Report from the Board of Directors

A summary of key operational and financial highlights of the year 2018

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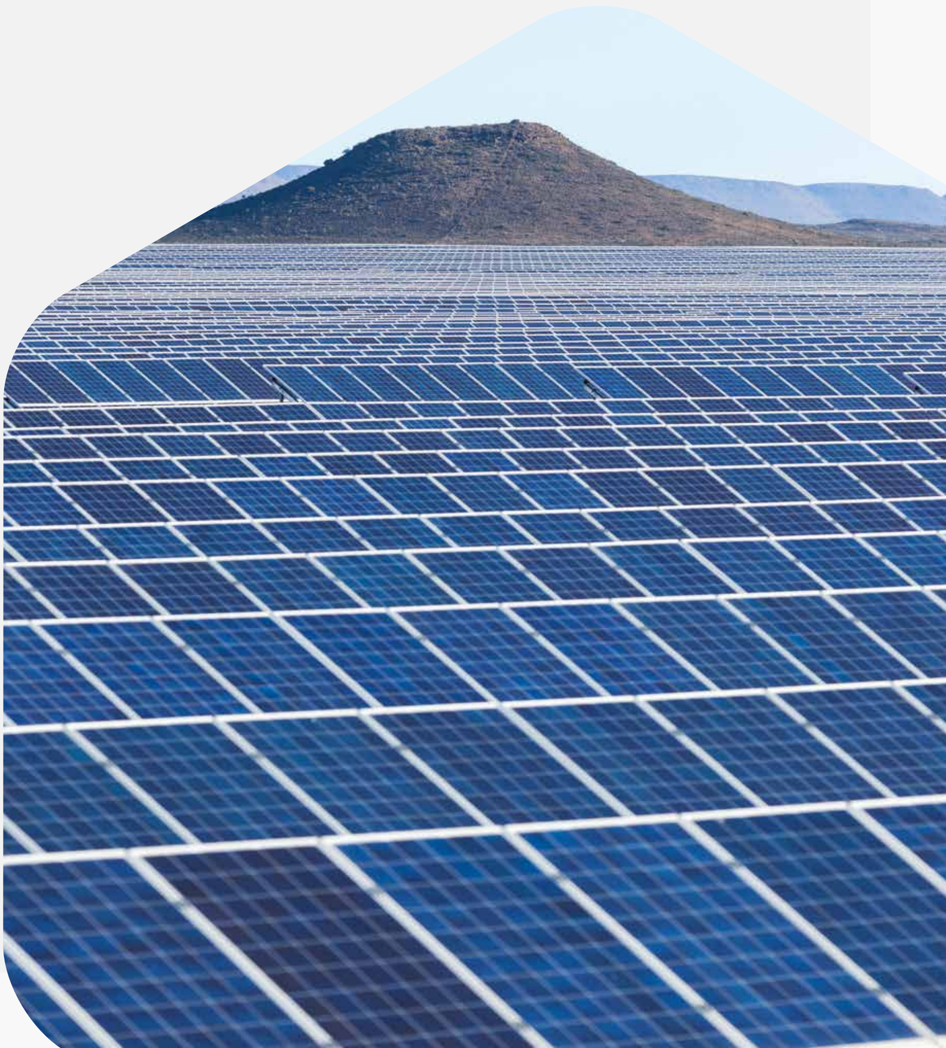


Highlights 2018

- Solid financial results with significant year-on-year growth - proportionate revenues of NOK 4,725 million (1,680) and EBITDA of NOK 961 million (792)
- Strong conversion of projects from pipeline and backlog in to construction, pipeline strengthened to more than 4,500 MW
- New solar plants in commercial operation in Brazil, Honduras and Malaysia – increasing asset portfolio in operation by 262 MW to 584 MW
- Construction ongoing for additional 1,071 MW in Argentina, Egypt, Malaysia, Mozambique, South Africa and Ukraine
- On track to reach target of 3,500 MW in operation and under construction by end 2021
- The Board of Directors has proposed dividends of NOK 0.95 per share

Key figures

NOK MILLION	FY 2018	FY 2017
PROPORTIONATE FINANCIALS 1)		
Total revenues and other income	4,725	1,680
Power Production	622	544
Operation & Maintenance	81	69
Development & Construction	4,005	1,054
Corporate	17	13
EBITDA	961	792
Power Production	492	454
Operation & Maintenance	34	28
Development & Construction	488	361
Corporate	-53	-50
Operating profit (EBIT)	773	632
Profit/(loss)	398	326
Net interest-bearing debt	4,214	2,013
Power production (GWh)	318	282
SSO proportionate share of cash flow to equity	481	265
CONSOLIDATED FINANCIALS 2)		
Revenues and other income	1,213	1,492
EBITDA	902	1,241
Basic earnings per Share (NOK)	1.29	3.36
Power Production (GWh)	681	627

1) With proportionate financials, Scatec Solar reports its share of revenues, expenses, profits and cash flows from its subsidiaries without eliminations, based on Scatec Solar's economic interest in the subsidiaries.

2) Refer to note 3 Operating segments in the consolidated financial statements for a reconciliation between proportionate and consolidated financials.

