Annual Report

2018

Scatec Solar
Improving our future™

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

Contents

Scatec Solar in brief

Scatec Solar is an integrated independent solar power producer, delivering affordable, rapidly deployable and sustainable source of clean energy worldwide. As a long-term player, Scatec Solar develops, builds, owns, operates and maintains solar power plants, and has solid installation track record of more than 1 GW.

The company has a total of 1.7 GW in operation and under construction in Argentina, Brazil, the Czech Republic, Egypt, Honduras, Jordan, Malaysia, Mozambique, Rwanda, South Africa and Ukraine.

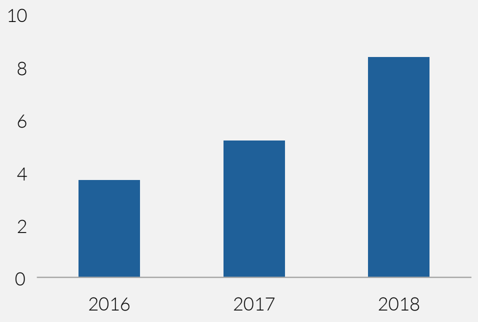
With an established global presence and a significant project pipeline, the company is targeting a capacity of 3.5 GW in operation and under construction by end of 2021. Scatec Solar is headquartered in Oslo, Norway and listed on the Oslo Stock Exchange under the ticker symbol 'SSO'.

Key facts

Employees	In operation at year-end	FY 2018 production	Project pipeline & backlog
246	584 MW	681 GWh	4.7 GW

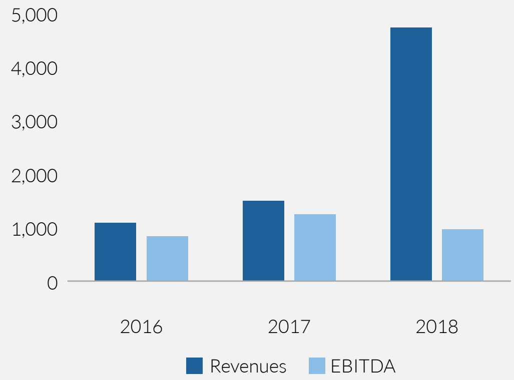
Market capitalisation at year-end

NOK BILLION



Proportionate Revenues & EBITDA

NOK MILLION



Proportionate financials

NOK MILLION	FY 2018	FY 2017	FY 2016
PROPORTIONATE FINANCIALS [1]			
Revenues and other income	**4,725**	1,680	1,174
EBITDA	**961**	792	376
Operating profit (EBIT)	**773**	632	147
Profit/(loss)	**398**	326	-84
Net interest- bearing debt	**4,214**	2,013	1,918
Power production (GWh)	**318**	282	356
SSO proportionate share of cash flow to equity [2]	**481**	265	104
CONSOLIDATED FINANCIALS [3]			
Revenues and other income	**1,213**	1,492	1,085
EBITDA	**902**	1,241	833
Basic earnings per share (NOK)	**1.29**	3.36	0.04
Power production (GWh)	**681**	627	791

1) See Other definitions appendix for definition.
2) See Alternative Performance Measures appendix for definition.
3) Refer to Note 2 Operating Segments in the consolidated financial statement for a reconciliation between proportionate and consolidated financials.

Scatec Solar's value chain

Project development

- Site development and permitting
- System design
- Business case development
- PPA negotiation
- Power purchase agreement

Financing

- Debt/Equity structuring
- Due diligence

Construction

- Engineering and procurement
- Construction management

Operations

- Maximise performance and availability
- Maintenance and repair

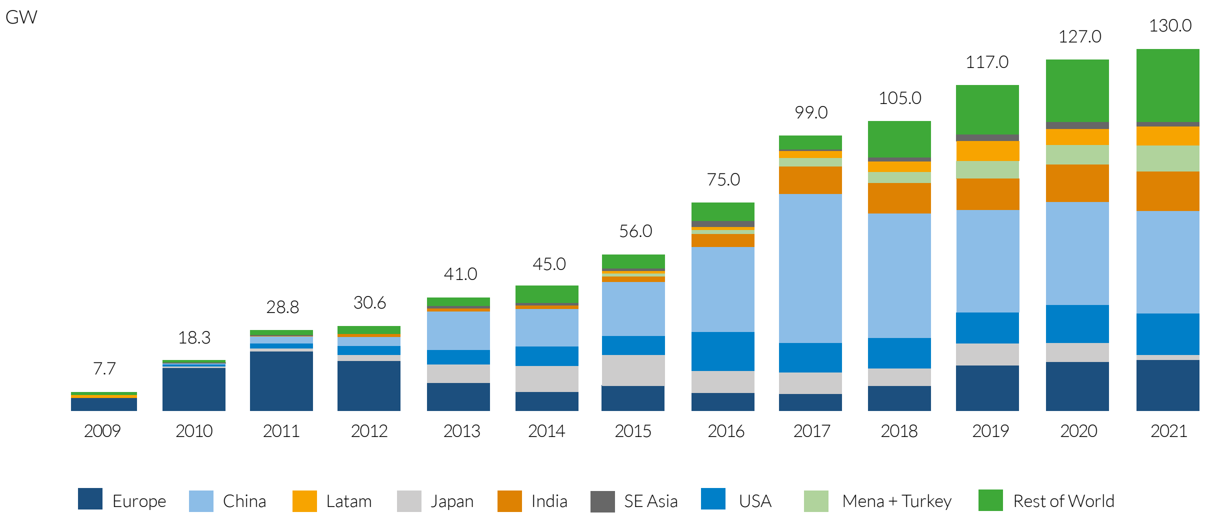
Ownership (IPP)

- Asset management
- Financial optimisation

Market development

The solar market is growing strongly. With further technology improvements and cost reductions for solar components, industry analysts are expecting significant market growth in the years to come.

PV Market Outlook



Source: Bloomberg New Energy Finance, Q1 2019 PV Market Outlook and New energy outlook 2018.

Bloomberg New Energy Finance (BNEF) expects global power demand to grow by 57% from 2018 to 2050, representing investments of about USD 11.5 trillion in new power generation. Of this, more than 70%, or USD 250 billion per year is forecasted to be invested in wind and solar.

According to BNEF it was installed 107 GW of solar globally in 2018. This represents total investments of USD 131 billion.

In the short term, the solar market volume is expected to grow by 20% to 130 GW by 2021. The highest growth is forecasted to come from new markets in Latin America, the Middle East and Southeast Asia. The investments required to realise a typical utility-scale solar plant is expected reach 80 cents per Watt in 2019, a decline of 45 % from 2015.

As the cost of solar power continues to decline, policy makers around the world are increasingly looking to solar to cover their power needs and create growth. In emerging economies, governments look at private/public partnerships as an attractive model where multilateral development banks and private players provide funding to realise new solar projects at a fast pace. Several development banks have long-standing presence and experience in emerging markets and are mandated to provide non-recourse project financing. These markets continue to represent interesting opportunities for Scatec Solar and forms a strong fundament for growth in the years to come.

Annual solar installations are expected to reach **130 GW by 2021**

A year of sustainable growth

2018 enters history as a year of growth and several record achievements for Scatec Solar. It was also the start of another highly ambitious period of growth with new targets of 3.5 GW in operation or under construction by the end of 2021.

Growth is not an objective, but an enabler to meet what we set out to achieve. To continuously keep Scatec Solar on track, I frequently remind myself of what Scatec Solar's mission is: To deliver competitive and sustainable solar energy globally, to protect our environment and to improve quality of life through innovative integration of reliable technology.

I firmly believe that we continued delivering in line with our mission in 2018.

Firstly, we grew our asset portfolio in operation by 262 MW to 584 MW in 2018, driven by new solar plants in commercial operation in Brazil, Honduras and Malaysia. The dedication and efforts of our teams to reach these important milestones were impressive. As was the continued support from our multitude of partners, including suppliers, investment partners, development financing institutions and – at the core of everything we do – our customers. Our partnerships are essential to Scatec Solar's business model and progress.

From an environmental perspective, our operating solar power plants avoided about 650,000 tons of greenhouse gas emissions in 2018, underlining the positive climate impact of our company.

Secondly, we secured strong conversion of new projects from pipeline and backlog into construction. At year-end, 1,071 MW of new projects were under construction in eight countries. Starting construction of new projects greatly benefits the local communities we operate within, not only through local job and value creation, but also through implementation of sustainability programmes that improve standards in local communities close to our project sites. It is important to us that each local community benefits from the solar power plant beyond the building and operations of the plant. I encourage you to read more about how we work with sustainability as an integrated part of our business in the 2018 Sustainability report.

Moreover, when operating in emerging markets, sustainability efforts are integral to achieve business success and financial growth. In 2018, we almost tripled our revenues from 2017, reaching proportionate revenues of NOK 4,725 million in 2018. EBITDA grew to NOK 961 million, up from 792 million in 2017.

The key asset to delivering such growth is our people. In 2018, we expanded our global team by 68 highly skilled employees to 246. However, numbers alone do not create success. Empowered employees from diverse backgrounds are key to innovation and growth. Their creativity and agility enable us to stay one step ahead of the competition. I was therefore highly encouraged by the results from the employee survey conducted in the autumn of 2018, where 87 percent of our employees believe Scatec Solar is a great place to work and 93 percent are proud to tell others they work here.

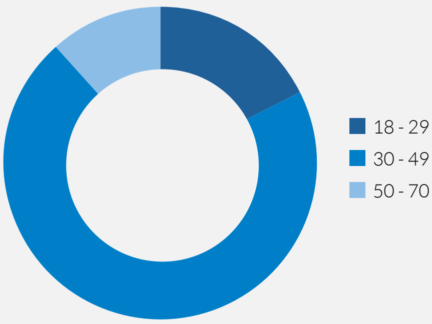
Such results make me proud to be CEO of Scatec Solar. They also give me reassurance that we are equipped to meet the highly ambitious future growth targets we defined in mid-2018. From today's 1,700 MW in operation and under construction, we have set a target to reach 3,500 MW by the end of 2021. With a solid pipeline and backlog of 4,700 MW at year-end 2018, we are on track to reach this target.

Our record achievements in 2018 within several areas give us a solid basis to further develop our business and continue growing sustainably in 2019 and beyond. The solar market is the fastest growing renewable energy source and we see significant opportunities to utilise our track record, business model and new technologies to realise new projects. As set out in the beginning of this letter, Scatec Solar's mission is clear, and we will constantly strive to improve our performance and simultaneously create positive spin-off effects to the communities we operate within and the planet we live on.

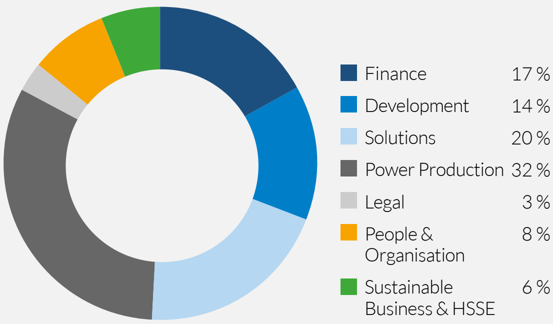
Raymond Carlsen (CEO)

We expanded our global team by 68 highly skilled employees in 2018 to 246, representing 32 different nationalities.

Age groups



By functions



Our people

The key to our success is our people

2018 has been a year of strong growth delivered by our dedicated people and teams. This is also reflected in our organisation which we have strengthened within all functions and regions. In 2018, we expanded our global team by 68 highly skilled employees to 246, whereof women account for 33 %. In addition to our own employees, we had about 183 professionals hired in to deliver on our projects in 2018. A range of onboarding activities have successfully been implemented to integrate every new hire into our diverse organisation counting 32 different nationalities.

This year, we will continue our work to take further advantage of this diversity, adding knowledge, skills, gender and personality to the equation. If we can further capitalise on the combined strengths of these assets, we are set for an even stronger organisation that continues to deliver successful projects in complex environments.

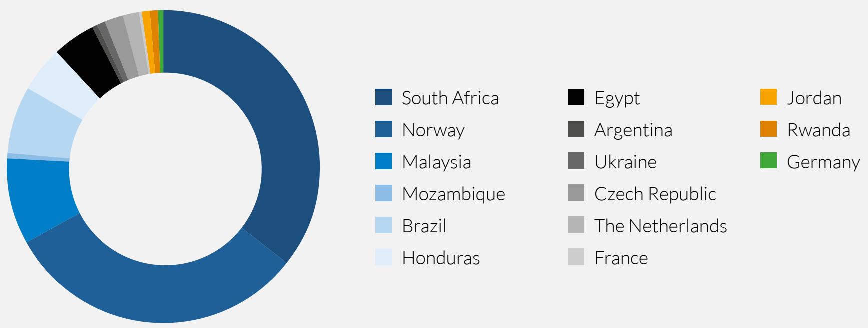
To further strengthen continuous development of Scatec Solar's people and teams, additional systems were implemented in 2018. These tools enable efficient administration of global HR processes to ensure high quality in all phases of training and development of a growing organisation. During the second half of 2018, 16 different courses were offered to all employees. This offering is continuously updated and aligned with the needs of the business and employees.

Performance management in Scatec Solar is a continuous process to reinforce a value based high performance culture with passionate and empowered employees. The core of the performance, management and appraisal (PDA) process is the continuous dialogue between line manager and employee. The PDA process is mandatory for all employees and we track this to full completion every year.

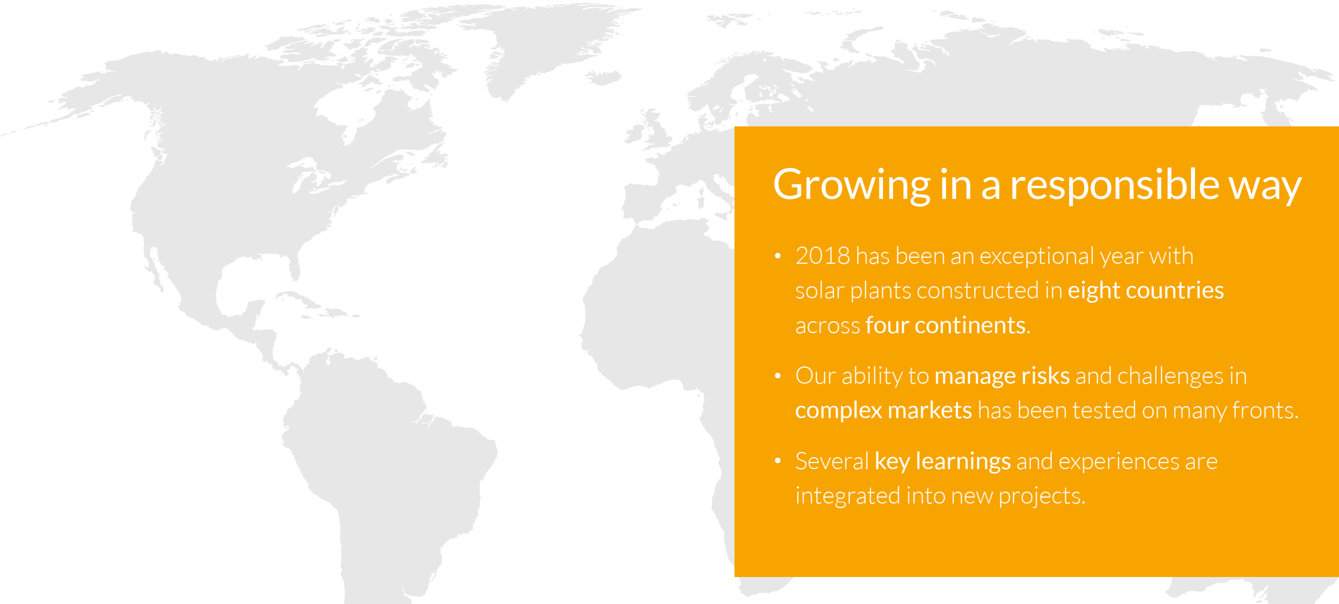
We conducted our first global employee survey in 2018. The overall results were strong, and the scores reflecting employee pride were the highest. The survey provides good insight into areas we can improve as well as areas where we can further utilise our strengths. Global follow-up of the findings, including improvement objectives and supporting actions, will be ongoing throughout 2019.

Scatec Solar's operations stretches across 19 countries and four continents. Even though we are growing at a high pace, we remain an agile and lean organisation. We utilise our strengths throughout the complete value chain and deliver record achievements together with our long-term partners. This combination will continue to be key for our future success.

Geographic distribution of employees



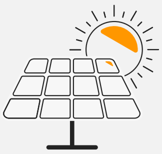
Sustainability highlights



Growing in a responsible way

- 2018 has been an exceptional year with solar plants constructed in **eight countries** across **four continents**.
- Our ability to **manage risks** and challenges in **complex markets** has been tested on many fronts.
- Several **key learnings** and experiences are integrated into new projects.

Projects

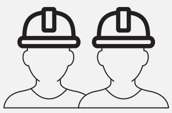


Doubled installed capacity
Grid connected 262 MW in 2018 - more than doubled our installed capacity

650,000 tons of CO_2
emissions reduced from our solar plants in operation in 2018

3.5 GW Targeting 3.5 GW in operation and under construction by the end of 2021

People



Zero serious injuries
Delivered 6.3 mill working hours with no serious injuries

6,000 jobs created
in projects under construction – the majority local and unskilled labour

Diversity Our total global workforce is represented by 32 nationalities

Learnings

Community relations
Grid connected the Los Prados plant in Honduras after social unrest locally, in large part caused by misinformation and resolved through a stronger social team and improved dialog and interactions with the communities.

