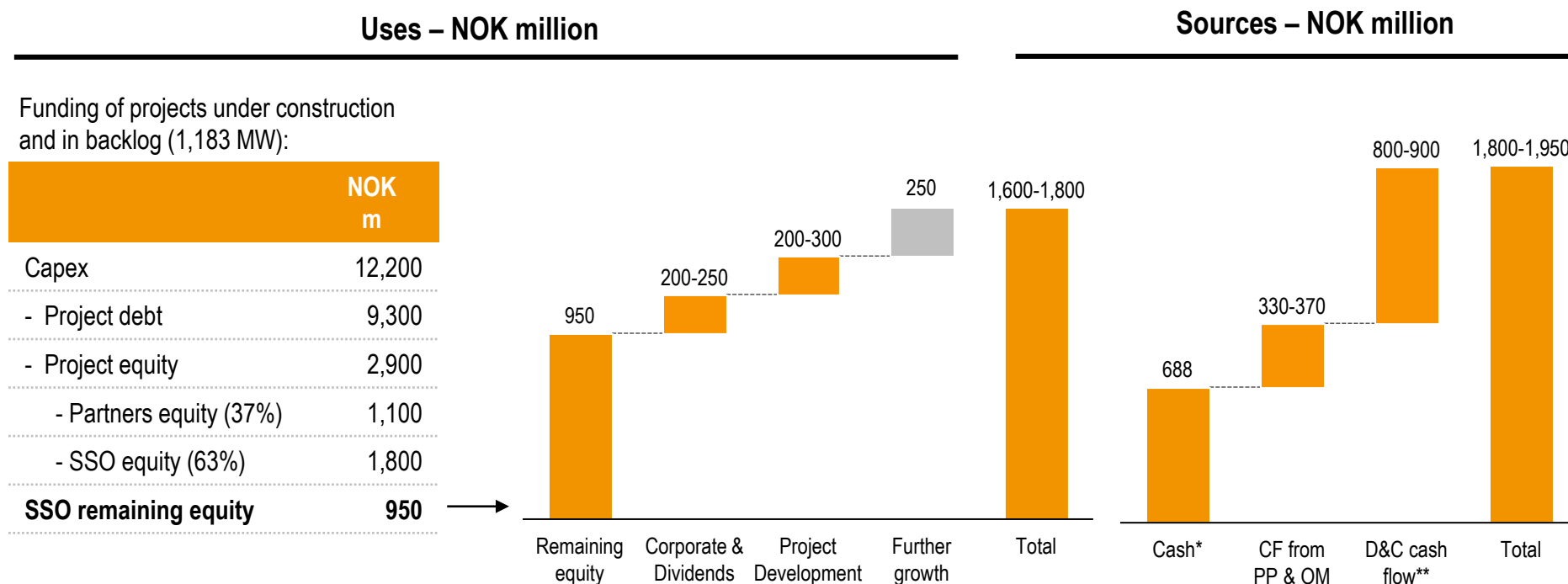
# Q4'17 movement of free cash at group level



- Approximately 25% of cash position represents a positive EPC working capital position

# Further strengthening of growth capacity

Fully funding for investments in projects under construction and in backlog (1,183 MW) and further project development over the next 1-2 years



Annual cash flow to equity from Power Production and O&M is expected to increase to NOK 430 - 480 million with backlog grid connected

# Project pipeline status

Project	Capacity	Status
South Africa	430 MW	SSO bid the projects in Nov 2015. Award of preferred bidder status expected after closing of the round 4 Uppington projects. Bid validity extended until Feb 2018 at request of IPP Office.
Pakistan	150 MW	All required development steps completed. Hearing of the tariff application took place during Q417. Expecting official feedback on the application in first half 2018.
Nigeria	100 MW	Signed Joint Development Agreement with Norfund and Africa50 in Nov 2016. Working with lenders and the World Bank to secure remaining project documents.
Kenya	48 MW	Re-initialed PPA with local utility Kenya Power and Lighting Company in June 2017. Partners continue the work to complete the development of the project.
Burkina Faso	17 MW	Concession agreement to be signed with Ministry of Energy. Awaiting final sign-off from Ministry of Finance before PPA can be signed.
<b>Total</b>	<b>745 MW</b>	