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 (45%):** Kalkbult, 75 MW Linde, 40 MW Dreunberg, 75 MW **Rwanda (54%):** ASYV, 9 MW **Czech Republic (100%):** Portfolio, 20 MW **Honduras (51%):** Agua Fria, 60 MW Los Prados, 35 MW **Jordan:** Oryx, 10 MW (90%) EJRE/GLAE, 33 MW (50.1%) **Malaysia (100%):** Gurun, 65 MW **Brazil (44%):** Apodi, 162 MW	**South Africa (45%):** Kalkbult, 75 MW Linde, 40 MW Dreunberg, 75 MW **Rwanda (54%):** ASYV, 9 MW **Czech Republic (100%):** Portfolio, 20 MW **Honduras (51%):** Agua Fria, 60 MW Los Prados, 35 MW **Jordan:** Oryx, 10 MW (90%) EJRE/GLAE, 33 MW (50.1%) **Malaysia (100%):** Gurun, 65 MW **Brazil (44%):** Apodi, 162 MW	**Egypt (51%):** Portfolio, 400 MW **South Africa (46%):** Round 4, 258 MW **Malaysia (100%):** Merchang, 66 MW Jasin, 66 MW **Argentina (50%):** Guanizuil, 117 MW **Ukraine:** Kamianka, 30 MW (100%) Rengy, 47 MW (51%) **Mozambique (52%):** Mocuba, 40 MW **Backlog:** 225 MW **Pipeline:** 4,454 MW		

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 has introduced reporting on proportionate financials. With proportionate financials Scatec Solar reports its share of revenues, expenses, profits and cash flows from its subsidiaries based on Scatec Solar's economic interest in the subsidiaries. Proportionate reporting is in line with how the Management Team assesses the performance of the segments.

Group – Proportionate financials

The 2018 proportionate revenues increased almost threefold from 2017, mainly explained by a significant increase in Development & Construction (D&C) activities. Furthermore, power revenues increased in the year based on reaching commercial operation for the Los Prados (Honduras), Gurun (Malaysia) and Apodi (Brazil) power plants. Revenues and profitability in the other business segments remained fairly stable.

Operating expenses increased in 2018, mainly driven by operating expenses of the new plants in operation.

D&C activities contributed with NOK 488 million of a total EBITDA of NOK 961 million for the year. EBITDA for the full year increased strongly compared to last year, mainly explained by higher contruction activities. The 2017 D&C EBITDA included a NOK 375 million gain on the partial sale of the Apodi project in Brazil.

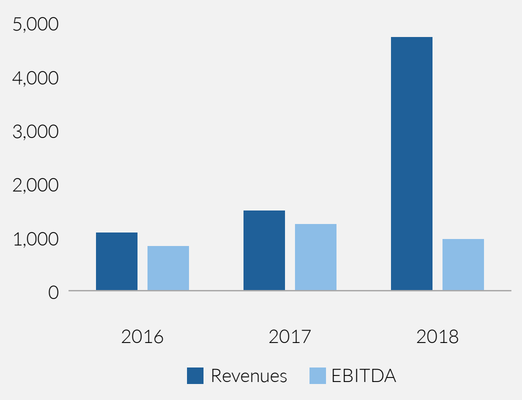
Scatec Solar's proportionate share of cash flow to equity was NOK 481 million in 2018, up from NOK 265 million in 2017.

Key figures

NOK MILLION	2018	2017
Revenues and other income	4,725	1,680
Operating expenses	-360	-276
EBITDA	961	792
D&A and impairment	-188	-160
EBIT	773	632
Cash flow to equity	481	265

Revenues & EBITDA by year

NOK MILLION



Key ratios

PERCENT	2018	2017
EBITDA margin	20%	47%
EBIT margin	16%	38%

Power Production

Power Production revenues reached NOK 622 million (544) in 2018. The segment had an installed capacity of 584 MW at the end of 2018 and reached production on a proportionate basis of 318 GWh compared with 282 GWh in 2017. The increase in production volumes and revenues is mainly driven by new power plants reaching commercial operation, asset management services rendered to new power plants as well as Scatec Solar's increased ownership share in the South African plants with effect from September 2018.

The increase in operating expenses from last year is explained by the new plants set in operation, as well as commencement of asset management activities for plants under construction. As asset management services yield lower margin than sale of electricity, the EBITDA margin for 2018 was reduced compared to last year.

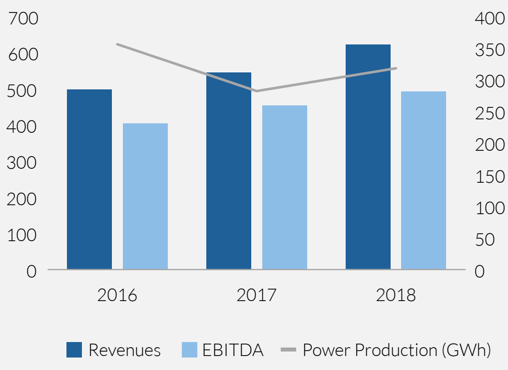
Scatec Solar's proportionate share of cash flow to equity from Power Production was NOK 157 million in 2018, up from NOK 143 million in 2017.

Key figures

NOK MILLION	2018	2017
Revenues and other income	622	544
Operating expenses	-130	-90
EBITDA	492	454
D&A and impairment	-164	-156
EBIT	328	298
Cash flow to equity	157	143

Revenues & EBITDA by year

NOK MILLION



Key ratios

PERCENT	2018	2017
EBITDA margin	79%	83%
EBIT margin	53%	55%

Production

MWH	2018	2017
MWh produced	681	627
-net to Scatec Solar	318	282

Operation & Maintenance

Revenues in the Operation & Maintenance (O&M) segment reached NOK 81 million (69) in 2018.

The revenue growth in 2018 is explained by commencement of O&M operations in Malaysia, Brazil and Honduras, as well as the catch-up of previously unrecorded revenues for two of the plants in Jordan.

Operating expenses amounted to NOK 48 million (41) in 2018. The increase is mainly due to costs related to preparations for growth in the contract portfolio and normal recurring maintenance activities.

EBITDA reached NOK 34 million (28) in 2018, corresponding to an EBITDA margin of 41% (40%).