Resettlement
Livelihoodrestoration programme for 220 local households in Mozambique in line with IFC's Performance Standards

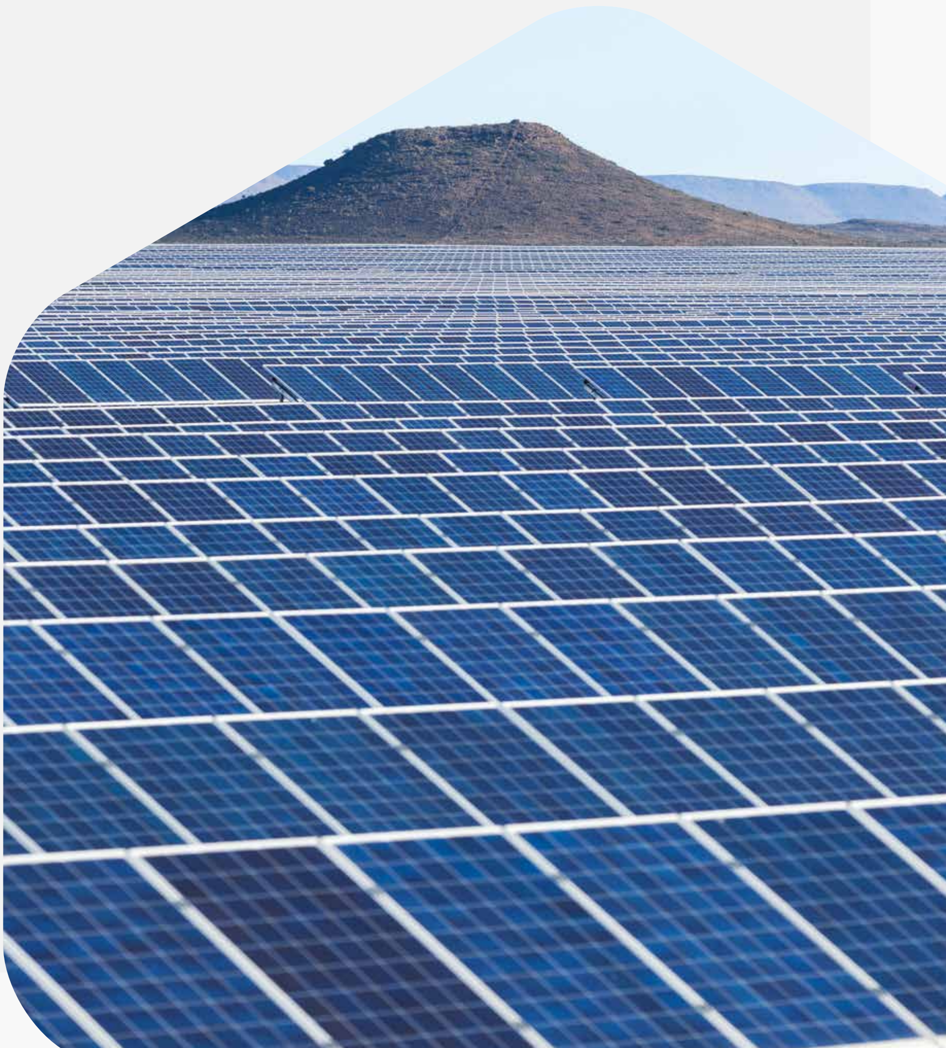
Compliance Strong efforts with Environmental & Social management to ensure compliance of all contractors and business partners with international standards and requirements in Egypt and other ongoing projects

Read more about Scatec Solar's sustainability efforts in the **Sustainability Report 2018** available on https://annualreport2018.scatecsolar.com/

Report from the Board of Directors

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

Article continues



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

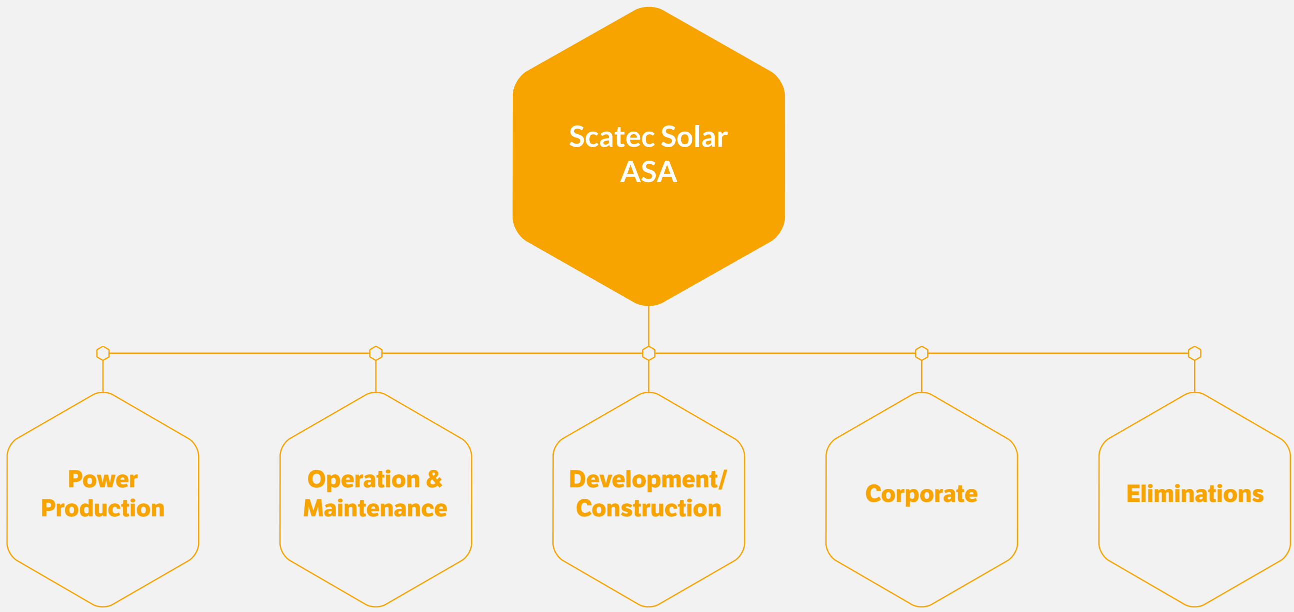
Key figures

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



	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.

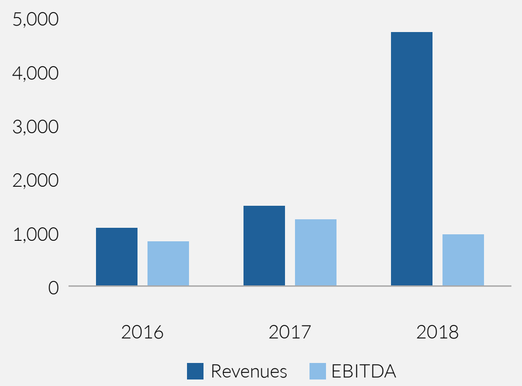
Scatec Solar's proportionate share of cash flow to equity was NOK 481 million in 2018, up from NOK 265 million in 2017.

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.

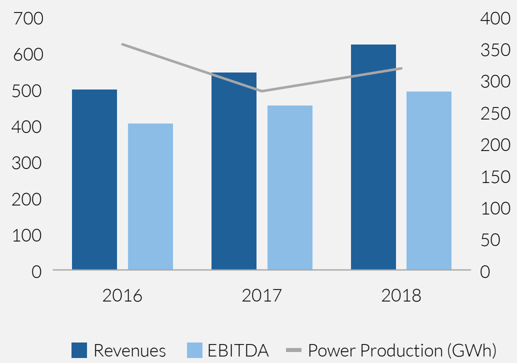
Scatec Solar's proportionate share of cash flow to equity from Power Production was NOK 157 million in 2018, up from NOK 143 million in 2017.

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%).

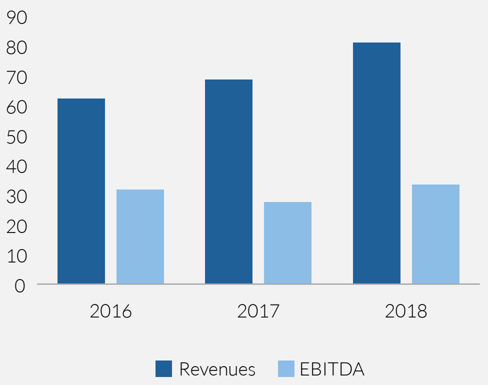
Scatec Solar's proportionate share of cash flow to equity from O&M was NOK 26 million in 2018, up from NOK 22 million in 2017.

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).

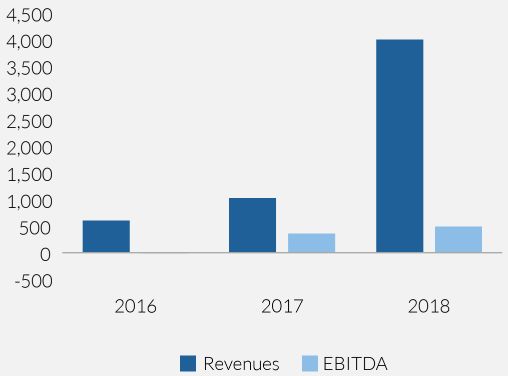
Scatec Solar's proportionate share of cash flow to equity from D&C was NOK 383 million in 2018, up from NOK 167 million in 2017.

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% share-holding. 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)

Executive Management

Raymond Carlsen

Chief Executive Officer

Raymond Carlsen became CEO of Scatec Solar in 2009. Carlsen was previously partner and responsible for developing Aker ASA's portfolio of Energy related businesses. He was also responsible for Aker Solutions' Subsea, a USD 2 billion revenue business with 5,000 employees and operations in more than 15 countries. He has more than 30 years of industrial experience from management positions. Carlsen holds a Master of Science degree from Florida Institute of Technology.

Number of shares in Scatec Solar: 2,815,434
Number of share options: 141,952

Mikkel Tørud

Chief Financial Officer

Mikkel Tørud became CFO of Scatec Solar in 2014. Tørud was previously SVP of Business Development and Investor Relations and member of Group Management in REC. Prior to REC he was commercial advisor in BP and management consultant in PA Consulting Group. He has extensive experience from finance, investor relations, corporate communications and business development. Tørud holds a Master of Science degree in Industrial Economics and Technology Management from the Norwegian University of Science and Technology.

Number of shares in Scatec Solar: 298,817
Number of share options: 105,540

Snorre Valdimarsson

EVP & General Counsel

Snorre Valdimarsson became EVP & General Counsel of Scatec Solar in 2009. Valdimarsson previously worked at the law firm Selmer DA, focusing on M&A, finance and capital markets. He has extensive experience in structuring infrastructure transactions, hereunder M&A, development, construction, project finance and equity funding of renewable energy projects. Valdimarsson holds a Master in Law form the University of Bergen, Norway.

Number of shares in Scatec Solar: 16,124
Number of share options: 81,653

Pål Helsing

EVP Solutions

Pål Helsing became EVP of Solutions of Scatec Solar in 2015. Helsing was previously 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. Helsing holds a Bachelor of Science Civil from Glasgow University and a Business Economics degree from BI Norwegian Business School.

Number of shares in Scatec Solar: 4,877
Number of share options: 32,131

* The number of shares and share options are quoted per 28 March 2019.

Roar Haugland

EVP Sustainable Business & HSSE

Roar Haugland became EVP of Sustainable Business & HSSE of Scatec Solar in 2010. He has more than 20 years of experience from leading positions in Business Development, Sales and Management from large multinational companies like HP and IBM. Haugland holds a Master of Science in Mechanical Engineering from the Norwegian University of Science and Technology.

Number of shares in Scatec Solar: 251,439
Number of share options: 81,360

Terje Pilskog

EVP Project Development & Project Finance

Terje Pilskog became EVP for Project Development & Project Finance of Scatec Solar in 2013. He was previously SVP of REC Systems and Business Development in Germany. Prior to REC, he was Associated Partner at the management consulting company McKinsey & Co. Pilskog holds a Master of Science in Business Administration from BI Norwegian Business School.

Number of shares in Scatec Solar: 512,784
Number of share options: 91,875

Toril Haaland

EVP People & Organisation

Toril Haaland became EVP of People & Organisation of Scatec Solar in 2018. She has more than 20 years of leading HR experience from major international companies, latest General Electric Company. Prior to GE she served 8 years with Hewlett Packard. Haaland holds degrees in Leadership, Business and HR from BI Norwegian Business School.

Number of shares in Scatec Solar: 877
Number of share options: 27,288

Torstein Berntsen

EVP Power Production

Torstein Berntsen became EVP of Power production of Scatec Solar in 2014. He was previously the CFO in Scatec Solar ASA and Scatec AS. Prior to this Berntsen was Senior Manager at Ernst and Young and he previously held the position as Audit Manager at Arthur Andersen. Berntsen holds a Master of Science in Business Administration and is a state authorised public accountant from the Norwegian School of Economics (NHH).

Number of shares in Scatec Solar: 695,486 [1)]
Number of share options: 87,126

1) Together with related parties, Berntsen holds a total of 696,381 shares in Scatec Solar.

Board of Directors

John Andersen Jr.

Chairman

Mr. Andersen Jr. is the CEO of Scatec AS and has been Chairman of the Board since May 2014. 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.

Current Board positions: Chair: Norsun, Norsk Titanium, Thor Energy.
Number of shares in Scatec Solar: 0 [1)]

Mari Thjømøe

Board Member

Mrs. Thjømøe runs her own investment and consultancy company and has executive experience from the energy- and financial sector, in particular with governance, strategy, business development, project evaluations and financial markets. She was previously CFO and functioning CEO for Norwegian Property ASA, CFO for KLP Insurance and SVP in Equinor ASA. Mrs. Thjømøe holds a Master of Business and Economics from BI Norwegian Business School and she is a Chartered Financial Analyst from the Norwegian School of Economics (NHH).

Current Board positions: Chair: The Danish insurance group Tryg AS, TF Bank AB. Board member: Hafslund E-CO AS, ice ASA, Norconsult AS, Nordic Mining ASA and Sintef.
Number of shares in Scatec Solar: 27,338

Jan Skogseth

Board Member

Mr. Skogseth has more than 35 years of experience from the Oil, Gas and Renewable industries ranging from oil companies to supplier industries, both in Norway and internationally. He was President and CEO for Aibel from 2008 to 2017, and played a key role in establishing new presence and business for the company on several continents. Mr. Skogseth holds a Master of Science Mechancal Engineering from South Dakota School of Mines and Technology.

Current Board positions: Board member: Sparebank 1 SR Bank ASA, Gassco AS and PSW Group AS.
Number of shares in Scatec Solar: 22,000

* The number of shares is quoted per year end 2018.
1) Related parties control 19,482,339 shares through Scatec AS.

Gisele Marchand

Board Member

Mrs. Marchand has been CEO of the law firm Haavind AS since 2014. She has extensive executive experience from positions in several financial institutions like Eksportkreditt, the Government Pension Fund and DNB ASA with responsibility for the private – and corporate market in Norway. Mrs. Marchand holds a Master of Business from Copenhagen Business School.

Current Board positions: Chair: Gjensidige Insurance ASA, Selvaag Bolig ASA, Norgesgruppen Finans Holding AS and Boligbygg KF. Board member: Norgesgruppen ASA, Eiendomsspar AS and Victoria Eiendom AS.
Number of shares in Scatec Solar: 0

John Giverholt

Board Member

Mr Giverholt served as CEO and Member of Group Executive Board of Ferd AS until 2017. Before that he was CFO of Ferd AS and is a member of the Advisory Board of Ferd Holding AS. He has extensive experience from leading positions in Norsk Hydro, Arthur Andersen & Co, Orkla ASA and DNB ASA. Mr.Giverholt holds a B.Sc. from the University of Manchester, and is a state authorised public accountant from the Norwegian School of Economics (NHH).

Current Board positions: Chair: Gammel Nok AS, Ortomedic AS. Board member: Gjensidige Forsikring ASA, Awilhelmsen AS, Aars AS and Ferd Sosiale Entreprenører AS.
Number of shares in Scatec Solar: 4,000

Consolidated financial statements Group

Consolidated statement of profit or loss

1 JANUARY – 31 DECEMBER

NOK MILLION	NOTE	2018	2017
Revenues	3	**1,151**	1,121
Net gain/loss) from sale of project assets	3, 12, 21	**-**	378
Net income/(loss) from JVs and associated companies	3, 21	**63**	-7
Total revenues and other income		**1,213**	1,492
Personnel expenses	26	**-137**	-107
Other operating expenses	19	**-174**	-143
Depreciation, amortization and impairment	12, 13	**-273**	-248
Operating profit		**629**	993
Interest and other financial income	20	**197**	51
Interest and other financial expenses	20	**-518**	-524
Net foreign exchange gain/(loss)	4, 20	**15**	-60
Net financial expenses		**-306**	-532
Profit before income tax		**323**	461
Income tax (expense)/benefit	14	**-97**	-23
Profit/(loss) for the period		**226**	438
Profit/(loss) attributable to:			
Equity holders of the parent		**140**	339
Non-controlling interests	24	**86**	99
Basic earnings per share (NOK)	22	**1.29**	3.36
Diluted earnings per share (NOK)	22	**1.28**	3.35

Consolidated statement of comprehensive income

1 JANUARY – 31 DECEMBER

NOK MILLION	NOTE	2018	2017
Profit/(loss) for the period		226	438
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Net movement of cash flow hedges	9	-74	-62
Income tax effect	14	20	17
Foreign currency translation differences	28	18	31
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-36	-14
Total comprehensive income for the year, net of tax		190	424
Attributable to:			
Equity holders of the parent		136	336
Non-controlling interests		53	88

Consolidated statement of financial position

NOK MILLION	NOTE	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017
ASSETS			
Non-current assets			
Deferred tax assets	14	526	402
Property, plant and equipment - in solar projects	12	8,956	5,580
Property, plant and equipment - other	12	53	38
Goodwill	13	24	24
Investments in JVs and associated companies	21	745	415
Other non-current assets	18, 27	112	120
Total non-current assets		10,415	6,580
Current assets			
Trade and other receivables	15	279	239
Other current assets	18, 27	711	559
Financial assets	9	149	-
Cash and cash equivalents	7	3,303	2,863
Total current assets		4,442	3,661
TOTAL ASSETS		14,857	10,240

Consolidated statement of financial position

NOK MILLION	NOTE	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Share capital	23	3	3
Share premium		1,795	1,195
Total paid in capital		1,797	1,197
Other equity			
Retained earnings		8	31
Other reserves		79	82
Total other equity		87	113
Non-controlling interests	24	591	577
Total equity		2,475	1,887
Non-current liabilities			
Deferred tax liabilities	14	345	185
Non-recourse project financing	6	8,643	6,164
Bonds	5	743	741
Financial liabilities	9	115	29
Other non-current liabilities	17, 27, 28	738	299
Total non-current liabilities		10,583	7,418
Current liabilities			
Trade and other payables	16	162	216
Income tax payable	14	34	19
Non-recourse project financing	6	364	317
Financial liabilities	9	9	27
Other current liabilities	17, 27	1,230	356
Total current liabilities		1,800	935
Total liabilities		12,383	8,353
TOTAL EQUITY AND LIABILITIES		14,857	10,240

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)

Consolidated statement of changes in equity

				OTHER RESERVES				
NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	HEDGING RESERVES	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At 1 January 2017	2	819	-222	84	2	**685**	628	**1,313**
Profit for the period	-	-	339	-	-	**339**	99	**438**
Other comprehensive income	-	-	1	21	-24	**-3**	-11	**-14**
Total comprehensive income	-	-	340	21	-24	**336**	88	**424**
Share-based payment	-	3	-	-	-	**3**	-	**3**
Share capital increase	-	380	-	-	-	**380**	-	**380**
Transaction cost, net after tax	-	-7	-	-	-	**-7**	-	**-7**
Dividend distribution	-	-	-73	-	-	**-73**	-185	**-259**
Capital increase from NCI [1)]	-	-	-	-	-	**-**	33	**33**
Step-by-step acquisition	-	-	-13	-	-	**-13**	13	**-**
At 31 December 2017	3	1,195	31	105	-23	**1,310**	577	**1,887**
Profit for the period	-	-	140	-	-	**140**	86	**226**
Other comprehensive income	-	-	-1	18	-21	**-3**	-32	**-36**
Total comprehensive income	-	-	139	18	-21	**136**	54	**190**
Share-based payment	-	5	-	-	-	**5**	-	**5**
Share capital increase	-	606	-	-	-	**606**	-	**606**
Transaction cost, net after tax	-	-10	-	-	-	**-10**	-	**-10**
Dividend distribution	-	-	-81	-	-	**-81**	-206	**-286**
Purchase of NCIs shares in group companies	-	-	-82	-	-	**-82**	-22	**-104**
Capital increase from NCI [1)]	-	-	-	-	-	**-**	188	**188**
At 31 December 2018	3	1,795	8	123	-44	**1,884**	591	**2,475**

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 0 million (2017: NOK 2 million). All payments related to these loans are at the discretion of the project companies. Accordingly, as the loans do not contain any contractual obligation to pay cash or other financial assets, the shareholder loans are presented as equity in the financial statements of the Group.