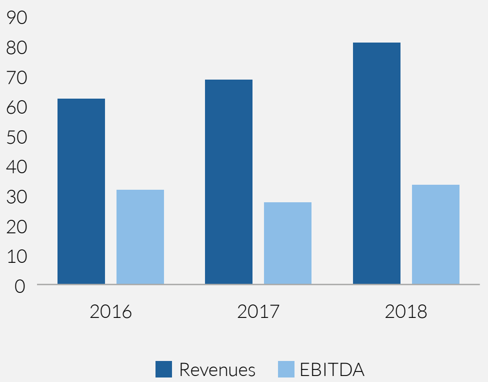
Scatec Solar's proportionate share of cash flow to equity from O&M was NOK 26 million in 2018, up from NOK 22 million in 2017.

Key figures

NOK MILLION	2018	2017
Revenues and other income	81	69
Operating expenses	-48	-41
EBITDA	34	28
D&A and impairment	-1	-1
EBIT	33	27
Cash flow to equity	26	22

Revenues & EBITDA by year

NOK MILLION



Key ratios

PERCENT	2018	2017
EBITDA margin	41%	40%
EBIT margin	40%	39%

Development & Construction

Revenues in Development & Construction (D&C) reached NOK 4,005 million (1,054) in 2018.

Activities in the segment increased significantly from 2017 to 2018 as financial close close was achieved and construction started for projects in South Africa, Mozambique, Argentina, Malaysia and Ukraine. Further, during 2018 construction was completed for Gurun in Malaysia, Apodi in Brazil and Los Prados in Honduras.

Revenues in the (D&C) segment are reflecting project development margin and progress on projects under construction.

The gross margin reached 15 % in line with earlier guidance. The gross margin in 2017 was positively affected by the NOK 375 million gain on the partial sale of the Apodi project in Brazil.

EBITDA reached NOK 488 million (361).

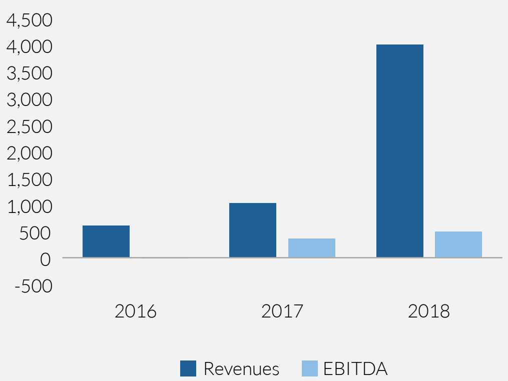
Scatec Solar's proportionate share of cash flow to equity from D&C was NOK 383 million in 2018, up from NOK 167 million in 2017.

Key figures

NOK MILLION	2018	2017
Revenues and other income	4,005	1,054
Cost of sales	-3,404	-612
Gross profit	601	442
Operating expenses	-113	-82
EBITDA	488	361
D&A and impairment.	-21	-3
EBIT	467	358
Cash flow to equity	383	167

Revenues & EBITDA by year

NOK MILLION



Key ratios

PERCENT	2018	2017
Gross margin	15%	42%
EBITDA margin	12%	34%
EBIT margin	12%	34%

Corporate

Corporate activities mainly relate to corporate and management services. The segment reported an operating loss of NOK -55 million (-51) in 2018

CORPORATE - KEY FIGURES

NOK MILLION	2018	2017
Revenues and other expenses	17	13
Operating expenses	-70	-63
EBITDA	-53	-50
D&A and impairment	-2	-1
EBIT	-55	-51
Cash flow to equity	-85	-65

Revenues in the corporate segment refers to management fees charged to the other operating segments for corporate services rendered across the Group and remains fairly stable from year to year. Corporate incurred NOK 70 million in operating expenses, an increase of 11% compared to last year. The increase reflects higher business activity for the group overall requiring additional resources across all corporate functions. These functions include management and corporate services such as finance, legal, HR, IT, corporate communication and sustainability.

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 2018, and the corresponding figures for 2017.

NOK MILLION	2018	2017
Revenues	1,213	1,492
EBITDA	902	1,241
Operating profit (EBIT)	629	993
Profit before income tax	323	461
Profit/(loss) for the period	226	438
Profit/(loss) to Scatec Solar	140	339
Profit/(loss) to non-controlling interests	86	99

Revenues

Scatec Solar reported net revenues of NOK 1,213 million (1,492) in 2018, mainly reflecting sales of electricity from solar power plants in the Czech Republic, South Africa, Rwanda, Honduras, Malaysia and Jordan. Included in the revenues and net profit for 2017 was a gain of NOK 375 million related to the partial sale of the Apodi project in Brazil to Equinor. Revenues from power sales increased compared to 2017, and the increase is mainly explained by start of commercial operation of the Los Prados and Gurun power plants in September and December 2018 respectively. For the remaining power plants, the change in production volume from last year is small and driven by regular operational variability.

Net income from associated companies was NOK 63 million in 2018, compared to negative NOK 7 million in 2017. The increase is explained by increased activity for the two joint venture projects in Brazil and Argentina.

Operating profit

The Group has in recent periods invested in both early stage development activities and also strengthening of the organisation following start-up of several new construction projects. This mainly explains the growth in operating expenses compared to last year.

Consolidated operating expenses amounted to NOK 311 million (250) for 2018. The increase compared to last year is mainly explained by operating expenses on the new plants in operation and higher number of full time employees.

During 2018, the Company's research and development activities did not qualify for cost recognition according to accounting standards, hence no such costs have been recognised in 2018 or 2017.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached NOK 902 million in 2018, a decrease from an EBITDA of NOK 1,241 million in 2017. The decreased profitability compared to last year is primarily due to the gain from the partial sale of the Apodi project in Brazil recognised in 2017.

Depreciation, amortisation and impairment amounted to NOK 273 million in 2018, compared to NOK 248 million in 2017. The increase is mainly explained by depreciation of solar plants that have been grid connected in 2018.

Operating profit (EBIT) ended at NOK 629 million in 2018, down from NOK 993 million in 2017.

Net financial items

NOK MILLION	2018	2017
Financial income	197	51
Financial expenses	-518	-524
Foreign exchange gains/(losses)	15	-60
Net financial expenses	-306	-532

Net financial items amounted to negative NOK 306 million in 2018, compared to negative NOK 532 million in 2017.

Financial income was NOK 197 million (51) for 2018, of which NOK 50 million (51) is reflecting interest income on cash balances. The remaining part relates to forward exchange contracts (FEC) that were set up in order to eliminate currency exchange risk in the Upington projects in South Africa. The FEC's are carried at fair value and fluctuate with changes in the exchange rates throughout the contract period.

Financial expenses mainly consist of interest expenses on non-recourse financing, and are in line with 2017.

Foreign exchange gains, which mainly relates to revaluation of intercompany balances, increased from negative NOK 60 million in 2017 to NOK 15 million in 2018.

Profit before tax and net profit

The effective tax rate was 30% for the full year 2018. The underlying tax rates in the companies in operation are in the range of 0% to 33%. In some markets, Scatec Solar receives special tax incentives intended to promote investments in renewable energy. The average effective tax rate fluctuates from year to year mainly based on construction progress. For further details, refer to Note 14 Tax.

Non controlling interests (NCI) represent financial investors in solar power plants. The allocation of profits between NCI and Scatec Solar is impacted by the fact that NCI only have shareholdings in solar power plants, while Scatec Solar also carries the cost of project development, construction, operation & maintenance 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 36 million (-14). in 2018. This relates to after-tax net movement of cash flow hedges of NOK 54 million (-45) and foreign currency translation differences of NOK 18 million (31).

Total comprehensive income was thus NOK 190 million for 2018, of which NOK 136 million was attributable to Scatec Solar, while NOK 53 million is attributable to non-controlling interests. This compares to a total comprehensive income of NOK 424 million for 2017, of which NOK 336 million was attributable to to Scatec Solar and NOK 88 million to non-controlling interests.

Consolidated statement of cash flow

Cash flow

Net cash flow from consolidated operating activities amounted to NOK 1,248 million (844) in 2018, compared to EBITDA of NOK 902 million. The difference between the operating cash flow and EBITDA is primarily explained by changes in working capital, mainly related to power plants under construction.

Net cash flow from consolidated investing activities was negative NOK 3,809 million (-874), reflecting construction activities related to the plants in Egypt, Mozambique, South Africa, Malaysia, Brazil, Argentina, Ukraine and Honduras.

Net cash flow from financing activities amounted to NOK 2,934 million (1,640), impacted by proceeds from non-recourse- and NCI financing of NOK 2,855 million (1,974) and NOK 624 million (31) respectively, partly offset by interest and down payments on non-recourse financing of NOK 854 million (707). Further, dividends of NOK 287 million (259) were paid in 2018 and the group raised NOK 596 million (373) from the private placement that was successfully completed in 2018.

In total, the Group's cash balance increased by NOK 373 million (1,610). Of the total cash balance of NOK 3,303 million (2,863), NOK 2,197 million (2,117) was restricted cash in power plant companies, NOK 67 million (58) represented other restricted cash while NOK 1,039 million (688) 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 an alternative performance measure that seeks to estimate the Group's ability to generate funds for equity investments in new solar power plant projects and/or for shareholder dividends over time, refer to Dividend Policy and Note 7 – Cash and cash equivalents. Scatec Solar's proportionate share of cash flow to equity totalled NOK 481 million (265) in 2018.

NOK MILLION	2018	2017
Power production	157	143
Operation & Maintenance	26	22
Development & Construction	383	167
Corporate	-85	-65
Total	481	265

Consolidated statement of financial position

Assets

NOK MILLION	2018	2017
Property, plant and equipment	9,008	5,618
Other non-current assets	1,407	961
Total non-current assets	10,415	6,580
Other current assets	1,139	797
Cash and cash equivalents	3,303	2,863
Total current assets	4,442	3,661
Total assets	14,857	10,240

Total assets amounted to NOK 14,857 million at year-end 2018, up from NOK 10,240 million at the end of 2017. The increase primarily reflects commencement of construction activities for the projects in Egypt, Mozambique, South Africa, Malaysia, Brazil, Argentina, Ukraine and Honduras.

Overall, non-current assets totalled NOK 10,415 million (6,580), of which NOK 9,008 million was Property, Plant & Equipment (PP&E). Current assets amounted to NOK 4,442 million (3,661), with cash and cash equivalents amounting to NOK 3,303 million (2,863). Part of the cash holdings is subject to restrictions or is collateralised, while free unrestricted cash was NOK 1,039 million (688) at the end of 2018.

Current and non-current financial assets and liabilities in the balance sheet relates to interest rate derivatives in the Egyptian and South African power plant companies. Other power plants are funded through fixed rate interest loans. Other current assets and liabilities mainly relate to working capital items such as prepayments and accruals.

Equity and liabilities

NOK MILLION	2018	2017
Equity	2,475	1,887
Non-current non-recourse project financing	8,643	6,164
Other non-current liabilities	1,940	1,254
Total non-current liabilities	10,583	7,418
Current non-recourse project financing	364	317
Other current liabilities	1,436	619
Total current liabilities	1,800	935
Total liabilities	12,383	8,353
Total equity and liabilities	14,857	10,240
Book equity ratio	16.7%	18.4%

Total equity stood at NOK 2,475 million (1,887) at the end of 2018, corresponding to an equity ratio of 17% (18%). 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.