Nature and purpose of reserves included in total equity

Share premium

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

Foreign currency translation reserve

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

Hedging reserve

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

Consolidated statement of cash flow

NOK MILLION	NOTE	2018	2017
Cash flow from operating activities			
Profit before taxes		323	461
Taxes paid	14	-65	-17
Carry-back tax payment received	14	-	8
Depreciation and impairment	12,13	273	248
Net gain/loss sale of fixed assets	12	5	-
Net income from associated companies/sale of project assets	21	-63	-371
Interest and other financial income	20	-197	-51
Interest and other financial expenses	20	518	524
Unrealised foreign exchange (gain)/loss	20	-15	-56
(Increase)/decrease in trade and other receivables	15	-41	-7
(Increase)/decrease in other current/non-current assets	18	-366	-421
Increase/(decrease) in trade and other payables	16	-55	187
Increase/(decrease) in other current liabilities	17	851	154
Increase/(decrease) in financial assets/liabilities and other changes		79	185
Net cash flow from operating activities		1,248	844
Cash flows from investing activities			
Interest received		77	51
Investments in property, plant and equipment	12	-3,565	-673
Net investments in subsidiaries and associated companies	21, 24	-321	-252
Net cash flow used in investing activities		-3,809	-874
Cash flow from financing activities			
Proceeds from non-controlling interest shareholder financing [1)]		624	31
Interest paid		-588	-476
Proceeds from non-recourse project financing	6	2,855	1,974
Repayment of non-recourse project financing	6	-266	-231
Share capital increase	23	596	373
Proceeds from corporate bond issue	5	-	750
Repayment of corporate bond		-	-523
Dividends paid to equity holders of the parent company	23	-81	-73
Dividends and other distributions paid to non-controlling interest	23	-206	-185
Net cash flow from financing activities		2,934	1,640
Net increase/(decrease) in cash and cash equivalents		373	1,610
Effect of exchange rate changes on cash and cash equivalents		67	116
Cash and cash equivalents at beginning of the period		2,863	1,137
Cash and cash equivalents at end of the period	7	3,303	2,863
Cash in power plant companies in operation	7	730	793
Cash in power plant companies under development/construction	7	1,467	1,324
Other restricted cash	7	67	58
Free cash	7	1,039	688
Total cash and cash equivalents		3,303	2,863
Hereof presented as:			
Cash and cash equivalents		3,303	2,863

1) Include both equity contributions and shareholder loans

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 (refer to note 3 – Operating segments). Information on the Group's structure is provided in Note 29 – 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 2018 were authorised for issue in accordance with a resolution by the Board of Directors on 14 March 2019.

i

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, 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 represent 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:

i

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 45% 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, one in Honduras and one in Mozambique were incorporated and consolidated for the first time. Scatec Solar has an economic interest of 51% in the Egyptian projects, a shareholding of 70% in the Honduran Los Prados power plant and a shareholding of 52.25% in the Mocuba power plant in Mozambique. During first quarter 2017 three power plant companies in Malaysia were consolidated for the first time, and during the third quarter the same year 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, which will take place 5 years after COD. In the third quarter 2017 Scatec Solar also signed an agreement to establish a 50/50 joint venture in Brazil with Equinor. The joint venture will build, own and operate large scale solar power plants. As of the effective date of the agreement, Scatec Solar lost sole 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 Equinor are considered to be in joint control of the investees. Following the Brazil project, Scatec Solar and Equinor signed an agreement to establish a new 50/50 joint venture in Argentina. Construction started late 2018 with expected commercial operation by the end of 2019. The investment is equity consolidated as Scatec Solar and Equinor are considered to be in joint control of the investees. Further, the Upington project in South Africa reached financial close in April 2018, and Scatec Solar's shareholding is 42%. Construction activities are on track with grid connection expected towards the end of 2019. In December 2018, Scatec Solar and partners reached financial close for the Rengy project in the Mykolaiv region in the south of Ukraine with a total investment of EUR 52 million. Scatec Solar owns 51% of the project.

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 Equinor, 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, but has significant influence, 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.

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 and Malaysia, all of the existing PPAs are considered capacity contracts. The Jordanian and Malaysian 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. This does not have an impact on 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 financial statements when the changes in assumptions 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 1,966 million (2017: NOK 2,591million) 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 2018 the Group has recorded a valuation allowance of NOK 24 million (2017: NOK 13 million) 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 24 million. 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, 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.

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 & Maintenance (O&M), Development & Construction (D&C) and Corporate.

Financing and operation of solar power plants is ring-fenced in project companies with a non-recourse project finance structure - where Scatec Solar contributes with the required equity, either alone or together with co-investors. This implies that the project debt is only secured and serviced by project assets and the cash flows generated by the project, and that there is no obligation for project equity investors to contribute additional funding in the event of a default. Free cash flows after debt service are distributed from these project companies to Scatec Solar and any other project equity investors in accordance with the shareholding and the terms of the project financing contracts.

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.

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 recognized based on a measure of progress on the contract. The company completed construction of 35MW Los Prados plant in Honduras, 162MW Apodi plant in Brazil and the 65MW Gurun plant in Malaysia, in September 2018, November 2018 and December 2018, respectively.

Development & Construction revenues were recognised for projects in Brazil, Malaysia, South Africa, Ukraine, Mozambique, Egypt, Honduras and Argentina in 2018. Projects under construction currently stands at 1,071 MW per reporting date. The backlog of projects with secured offtake of future power production is currently at 225 MW, while the project pipeline consists of several projects with a combined capacity of 4,454 MW.

Corporate

Corporate consists of the activities of corporate and management services.

From first quarter 2018 the segment financials are reported on a proportionate basis. A reconciliation between proportionate financials and consolidated financials are provided in the tables below. Comparative information in this note for prior years has been restated. 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 2018 as described in Note 31 - Summary of significant accounting policies.

No operating segments have been aggregated to form these reporting segments.

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
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		

2018 NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL	RESIDUAL OWNERSHIP INTERESTS [1]	ELIMINATIONS [2]	CONSOLIDATED FINANCIALS
	PROPORTIONATE FINANCIALS							
External revenues	584	-	-	-	584	567	-	**1,151**
Internal revenues	38	81	4,006	17	4,142	282	-4,424	-
Net gain/(loss) from sale of project assets	-	-	-	-	-	-	-	-
Net income/(loss) from JV and associates	-	-	-1	-	-	-	63	**63**
Total revenues and other income	622	81	4,005	17	4,725	849	-4,361	**1,213**
Cost of sales	-	-	-3,404	-	-3,404	-4	3,409	-
Gross profit	622	81	601	17	1,321	845	-953	**1,213**
Personnel expenses	-18	-23	-55	-42	-138	-	1	**-137**
Other operating expenses	-112	-24	-58	-28	-223	-52	101	**-174**
EBITDA	492	34	488	-53	961	792	-851	**903**
Depreciation and impairment	-164	-1	-21	-2	-188	-147	62	**-273**
Operating profit (EBIT)	328	33	467	-55	773	645	-789	**629**

2017 NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL	RESIDUAL OWNERSHIP INTERESTS [1]	ELIMINATIONS [2]	CONSOLIDATED FINANCIALS
	PROPORTIONATE FINANCIALS							
External revenues	532	-	-	-	532	589	-	**1,121**
Internal revenues	12	69	682	13	776	27	-803	-
Net gain/(loss) from sale of project assets	-	-	378	-	378	-	-	**378**
Net income/(loss) from JV and associates	-	-	-6	-	-5	2	-4	**-7**
Total revenues and other income	544	69	1,054	13	1,680	618	-807	**1,492**
Cost of sales	-	-	-612	-	-612	22	590	-
Gross profit	544	69	442	13	1,068	640	-217	**1,492**
Personnel expenses	-15	-15	-43	-36	-108	-	1	**-107**
Other operating expenses	-75	-27	-40	-28	-169	-68	93	**-143**
EBITDA	454	28	361	-50	792	572	-123	**1,241**
Depreciation and impairment	-156	-1	-3	-1	-160	-155	67	**-248**
Operating profit (EBIT)	298	27	358	-51	632	418	-56	**993**

1) Residual ownerships interests share of the proportionate financials in subsidiaries where SSO do not have 100% economic interest.

2) Eliminations made in the preparation of the groups IFRS consolidated financials.

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 2018 and 2017 is presented below.

	EXTERNAL REVENUE [3]	
NOK MILLION	2018	2017
South Africa	753	743
Jordan [4]	133	137
Honduras	128	112
Czech Republic	115	99
Rwanda	18	31
Malaysia [4]	4	-
The Netherlands	-	378
USA	-	1
Total	1,151	1,499

3) Includes external revenues and net gain/(loss) from sale of project assets based on consolidated financials.
4) Accounted for as operational lease income. Refer to further information in note 2 Key sources of estimation uncertainty, judgments and assumptions

	PROPERTY, PLANT AND EQUIPMENT	
NOK MILLION	2018	2017
Malaysia	2,034	379
South Africa	1,931	2,154
Egypt	1,562	360
Honduras	1,536	1,097
Jordan	916	867
Czech Republic	387	422
Mozambique	315	39
Rwanda	148	147
Norway	117	114
Ukraine	57	-
The Netherlands	3	2
Mali	2	1
France	1	1
UAE	-	30
Mexico	-	3
USA	-	2
Total	9,009	5,618

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, Jordan, Honduras, Czech Republic, Rwanda and Malaysia.

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

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

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

The Agua Fria power plant in Honduras commenced operations 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, approved by the National Congress of Honduras.

The Oryx, GLAE and EJRE power plants in Jordan commenced operations respectively in 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.

The Los Prados plant in Honduras commenced operation in 2018. The electricity is sold under a 20-year power purchase agreement with the state-owned utility Empresa Nacional de Energía Eléctrica (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 and approved by the National Congress of Honduras.

The Apodi plant in Brazil commenced operation in 2018. The electricity is sold under a 20-year Power Purchase Agreement with the Brazilian Power Commercialization Chamber (CCEE). The financial commitments of CCEE under the PPA are guaranteed by the Government of Brazil represented by its Ministry of Mines & Energy (MME) under the federal decree 6.353/2008.

The Gurun plant in Malaysia commenced operation in 2018. The electricity is sold under a 21-year Power Purchase Agreements with the country's largest electricity utility, Tenaga Nasional Berhad (TNB). The PPA is not guaranteed by the Government as TNB is a reputable AAA rated listed company in Malaysia.

For revenue earned from sale of project assets, refer to note 28 Net gain/(loss) from sale of project assets.

Note 4 Financial risk management

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 market 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 support schemes, 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 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, EGP and CZK, affects its other comprehensive income and consolidated statement of financial position when the results of those subsidiaries are translated into NOK for reporting purposes. There is also an accounting exposure related to translation effects for intercompany balances. As the Group expands its operations with projects in new markets the currency risk exposure increases. 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 may in the future 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, however the construction contracts are normally structured as multi-currency contracts to achieve a natural hedging of cost of sales.

For currency risk sensitivities, refer to 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 the exposure related to floating interest rates, 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 have 70% of the total non-recourse financing at a fixed rate. The projects 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. The non-recourse construction bridge loan of the power plant in Argentina is at fixed interest rate until 18 months after scheduled commercial operation date. For the projects under construction in Egypt and Mozambique, interest rate swaps have been used as hedging instruments, bringing the two projects to fixed rate financing at 70% and 80% respectively.

In 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, refer to Note 5 – Bonds and Note 6 - Non-recourse financing.

For interest-risk sensitivities refer to Note 11 - Financial instruments: measurement and market risk sensitivities. Based on the current Group interest bearing debt portfolio, the interest rate hedge ratio (weighted average) is 85% for the period 2018-2028.

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 2017, the Group secured funding through issuance of a NOK 750 million senior unsecured bond. In first quarter 2018, the Group entered into a USD 60 million Revolving Credit Facility with Nordea and ABN Amro as lenders. The facility can be drawn in USD, NOK, EUR or an optional currency agreed with the banks. The Group also entered into a USD 5 million overdraft facility with Nordea Bank in second quarter 2018. Scatec Solar has per 31 December 2018 not drawn on the revolving credit facility or the overdraft facility. As of 31 December 2018, the Group has total short-term contractual commitments of approximately NOK 2,036 million. For further information on contractual commitments, refer to note 8 - Guarantees and commitments.

For information on, and the maturity of the Group's financial liabilities refer to 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 investigations of the relevant jurisdictions and regulations and adapt accordingly.

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

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, our assets, liabilities, business, financial condition, results of operations and cash flows could be materially and adversely affected. For the Group's current projects under operation, all such counterparties are supported by government guarantees or have obligations regulated by law. However, there is still a risk of legislative or other political action that may impair their contractual performance.

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 4,554 million at 31 December 2018.

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

Note 5 Bonds

In 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 months NIBOR + 4.75%, to be settled on a quarterly basis. The bond is 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 2018, Scatec Solar was in compliance with all bond covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 3,095 million per year end, and the debt to capitalization ratio was 19% per year end.

During 2018, an interest amounting to NOK 44 million was expensed (2017: 41 million).

The loan is carried at amortised cost with the total fees of NOK 9 million being amortised over the 4-year period until maturity.

Refer to the loan agreement available on www.scatecsolar.com/investor/debt for further information and definitions.

Refer to Note 7 – Cash and cash equivalents, 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.

The table below specifies non-recourse financing at 31 December 2018 and 2017.

The table below specifies non-recourse financing at 31 December 2018 and 2017.

NOK MILLION	INTEREST RATE [3]	MATURITY DATE	2018	2017
Loan facilities (ZAR) - Scatec Solar SA 166 (Pty) Ltd. (Kalkbult) [1),2)]	12.38 %	31.12.2028	878	1,019
Loan facilities (ZAR) - Simacel 160 (Pty) Ltd. (Dreunberg) [1),2)]	12.04 %	31.12.2029	927	1,094
Loan facilities (ZAR) - Simacel 155 (Pty) Ltd. (Linde) [1),2)]	11.17 %	30.06.2029	457	539
Loan facilities (CZK) – Czech portfolio [1)]	5.79 %	11.05.2029	377	398
Loan facilities (USD) - Gigawatt Global Rwanda Ltd (ASYV) [1)]	7.82 %	11.01.2030	121	126
Loan facilities (USD) – Jordan portfolio [1)]	6.18 %	10.01.2032	776	773
Loan facilities (USD) – Produccion De Energia S.A (Aqua Fria) [1)]	7.21 %	31.12.2026	513	532
Loan facilities (MYR) – Quantum Solar Park (Semenanjung) SDN. BHD.	6.02 %	23.02.2035	2,076	2,001
Loan facilities (USD) - Aswan portfolio Egypt [1), 2)]	7.24 %	31.10.2035	1,831	-
Loan facilities (USD) - Central Solar de Mocuba, Mozambique [2)]	7.01 %	31.01.2035	267	-
Loan facilities (ZAR) - South Africa Upington [1)]	10.33 %	31.03.2037	785	-
Total non-recourse financial liabilities			9,007	6,480
Of which non-current non-recourse financial liabilities			8,64	6,164
Of which current non-recourse financial liabilities			364	317

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, except for the loans in South Africa Upington where the interest rates are inflation-linked to match the profile of the PPA indexations.

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 8,744 million (2017 NOK 4,623 million) (after elimination of internal profits), whereas the local book value is NOK 10,300 million (2017 NOK 5,885 million).

Repayment structure

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

NOK MILLION	LOAN REPAYMENT	INTEREST PAYMENT	TOTAL
2019	526	628	**1,153**
2020	425	621	**1,045**
2021	500	610	**1,111**
2022	582	565	**1,147**
2023	653	517	**1,170**
2024	857	466	**1,323**
2025	706	406	**1,112**
2026	786	344	**1,131**
2027	663	284	**947**
2028	728	226	**954**
2029	666	168	**834**
2030	531	129	**660**
2031	350	98	**448**
2032	329	70	**400**
2033	240	51	**291**
2034	215	37	**252**
2035	160	25	**185**
2036	82	20	**103**
2037	58	12	**69**
2038	12	-	**12**
Total future loan repayment	9,070	5,277	**14,346**

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

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

PRINCIPAL REPAYMENTS

NOK MILLION	KALKBULT	LINDE	DREUNBERG	CZECH	ASYV	AGUA FRIA	JORDAN	MALAYSIA	EGYPT	MOZAMBIQUE	UPINGTON	TOTAL
2019	56	30	70	29	5	54	45	147	24	12	54	**526**
2020	73	32	52	31	5	58	47	52	64	26	-15	**425**
2021	89	37	64	33	6	60	47	52	76	27	8	**500**
2022	89	40	71	35	6	62	48	105	84	28	13	**582**
2023	89	47	83	37	7	64	51	105	126	31	13	**653**
2024	89	51	89	39	8	68	52	241	173	31	16	**857**
2025	89	43	103	41	10	75	55	52	182	33	23	**706**
2026	99	44	99	44	11	73	58	126	167	35	30	**786**
2027	99	48	91	46	12	-	61	63	169	36	36	**663**
2028	104	54	95	49	13	-	65	126	174	8	42	**728**
2029	-	31	110	21	19	-	68	210	160	-	48	**666**
2030	-	-	-	-	17	-	72	220	165	-	57	**531**
2031	-	-	-	-	-	-	75	73	141	-	60	**350**
2032	-	-	-	-	-	-	42	147	87	-	53	**329**
2033	-	-	-	-	-	-	-	147	32	-	62	**240**
2034	-	-	-	-	-	-	-	147	-	-	69	**215**
2035	-	-	-	-	-	-	-	84	-	-	76	**160**
2036	-	-	-	-	-	-	-	-	-	-	82	**82**
2037	-	-	-	-	-	-	-	-	-	-	58	**58**
2038	-	-	-	-	-	-	-	-	-	-	12	**12**
Total future principal repayment	878	457	927	405	119	513	786	2,097	4,824	267	796	**9,070**

INTEREST PAYMENTS

NOK MILLION	KALKBULT	LINDE	DREUNBERG	CZECH	ASYV	AGUA FRIA	JORDAN	MALAYSIA	EGYPT	MOZAMBIQUE	UPINGTON	TOTAL
2019	99	51	104	20	8	33	49	115	132	19	-	**628**
2020	92	48	96	18	10	29	46	110	130	18	24	**621**
2021	83	44	90	16	9	25	43	104	126	16	54	**610**
2022	73	39	82	15	9	21	40	99	120	14	53	**565**
2023	63	35	74	13	8	17	37	93	114	12	52	**517**
2024	53	29	65	11	8	13	34	87	105	10	51	**466**
2025	42	23	54	9	7	8	31	81	92	8	51	**406**
2026	32	19	42	7	6	3	27	74	79	6	50	**344**
2027	20	14	31	5	5	-	23	67	67	3	48	**284**
2028	9	8	21	3	4	-	19	60	55	1	46	**226**
2029	-	2	9	0	3	-	15	52	42	-	44	**168**
2030	-	-	-	-	1	-	11	44	31	-	42	**129**
2031	-	-	-	-	-	-	6	35	19	-	38	**98**
2032	-	-	-	-	-	-	1	27	9	-	33	**70**
2033	-	-	-	-	-	-	-	18	2	-	31	**51**
2034	-	-	-	-	-	-	-	9	-	-	27	**37**
2035	-	-	-	-	-	-	-	1	-	-	24	**25**
2036	-	-	-	-	-	-	-	-	-	-	20	**20**
2037	-	-	-	-	-	-	-	-	-	-	12	**12**
Total future principal repayment	565	311	667	118	677	148	383	1,078	1,123	106	700	**5,277**

Covenants

Czech portfolio

The Facilities Agreement contains financial covenants including, but not limited to: lock-in and default Debt Service Coverage Ratio (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, Loan Life Coverage Ratio (LLCR) of 1.30 : 1 and Project Life Coverage Ratio (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 PLCDR 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%.

The local utility and off-taker under the PPA in Honduras, Empresa Nacional de Energía Eléctrica (ENEE), have had liquidity difficulties for some time, and have on occasions been late in paying for the electricity produced by Independent Power Producers (IPPs) including to Agua Fria, and have accumulated an unpaid balance of a few months. During 2018 this caused a situation where the Minimum Debt Service Coverage requirement was not reached. Due to this an amendment was made to the loan agreement, where the next measurement date was set to 31 March 2019. Accordingly, the company was not in breach with any covenant and the loan was not payable on demand 31 December 2018.

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 Financial Service Coverage Ratio (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.

Egypt portfolio

The Loan Facilities and the Common Terms Agreements contain financial covenants including, but not limited to: Default Ratios: the Six Month Historic DSCR is equal to or exceeds 1.15:1, the Twelve Month Historic DSCR is equal to or exceeds 1.15:1, the Twelve Month Projected DSCR is equal to or exceeds 1.15:1, until the Financial Completion Date the projects maintain a Debt to Equity Ratio of not more than 75:25. Distribution Conditions: Historic and Projected DSCRs exceed 1.20:1

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.

Mozambique:

The loan agreement contains financial covenants including, but not limited to: Default ratios: For any calculation period, the historic DSCR must exceed 1.10:1 or LLCR must exceed 1.20:1. Distribution conditions: The prospective and Historic DSCR exceed 1.20:1 and LLCR exceed 1.30:1.

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.

South Africa Upington portfolio

The Loan Facility and the Common Terms Agreements contain financial covenants including, but not limited to: minimum compliance ratios: senior historic DSCR of 1.10 : 1, senior projected DSCR of 1.10 and senior LLCR of 1.15 : 1.

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.

The power plant companies meet the financial covenants at 31 December 2018. Refer to the definitions chapter for description of the abbreviations.

Note 7 Cash and cash equivalents

NOK MILLION	2018	2017
Cash in power plant companies in operation	730	793
Cash in power plant companies under development / construction	1,467	1,324
Other restricted cash	67	58
Free cash	1,039	688
Total cash and cash equivalents	3,303	2,863

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 loan facilities to settle outstanding external EPC invoices.