Total non-current liabilities amounted to NOK 10,583 million (7,418) at the end of 2018, of which non-recourse project financing accounted for NOK 8,643 million (6,164) and bond debt of NOK 743 million (741). Total current liabilities came in at NOK 1,800 million (935), of which NOK 364 million (317) was in non-recourse project financing.

Parent Company

Scatec Solar ASA prepares its financial statements according to Norwegian Generally Accepted Accounting Principles (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 1,661 million and operating profit (EBIT) of NOK 60 million in 2018, compared to revenues of NOK 488 million and operating loss (EBIT) of NOK 82 million in 2017.

Revenues increased from 2017 to 2018 due to new construction projects as well as increased sale of 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 delivery of the main components of the solar power plants (inverter system, modules and structures) and 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 152 million, from NOK 138 million in 2017, reflecting the increased number of employees and activities supporting the Company's growth plan.

Profit after tax reached NOK 122 million, compared to a profit after tax of NOK 2 million in 2017.

Total equity for the parent company Scatec Solar ASA stood at NOK 1,636 million at 31 December 2018, up from NOK 1,022 million in 2017. Total assets amounted to NOK 5,043 million at 31 December 2018, up from NOK 3,105 million a year earlier. The increase reflects increased funding to group companies and new projects.

Scatec Solar ASA had 77 permanent full-time employees in 2018, up from 62 in 2017. The sickness leave rate in 2018 was 2%, 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 46% of the employees in 2018, up from 44% last year.

Organisation

Scatec Solar's diverse workforce represents 32 nationalities and 246 employees. The strengthening of the organisation has continued across all key regions and functions, with focus on further developing the successful cross functional teams to support further growth.

To further strengthen continuous development of people and teams, additional systems were implemented in 2018. These tools enable efficient administration of global HR processess to ensure high quality in all phases of training and development of a growing organisation.

Further information on diversity and equal opportunity is available in the Company's 2018 Sustainability report.

Sustainability

Sustainability is an integral part of Scatec Solar's business model, which in itself represents a positive contribution towards meeting the climate challenge and bridging the global energy gap. We generate clean, cost-effective and reliable electricity. We strive to conduct our business in a responsible manner across all operations guided by several internationally recognised frameworks and principles.

We are committed to develop and operate our solar projects in line with the IFC Performance Standards and the Equator Principles and we collaborate with partners that have the same high standards for the projects and their potential impact. We develop Environmental and Social Impact Assessments and Action Plans for all our projects, which are carefully monitored internally and externally by our project and financing partners. Scatec Solar became a member of the UN Global Compact in 2018. This reinforces our global commitment to responsible business conduct in the four areas: labour conditions, human rights, environment and anti-corruption.

In 2018, we reviewed our selection of Sustainable Development Goals (SDGs) after stakeholder feedback from external forums and internal engagements. Although we believe that Scatec Solar contributes to many of the SDGs, we focus on fewer goals for greater impact. The result of the review is that we have moved from six prioritised SDGs to four: Goal 7 "Affordable and Clean Energy", Goal 8 "Decent work and economic growth" and Goal 17 "Partnerships for the Goals" are the three primary goals to which we aim to contribute the most. We have also incorporated Goal 4 "Quality Education" as a core focus for our local development programmes.

Scatec Solar's reporting on sustainability work and performance is in accordance with the Global Reporting Initiatives (GRI) Standards. The next section provides a summary of our sustainability work and results in 2018. We also refer to our Sustainability Report 2018.

Health, Safety, Security and Environment (HSSE)

Health and Safety is a key priority for Scatec Solar and the Company is continuously working to achieve the goal of zero harm to personnel, materials and the environment. 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.

We delivered approximately 6.3 million working hours with no fatalities or serious injuries with disabilities in 2018. The year was characterised by significant expansion with high level of construction activities across 10 projects in Brazil, Honduras, Argentina, Malaysia, South Africa, Mozambique, Egypt and Ukraine. The Injury Rate* excluding first aid injuries amounted to 4.4 per million working hours, up from 3.4 in 2017. None of the recordable injuries were classified as serious injuries. We continuously work to improve our reporting and monitoring of HSSE related incidents. During the year, we recruited close to 6,000 workers for the construction periods, of which the majority were local and unskilled. The sickness leave rate remained moderate 0.7 % worldwide (2.1% in 2017) broadly in line with previous years.

We work systematically to strengthen our approach to security management and emergency preparedness. Measures in 2018 included bi-annually emergency drill exercises with the management and updates of training modules for all employees.

Business ethics and anti-corruption

Scatec Solar works systematically to prevent corruption and unethical practices in all projects and operations. 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. Some of our main financial collaborators such as Norfund, the International Finance Corporation (IFC), member of the World Bank Group, and other leading Development Banks are widely acknowledged for having high ethical standards and rigorous due diligence requirements.

We have a whistleblower function available to all employees, suppliers, partners and clients of the company through internal channels and our corporate website. This mechanism includes a hotline available 24/7 operated by a neutral third party. All whistleblowers have the option to be anonymous. Four reports were received anonymously by BDO through the whistleblower function in 2018, of which three related to corruption and one related to discrimination. All reports were investigated according to the established investigation procedure and no breach of policies or regulations was detected. Scatec Solar has implemented mandatory anti-corruption training for all employees and specific anti-corruption and integrity due diligence training for particularly exposed business units such as supply chain and business development.

Human rights and social issues

Human rights and social issues are key elements in our project work. Such issues can relate to labour rights, land resettlement, local community acceptance, and health and safety.

In 2018, we implemented a livelihood restoration programme for 220 local households in Mozambique in line with the IFC Performance Standards. We still have initiatives ongoing to make sure we follow up on the people most affected by the project. We also grid connected the Los Prados plant in Honduras after experiencing social unrest and issues with local community acceptance. Measures to handle these challenges included a strengthening of our local social staff and implementation of strong community and stakeholder efforts on a regular basis.

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 our corporate sustainability unit. We registered 92 grievances in 2018. The majority of the grievances come from projects under development or construction, which usually represents the phases with most feedback and concerns from stakeholders of the projects. 90% of the grievances were solved by engaging with the local communities on a regular basis and communicating our processes and principles. At the end of 2018, nine grievances were still in process of being resolved. Five of these were resolved during the first month of 2019. The remaining four are still being addressed and processed according to our procedures, and are expected to be resolved within the next quarter.

To further strengthen our work related to human rights and social issues, we will develop a corporate human rights policy in line with United Nation's Guiding Principles on Business and Human Rights in 2019.

Climate

Our solar plants contribute to the reduction of greenhouse gas emissions in every country where we operate. In 2018 we have continued the work of measuring our own carbon footprint. The total greenhouse gas emissions from Scatec Solar in 2018 were estimated to 2,792 tons of CO_2 with the majority coming from air travels. At the same time, we estimate that our operating solar plants contributed to reduced CO_2 emissions of about 650,000 tons in 2018. This figure will more than double when our projects currently under construction are grid connected.

Scatec Solar began preparations in 2018 to report to the Carbon Disclosure Project (CDP). This will lead to more transparency from disclosure of how we manage risks and opportunities posed by climate change and emission related targets and performance.

Corporate governance

The Board of Scatec Solar has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and improved communication between the management, the Board of Directors and the shareholders. The Company's framework for corporate governance is intended to decrease business risk, maximise value and utilise the Company's recourses in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large. The corporate governance framework of the Company is subject to annual reviews and discussions by the Board of Directors. The Company will continue to comply with the Norwegian Code of Practice for Corporate Governance and the Board of Directors' Corporate Governance report is available on the Company's website under the Investor section.

Share capital and the Scatec Solar share

Scatec Solar ASA is listed on the Oslo Stock Exchange under the "SSO" ticker. The share capital of Scatec Solar is NOK 2,843,841.80 divided on 113,753,672 shares, each with a nominal value of NOK 0.025. All shares are of the same class and with equal voting and dividend rights. Per 31 December 2018, the number of shareholders were 6,259. Refer to Note 23 - Share capital, shareholder information and dividend for further information.

Scatec Solar puts a strong emphasis on informing all interested parties about important news and the Company's developments through annual reports and quarterly presentations, 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.

Dividend policy

The Group's objective is to pay shareholders consistent and growing cash dividends. Scatec Solar's dividend policy is to, over time, pay its shareholders dividends representing 50% of free cash distributed from the producing power plant companies. For 2018, NOK 216 million has been distributed from the power plant companies.

In line with the dividend policy, the Board of Directors have resolved to propose to the Annual General Meeting of Scatec Solar that a dividend of NOK 0.95 per share should be paid for 2018.

Risk factors and risk management

Scatec Solar has extensive policies and procedures in place as part of its operating system to actively manage risks related to the various parts of the Company's operations. Key policies are reviewed and approved by the Board of Directors annually. The regular follow up of these policies is carried out by Scatec Solar management team, the finance function, legal and other relevant functions.

The Company is exposed to a variety of operational, political and financial risks through its business activities. The main business is related to projects and most of the risks are identified, reported and actively managed through all phases of the projects. All projects report status on risk management as part of their monthly reporting process. On Group level, an annual review of risks is performed by the Executive Management Team based on regular risk reporting from the projects and functions and reported to the Board of Directors.

Operational risk

The main economic 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 most of the risks that the business is exposed to is contained and actively 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.

The Company has established a solid project pipeline, but further growth of the business 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. This risk is mitigated 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 Scatec Solar's global networks 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.

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

The Company mitigates political risk in emerging markets through partnerships with multilateral development banks as project finance lenders and/or through establishing project risk insurance cover from the World Bank and others.

Financial risk

Through its business activities, Scatec Solar is mainly exposed to currency risk, credit risk, liquidity risk and to some extent interest rate risk. Financial risk management is based on the objective of reducing negative cash flow effects and to a less extent negative accounting effects of these risks. For description and management of financial risk, refer to Note 4 – Financial risk management.

Plants under construction, project backlog and pipeline

The solar market is growing strongly, and Scatec Solar is continuously developing a large project pipeline across a number of markets and is well positioned for continued solid growth over the years to come.

In May 2018, the Company announced a target to reach 3,500 MW in operation or under construction by year-end 2021. Scatec Solar had 584 MW in operation, 1,071 MW under construction, 225 MW in project backlog and 4,545 MW in project pipeline at year-end 2018.

Projects under construction and in backlog

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

The table below shows the projects under construction and in backlog with details on capital expenditure and annual production.