Other restricted cash comprises restricted deposits for withholding tax, guarantees, VAT and rent, NCI's share of free cash as well as collateralised shareholder financing of power plant companies not yet distributed to the power plant companies.

RECONCILIATION OF MOVEMENT IN FREE CASH AT GROUP LEVEL (in recourse group as defined in bond & loan facilities)

NOK MILLION	2018	2017
Free cash at beginning of the period	688	304
Proportionate share of cash flow to equity O&M	26	22
Proportionate share of cash flow to equity D&C	383	167
Proportionate share of cash flow to equity CORP	-85	-65
Project development capex	-106	-229
Equity contributions/collateralised for equity commitments in power plant companies	-1,655	-477
Distributions from power plant companies	216	151
Share capital increase, net after transaction cost and tax	590	373
Dividend distribution	-81	-73
Net proceeds from bond issuance	-	227
Working capital / Other	1,064	291
Free cash at end of the period	1,039	688

Proportionate share of cash flow to equity is defined as EBITDA less normalised loan and interest repayments, less normalised income tax payments, calculated on the basis of Scatec Solar's economic interest in the subsidiaries.

Equity contributions to power plant companies consist of equity injections and shareholder loans.

Net cash effect from Working Capital/Other is mainly related to ongoing construction projects.

Guarantee facility

In third quarter 2017 Scatec Solar entered into a guarantee facility and an intercreditor 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 mainly used to provide advanced payment-, performance- and warranty bonds under construction agreements, as well as trade letter of credits. The intercreditor 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.

Revolving credit facility

In first quarter 2018 Scatec Solar entered into a USD 60 million revolving credit facility with Nordea Bank as agent and Nordea Bank and ABN Amro as equal Lenders. The facility can be drawn in USD, NOK, EUR or an optional currency agreed with the banks. Revolving credit facility interest is the interbank offer rate for the drawn period plus a margin of 3.25%. Scatec Solar has not drawn on the revolving credit facility per 31 December 2018.

Overdraft facility

In second quarter 2018 Scatec Solar entered into a USD 5 million overdraft facility with Nordea Bank. The overdraft interest is the 7-day interbank offer rate plus a margin of 2.5%. Scatec Solar has not drawn on the overdraft facility per 31 December 2018.

Green bond

In fourth quarter 2017 Scatec Solar issued a NOK 750 million senior unsecured green bond with maturity in November 2021. The bond carries an interest of 3-month NIBOR + 4.75%, to be settled on a quarterly basis. The bond was listed on the Oslo Stock Exchange 6 April 2018 with ticker SSO02 G.

Per 31 December 2018, Scatec Solar was in compliance with all financial covenants for the above facilities. The book equity of the recourse group, as defined in the facility agreements, was NOK 3,095 million per quarter end.

During 2018, interest amounting to NOK 61 million (41) was expensed for the bond, overdraft- and revolving credit facility.

Refer to bond agreement available on www.scatecsolar.com/investor/debt for further information and definitions.

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. Advance payment, performance and warranty guarantees are mainly issued in relation to construction contracts entered into with project 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 project companies before equity. Project companies are in some markets providing development and land lease guarantees.

The Group has provided the following guarantees at 31 December 2018

- *Guarantees for advance payments of NOK 226 million (NOK 555 million as of 31 December 2017) related to the construction contracts for power plants in Egypt*
- *Performance guarantees NOK 1,036 million (NOK 289 million as of 31 December 2017) related to the construction contracts for power plants in South Africa, Malaysia, Egypt, Jordan and Honduras*
- *Warranty guarantees of NOK 22 million (NOK 56 million as of 31 December 2017) related to power plants constructed by Scatec Solar in Brazil*
- *Bid bonds of NOK 47 million (NOK 58 million as of 31 December 2017) related to tenders/bidding for new projects in Egypt, Bangladesh and Zambia*
- *Other guarantees of NOK 889 million (NOK 1,046 million as of 31 December 2017) related to equity guarantee in South Africa and Malaysia and development guarantees in Egypt, Nigeria and Jordan.*

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

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

GUARANTEES' DURATION

NOK MILLION	2019	2020	2021	>2021
Advance payment guarantees	226		-	-
Performance guarantees	563	195	176	102
Warranty guarantees	-	-	22	-
Bid Bonds	37	-	-	10
Other guarantees	715	169	5	-
Total	1,541	364	203	113

The advance payment guarantees, performance guarantees and warranty guarantees are guarantees granted by fully owned subsidiaries in the group to partly owned subsidiaries. Any exercise of these would therefore only affect the allocation of profits or loss and equity between the majority and non-controlling interests in the group. Bid bonds and other guarantees are granted by consolidated subsidiaries to third parties.

The guarantees issued from recourse group entities are issued by Nordea Bank under the guarantee facility with Nordea Bank as agent, and Nordea Bank, ABN Amro and Swedbank as guarantee instrument lenders. The advance payment guarantees, performance guarantees, and warranty guarantees in Malaysia, Egypt, Brazil, Jordan and South Africa are counter guaranteed by The Norwegian Export Credit Guarantee Agency (GIEK). Financial covenants are equal to financial covenants in the green bond issued in November 2017. Per 31 December 2018, Scatec Solar was in compliance with all bond covenants.

Refer to Note 5 – Bonds, for further information and definitions.

Contractual obligations

Scatec Solar has contractual obligations primarily through office lease agreements for the operational companies in the group and land lease agreements for the PV power plants in South Africa, Czech, Honduras, Jordan, Rwanda, Ukraine, Malaysia, and Egypt. Further, the group commitments in contracts with suppliers of equipment and sub-EPC services related to the plants under construction in Ukraine, Malaysia, Mozambique, South Africa and Egypt.

CONTRACTUAL OBLIGATIONS

NOK MILLION	2019	2020	2021	>2021
Leases (office rental)	13	13	12	14
Leases (PV power plant land areas)	16	16	16	328
Total purchase modules, inverters etc	1,466	-	-	-
Total purchase services	570	-	-	-
Total contractual obligations	2,066	30	28	342

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 MILLION	2018	2017
Interest rate swap contracts		
Current portion	149	-
Total derivative financial assets	149	-

DERIVATIVE FINANCIAL LIABILITIES

NOK MILLION	2018	2017
Interest rate swap contracts		
Current portion	9	16
Non-current portion	115	29
Forward exchange contracts		
Current portion	-	10
Total derivative financial liabilities	124	55

Interest rate Swaps - South Africa

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2018 were NOK 2,603 million (2017 NOK 1,987 million). The fixed interest rates vary from 7.3% to 8.4%, and the main floating rates is linked to 3-month JBAR.

Interest rate Swaps - Egypt

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2018 were NOK 1,282 million (2017 NOK -). The fixed interest swap rate is 3.45 %, and the main floating rates is linked to 6-month USD Libor.

Interest rate Swaps - Mozambique

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2018 were NOK 187 million (2017 NOK -). The fixed interest swap rate is 3.30 %, and the main floating rates is linked to 6-month USD Libor.

Forward exchange contracts – South Africa

In 2018, forward exchange contracts (FEC) were set up to eliminate currency exchange risk in the Upington projects in South Africa. The nominal values of the contracts are USD 133 million and EUR 13 million. The FECs are carried at fair value and fluctuate with changes in the exchange rates throughout the contract period.

HEDGING RESERVE - INTEREST RATE SWAP CONTRACTS

NOK MILLION	2018	2017
Opening balance	-41	4
Reclassification during the year to profit or loss, gross	16	-
Reclassification during the year to profit or loss, tax effect	-4	-
Net gain/(loss) during the year of the not-yet matured contracts	-74	-62
Tax on items recognised in OCI	17	17
Hedging reserve	-87	-41
Of which equity holders of the parent company	-44	-23

Note 10 Financial instruments by category

Financial instruments and their carrying amounts are recognised in the consolidated statement of financial position at 31 December, with categories as defined by IFRS 9, as presented below. There are no significant differences between total carrying value and fair value.

2018			
NOK MILLION	MEASUREMENT CATEGORY	2018	2017
Assets			
Derivatives			
Foreign exchange forward contracts	Fair value through profit or loss	149	-
Debt instruments		-	
Other debt instruments and receivables	Amortised cost	823	679
Accounts receivable	Amortised cost	279	239
Cash and cash equivalents	Amortised cost	3,303	2,873
Total Financial assets		4,554	3,780
Total current		4,440	3,660
Total non-current		112	120
Liabilities			
Interest bearing loans and borrowings			
Bonds	Amortised cost	743	741
Non-recourse financing loans	Amortised cost	9,007	6,480
Derivatives			
Interest rate swap	Fair value – hedging instruments through OCI	124	55
Other financial liabilities			
Trade and other financial liabilities	Amortised cost	2,130	872
Total financial liabilities		12,004	8,140
Total current		1,756	7,233
Total non-current		10,239	916

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

2018 NOK MILLION	2017	CASHFLOWS	NON-CASH CHANGES FOREIGN EXCHANGE MOVEMENT	FAIR VALUE CHANGES	OTHER/ RECLASSIFI-CATIONS	2018
Long-term borrowings	6,164	2,855	-160	-	-215	**8,643**
Bond	741	-	-	-	2	**743**
Short-term borrowings	317	-266	-4	-	317	**364**
Derivatives (net)	55	-	-	-80	-	**-25**
Shareholder loan from non-controlling interests	128	551	-	-	-115	**564**
Current liabilities to non-controlling interests	109	-	6	-	-32	**83**
Total liabilities arising from financial liabilities	7,513	3,140	-158	-80	-43	**10,372**

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, refer to Note 9 - Derivative financial instruments.

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 currency hedges is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value (level 2). The fair value of interest interest rate swaps is calculated as the present value of the estimated future cash flows based on the observable yield curves (level 2). The fair value of the Group's derivative financial instruments has been determined by external banks.

2018 NOK MILLION	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)	-	149	-124	**25**
Fair value based on unobservable inputs (Level 3)	28	-	-	**28**
Total fair value at 31 December 2018	28	149	-124	**53**

2017 NOK MILLION	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)	-	-	-55	-55
Fair value based on unobservable inputs (Level 3)	-	-	-	-
Total fair value at 31 December 2017	-	-	--55	-55

Fair value in level 1 is based on prices quoted in an active market for identical assets or liabilities. At year end 2018 and 2017 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 2018 and 2017 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 2018, 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 2018, 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 2018 and 2017, currency risk sensitivities for financial instruments 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 MILLION	NET GAIN/LOSS
At 31 December 2018	
EUR - Net gain/(loss) (- 5% sensitivity)	-22
USD - Net gain/(loss) (- 5% sensitivity)	57
ZAR - Net gain/(loss) (- 5% sensitivity)	52
BRL - Net gain/(loss) (- 5% sensitivity)	6
MYR - Net gain/(loss) (- 5% sensitivity)	-1
EUR - Net gain/(loss) (+ 5% sensitivity)	22
USD - Net gain/(loss) (+ 5% sensitivity)	-57
ZAR - Net gain/(loss) (+ 5% sensitivity)	-52
BRL - Net gain/(loss) (+ 5% sensitivity)	-6
MYR - Net gain/(loss) (+ 5% sensitivity)	1

NOK MILLION	PROFIT (LOSS) BEFORE TAXES
At 31 December 2017	
EUR - Net gain/(loss) (- 5% sensitivity)	- 24
USD - Net gain/(loss) (- 5% sensitivity)	22
ZAR - Net gain/(loss) (- 5% sensitivity)	43
EUR - Net gain/(loss) (5% sensitivity)	24
USD - Net gain/(loss) (5% sensitivity)	-22
ZAR - Net gain/(loss) (5% sensitivity)	-43

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 refer to Note 4 - Financial risk management.

Interest rate sensitivities are assessed by calculating the impact that a +1/-1% change in the interest rates would have on net gain/loss on an annual basis.

NOK MILLION		
At 31 December 2018	1%	-1%
Net gain/(loss)	7	-7
At 31 December 2017	1%	-1%
Net gain/(loss)	18	-18

Note 12 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

NOK MILLION	SOLAR POWER PLANTS	SOLAR POWER PLANTS UNDER DEVELOPMENT AND CONSTRUCTION	MACHINERY AND EQUIPMENT	TOTAL
Accumulated cost at 1 January 2018	5,087	1,352	55	**6,494**
Additions	80	3,461	24	**3,565**
Transfers	1,352	-1,352	-	-
Cost of disposed assets	-20	-8	-3	**-31**
Effect of movements in foreign exchange	-67	145	-1	**77**
Accumulated cost at 31 December 2018	6,432	3,598	76	**10,106**
Accumulated depreciation and impairment losses at 1 January 2018	851	8	17	**876**
Depreciation for the year	248	-	8	**256**
Impairment losses	-	17	-	**17**
Accumulated depreciation and impairment losses disposed assets	-17	-8	-2	**-27**
Effect of movements in foreign exchange	-25	-1	1	**-25**
Accumulated depreciation and impairment losses at 31 December 2018	1,057	17	23	**1,097**
Carrying amount at 31 December 2018	5,374	3,581	53	**9,008**
Estimated useful life (years)	20-25	N/A	3-5	
Accumulated cost at 1 January 2017	4,986	650	34	**5,669**
Additions	-22	671	24	**673**
Cost of disposed assets	-	-	-3	**-3**
Effect of movements in foreign exchange	123	31	1	**155**
Accumulated cost at 31 December 2017	5,087	1,352	55	**6,494**
Accumulated depreciation and impairment losses at 1 January 2017	566	9	12	**588**
Depreciation for the year	240	-	6	**246**
Impairment losses	2	-	-	**2**
Accumulated depreciation and impairment losses disposed assets	-	-	-2	**-2**
Effect of movements in foreign exchange	42	-1	1	**42**
Accumulated depreciation and impairment losses at 31 December 2017	851	8	17	**876**
Carrying amount at 31 December 2017	4,236	1,344	38	**5,618**
Estimated useful life (years)	20-30	N/A	3-5	

The Group operates solar power plants in Europe, Middle East, Africa, South America and South-East Asia. During third quarter 2017 construction commenced on the Los Prados power plant (35 MW) in Honduras as well as the Quantum plants (197 MW) in Malaysia while construction of the four Apodi plants (162 MW) in Brazil commenced in the fourth quarter 2017. Construction of the Mocuba power plant (40 MW) in Mozambique began in the first quarter 2018 while construction of the Aswan plants (400 MW) in Egypt and the Upington plants (258 MW) in South Africa commenced in the second quarter 2018. During fourth quarter 2018 construction commenced on the RedSol power plant (40 MW) in Malaysia, the Rengy project (47 MW) in Ukraine and the Guanizuil project (117 MW) in Argentina.

The Los Prados power plant was grid connected and reached commercial operation 30 September 2018. On 28 November 2018, the Apodi power plant was grid connected and in commercial operation while the 65 MW Gurun power plant (part of the Quantum projects) reached commercial operation 21 December.

During 2018 the Group capitalised borrowing costs amounting to NOK 109 million (2017: NOK 15 million).

The carrying value of development projects that have not yet reached the construction phase was NOK 144 million at 31 December 2018 (31 December 2017: NOK 640 million). Scatec Solar's proportionate share of the carrying value of the development projects is approximately NOK 120 million (31 December 2017: NOK 391 million).

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

Impairments

During 2018, the Group impaired equipment amounting to NOK 17 million (2017: NOK 2 million) related to discontinued development of some projects. In 2017 total impairments amounted to NOK 2 million, related to a lightning strike at two of the plants in South Africa.

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.

No impairment indicators related to the Group's remaining property, plant and equipment have been identified, which in all material respect consists of solar power plants in operation or under construction. The impairment risk related to these assets is considered to be limited due to the long-term power purchase agreements securing future revenues in line with the investment case for the project companies. The profitability of the project companies, compared to the investment case, are monitored on a monthly basis. Further, the carrying value of the property, plant and equipment in the consolidated financial statements is reduced with NOK 1,873 million of internal profit which provides an additional buffer compared to the project companies on a stand-alone basis.

Note 13 Impairment testing goodwill

The Group tests goodwill and other intangible assets with infinite useful life annually or more frequently if there are impairment indicators. As of 31 December 2018, and 2017, 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 MILLION	2018	2017
Operating segment:		
Development and construction	**24**	24
Total at 31 December	**24**	24

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 2019, which is based on the Group's project backlog. Consequently, expected cash flows from 2020 onwards are not included in the analysis. This is purely a simplification and does not mean that the 2019 business plan not have cash flows from 2020 onwards. 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 36 times and the asset is not impaired.

Note 14 Tax

NOK MILLION	2018	2017
Tax payable	-40	-13
Change in deferred tax	-52	1
Withholding tax	-5	-13
Correction of previous years' income taxes	-1	2
Income tax expense	-97	-23
Reconciliation of Norwegian nominal tax rate to effective tax rate		
Profit before income tax	323	461
Nominal tax rate (23% / 24%)	-74	-111
Tax effect of:		
Tax rates different from nominal rate	-3	12
Share of net income from associated companies	8	-2
Permanent differences	-10	5
Non-taxable gain on sale of project assets	-	91
Current tax on dividend received and withholding tax	-5	-13
Use and capitalisation of previously unrecognised losses carried forward	-	1
Valuation allowance loss carried forward	-11	-2
Effect of change of statutory tax rate	-3	-3
Correction of previous years taxes	-1	2
Other items	2	-3
Calculated tax expense	-97	-23
Effective tax rate	30.1%	5.0%

For 2018 the Group had an income tax expense of 97 million, equivalent to an effective tax rate of 30%. For 2017 the effective tax rate was 5%, but adjusted for the non-taxable gain of 91 million related to the partial sale of the Apodi project in Brazil, the effective tax rate would have been approximately 25%. The effective income tax rate for the Group is influenced by profits in higher-tax countries and losses in lower-tax countries. 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 effective tax rate will normally be higher in periods where construction activity is higher than power production activities as the tax rate in the construction companies normally is higher than in the power plant companies. The full tax expense on the internal profit is not eliminated in the consolidated financial statement and is hence increasing the effective consolidated tax rate.

SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

NOK MILLION	2018	2017
Deferred tax assets		
Tax losses carried forward	537	704
Property, plant and equipment	282	447
Financial instruments	30	18
Bad debt provision	5	5
Other items	9	-1
Offsetting of tax balances [1)]	-313	-758
Valuation allowance	-24	-13
Total deferred tax assets	526	402

NOK MILLION	2018	2017
Deferred tax liabilities		
Property, plant and equipment	555	923
Financial instruments	83	13
Other items	20	7
Offsetting of tax balances [1)]	-313	-758
Total deferred tax liabilities	345	185

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 MILLION	2018		2017	
COUNTRY	LOSS CARRIED FORWARD	DEFERRED TAX ASSET	LOSS CARRIED FORWARD	DEFERRED TAX ASSET
South Africa	1,628	450	2,255	621
Norway	260	60	288	66
Czech	-	-	3	1
France	18	-	15	-
Italy	14	-	14	-
Egypt	11	3	11	2
Mexico	-	-	2	1
Netherlands	34	-	2	-
Total at 31 December	1,966	513	2,591	691

In Norway, interest limitation rules came into force in 2014. The Group has at the end of 2018 capitalised approximately NOK 7 (7) million in deferred tax asset related to deferred interest expenses, which can be carried forward for 10 years. Tax losses in Egypt can be carried forward for 5 years while losses in Netherlands can be carried forward for 9 years. All other tax losses in the group can be carried forward indefinitely. The losses carried forward in South Africa and Egypt are 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 443 million. 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, refer to Note 2 - key sources of estimation uncertainty, judgements and assumptions.