LOCATION	CAPACITY (MW)	CURRENCY [1]	CAPEX (100%, MILLION)	ANNUAL PRODUCTION (100%, GWH)	DEBT LEVERAGE	SSO ECONOMIC INTEREST
In Operation	584		9,526	1,091		55%
Under Construction						
BenBan, Egypt	400	USD	450	870	75%	51%
Upington, South Africa	258	ZAR	4,760	650	77%	46%
Jasin & Merchang, Malaysia	132	MYR	823	186	80%	100%
Guanizuil, Argentina	117	USD	95	310	60%	50%
Redsol, Malaysia	47	MYR	200	65	75%	100%
Rengy, Ukraine	47	EUR	52	60	70%	51%
Mocuba, Mozambique	40	USD	80	75	72%	52%
Kamianka, Ukraine	30	EUR	35	39	70%	100%
Total Under Construction	1,071	NOK	11,215	2,257		58%
Backlog						
Segou, Mali	33	EUR	52	60	75%	51%
Los Prados II, Honduras	18	USD	20	35	70%	70%
Ukraine	174	EUR	193	221	70%	65%
Total Backlog	225	NOK3	2,588	316		64%
Total	1,880	NOK3	23,330	3,664		58%

1) Currency' specifics of PPA tariff, capex and project finance debt.
2) All exchange rates to NOK are as of 31 December 2018.

Total annual revenues from the 1,880 MW in operation, under construction and in backlog is expected to reach NOK 3,600 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.

Under construction

BenBan, Egypt, 400 MW

In April 2017, Scatec Solar and partners signed six 25-year PPAs for projects in "Round 2" of the FiT programme in Egypt totalling 400 MW (DC). Total investments for the solar plants are 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 is partnering with local developers, KLP Norfund Investments and Africa50 for equity investments in the projects. Construction started in the second quarter 2018 and grid connection is expected during second half of 2019.

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. Norfund holds 18%, the surrounding Community of Upington 5% and an investor under the South African Black Empowerment Prograom holds the remaining 35% of the equity. Financial close for the projects was reached in April 2018. A consortium of commercial banks and Development Finance Institutions with Standard Bank in the lead are providing non-recourse project finance to the project.

Construction activities are on track with grid connection expected towards the end of 2019.

Jasin & Merchang, Malaysia, 132 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). Financial close and construction start for the three solar plants were in October 2017. Project debt financing was raised through an Islamic Green Bond of MYR 1,000 million. Commercial operation for the first solar plant, Gurun was reached in December 2018. Commercial operation for the two other solar plants has been delayed and is expected to be achieved in second quarter 2019.

Guanizuil, Argentina, 117 MW

In June 2018, Scatec Solar together with Equinor signed an agreement with the Portuguese company Martifer Renewables for the acquisition of the Guanizuil IIA project in Argentina. The project was awarded a PPA in November 2017 and the partners signed the 20-year PPA in November 2018. Total capital expenditure is estimated at USD 103 million and the plant will be owned 50% by Scatec Solar and 50% by Equinor. Scatec Solar will be project lead in a jointly owned construction company while Equinor will provide a construction bridge loan covering 60% of the capex required for the project. The partners have started a process to secure suitable long-term project financing to the project. Construction started late 2018 with expected commercial operation by the end of 2019.

Rengy, Ukraine, 47 MW

In July 2018, Scatec Solar entered into agreements with Rengy Development, securing projects with capacity of 47 MW in the south of Ukraine. Financial close and start of construction were in December 2018. Total investments are estimated at EUR 52 million and Scatec Solar owns 51% of the project and Rengy Development Group holds the balance. EBRD and the Black Sea Trade and Development Bank (BSTDB) signed credit agreements of 50% each of the non-recourse debt financing of the project. The credit facilities amount to EUR 36 million and covers 70% of the total project costs. The project will be realised under the country's 10-year Feed-in-Tariff scheme and public land will be leased for an extended time-period as the plants are expected to deliver power also beyond the Feed-in-tariff period. Construction started late 2018 with commercial operation expected during 2019.

Redsol, Malaysia, 47 MW

In December 2017, Scatec Solar were awarded the Redsol project under Malaysia's second large scale solar tender round. The power plant is expected to deliver 67 GWh of electricity per year with annual revenues of approximately USD 6 million. Scatec Solar closed financing for the project in December 2018 with a total investment of approximately USD 47 million. BNP Paribas will provide the non-recourse project finance facility for the project, covering 73% of the project cost. Construction started late 2018 with grid connection expected in fourth quarter 2019.

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. Financial close was in March 2018 with debt financing from IFC, the International Finance Corporation, a member of the World Bank Group, and the Emerging Africa Infrastructure Fund. Construction activities continues according to plan with expected grid connected during first half of 2019.

Kamianka, Ukraine, 30 MW

In June 2018, Scatec Solar signed agreements securing the 30 MW Kamianka project in central Ukraine with a total investment of EUR 35 million. Financial close was in December 2018. EBRD and FMO, the Dutch development bank signed credit agreements for the non-recourse debt financing of the project. The credit facilities amount to EUR 24.5 million and covers 70% of the total project costs.The project will be realised under the country's 10-year Feed-in-Tariff scheme and public land will be leased for an extended time-period as the solar power plant is expected to deliver power also beyond the Feed-in-tariff period. Construction started early 2019 with commercial operation expected in fourth quarter 2019.

Backlog

Ukraine, 174 MW

During 2018, Scatec Solar signed agreements securing projects with total capacity of 251 MW in Ukraine. Two of these projects secured financing in 2018 and moved into construction. All the projects will be realized under the country's Feed-in-Tariff scheme and the portfolio is expected to produce about 220,000 MWh per year. The plants are expected to deliver power also beyond the 10-year Feed-in-tariff period.

Total capex for the projects is estimated to EUR 193 million. The project finance process has been initiated with the European Bank of Reconstruction and Development (EBRD) and FMO in lead. Grid connection of the plants is expected towards the end of 2019.

Scatec Solar will be the lead equity investor in the projects and is targeting to secure additional equity partners for the projects. Further, Scatec Solar will be the Engineering, Procurement and Construction (EPC) provider and provide Operation & Maintenance as well as Asset Management services to the power plants.

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. The lenders, IFC and the African development Bank, have approved the project finance for the project. Scatec Solar and partners are working to obtain final approvals from the Government of Mali on the project agreements.

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.

Los Prados II, Honduras, 18 MW

In October 2015 Scatec Solar and Norfund acquired the Los Prados project holding a 20-year PPA with Empresa Nacional de Energía Eléctrica (ENEE), the state-owned utility. The project is owned 70 % by Scatec Solar and 30 % by KLP Norfund Invest.

The 35 MW Phase I of the project was grid connected and reached commercial operation at the end of third quarter 2018. The 18 MW Phase II will be realised after required grid upgrades have been completed by ENEE.

Pipeline

In addition to projects in backlog Scatec Solar holds a solid pipeline of projects totalling 4,454 MW across four key regions. The pipeline has developed favourably over the last year through systematic project development efforts in a number of markets where both governments and corporate off-takers are seeking to source solar energy.

Historically, about 50% of projects in pipeline have been realised. The pipeline projects are in different stages of development and maturity, but they are all typically in markets with an established government framework for renewables and for which project finance is available (from commercial bank or a multilateral development bank). The project sites have typically been secured and Scatec Solar is in a position to participate in bilateral negotiations for a long-term power sales agreement with an off-taker, feed-in-tariff schemes, or tender processes.

PIPELINE

	CAPACITY (MW)
Latin America	833
Africa	2,186
Europe & Central Asia	523
South East Asia	912
Total pipeline	4,454

Latin America (833 MW)

Scatec Solar's development efforts in Latin America is mainly focused on Brazil and Argentina. Scatec Solar is partnering with Equinor in these markets.

Argentina is targeting to further expand its RenovAR programme. PPAs have already been awarded to renewable energy projects of more than 4 GW. Over the past 18 months, approximately 1.5 GW of solar projects have been awarded in two consecutive utility scale solar auctions. Brazil is a well-established market for renewable energy with about 1 GW of solar capacity installed and another 1 GW under construction.

In both markets Scatec Solar is seeking to acquire project rights from previous tender rounds, secure sites for participation in upcoming tenders as well negotiating corporate PPAs.

Africa (2,186 MW)

Scatec Solar holds sites representing 516 MW ready to be bid in the upcoming tender rounds in South Africa. A new tender ("round 5") under the REIPPP programme is expected to be launched in 2019.

In addition to South Africa, Scatec Solar is developing a broad pipeline of projects across a number of markets including Egypt, Nigeria, Kenya and in a number of other countries on the continent, in addition to negotiating a number of potential corporate PPAs.

Europe and Central Asia (523 MW)

Ukraine, Poland and Pakistan are key markets currently being pursued by Scatec Solar in Europe and Central Asia.

In Ukraine, Scatec Solar is developing projects totalling 163 MW in addition to the 251 MW in project backlog and under construction. Ukraine is committed to integrate with the EU energy system with ongoing electricity market reforms and aiming to replace nuclear reactors and reduce supply of Russian gas with a target of 11% renewables by 2020.

In Pakistan, the 150 MW project portfolio in Sindh were awarded a "costs plus tariff" of 52.6 USD/MWh in January 2018. Scatec Solar and Nizam Energy has applied for the issuance of the power purchase agreement and the implementation agreement.

South East Asia (912 MW)

Malaysia, Bangladesh and Vietnam are key markets for Scatec Solar in South East Asia. In Malaysia it is expected the new government will maintain the same level of ambition for the renewable energy sector as before. Scatec Solar continues to prepare for the next tender round as well as pursuing a number of bi-lateral opportunities.

In Bangladesh, the first project developed by Scatec Solar of 60 MW has been approved by the Prime Minister and a tariff level has been awarded. Scatec Solar is now working with the authorities to finalise project agreements. In parallel, Scatec Solar is developing other projects and is in total working on a portfolio of about 310 MW.

In Vietnam, the government is expected to announce a new feed-in tariff level shortly. Scatec Solar is currently working on a portfolio of about 400 MW of projects in the country to be positioned for the future feed-in tariff in Vietnam.

Outlook

The solar market is continuing to grow with annual solar installations expected to increase from 105 GW in 2018 to 130 GW in 2021. Scatec Solar is developing a large and broad project pipeline across a number of markets and is well positioned to achieve profitable growth over the years to come.

The Company's growth strategy remain firm and is supported by four key priorities;

1. Efficiently execute the construction portfolio
2. Secure additional growth in key regions
3. Broaden commercial and technology scope
4. Optimise asset portfolio through debt refinancing and selective asset rotation.

Scatec Solar will continue to build on its proven track record and business model to realise attractive project opportunities. With 584 MW in operation, 1,071 MW under construction and 4,500 MW in project pipeline, Scatec Solar is on track towards the target of increasing installed capacity to above 3,500 MW by end 2021.

For 2019, power production is expected to reach 1,050-1,150 GWh from plants in operation at year end 2018, compared to 681 GWh in 2018. Production volumes will grow significantly as plants under construction are being grid connected and starting commercial operations during 2019. Scatec Solar's proportionate cash flow to equity from Power Production and Operations & Maintenance for plants now in operation and under construction is expected to reach NOK 500 – 550 million compared to NOK 183 million in 2018.

Subsequent events

No events have occurred after the balance sheet date with significant impact on the financial statements for 2018.

Oslo, 14 March 2019

The Board of Directors of Scatec Solar ASA

John Andersen Jr. (Chairman) | John Giverholt | Mari Thjømøe

Jan Skogseth | Gisele Marchand | Raymond Carlsen (CEO)