MOVEMENT IN NET DEFERRED TAX ASSET

NOK MILLION	2018	2017
Net deferred tax asset at 1 January	217	200
Recognised in the consolidated statement of profit or loss	-52	1
Deferred tax on financial instruments recognised in other comprehensive income	20	17
Recognised in the consolidated statement of changes in equity	4	5
Offset against tax carry-back payment received	-	-8
Translation differences	-8	3
Net deferred tax asset at end of period	181	217

Note 15 Trade receivables

NOK MILLION	2018	2017
Accounts receivables	199	151
Provision for bad debt	-	-
Accrued income and other receivables	80	87
Total trade receivables	279	239

Information on credit risk and foreign exchange risk regarding accounts receivables is further provided in Note 4 - Financial risk management. Accrued income represents contract assets 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 MILLION	TOTAL	NOT DUE	OVERDUE
2018	199	160	39
2017	151	123	28

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 MILLION	LESS THAN 30 DAYS	30 - 60 DAYS	60 - 90 DAYS	MORE THAN 90 DAYS
2018	9	10	9	11
2017	9	8	9	1

Note 16 Trade and other payables

NOK MILLION	2018	2017
Trade and other payables	162	216
Total trade and other payables	162	216

The consolidated trade and other payables of NOK 162 million mainly consist of construction related supplier credits. Consequently, the balance is affected by the activity level in the Development & Construction segment. The decreased payables at 31 December 2018 compared to 31 December 2017 of NOK 55 million mainly reflects down payments of outstanding supplier credits related to the construction of the Quantum projects in Malaysia, partly offset by purchases of construction material to the projects in South Africa, Egypt and Mozambique.

Note 17 Other non-current and current liabilities

Other non-current liabilities comprise the following:

NOK MILLION	2018	2017
Shareholder loan from non-controlling interests (ref note 25)	564	128
Other long-term provisions and accruals	78	96
Asset retirement obligations	96	76
Total other non-current liabilities	738	299

Other current liabilities comprise the following:

NOK MILLION	2018	2017
Current liabilities to related parties (ref note 27)	8	6
Current liabilities to non-controlling interests	83	109
Accrued expenses related to assets under development/construction	764	66
Public dues other than income taxes	99	79
Accrued interest expenses	6	5
Accrued payroll	33	27
Other accrued expenses	238	64
Total other current liabilities	1,230	356

The increase in accrued expenses related to assets under development/construction is mainly related to the high construction activity during 2018, mainly in Egypt, Malaysia and South Africa.

Note 18 Other non-current and current assets

Other non-current assets comprise the following:

NOK MILLION	2018	2017
Non-current assets from related parties (ref. note 27)	4	6
Loan to non-controlling interests	61	79
Other non-current receivables	46	35
Total other non-current assets	112	120

Other current assets comprise the following:

NOK MILLION	2018	2017
Prepayments related to assets under development/construction	221	322
Receivables from public authorities /prepaid taxes, VAT etc	310	138
Other receivables and prepaid expenses	181	99
Total other current assets	711	559

Receivables related to assets under construction reflects working capital components on the construction contracts for the projects in Malaysia, South Africa, Egypt and Brazil.

Note 19 Other operating expenses

Other operating expenses for the years ended 31 December 2018 and 2017 comprise:

NOK MILLION	2018	2017
Facilities	61	49
Professional fees	49	39
Other office costs	23	18
Travel costs	15	11
Social development contributions	14	19
O&M external fees	3	2
Other costs	8	5
Total other operating expenses	174	143

Professional fees comprise the following costs:

NOK MILLION	2018	2017
Consultant fees	27	12
Legal fees	8	10
Audit services fees (including tax and other services provided by the auditors)	7	9
External accounting services	7	8
Total professional fees	49	39

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 MILLION	2018	2017
Audit services	5	5
Other attestation services	-	-
Tax services	2	3
Other services	-	1
Total remuneration	7	9

VAT is not included in the numbers above.

Note 20 Financial income and expenses

INTEREST AND OTHER FINANCIAL INCOME

NOK MILLION	2018	2017
Interest income	50	51
Other financial income	147	-
Total financial income	197	51

INTEREST AND OTHER FINANCIAL EXPENSES

NOK MILLION	2018	2017
Interest expenses	-500	-482
Other financial expenses	-18	-42
Total financial expenses	-518	-524
Foreign exchange gains/(losses)	-15	-60
Net financial expenses	-306	-532

During the second quarter of 2018, forward exchange contracts (FEC) were set up in order to eliminate currency exchange risk in the Upington projects in South Africa. In 2018 the gain following the mark-to-market revaluation of open USD and EUR FECs amounts to NOK 147 million. The FECs are carried at fair value and fluctuate with changes in the exchange rates throughout the contract period.

Refer to 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. Refer to 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	2018	2017
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%	25.0%
Scatec Solar Brazil BV	Amsterdam, Netherlands	50.0%	50.0%
Apodi I Energia SPE S.A	Jaboatão dos Guararapes, Brazil	43.75%	43.75%
Apodi II Energia SPE S.A	Jaboatão dos Guararapes, Brazil	43.75%	43.75%
Apodi III Energia SPE S.A	Jaboatão dos Guararapes, Brazil	43.75%	43.75%
Apodi IV Energia SPE S.A	Jaboatão dos Guararapes, Brazil	43.75%	43.75%
Scatec Solar Solutions Brazil BV	Amsterdam, Netherlands	50.0%	50.0%
Scatec Solar Brasil Servicos De Engenharia LTDA	Recife, Brazil	50.0%	50.0%
Scatec Equinor Solutions Argentina S.A	Buenos Aires, Argentina	50.0%	-
Cordilleras Solar VIII S.A (Argentina)	Buenos Aires, Argentina	50.0%	-

Megawatt Holding AS and Sansca Limited had no activity in 2018, 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. Megawatt Holding AS has been dissolved in 2019.

On 29 September 2017 Scatec Solar signed an agreement to establish a 50/50 joint venture with Equinor to build, own and operate large scale solar power plants in Brazil. As the first step of the agreement Equinor secured a 40% equity position in Scatec Solar's existing 162 MW Apodi project. Equinor paid USD 25 million for the project rights and for participation in the joint venture. Equinor 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 in 2017 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 Equinor 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). During 2018 an amortization charge of NOK 1 million was recognized following the CoD of the power plant in November 2018.

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 the RenovAR auction process held by CAMMESA, the Argentinian Wholesale Power Market Administrator, in November 2017. The partners signed the 20-year PPA in November 2018, and construction started late December 2018. Total capital expenditure to realise the plant is estimated at USD 103 million and the plant will be owned 50% by Scatec Solar and 50% by Equinor. The project will be developed through the jointly owned company Scatec Equinor Solutions Argentina S.A. Scatec Solar and Equinor is deemed to be in joint control over the Argentina investment through the contractual arrangement of the project. The investment is presented as a joint venture and accounted for by using the equity method.

MATERIAL PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS

NOK MILLION	BRAZIL	OTHER	TOTAL
Carrying amount of investments in JV and associated companies 31 December 2016	-	-	-
Additions	420	2	**422**
Share of profit/loss for the year	3	-8	**-7**
Effects of movement in foreign exchange	-10	-	**-10**
Reclassification (equity consolidated investments with a net negative carrying value is classified as external loans in the groups statement of financial position)	-	8	**10**
Carrying amount of investments in JV and associated companies 31 December 2017	413	2	**415**
Additions	117	187	**304**
Share of profit/loss for the year	63	-	**63**
Items charged to equity	-46	10	**-37**
Carrying amount of investments in JV and associated companies 31 December 2018	547	197	**745**

100% FIGURES OF SUMMARIZED FINANCIAL INFORMATION FOR THE BRAZIL JV COMPANIES (STAND ALONE BASIS)

	2018				2017		
NOK MILLION	DEVELOPMENT AND CONSTRUCTION	POWER PRODUCTION	OPERATIONS AND MAINTENANCE	TOTAL	DEVELOPMENT AND CONSTRUCTION	POWER PRODUCTION	TOTAL
Revenues	555	37	3	**594**	57	-	56
Operating expenses	-415	-19	-2	**-436**	-47	-	-48
Operating profit/(loss)	140	18	1	**158**	9	-	9
Net financial items	-2	10	-	**8**	-	-1	-
Profit before income tax	138	28	1	**167**	9	-1	-8
Income tax	-24	-6	-	**-31**	-3	-	-3
Profit/(loss) after tax	114	22	-	**136**	7	-1	5
Non-controlling interests		1	-	**1**	-	-	-
Profit/loss (100 %) after non-controlling interests	114	21	-	**135**	7	-1	6
Scatec Solar's Share	57	10	-	**67**	3	-	3
Less elimination of unrealized internal profit between joint venture companies				**-30**			-5
Plus profit from sale of services from consolidated to joint venture companies				**26**			5
Net profit/loss (100 %) after non-controlling interests				**63**			3

STATEMENT OF FINANCIAL POSITION

NOK MILLION	31.12.2018	31.12.2017
Non-current assets	1,787	205
Current assets	27	56
Cash and cash equivalents	191	283
Total assets	**2,006**	**543**
Non-current liabilities	1,385	37
Current liabilities	77	53
Total liabilities	1,462	90
Total Equity	544	453
Non-controlling-interests	40	43
Total equity excluding NCI	504	410
Scatec Solar share of equity	252	202
Elimination of unrealized internal profit between JV companies	-35	-5
Fair value remeasurement at first time recognition of JV	178	197
Loan to JV	152	21
Net investment in JV	**547**	**415**

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, refer to note 26 Employee benefits.

NOK MILLION	2018	2017
Profit/(loss) attributable to the equity holders of the company and for the purpose of diluted shares	**140**	339
Weighted average number of shares outstanding for the purpose of basic earnings per share	**108.8**	101.1
Earnings per share for income attributable to the equity holders of the company - basic (NOK)	**1.29**	3.36
Effect of potential dilutive shares:		
Weighted average number of shares outstanding for the purpose of diluted earnings per share	**109.1**	101.3
Earnings per share for income attributable to the equity holders of the company - diluted (NOK)	**1.28**	3.35

Note 23 Share capital, shareholder information and dividend

At year-end 2018 the total number of shareholders in Scatec Solar was 6,259. The total number of outstanding shares is 113,412,432 at par value NOK 0.025 per share as of December 31, 2018.

In the first quarter of 2018 the Group increased the share capital by 0.2 %, increasing the number of shares by 216,202 and raising NOK 6 million, as part of the Group's incentive program.

In June 2018, Scatec Solar successfully raised NOK 600 million through a private placement consisting of 10 million new shares at a price of NOK 60 per share. At 31 December 2018, the share capital amounted to NOK 2.8 million. 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 2018.

SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP
SCATEC AS	19,482,339	17.18 %
FERD AS	13,411,182	11.83 %
EQUINOR ASA	11,020,000	9.72 %
FOLKETRYGDFONDET	7,550,904	6.66 %
UBS AG	3,865,983	3.41 %
ARGENTOS AS	2,755,760	2.43 %
VERDIPAPIRFONDET DNB NORGE (IV)	2,199,263	1.94 %
SEB PRIME SOLUTIONS SISSENER CANOP	2,100,000	1.85 %
HANDELSBANKEN HALLBAR ENERGI	1,684,052	1.48 %
CACEIS Bank	1,637,613	1.44 %
VERDIPAPIRFONDET PARETO INVESTMENT	1,613,161	1.42 %
STOREBRAND NORGE I VERDIPAPIRFOND	1,569,633	1.38 %
J.P. Morgan Bank Luxembourg S.A.	1,289,620	1.14 %
HANDELSBANKENS NORDENFOND	1,257,143	1.11 %
THE BANK OF NEW YORK MELLON SA/NV	1,238,232	1.09 %
GOTHIC CORPORATION	1,172,025	1.03 %
ARCTIC FUNDS PLC	885,940	0.78 %
BNP Paribas Securities Services	818,323	0.72 %
HANDELSBANK NORDISKA SMABOLAGSFOND	706,271	0.62 %
KLP AKSJENORGE INDEKS	702,233	0.62 %
Total 20 largest shareholders	76,959,677	67.86 %
Total other shareholders	36,452,755	32.14 %
Total shares outstanding	113,412,432	100.0%

BOARD OF DIRECTORS	NUMBER OF SHARES	OWNERSHIP
John Andersen, Jr. 1)	-	0.00%
Jan Skogseth	22,000	0.02%
Gisele Marchand	-	0.00%
Mari Thjømøe 2)	27,338	0.02%
John Giverholt	4,000	0,00%
Total at 31 December 2018	53,338	0.05%

1) Related parties control 19,482,339 shares through Scatec AS.

2) Held through the controlled company Thjømøe Kranen AS.

MANAGEMENT		NUMBER OF SHARES	OWNERSHIP
Raymond Carlsen [1)]	Chief Executive Officer	2,778,386	2.45%
Mikkel Tørud	Chief Financial Officer	283,940	0.25%
Terje Pilskog [2)]	EVP Project Development & Project Finance	497,727	0.44%
Roar Haugland [3)]	EVP Sustainability Business & HSSE	240,262	0.21%
Torstein Berntsen [4)]	EVP Power Production	682,609	0.60%
Snorre Valdimarsson	EVP General Counsel	4,747	0.00%
Pål Helsing	EVP Solutions	4,000	0.00%
Toril Haaland	EVP People & Organisation	-	0.00 %
Total at 31 December 2018		4,491,671	3.96%

1) Held through the controlled company Argentos AS, whereof 22,626 shares held by Raymond Carlsen directly.
2) Held through the controlled company Océmar AS.
3) Held through the controlled company Buzz Aldrin AS.
4) Held through the controlled company Belito AS, whereof 5,000 shares are held by Torstein Berntsen directly. In addition, 895 shares are held by Torstein Berntsen's spouse. These are not included in the total presented in the table above.

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

Dividend

In line with the dividend policy, the Board of Directors have resolved to propose to the ordinary General Meeting of Scatec Solar that a dividend of NOK 0.95 per share, totalling NOK 108 million, should be paid for 2018. Distribution of dividends is resolved by a majority vote of the Annual General Meeting of the shareholders of the Company, and on the basis of a proposal from the Board of Directors.

The Annual General Meeting has the power to reduce but cannot increase the dividend proposed by the Board of Directors. The share will be trading excluding dividend rights (ex-date) on the first business day following the Annual General Meeting to be held 30 April 2019.

For 2017, the Board of Directors proposed a dividend of NOK 0.78 per share, totalling NOK 81 million. The General Meeting resolved the Board's proposal of a dividend of NOK 0.78 per share and the share was traded excluding dividend rights (ex-date) on 24 April 2018. The dividend was paid on 14 May 2018.

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 as described in Note 2 - Key sources of estimation uncertainty, judgements and assumptions. During 2018 Scatec Solar established and consolidated the following entities which have non-controlling interests;

- *One holding company in Netherland for operating of power plant companies in Ukraine*
- *Three power plants in South Africa, one construction company and one operation company in South Africa*
- *One power plant in Ukraine*

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

PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS

NAME	COUNTRY OF INCORPORATION AND OPERATION		2018	2017
Egypt				
Aswan Solar Power SAE	Egypt	Under development/ construction	49%	49%
Daraw Solar Power SAE (Philadelphia)	Egypt	Under development/ construction	49%	49%
Kom Ombo Renewable Energy SAE (Kom Ombo)	Egypt	Under development/ construction	49%	49%
Red Sea Solar Power SAE (Red Sea)	Egypt	Under development/ construction	49%	49%
Upper Egypt Solar Power SAE (Sun Infinite)	Egypt	Under development/ construction	49%	49%
Zafarana Solar Power SAE (Zafarana)	Egypt	Under development/ construction	49%	49%
Daraw BV	Netherlands	Under development/ construction	30%	30%
Egypt Solar BV	Netherlands	Under development/ construction	49%	49%
Kom Ombo BV	Netherlands	Under development/ construction	30%	30%
Upper Egypt BV	Netherlands	Under development/ construction	49%	49%
Honduras Agua Fria				
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	Honduras	In operation	60%	60%
Honduras Los Prados				
Fotovoltaica Surena S.A	Honduras	In operation	30%	30%
Generaciones Energeticas S.A	Honduras	In operation	30%	30%
Energias Solares S.A	Honduras	In operation	30%	30%
Fotovoltaica Los Prados S.A	Honduras	Under development/ construction	30%	30%
Foto Sol S.A	Honduras	Under development/ construction	30%	30%
Jordan				
Scatec Solar AS/ Jordan PSC (Oryx)	Jordan	In operation	10%	10%
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	Jordan	In operation	49.9%	49.9%
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	Jordan	In operation	49.9%	49.9%
Malaysia				
Quantum Solar Power Semenanjung	Malaysia	Under development/ construction	-	51%
Quantum Solar Power Kedah	Malaysia	In operation	-	51%
Quantum Solar Power Melaka	Malaysia	Under development/ construction	-	51%
Quantum Solar Power Terengganu	Malaysia	Under development/ construction	-	51%
Mali (Non-material)				
Segou Solaire SA	Mali	Under development/ construction	50%	50%
Mexico (Non-material)				
Scatec Solar Intertec Mexico SAPI de CV	Mexico	Sold	-	40%
Mozambique				
Central Solar de Mocuba (Mocuba)	Mozambique	Under development/ construction	47.5%	47.5%
Nigeria (Non-material)				
Scatec Solar Nigeria BV	Netherland	Under development/ construction	30%	30%
Rwanda				
Gigawatt Global Rwanda (ASYV)	Rwanda	In operation	46%	46%

NAME	COUNTRY OF INCORPORATION AND OPERATION		2018	2017
South Africa Upington				
Scatec Solar South Africa BV	Netherland	Under development/ construction	30%	30%
Dyason's Klip 1	South Africa	Under development/ construction	54.5%	-
Dyason's Klip 2	South Africa	Under development/ construction	54.5%	-
Sirius Solar PV Project One (RF) (Pty) Ltd	South Africa	Under development/ construction	54.5%	-
Scatec Solar Construction	South Africa	Under development/ construction	49%	-
Scatec Solar Operations (Pty) Ltd	South Africa	Under development/ construction	49%	-
South Africa Linde/Dreunberg				
Scatec Solar SA 164 (Pty) Ltd	South Africa	In operation	19.3%	29%
Simacel 155 (Pty) Ltd (Linde)	South Africa	In operation	56.6%	61%
Simacel 160 (Pty) Ltd (Dreunberg)	South Africa	In operation	56.6%	61%
South Africa Kalkbult				
Scatec Solar SA 165 (Pty) Ltd	South Africa	In operation	23.4%	35%
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	South Africa	In operation	54%	61%
South Africa other				
Scatec Solar SA 163 (Pty) Ltd	South Africa	In operation	8%	8%
Ukraine (Non-material)				
Rengy Solar BV	Netherland	Under development/ construction	49%	-
Rengy Bioenergy LLC	Ukraine	Under development/ construction	49%	-
USA (Non-material)				
Chateau St Jean	USA	Sold	-	20%

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 they are presented by portfolio.

ACCUMULATED BALANCES OF MATERIAL NON-CONTROLLING INTEREST

NOK MILLION	2018	2017
Egypt	-11	26
Honduras Agua Fria	87	86
Honduras Los Prados	190	12
Jordan	140	129
Malaysia	-	-3
Mozambique	2	11
Rwanda	15	16
South Africa Upington	11	-
South Africa Linde / Dreunberg	158	207
South Africa Kalkbult	19	87
South Africa other	-21	-6
Total non-controlling interest	591	577

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

NOK MILLION	2018	2017
Egypt	-10	-1
Honduras Agua Fria	-4	-5
Honduras Los Prados	-	-4
Jordan	3	13
Malaysia	-	-3
Mozambique	-5	-
Rwanda	-3	2
South Africa Upington	9	-
South Africa Linde / Dreunberg	48	50
South Africa Kalkbult	47	48
South Africa other	1	1
Total non-controlling interest	86	99

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

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR 2018 (BEFORE GROUP ELIMINATIONS)

NOK MILLION	REVENUES	OPERATING EXPENSES	OPERATING PROFIT	NET FINANCIAL EXPENSES	PROFIT BEFORE INCOME TAX	PROFIT/ (LOSS) FOR THE PERIOD	OTHER COMPRE-HENSIVE INCOME	TOTAL COMPRE-HENSIVE INCOME	PROFIT/ LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
Egypt	1	-2	-1	-24	-25	-25	-	-25	-10	-
Honduras Agua Fria	114	-64	49	-56	-6	-6	-	-6	-4	-
Honduras Los Prados	16	-14	2	-	1	1	-	1	-	-
Jordan	133	-75	58	-48	10	9	-	9	3	-
Malaysia	7	-7	0	-27	-27	-27	-	-27	-	-
Mozambique	-	-	-	-10	-10	-10	-	-10	-5	-
Rwanda	18	-12	6	-14	-8	-7	-	-7	-3	-
South Africa Upington	298	-296	3	22	24	17	-	17	9	-
South Africa Linde / Dreunberg	421	-148	273	-154	119	83	1	84	48	107
South Africa Kalkbult	332	-105	227	-107	120	86	6	92	47	99
South Africa other	55	-37	18	-	18	11	-	11	1	-

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR 2017 (BEFORE GROUP ELIMINATIONS)

NOK MILLION	REVENUES	OPERATING EXPENSES	OPERATING PROFIT	NET FINANCIAL EXPENSES	PROFIT BEFORE INCOME TAX	PROFIT/ (LOSS) FOR THE PERIOD	OTHER COMPRE-HENSIVE INCOME	TOTAL COMPRE-HENSIVE INCOME	PROFIT/ LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	DIVIDENDS PAID TO NON-CONTROLLING INTERESTS
Egypt	-	-2	-2	-1	-3	-3	-	-3	-1	-
Honduras Agua Fria	112	-64	48	-56	-9	-9	-	-9	-5	-
Honduras Los Prados	-	-	-	-14	-14	-14	-	-14	-4	-
Jordan	143	-62	81	-49	32	30	-	30	12	-
Malaysia	34	-35	-	-5	-5	-5	-	-5	-3	-
Mozambique	-	-	-	-	-	-	-	-	-	-
Rwanda	31	-12	19	-15	5	4	-	4	2	-
South Africa Upington	-	-	-	-	-	-	-	-	-	-
South Africa Linde / Dreunberg	422	-148	274	-176	97	69	-26	43	50	98
South Africa Kalkbult	321	-103	217	-112	106	76	-9	67	48	85
South Africa other	53	-46	7	4	11	8	-	8	1	3

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (BEFORE GROUP ELIMINATIONS)

									ATTRIBUTABLE TO	
NOK MILLION	PROPERTY, PLANT AND EQUIPMENT	OTHER NON-CURRENT ASSETS	CASH AND CASH EQUIVALENT	OTHER CURRENT ASSETS	NON-RECOURSE FINANCING	OTHER NON-CURRENT LIABILITES	CURRENT LIABILITES	TOTAL EQUITY	NON-CONTROLLING INTERESTS	EQUITY HOLDERS OF THE PARENT
Egypt	1,724	1,175	766	452	-1,831	-2,182	-128	-24	-11	-13
Honduras Agua Fria	794	1	111	77	-513	-323	-2	146	87	58
Honduras Los Prados	732	9	1	15	-	-46	-79	632	190	442
Jordan	982	8	283	18	-790	-102	-49	350	140	210
Malaysia	2,211	2,670	530	299	-27	-4,449	-138	1,097	-	1,097
Mozambique	339	5	26	76	-267	-148	-12	20	2	17
Rwanda	156	2	7	3	-121	-39	-1	6	15	-8
South Africa Upington	429	256	574	878	-785	-754	-572	26	11	15
South Africa Linde / Dreunberg	1,540	101	174	101	-1,384	-202	-24	307	158	149
South Africa Kalkbult	937	51	121	66	-878	-146	-16	136	19	117
South Africa other	1	422	6	9	-	-391	-3	43	-20	64

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (BEFORE GROUP ELIMINATIONS)

									ATTRIBUTABLE TO	
NOK MILLION	PROPERTY, PLANT AND EQUIPMENT	OTHER NON-CURRENT ASSETS	CASH AND CASH EQUIVALENT	OTHER CURRENT ASSETS	NON-RECOURSE FINANCING	OTHER NON-CURRENT LIABILITES	CURRENT LIABILITES	TOTAL EQUITY	NON-CONTROLLING INTERESTS	EQUITY HOLDERS OF THE PARENT
Egypt	348	301	29	1	-	-573	-51	56	26	31
Honduras Agua Fria	808	-	115	55	-532	-301	-2	144	86	58
Honduras Los Prados	289	-	-	190	-	-438	-	41	12	29
Jordan	982	7	229	18	-785	-97	-46	307	129	178
Malaysia	494	2 152	1 291	533	-27	-4 150	-8	285	-3	288
Mozambique	-	33	8	3	-	-	-5	38	11	27
Rwanda	155	-	13	6	-126	-34	-1	13	16	-3
South Africa Upington	-	-	-	-	-	-	-	-	-	-
South Africa Linde / Dreunberg	1 816	172	220	110	-1 636	-297	-82	302	207	99
South Africa Kalkbult	1 111	96	176	69	-1 019	-191	-22	221	87	125
South Africa other	-	95	3	10	-	-68	-4	36	-23	59

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 2018, the following financing have been granted by co-investors to consolidated power plant companies.

2018 NOK MILLION	TOTAL FINANCING	FORMAL EQUITY	SHAREHOLDER LOAN RECOGNISED IN EQUITY	FINANCIAL LIABILITY
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	68	68	-	-
Simacel 155 (Pty) Ltd (Linde)	27	20	7	-
Simacel 160 (Pty) Ltd (Dreunberg)	47	40	7	-
Gigawatt Global Rwanda (ASYV)	15	5	10	-
Scatec Solar AS/ Jordan PSC (Oryx)	60	-	60	-
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	81	2	79	-
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	38	1	37	-
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	232	97	-	135
Los Prados	196	194	-	2
Scatec Solar Intertec Mexico SAPI de CV	3	3	-	-
Aswan Solar Power SAE (BB1)	11	11	-	-
Zafarana Solar Power SAE (ZAF1)	39	10	-	29
Red Sea Solar Power SAE (ZAF2)	39	10	-	29
Upper Egypt Solar Power (BB2)	42	13	-	29
Kom Ombo Renewable Energy SAE (BB3)	40	10	-	30
Daraw Solar Power SAE (BB4)	45	17	-	28
Scatec Solar Ukraine Opr Comp (EPC)	6	6	-	-
Kamianka / Chysta Energiya	3	3	-	-
Atlas Capital Energy	3	3	-	-
Greenteco SES	13	3	-	-
Rengy Bioenergy	1	1	-	12
Cordillera Solar VIII S.A.	1	1	-	-
Total project financing from non-controlling interests	1,012	518	200	294

2017 NOK MILLION	TOTAL FINANCING	FORMAL EQUITY	SHAREHOLDER LOAN RECOGNISED IN EQUITY	FINANCIAL LIABILITY
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	81	75	6	-
Simacel 155 (Pty) Ltd (Linde)	33	23	10	-
Simacel 160 (Pty) Ltd (Dreunberg)	104	44	60	-
Gigawatt Global Rwanda (ASYV)	18	4	14	-
Scatec Solar AS/ Jordan PSC (Oryx)	56	0	56	-
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	75	1	75	-
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	35	1	35	-
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	209	92	-	117
Los Prados	19	16	-	2
Scatec Solar Intertec Mexico SAPI de CV	3	3	-	-
Aswan Solar Power SAE (BB1)	9	5	-	3
Zafarana Solar Power SAE (ZAF1)	8	5	-	3
Red Sea Solar Power SAE (ZAF2)	8	5	-	3
Upper Egypt Solar Power (BB2)	9	6	-	3
Kom Ombo Renewable Energy SAE (BB3)	8	5	-	3
Daraw Solar Power SAE (BB4)	11	8	-	3
Total project financing from non-controlling interests	686	292	255	140

For the year ended 31 December 2018 NOK 14 million (NOK 20 million per 31 December 2017) of interest on financing provided by co-investors have been accrued, of which NOK 3 million is recognised directly in equity (NOK 9 million per 31 December 2017).

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 project company.

Note 26 Employee benefits

SALARIES AND OTHER PERSONNEL COSTS

NOK MILLION	2018	2017
Salaries	**158**	129
Share-based payment	**8**	5
Payroll tax	**20**	16
Pension costs	**11**	9
Other personnel costs	**57**	20
Capitalised to PP&E (project assets)	**-117**	-71
Total personnel expenses	**137**	107

MANAGEMENT GROUP REMUNERATION

NOK MILLION	2018	2017
Salary and bonus	**21**	14
Pension	**1**	1
Total reportable benefits paid	**22**	15

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. A total of 15 employees were awarded options of which three have subsequently left the company. The second award under the program was 490 thousand options, which vest 1/3 1 January 2019, 1/3 1 January 2020 and the final 1/3 1 January 2021. A total of 15 employees were awarded options of which one has subsequently left the company. The third award under the program, granted in January 2019, was 495 thousand options, which vest 1/3 1 January 2020, 1/3 1 January 2021 and the final 1/3 1 January 2022. A total of 24 employees were awarded options. The strike price is equivalent to the volume weighted average price of the shares the 10 preceding trading days of the grant, and the strike price for the three awards are NOK 28.08 NOK 47.65 and NOK 72.03 respectively. During 2018 216 thousand options were exercised, and at the end of the year the total number of outstanding options are 1,031 thousand.

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 for the first award, 1 January 2018 for the second grant and 1 January 2019 for the third award, respectively. At grant date the fair value of the first award (excluding social security tax) was estimated to NOK 7 million, the fair value of the second award (excluding social security tax) was estimated to NOK 6 million and the fair value of the third award (excluding social security tax) was NOK 8 million. The fair value of these awards is expensed as the options vests.

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 million and an accrual of NOK 3 million (3) has been recognised per 31 December 2018. The payment to the participants in 2018 amounted to NOK 0 million (2), whereas the remaining part will be paid out in 2019.

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	2018	2017
South Africa	88	70
Norway	77	65
Malaysia	22	7
Mozambique	1	2
Brazil1	17	5
Honduras	12	9
Egypt	11	7
Ukraine	2	-
Czech	4	4
The Netherlands	3	1
France	1	4
Jordan	2	2
Rwanda	2	2
Germany	1	1
Argentina1	1	-
Mali	1	-
Italy	-	1
Total	245	180

1) Equity consolidated joint venture.

Note 27 Transactions with related parties

The Scatec Solar Group has during 2018 and 2017, had transactions with the following related parties:

Related party	Nature of transaction
Scatec Solar Brazil B.V. (associate)	Financing
Scatec Solar Solutions Brazil B.V (associate)	Financing
Scatec Solar Solutions Brazil SDE (associate)	Financing
Apodi I (associate)	Financing
Apodi II (associate)	Financing
Apodi III (associate)	Financing
Apodi IV (associate)	Financing
Scatec Energy LLC (associate)	Financing
Scatec Equinor Solutions Argentina S.A (associate)	Financing
Cordillera Solar VIII S.A (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 2018 and 2017 are:

OTHER NON-CURRENT ASSETS COMPRISE THE FOLLOWING

NOK MILLION	2018	2017
Loan to associated companies	308	22
Loan to key management personnel	4	6
Total other non-current assets	312	28

Refer to 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 MILLION	2018	2017
Payable to associated companies	1	-
Accrued payroll to key management personnel	8	6
Total current liabilities to related parties	9	6

Refer to Note 17 Other non-current and current liabilities for specification of total other non-current and other current liabilities.

Refer to Note 21 Investments in associated companies for specifications of investment in associated companies.

Note 28 Net gain/(loss) from sale of project assets

No sale of project assets has been effectuated during the financial year of 2018, hence no gain or loss from this activity has been recorded.

In the third quarter of 2017 Scatec Solar signed an agreement to establish a 50/50 joint venture with Equinor to build, own and operate large scale solar power plants in Brazil. As the first step of the agreement Equinor secured a 40% equity position in Scatec Solar's existing 162 MW Apodi project. Equinor paid USD 25 million for the project rights and for participation in the joint venture. Equinor 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 Equinor 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.

Note 29 Consolidated subsidiaries

The following subsidiaries are included in the consolidated financial statements. Consolidated economic interests correspond to the voting interests if not otherwise stated. For companies on level 2 in the table below (i.e. subsidiaries of the ultimate Parent's subsidiaries), the economic interests stated is the mathematically indirect consolidated economic interests.

COMPANY	REGISTERED OFFICE	CONSOLIDATED ECONOMIC INTERESTS 2018 [1]	CONSOLIDATED ECONOMIC INTERESTS 2017 [1]
Scatec Solar Solutions GmbH	Regensburg, Germany	100.00 %	100.00 %
Scatec Solar S.r.l.	Rome, Italy	100.00 %	100.00 %
BFL.F S.r.l.	Rome, Italy	100.00 %	100.00 %
Scatec Solar s.r.o.	Prague, Czech Republic	100.00 %	100.00 %
Signo Solar PP01 s.r.o.	Prague, Czech Republic	100.00 %	100.00 %
Signo Solar PP02 s.r.o.	Prague, Czech Republic	100.00 %	100.00 %
Signo Solar PP03 s.r.o.	Prague, Czech Republic	100.00 %	100.00 %
Signo Solar PP04 s.r.o.	Prague, Czech Republic	100.00 %	100.00 %
Signo Solar PV1 s.r.o.	Prague, Czech Republic	100.00 %	100.00 %
Scatec Solar India Ltd.	New Delhi, India	100.00 %	100.00 %
Scatec Solar North America inc. [3]	California, USA	-	100.00 %
St. Jean [3]	California, USA	-	80.00 %
Tourves PV SAS	St Raphael, France	100.00 %	100.00 %
Scatec Solar SAS France	Paris, France	100.00 %	100.00 %
Scatec Solar Jordan (EPC)	Amman, Jordan	100.00 %	100.00 %
Scatec Solar AS/ Jordan PSC	Amman, Jordan	90.00 %	90.00 %
Anwar Al Ardh For Solar Energy Generation PSC	Amman, Jordan	50.10 %	50.10 %
Ardh Al Amal For Solar Energy Generation PSC	Amman, Jordan	50.10 %	50.10 %
Scatec Solar Africa (Pty) Ltd	Cape Town, South Africa	100.00 %	100.00 %
Scatec Solar Management Services (Pty) Ltd	Sandton, South Africa	100.00 %	100.00 %
Scatec Solar SA 163 (Pty) Ltd.	Cape Town, South Africa	92.00 %	92.00 %
Scatec Solar SA (pty) Ltd.	Sandton, South Africa	100.00 %	100.00 %
Scatec Solar SA 165 (Pty) Ltd.	Sandton, South Africa	76.60 %	65.00 %
Scatec Solar SA 166 (Pty) Ltd.	Sandton, South Africa	46.00 %	39.00 %
Scatec Solar SA 164 (Pty) Ltd.	Sandton, South Africa	80.70 %	71.00 %
Simacel 155 (Pty) Ltd.	Sandton, South Africa	44.40 %	39.00 %
Simacel 160 (Pty) Ltd.	Sandton, South Africa	44.40 %	39.00 %
Scatec Solar Rwanda Ltd	Rwanda	100.00 %	100.00 %
Gigawatt Global Rwanda Ltd	Rwanda	54.03 %	54.03 %
Scatec Solar Honduras SA	Honduras	100.00 %	100.00 %
Produccion de Energia Solar Demas Renovables S.A,.	Honduras	40.00 %	40.00 %
Fotovoltaica Surena S.A.	Honduras	70.00 %	70.00 %
Generaciones Energeticas S.A.	Honduras	70.00 %	70.00 %
Fotovoltaica Los Prados S.A.	Honduras	70.00 %	70.00 %
Foto Sol S.A.	Honduras	70.00 %	70.00 %
Energias Solares S.A.	Honduras	70.00 %	70.00 %
Scatec Solar Mali SAS	Bamako, Mali	100.00 %	100.00 %
Segou Solaire S.A.	Bamako, Mali	50.00 %	50.00 %
Scatec Solar DMCC	United Arab Emirates	100.00 %	100.00 %
Central Solar de Mocuba S.A.	Mozambique	52.50 %	52.50 %
Scatec Solar Mozambique Limitada	Mozambique	100.00 %	100.00 %

COMPANY	REGISTERED OFFICE	CONSOLIDATED ECONOMIC INTERESTS 2018 [1]	CONSOLIDATED ECONOMIC INTERESTS 2017 [1]
Scatec Solar Mexico SAPI de CV [3]	Mexico	-	100.00 %
Scatec Solar Intertec Mexico SAPI de CV [3]	Mexico	-	60.00 %
Saferay Solar SAPI de CV [3]	Mexico	-	60.00 %
SIM Solar1 SAPI de CV [3]	Mexico	-	60.00 %
SIM Solar2 SAPI de CV [3]	Mexico	-	60.00 %
Scatec Sukhur B.V. Offshore Holdco	The Netherlands	100.00 %	100.00 %
Scatec Solar Netherlands B.V.	The Netherlands	100.00 %	100.00 %
Scatec Solar Nigeria B.V.	The Netherlands	100.00 %	100.00 %
Nova Scotia Power Development Limited	Abuja, Nigeria	100.00 %	100.00 %
Scatec Solar Solutions Egypt LLC	Egypt	100.00 %	100.00 %
Egypt Solar B.V.	The Netherlands	51.00 %	51.00 %
Upper Egypt 2 B.V.	The Netherlands	51.00 %	51.00 %
Upper Egypt Solar Power	Egypt	51.00 %	51.00 %
Kom Ombo 2 B.V.	The Netherlands	51.00 %	51.00 %
Kom Ombo Renewable Energy SAE	Egypt	51.00 %	51.00 %
Daraw B.V.	The Netherlands	51.00 %	51.00 %
Philadelphia Power SAE	Egypt	51.00 %	51.00 %
Zafarana 2 B.V.	The Netherlands	51.00 %	51.00 %
Zafarana Power SAE	Egypt	51.00 %	51.00 %
Red Sea Solar Power 2 B.V.	The Netherlands	51.00 %	51.00 %
Red Sea Solar Power SAE.	Egypt	51.00 %	51.00 %
Aswan Solar Power SAE	Egypt	51.00 %	51.00 %
Scatec Solar Mali B.V.	The Netherlands	100.00 %	100.00 %
Scatec Solar Malaysia B.V.	The Netherlands	100.00 %	100.00 %
Scatec Solar Solutions Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	100.00 %	100.00 %
Quantum Solar Park Semenanjung Sdn Bhd [4]	Kuala Lumpur, Malaysia	100.00 %	65.00 %
Quantum Solar Park (Kedah) Sdn Bhd [5]	Kuala Lumpur, Malaysia	100.00 %	65.00 %
Quantum Solar Park (Melaka) Sdn Bhd [5]	Kuala Lumpur, Malaysia	100.00 %	65.00 %
Quantum Solar Park (Terengganu) Sdn Bhd [5]	Kuala Lumpur, Malaysia	100.00 %	65.00 %
Red Sol [2]	Kuala Lumpur, Malaysia	100.00 %	-
Scatec Solar South Africa B.V.	The Netherlands	70.00 %	70.00 %
Dyason's Klip 1 (Pty) Ltd	South Africa	45.50 %	42.00 %
Dyason's Klip 2 (Pty) Ltd	South Africa	45.50 %	42.00 %
Sirius Solar PV Project One (RF) (Pty) Ltd	South Africa	45.50 %	42.00 %
Scatec Solar Construction R4 [1]	South Africa	51.00 %	-
Scatec Solar Operations R4 [1]	South Africa	51.00 %	-
Scatec Energy LLC [4]	California, USA	50.00 %	50.00 %
Scatec Solar Brazil II B.V. [4]	The Netherlands	50.00 %	50.00 %
Apodi I Energia SPE S.A. [4]	Brazil	43.75 %	43.75 %
Apodi II Energia SPE S.A. [4]	Brazil	43.75 %	43.75 %
Apodi III Energia SPE S.A. [4]	Brazil	43.75 %	43.75 %
Apodi IV Energia SPE S.A. [4]	Brazil	43.75 %	43.75 %
Scatec Solar Brazil II Solutions B.V. [4]	The Netherlands	50.00 %	50.00 %
Scatec Solar Brazil Servicos de Engenharia Ltda [4]	Brazil	50.00 %	50.00 %
Scatec Solar Argentina B.V. [4]	The Netherlands	50.00 %	50.00 %
Scatec Equinor Solutions Argentina S.A. [4]	Argentina	50.00 %	50.00 %
Cordillera Solar VIII S.A. [4]	Argentina	50.00 %	50.00 %

COMPANY	REGISTERED OFFICE	CONSOLIDATED ECONOMIC INTERESTS 2018 1)	CONSOLIDATED ECONOMIC INTERESTS 2017 1)
Scatec Solar Ukraine B.V. 2)	Ukraine	100.00 %	-
Scatec Solar Ukraine Opr Comp (EPC) 2)	Ukraine	100.00 %	-
Chysta Energhiaa 2011 LLC 2)	Ukraine	100.00 %	-
Atlas Capital Energy 2)	Ukraine	100.00 %	-
Greenteco SES 2)	Ukraine	100.00 %	-
Progressovka 2)	Ukraine	100.00 %	-
Boguslav 2)	Ukraine	100.00 %	-
Rengy Solar B.V. 2)	The Netherlands	51.00 %	-
Rengy Bioenergy 2)	Ukraine	51.00 %	-
Scatec Solar Vietnam B.V. 2)	The Netherlands	100.00 %	-
Scatec Solar Bangladesh B.V. 2)	The Netherlands	100.00 %	-

1) For projects under development the economic interest may be subject to change
2) Companies established/consolidated in 2018
3) Companies sold or liquidated in 2018
4) Joint venture companies refer to note 21 Investments in JVs and associated companies
5) The consolidated economic interest in the Malaysian project companies represents Scatec Solar's share of the contributed equity and retained earnings in the project companies as of the reporting date. Scatec Solar's average economic interest through the PPA tenor is estimated to be 68% based on the Group's right to economic return obtained through shareholdings and other contractual arrangements. The average economic interest may be subject to change. Refer to note 2 for further description of the project's investment structure.

For information on associated companies and joint venture companies, refer to Note 21 Investments in JVs and associated companies.

Note 30 Subsequent events

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

Note 31 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 recognised at fair value, and loans, receivables and other financial liabilities recognised at amortised cost.

From first quarter 2018 the segment financials are reported on a proportionate basis in line with how the management team assesses the segments' performance. With proportionate financials Scatec Solar reports its share of revenues, expenses, profits and cash flows from its subsidiaries without eliminations based on the Group's economic interest in the subsidiaries. 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. The Group uses proportionate financials to improve transparency on underlying value creation across Scatec Solar's business activity.

The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest million (NOK 1 000 000) except when otherwise indicated. Because of these rounding adjustments, the figures in some columns may not add up to the total of that column.

Statement of cash flows

The statement of cash flows is prepared under the indirect method.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as of 31 December 2018. 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, except for the subsidiaries in Rwanda, Honduras, Mozambique, Egypt, the Netherlands, Argentina and Jordan which use USD and Ukraine which uses EUR 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 than 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.

The IFRIC Interpretation 22 Foreign Currency Transaction and Advance Consideration clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration.

Entities can choose to apply the interpretation retrospectively for each period presented, prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or prospectively from the beginning of a prior reporting period presented as comparative information.

These interpretations have not resulted in any significant impact on the financial statements of The Group.

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 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 summarized 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.

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 1 January 2018 and later. The Group has adopted IFRS 9 from 1 January 2018. The implementation of IFRS 9 has not resulted in any significant impacts on the financial statements of Scatec Solar.

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortised cost (debt instruments)*
- *Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)*
- *Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)*
- *Financial assets at fair value through profit or loss*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- *The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows And*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition

A financial asset is primarily derecognized and removed from the Group's consolidated statement of financial position when:

- *The rights to receive cash flows from the asset have expired, or*
- *The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either*

  (a) the Group has transferred substantially all the risks and rewards of the asset, or

  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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. IFRS 9 has changed the Group's principle for measuring impairment losses on financial assets by replacing the incurred loss approach after IAS 39 with a forward-looking expected credit loss (ECL) approach. Under the ECL-approach an allowance for expected credit losses should be recognized for all debt instruments not held at fair value through profit or loss and contract assets.

Initial recognition and measurement of financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

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 of financial liabilities

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*

Based on 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 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 cash flow hedges that meet the criteria in IFRS 9. 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 expected cash flows from the hedged item's hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in the expected cash flows 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.

Revenue recognition

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. 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.

The Group has adopted the IFRS 15 from 1 January 2018 using the full retrospective method. The effect of the transition to IFRS 15 on the current period has not been specified as the impact on the Group's financials is immaterial. The analysis of IFRS 15 potential impact on revenue recognition related to sale of electricity has shown that revenues should be recognized 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 both the previous revenue recognition under IAS 18 and IFRS 15. IFRS 15 will therefore not impact revenue recognition related to the sale of power. Further, the Group's contracts for sale of electricity does not contain significant deferred or advanced payment terms. The segment revenues as presented in note 3, Operating segments will, in line with the above, remain unchanged. Please refer to note 3 for further details.

With regards to variable consideration related to intra-group EPC and OM agreements, under the previous IAS 11/18, revenue was recognized when it was probable that the economic benefits associated with the transaction would flow to the entity. Under the new standard the 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.

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 considered as variable consideration under IFRS 15 and are recognised when it is highly probable that the recognition will not be reversed in future periods. 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 is recognised when they come into force.

The Group applies the above policies also for intercompany transactions between segments.

Income tax

Income tax expense comprises current tax and change in 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.

Goodwill

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 be 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 non-controlling 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 should be 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.

Solar plants 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 project 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 (PPE)

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. Replacement of damaged components is accounted for as an impairment of the replaced components with capitalization of the replacement cost as a new item of PPE.

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 management's 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.

Asset retirement obligations (ARO)

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.

Scatec Solar's future asset retirement obligation depends on several 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.

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. Except for the power plants in Jordan and Malaysia, all the existing PPAs in operation are considered capacity contracts. The Jordanian and Malaysian 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 laws in Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

Restricted cash is cash reserved for a specific purpose and therefore not available for immediate and general use by the Group.

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 considered 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, is 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 26.

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 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 2018. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 2, concerning the Share-based payments

These amendments were effective for annual periods beginning on or after 1 January 2018. These amendments have not resulted in any significant impact on the financial statements of The Group. Please refer to note 26 for details.

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 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 2018. 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 2018 would have been limited. EBITDA would have increased by NOK 17 million (1.8 %), operating profit (EBIT) would have increased by NOK 2 million (0.3 %), while the total balance sheet would have increased by NOK 191 million (1.3%).

Income Tax Consequences of Dividends on Financial Instruments - Amendments to IAS 12

The amendments to IAS 12 are effective from 1 January 2019 and are not expected to have any impact on the Group.

Parent company financial statements

Statement of profit or loss

1 JANUARY – 31 DECEMBER

NOK MILLION	NOTE	2018	2017
Revenues	3	1,661	488
Total revenues		1,661	488
Costs of sales	2, 10	-1,446	-430
Personnel expenses	4	-90	-61
Other operating expenses	6, 14, 15	-62	-77
Depreciation, amortisation and impairment	5	-3	-1
Operating profit/(loss)		60	-82
Interest and other financial income	7, 14	148	206
Interest and other financial expenses	7, 14	-102	-77
Foreign exchange gain/(loss)		44	-71
Profit before tax		149	-24
Income tax (expense)/benefit	8	-28	26
Profit/(loss) for the period		122	2
Allocation of profit/(loss) for the period			
Dividend	12	108	80
Transfer to/(from) other equity	12	14	-79
Total allocation of profit/(loss) for the period		122	1

Statement of financial position

1 JANUARY – 31 DECEMBER

NOK MILLION	NOTE	2018	2017
Non-current assets			
Deferred tax assets	8	56	77
Property plant and equipment	5	26	11
Investments in subsidiaries	9	1,836	811
Loan to group companies	14	1,630	715
Other non-current receivables		29	14
Total non-current assets		3,578	1,628
Current assets			
Inventory	10	364	277
Trade and other receivables	15	15	2
Trade and other receivables group companies	3,15	641	852
Other current assets		18	14
Cash and cash equivalents	11	425	332
Total current assets		1,465	1,477
TOTAL ASSETS		5,043	3,105

Statement of financial position

AS OF 31 DECEMBER

NOK MILLION	NOTE	2018	2017
Paid in capital			
Share capital	12	3	3
Share premium	12	1,794	1,195
Total paid in capital		1,797	1,197
Other equity			
Other equity	12	-161	-174
Total other equity		-161	-174
Total equity		1,636	1,022
Non-current liabilities			
Bonds	16	743	741
Liabilities to group companies	14	1,041	674
Other non-current liabilities		40	42
Total other non-current liabilities		1,823	1,456
Current liabilities			
Trade and other payables		103	66
Trade payables group companies		83	80
Income tax payable	8	5	1
Public duties payable		16	15
Dividend	12	108	80
Other current liabilities	17	1,269	384
Total current liabilities		1,584	626
Total Liabilities		3,407	2,083
TOTAL EQUITY AND LIABILITIES		5,043	3,105

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)

Statement of cash flow

1 JANUARY – 31 DECEMBER

NOK MILLION	NOTE	2018	2017
Cash flow from operating activities			
Profit before taxes		149	-24
Depreciation, amortisation and impairment	5	3	1
Interest and other financial income	7	-148	-206
Interest and other financial expenses	7	102	78
Foreign exchange gain/(loss)		-44	192
(Increase)/decrease in inventories	10	-87	-
(Increase)/decrease in trade receivables	15	198	-392
Increase/(decrease) in trade payables		40	9
Taxes paid	8	-	-
Other items		1,169	123
Net cash flow from operating activities		1,382	-219
Cash flows from investing activities			
Investments in property, plant and equipment	5	-17	-7
Proceeds from sale of fixed assets		-	1
Net loans to subsidiaries	14	-1,326	-365
Interests received		91	37
Investments in subsidiaries and associated companies	9	-614	-33
Dividends from and capital decrease in subsidiaries	9	130	169
Net cash flow from investing activities		-1,736	-199
Cash flows from financing activities			
Proceeds from share capital increase	12	596	373
Dividends paid to equity holders	12	-81	-73
Interest paid		-68	-55
Proceeds from bond issue	16	-	750
Repayment of bond	16	-	-523
Net cash flow from financing activities		447	472
Net increase/(decrease) in cash and cash equivalents			
Net increase/(decrease) in cash and other equivalents		93	54
Cash and cash equivalents at end of period		332	278
Cash and cash equivalents at end of period		425	332

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 2018 were authorised for issue in accordance with a resolution by the Board of Directors on 14 March 2019.

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 Principles (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 using 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 project companies which are under the control of the Group. Revenues are recognized upon the transfer of title. The accumulated cost of project 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 project 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. 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 considered 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 to 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 a group of financial assets should be 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 assets are 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 are 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. The Company 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 considers 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 on the Company's financial position on the end of the reporting period which becomes known after the reporting period, is recorded in the annual accounts. Events after the reporting period that do not affect the Company's financial position on the end of the reporting period, but which will affect the Company's financial position in the future, are disclosed if significant.

Statement of cash flow

The cash flow statement is prepared using the indirect method.

Note 3 Revenues

REVENUES BY BUSINESS AREA

NOK MILLION	2018	2017
Services	**1,661**	488
Sum	**1,661**	488

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

REVENUES BY GEOGRAPHICAL DISTRIBUTION

NOK MILLION	2018	2017
Egypt	**971**	71
Honduras	**391**	222
Mozambique	**155**	-
Malaysia	**62**	73
South- Africa	**35**	76
Brazil	**25**	14
Ukraine	**13**	-
Argentina	**8**	-
Dubai	**-**	30
France	**-**	1
Sum	**1,661**	488

Refer to note 14 - Transactions with related parties for further information.

Note 4 Personnel expenses, number of employees and auditor's fee

PERSONNEL EXPENSES

NOK MILLION	2018	2017
Salaries	90	80
Share-based payment	7	4
Payroll tax	18	14
Pension costs	7	6
Other benefits and personnel costs	4	4
Capitalised to PPE (project assets)	-37	-46
Total personnel expenses	90	61

The average number of FTEs that has been employed in the company through 2018 was 77 (2017: 62).

SALARIES AND PERSONNEL EXPENSES FOR THE MANAGEMENT OF SCATEC SOLAR ASA

2018 NOK THOUSAND	TITLE	SALARY [1]	BONUS	NUMBER OF OPTIONS AWARDED [2]	EXERCISE OF SHARE OPTIONS	OUT-STANDING SHARE OPTIONS	OTHER BENEFITS [3]	PENSION COST	LOANS OUT-STANDING
Raymond Carlsen	Chief Executive Officer	3,211	1,200	76	-39	154	28	147	-
Mikkel Tørud	Chief Financial Officer	2,258	770	56	-26	119	11	145	1,153
Snorre Valdimarsson	EVP General Counsel	1,763	601	44	-22	88	17	146	1,212
Terje Pilskog	EVP Project Development & Project Finance	1,965	670	49	-26	101	11	146	1,212
Roar Haugland	EVP Sustainable Business & HSSE	1,754	515	44	-22	88	11	151	-
Torstein Berntsen	EVP Power Production	1,864	636	46	-25	95	11	149	1,126
Pål Helsing	EVP Solutions	1,885	827	-	-	-	6	146	-
Toril Haaland (from 1/6-2018)	EVP People & Organisation	801		-	-	-	-	69	-

2017 NOK THOUSAND	TITLE	SALARY [1]	BONUS	NUMBER OF OPTIONS AWARDED [2]	EXERCISE OF SHARE OPTIONS	OUT-STANDING SHARE OPTIONS	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 Sustainable Business & HSSE	1,686	-	-		67	12	148	-
Torstein Berntsen	EVP Power Production	1,821	-	-		74	15	146	1,445
Pål Helsing	EVP Solutions	1,850		-			12	144	-

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)

	2018				2017			
NOK THOUSAND	BOARD REMUNER-ATION	AUDIT COMMITTEE	REMUNER-ATION COMMITTEE	NOMINATION COMMITTEE	BOARD REMUNER-ATION	AUDIT COMMITTEE	REMUNER-ATION	NOMINATION COMMITTEE
Alf Bjørseth (until 23 April 2018)	-	-	-	-	250	-	-	-
Mari Thjømøe	275	55	-	-	250	50	-	-
John Andersen Jr.	440	55	30	-	400	50	25	-
Jan Skogseth	275	-	30	-	250	50	25	-
Gisele Marchand (from 14 December 2017)	275	-	-	-	146	-	-	-
John Giverholt (from 23 April 2018)	275	-	-	-	-	-	-	-
Karin Bing Orgland (from 24 April 2017 until 5 October 2017)	-	-	-	-	104	-	-	-
Inge Hansen	-	-	-	50	-	-	-	45
Alf Inge Gjerde	-	-	-	35	-	-	-	30

1) Annual fees paid in 2018 and 2019 respectively.

Pension costs

The Company has a defined contribution plan in line with the requirement of the law. NOK 7 million is expensed related to the defined contribution plan in 2018 (2017 NOK 6 million).

AUDIT

NOK MILLION	2018	2017
Audit fees	2	2
Tax services	2	2
Other services	-	1
Total	4	5

VAT is not included in the numbers above.

Remuneration policy and concept for the accounting year 2018

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 30 April 2019.

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 eight individuals, for the financial year 2019 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

Executive Management remuneration 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 remuneration should be the base 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 base 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, and in the respective local market.

3.1 Additional benefits

3.1.1 Short Term Incentive - Bonus scheme

As part of the 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 base salary.

3.1.2 Long Term Incentive – Option Program

The Company implemented in 2016 a share option plan (the "Former Option Plan") whereby the Executive Management and certain of the Company's key 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 last tranche of the Former Option Plan was awarded in January 2019, and in aggregate options corresponding to 1,658,315 shares of the Company, equivalent to approximately one and a half percent (1.5%) of total outstanding shares have been awarded since 2016. The strike price of each yearly award is based on the volume weighted average share price for the period immediately prior to the award. The number of options awarded to each employee is calculated so that the value of the options is expected to correspond to fifty percent (50%) of the employee's base salary based on a pre-defined share price increase over the tenor of the option program.

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.

From 2020 the Board intends to continue the share option plan following the same principles as previously. Over a three year period, options may be allocated corresponding to up to 2,500,000 shares of the Company, equivalent to approximately 2.2 percent of the total outstanding shares. Annually approximately 1/3 of the options are awarded, with corresponding vesting periods of 12, 24 or 36 months.The strike price of each yearly award is based on the volume weighted average share price for the period immediately prior to the award. The number of options awarded to each employee is calculated so that the value of the options corresponds to fifty percent (50%) of the employee's base salary where the share price increases by 7.5% annually.

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 96,883) to 12G (NOK 1,162,596) and is therefore in accordance with Norwegian legislation.

The Company may, but currently has not, sign early retirement agreements for Executive Management.

The Company may compensate the Executive Management and the manager's family, as defined as close associates pursuant to the Norwegian Securities Trading Act section 2-5 no. 1 and 2, for health and life insurance plans in line with standard conditions for executive positions, in addition to mandatory occupational injury insurance required under Norwegian Law.

3.1.4 Severance schemes

Agreements may be signed regarding severance pay for the Company's Chief Executive Officer ("CEO") and other members of the Executive Management in order to attend to the Company's needs, at all times, to ensure that the selection of managers is in commensuration with the Company's needs. Pursuant to the Norwegian Working Environment Act, such agreements will not have a binding effect on executives other than the CEO.

Severance schemes shall be sought set up so that they are acceptable internally and externally. In addition to salary and other benefits during the term of notice, such schemes are not to give entitlement to severance pay for more than 12 months.

3.1.5 Benefits in kind

Executive Management may be offered the benefits in kind that are common for comparable positions, e.g. free telephone service, home PC, free broadband service, newspapers.

3.1.6 Executive management remuneration 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.

Note 5 Property, plant and equipment

OFFICE EQUIPMENT

NOK MILLION	2018	2017
Accumulated cost at 01.01	14	7
Additions	17	7
Disposed assets at cost	-	-1
Accumulated cost at 31 December	32	14
Accumulated depreciation at 01.01	3	1
Depreciations for the year	3	1
Accumulated depreciation disposed assets	-	-
Accumulated depreciation at 31 December	6	3
Carrying amount at 31 December	26	11
Estimated useful life (years)	3-10	3-5

Note 6 Other operating expenses

NOK MILLION	2018	2017
Facilities	8	6
Professional fees	24	27
IT and communications	16	13
Travel costs	6	4
Other costs	8	4
Provisions for loss on receivables (ref note15)	-	20
Total other operating expenses	62	77

Note 7 Financial income and expenses

INTEREST AND OTHER FINANCIAL INCOME

NOK MILLION	2018	2017
Interest income from group companies	80	33
Other interest income	5	5
Dividend from group companies	63	169
Total interest and other financial income	148	206

INTEREST AND OTHER FINANCIAL EXPENSES

NOK MILLION	2018	2017
Interest expenses from group companies	-10	-8
Other interest expenses	-63	-41
Other financial expenses	-29	-28
Total interest and other financial expenses	-102	-77

The increased interest expenses in 2018 is driven by added corporate funding facilities. Refer to 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 million.

Note 8 Tax

NOK MILLION	2018	2017
Income tax expense:		
Current taxes (including CFC)	-	-
Withholding tax on received dividends	6	13
Change in deferred tax	22	-39
Total tax expense/(income)	28	-26
Tax basis:		
Profit before taxes	149	-25
Net non-deductible income and expenses [1)]	-57	-160
Changes in temporary differences	-41	17
Utilisation of tax losses carried forward	-48	-
Tax base	-	-168
Current taxes according to statutory tax rate (23%/24%)	-	-

1) Net non-deductible income and expenses for 2018 and 2017 are mainly related to non-taxable dividends partly offset by non-deductible share based payment expenses. 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 MILLION	2018	2017
Expected income tax expense according to statutory tax rate (23%/24%)	34	-6
Non-deductible expenses	-13	-36
Withholding tax on received dividends/CFC	5	13
Effect of changed statutory tax rate (23% to 22% and 24% to 23%)	3	3
Income tax expense/(income)	28	-26
Effective tax rate (%)	19.8 %	106.2 %

TEMPORARY DIFFERENCES AS OF DECEMBER 31:

NOK MILLION	2018	2017	CHANGE
Tax loss carried forward	-265	-304	39
Receivables	-23	-23	-
Inventory	-13	-	-13
Work in progress	50	-	50
Total temporary differences	-251	-327	76
Recognised tax liability/(asset)	-56	-77	21

NOK 29 million of the tax losses 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 MILLION COMPANY	REGISTERED OFFICE	OWNERSHIP INTEREST	CARRYING VALUE 2018	CARRYING VALUE 2017
Scatec Solar Solutions GmbH	Regensburg, Germany	100%	44	43
Scatec Solar SA163 (Pty) Ltd	Cape Town, South Africa	92%	16	16
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%	62	113
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%	7	16
Scatec Solar India Pvt. Ltd.	New Delhi, India	100%	-	-
Scatec Solar North America Inc.	California, USA	100%	-	85
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%	-	-
Scatec Solar SAS	Paris, France	100%	-	-
Scatec Solar Jordan EPC	Amman, Jordan	100%	-	-
Scatec Solar AS/Jordan PSC	Amman, Jordan	90%	53	52
Anwar Al Ardh For Solar Energy Generation PSC	Amman, Jordan	50.1%	72	72
Ardh Al Amal For Solar Energy Generation PSC	Amman, Jordan	50.1%	33	33
Scatec Luxemburg Holding SA	Luxemburg	-	-	-
Scatec Solar Asia Pacific Pte Ltd	Singapore	-	-	-
Scatec Solar SA (Pty) Ltd	Sandton, South Africa	70%	3	3
Scatec Solar SA 165 (Pty) Ltd	Sandton, South Africa	65%	96	79
Scatec Solar SA 166 (Pty) Ltd	Sandton, South Africa	39%	-	-
Scatec Solar SA 164 (Pty) Ltd	Sandton, South Africa	71%	123	153
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%	-	-
Gigawatt Global Rwanda Ltd	Rwanda	54%	21	20
Scatec Solar Honduras SA	Honduras	100%	19	-
Produccion de Energia Solar Demas Renovables SA	Honduras	40%	59	59
Fotovoltaica Surena S.A	Honduras	70%	150	11
Generaciones Energeticas S.A	Honduras	70%	145	11

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NOK MILLION COMPANY	REGISTERED OFFICE	OWNERSHIP INTEREST	CARRYING VALUE 2018	CARRYING VALUE 2017
Fotovoltaica Los Prados S.A	Honduras	70%	63	9
Foto Sol S.A	Honduras	70%	4	4
Energias Solares S.A	Honduras	70%	87	6
Scatec Solar Africa (Pty) Ltd	South Africa	100%	-	-
Scatec Solar DMCC	United Arab Emirates	100%	-	-
Central Solar de Mocuba SA	Mozambique	52.5%	-	-
Scatec Solar Mozambique Limitada	Mozambique	100%	8	8
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%	767	14
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%	-	-
Daraw B.V	The Netherlands	70%	-	-
Philadelphia Power SAE	Egypt	49%	-	-
Zafarana 2 B.V	The Netherlands	100%	-	-
Zafarana Solar Power SAE	Egypt	49%	-	-
Red Sea Solar Power 2 B.V	The Netherlands	100%	-	-
Red Sea Solar Power SAE	Egypt	51%	-	-
Aswan Solar Power SAE	Egypt	100%	2	2
Scatec Solar Mali S.A.	Mali	100%	-	-
Segou Solaire S.A	Mali	50%	-	-
			1,834	809

NOK MILLION ASSOCIATES AND JOINT VENTURES	OFFICE	OWNERSHIP	CARRYING VALUE 2018	CARRYING VALUE 2017
Megawatt Holding AS	Oslo, Norway	50%	-	-
SanSca Limited	Hong Kong	25%	-	-
Scatec Energy	California, USA	50%	-	-
Kube Energy AS	Oslo, Norway	25%	2	2
Total			2	2

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 MILLION	2018	2017
Americas	111	214
West Africa	4	41
Middle East	110	14
Asia	44	4
East Africa	78	2
South Africa	-	1
Europe	17	-
Carrying value inventory at 31.12	364	277

The impairments done during 2018 were NOK 12 million (2017: NOK 0 million). The impairments are presented in cost of sales.

Note 11 Cash and cash equivalents

NOK MILLION	2018	2017
Restricted cash	18	27
Free cash	407	305
Total cash and cash equivalents	425	332

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.

In first quarter 2018 Scatec Solar entered into a USD 60 million revolving credit facility with Nordea Bank as agent and Nordea Bank and ABN Amro as equal Lenders. The facility can be drawn in USD, NOK, EUR or an optional currency agreed with the banks. Revolving credit facility interest is the interbank offer rate for the drawn period plus a margin of 3.25%. Scatec Solar has not drawn on the revolving credit facility per 31 December 2018.

In second quarter 2018 Scatec Solar entered into a USD 5 million overdraft facility with Nordea Bank. The overdraft interest is the 7-day interbank offer rate plus a margin of 2.5%. Scatec Solar has not drawn on the overdraft facility per 31 December 2018.

In fourth quarter 2017 Scatec Solar issued a NOK 750 million senior unsecured green bond with maturity in November 2021. The bond carries an interest of 3-month NIBOR + 4.75%, to be settled on a quarterly basis. The bond was listed on the Oslo Stock Exchange 6 April 2018 with ticker SSO02 G.

Per 31 December 2018, Scatec Solar was in compliance with all financial covenants for the above facilities. The book equity of the recourse group, as defined in the facility agreements, was NOK 3,095 million per quarter end.

During 2018 interest amounting to NOK 61 million (41) was expensed for the bond, overdraft- and revolving credit facility.

Refer to note 16 for further information on the bonds.

Note 12 Equity and shareholder information

NOK MILLION	ISSUED CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Equity as of 31.12.2017	3	1,195	-174	**1,022**
Profit/(loss) for the period	-	-	122	**122**
Share-based payment	-	5	-	**5**
Share capital increase	-	595	-	**595**
Accrued dividend	-	-	-108	**-108**
Equity as of 31.12.2018	3	1,794	-161	**1,636**

On 5 February 2018, as part of the Group's incentive program, a share capital increase raised NOK 5 million through an exercise of employee share options consisting of 216,202 new shares at a price of NOK 28.86 per share.

During second quarter 2018 Scatec Solar successfully raised NOK 590 million through a private placement consisting of 10 million new shares at a price of NOK 60 per share. At 31 December 2018, the share capital amounted to NOK 2,835 thousand. All shares rank in parity with one another and carry one vote per share.

For 2018 the Board of Directors has proposed a dividend of NOK 0.95 per share, totalling NOK 108 million. The share will be traded excluding dividend rights (ex-date) on the day following the Annual General Meeting to be held 30 April 2019.

On 23 April 2018, the Annual General Meeting of Scatec Solar ASA resolved to pay a dividend of NOK 0.78 per share, totalling NOK 81 million. The dividend was paid to the shareholders on 14 May 2018.

The tables below show the largest shareholders of Scatec Solar ASA and shares held by Management and Board of Directors at 31 December 2018.

SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP
SCATEC AS	19,482,339	17.18 %
FERD AS	13,411,182	11.83 %
EQUINOR ASA	11,020,000	9.72 %
FOLKETRYGDFONDET	7,550,904	6.66 %
UBS AG	3,865,983	3.41 %
ARGENTOS AS	2,755,760	2.43 %
VERDIPAPIRFONDET DNB NORGE (IV)	2,199,263	1.94 %
SEB PRIME SOLUTIONS SISSENER CANOP	2,100,000	1.85 %
HANDELSBANKEN HALLBAR ENERGI	1,684,052	1.48 %
CACEIS Bank	1,637,613	1.44 %
VERDIPAPIRFONDET PARETO INVESTMENT	1,613,161	1.42 %
STOREBRAND NORGE I VERDIPAPIRFOND	1,569,633	1.38 %
J.P. Morgan Bank Luxembourg S.A.	1,289,620	1.14 %
HANDELSBANKENS NORDENFOND	1,257,143	1.11 %
The Bank of New York Mellon	1,238,232	1.09 %
GOTHIC CORPORATION	1,172,025	1.03 %
ARCTIC FUNDS PLC	885,940	0.78 %
BNP Paribas Securities Services	818,323	0.72 %
HANDELSBANK NORDISKA SMABOLAGSFOND	706,271	0.62 %
KLP AKSJENORGE INDEKS	702,233	0.62 %
Total 20 largest shareholders	76,959,677	67.86 %
Total other shareholders	36,452,755	32.14 %
Total shares outstanding	113,412,432	100.00 %

BOARD OF DIRECTORS	NUMBER OF SHARES	OWNERSHIP
John Andersen, Jr. 1)	-	0.00%
Jan Skogseth	22,000	0.02%
Gisele Marchand	-	0.00%
Mari Thjømøe 2)	27,338	0.02%
John Giverholt	4,000	0,00%
Total at 31 December 2018	53,338	0,05%

1) Related parties control 19,482,339 shares through Scatec AS.
2) Held through the controlled company Thjømøe Kranen AS.

MANAGEMENT		NUMBER OF SHARES	OWNERSHIP
Raymond Carlsen 1)	Chief Executive Officer	2,778,386	2,45%
Mikkel Tørud	Chief Financial Officer	283,940	0.25%
Terje Pilskog 2)	EVP Project Development & Project Finance	497,727	0.44%
Roar Haugland 3)	EVP Sustainable Business & HSSE	240,262	0.21%
Torstein Berntsen 4)	EVP Power Production & Asset Management	682,609	0.60%
Snorre Valdimarsson	EVP General Counsel	4,747	0.00%
Pål Helsing	EVP Solutions	4,000	0,00%
Toril Haaland	EVP People & Organisation	-	0,00%
Total at 31 December 2018		4,492,566	3,96%

1) Held through the controlled company Argentos AS, where of 22,626 shares held by Raymond Carlsen directly
2) Held through the controlled company Océmar AS.
3) Held through the controlled company Buzz Aldrin AS.
4) Held through the controlled company Belito AS, where of 5,000 shares held by Torstein Berntsen directly. In addition, 895 shares are held by Torstein Berntsen's spouse. These are not included in the total presented in the table above.

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 project 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 project 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 2018

- *Advance payment guarantees of NOK 208 million (NOK 556 million as of 31 December 2017) related to the construction contracts for power plants in Egypt*
- *Performance guarantees of NOK 802 million (NOK 289 million as of 31 December 2017) related to the construction contracts for power plants in South Africa, Malaysia, Egypt and Jordan*
- *Warranty guarantees of NOK 22 million (NOK 56 million as of 31 December 2017) related to power plants constructed by Scatec Solar in Brazil*
- *Bid bonds of NOK 47 million (NOK 58 million as of 31 December 2017) related to tenders/bidding for new projects in Egypt, Bangladesh and Zambia*
- *Other guarantees of NOK 626 million (NOK 588 million as of 31 December 2017) are mainly related to equity guarantees in South Africa, Malaysia and development guarantees in Egypt and Nigeria*

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

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

GUARANTEE DURATION

NOK MILLION	2019	2020	2021	>2021
Advance payment guarantees	208	-	-	-
Performance guarantees	497	105	146	54
Warranty guarantees	-	-	22	-
Bid Bonds	37	-	-	10
Other guarantees	452	169	5	-
Total	1 193	274	173	64

The advance payment guarantees, performance guarantees and warranty guarantees are guarantees granted by fully owned subsidiaries in the group to partly owned subsidiaries. Any exercise of these would therefore only affect the allocation of profits or loss and equity between the majority and non-controlling interests in the group. Bid bonds and other guarantees are granted by consolidated subsidiaries to third parties.

The guarantees issued from Scatec Solar ASA are issued by Nordea bank under the guarantee facility with Nordea Bank as agent, and Nordea Bank, ABN Amro and Swedbank as guarantee instrument lenders. The advance payment guarantees, performance guarantees and warranty guarantees in Malaysia, Egypt, Brazil, Jordan and South Africa are counter guaranteed by The Norwegian Export Credit Guarantee Agency (GIEK). Financial covenants are equal to the financial covenants in the green bond issued in November 2017. Per 31 December 2018, Scatec Solar was in compliance with all covenants.

Refer to Note 16 – Bonds, for further information and definitions.

Contractual obligations

Scatec Solar has contractual obligations primarily through office lease. Further, the group commitments in contracts with suppliers of equipment and sub-EPC services related to the plants under construction in Ukraine, Malaysia, South Africa and Egypt.

CONTRACTUAL OBLIGATIONS

NOK THOUSAND	2019	2020	2021	>2021
Leases (office rental)	7	7	7	7
Total purchase modules, inverters etc	1,466	-	-	-
Total purchase services	15	-	-	-
Total contractual obligations	1488	7	7	7

Contingent liabilities

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 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 2018 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 2018. There has been extensive dialogue and communication on this topic during 2018 and 2019, and the parties are now in the final phase of negotiations on a solution to the dispute.

Note 14 Transactions with related parties

Related parties	Transactions
Subsidiaries and associates	Management, development and EPC services and financing
Key management personnel	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 2018 and 2017 are:

Subsidiaries – EPC services

Scatec Solar ASA sold EPC services amounting to NOK 1,595 million in total during 2018 (2017: NOK 247 million). Scatec Solar ASA has been EPC contractor for the construction of power plants in Honduras, Mozambique, Egypt, and South Africa. During 2018 total revenues on these contracts amounted to NOK 1,514 million (2017: NOK 164 million). In 2018 the company continued to deliver construction services to subsidiaries in Malaysia, Brazil, Egypt, Mozambique, and Argentina contracted as a sub-contractor. The revenues for 2018 amounted to NOK 82 million (2017: NOK 82 million).

Subsidiaries – development services

During 2018 the company sold development projects rights amounting to NOK 47 million. The sale of rights related to the financial close and transfer of rights for the Kamianka projects in Ukraine amounting to NOK 10 million, the Redsol project in Malaysia amounting to NOK 19 million and projects in South Africa amounting NOK 5 million. During 2017 the company sold development projects rights amounting to NOK 225 million. The sale of rights related to the financial close and transfer of rights for the Los Prados projects to the power project companies in Honduras amounting to NOK 56 million as well as the Egypt projects portfolio of NOK 70 million. 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 million 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 million.

Subsidiaries - management service income

Scatec Solar has during 2018 charged NOK 17 million for corporate services provided to its subsidiaries (2017: NOK 13 million).

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 9.

Scatec AS – consultancy services

Scatec Solar acquired certain consultancy services, such as accounting and project development services, from Scatec AS. For the year ended 31 December 2018 the company incurred fair share of travel agency service cost of NOK 181 thousand. In 2017 the company was charged consultancy service cost of NOK 105 thousand. Travel agency service and consultancy services are presented as other operating expenses in the statement of income. As per 31 December 2018 the trade payables to Scatec AS was NOK 0 thousand (2017: NOK 9 thousand). In connection with the Scatec Solar ASA equity issue in June 2018, Scatec AS entered a share lending agreement with the joint book-runners and Scatec Solar ASA.

Refer to note 4 for information regarding transactions with key management personnel.

Note 15 Provision for bad debt

NOK MILLION	2018	2017
Bad debt realised	-	6
Provision for bad debt	-	14
Total expenses	-	20
Bad debt reserve 31 December	23	23

Note 16 Bonds

In 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 months NIBOR + 4.75%, to be settled on a quarterly basis. The bond is 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 2018, Scatec Solar was in compliance with all bond covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 3,094 million per year end, and the debt to capitalization ratio was 19% per year end.

During 2018, an interest amounting to NOK 44 million was expensed (2017: 41 million).

The loan is carried at amortised cost with the total fees of NOK 9 million being amortised over the 4-year period until maturity.

Refer to the loan agreement available on www.scatecsolar.com/investor/debt for further information and definitions.

Refer to Note 11 – Cash and cash equivalents, for description of other sources of corporate funding.

Note 17 Other current liabilities

NOK MILLION	2018	2017
Deferred income EPC projects	1,083	246
Liabilities to co-developers	84	84
Accrued interest expenses	5	5
Vacation allowances, bonus accruals etc.	35	26
Other	62	23
Total current liabilities	1,269	384

Note 18 Subsequent events

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

Other 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	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.

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):	The first date on which the solar power plant generates revenues through sale of power under the off-take agreement. Production volumes and/or the price of the power may be lower than when commercial operation date (COD) is reached. This milestone is regulated by the off-take agreement with the power off-taker. This milestone may be reached prior to COD if the construction of a power plant is completed earlier than anticipated in the off-take agreement.
Commercial Operation Date (COD):	A scheduled date when certain formal key milestones have been reached, typically including grid compliance, approval of metering systems and technical approval of plant by independent engineers. Production volumes have reached normalised levels sold at the agreed off-taker agreement price. This milestone is regulated by the off-taker agreement with the power off-taker.
Take Over Date (TOD):	The date on which the EPC contractor hands over the power plant to the 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

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.
Full-Time Equivalent Employee (FTE):	An employee which have a contract with the company with no end date.
Net gain project sale:	Is defined as sales revenue less costs from sale of project assets.

Responsibility statement

We confirm to the best of our knowledge, that the consolidated financial statements for 2018 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, 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)

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

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

Book equity: is the total book equity of the recourse group less investments in subsidiaries within the recourse group at the end of any relevant period and in accordance with IFRS. In case a subsidiary is not wholly owned, the book equity of that subsidiary is adjusted to reflect the issuer's pro rate ownership of the book equity in that subsidiary.

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

Cash flow to equity: is a measure that seeks to estimate value creation in terms of the Group'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 normalized loan and interest repayments, less normalized 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. See table below for a detailed specification of cash flow to equity.

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.

Gross profit: 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 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 normalised net interest expense multiplied with the nominal tax rate of the jurisdiction where the profit is taxed.

Scatec Solar's economic interest: Scatec Solar's share of the total estimated economic return from its subsidiaries. For projects in development and construction the economic interest is subject to change from the development of the financial model.

SSO Proportionate Financials: From first quarter 2018 the segment financials have been reported on a proportionate basis in line with how the management team assesses the segment performance. 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. The Group uses proportionate financials to improve transparency on underlying value creation across Scatec Solar's business activities. The consolidated revenues and profits, on the other hand, 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 43.4% to 100% ownership), for which revenues and profits are eliminated in the Consolidated Financial Statements.

A reconciliation between SSO Proportionate Financials and the consolidated financials for the Group is included in note 3 Operating segments.

Break-down of proportionate cash flow to equity

FY 2018

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL
EBITDA	492	33	488	-53	961
Net interest expenses	-162	-	3	-58	-217
Normalized loan repayments	-136	-	-	-	-136
Normalized income tax payments	-38	-8	-108	26	-127
Cash flow to Equity	157	26	383	-85	481

FY 2017

NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL
EBITDA	454	28	361	-50	792
Adjustments [1)]	-	-	-201	-	-201
EBITDA adjusted	454	28	160	-50	592
Net interest expenses	-171	1	3	-37	-203
Normalized loan repayments	-113	-	-	-	-113
Normalized income tax payments	-28	-7	4	21	-10
Cash flow to Equity	142	22	167	-65	265

1) Adjustments include changes in net working capital, investing activities and fair value adjustment of first-time recognition of joint venture investments.

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 in the sustainability report
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 in the sustainability report
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 in the sustainability report
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 in the sustainability report
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 in the sustainability report
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 in the sustainability report
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 in the sustainability report

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 in the sustainability report
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 in the sustainability report
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 in the sustainability report

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 balance sheet as at 31 December 2018, the income statement 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 at 31 December 2018, the 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 2018, 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 2018 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 2018. 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.

Building a better working world

Control assessments of project companies

The group has entered into partnerships for shareholding of project companies owning solar power plants. Scatec Solar seeks to obtain operational and financial control of the project companies also when Scatec Solar's owns less than 50 % of the shares. Based on the criteria in IFRS 10 regarding control, other factors than ownership can be decisive as to whether Scatec Solar has 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. For new project companies in 2018 we read the shareholder agreements and other key contractual agreements such as development, financing, Engineering, Procurement and Construction and Operation & Maintenance agreements. We have compared the terms and conditions in these agreements with the requirements in IFRS 10.

We evaluated the information provided in disclosure and that the description in note 2 is 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

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 concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 27 March 2019
ERNST & YOUNG AS

Thomas Embretsen

Thomas Embretsen
State Authorised Public Accountant (Norway)

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