

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.



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:



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.

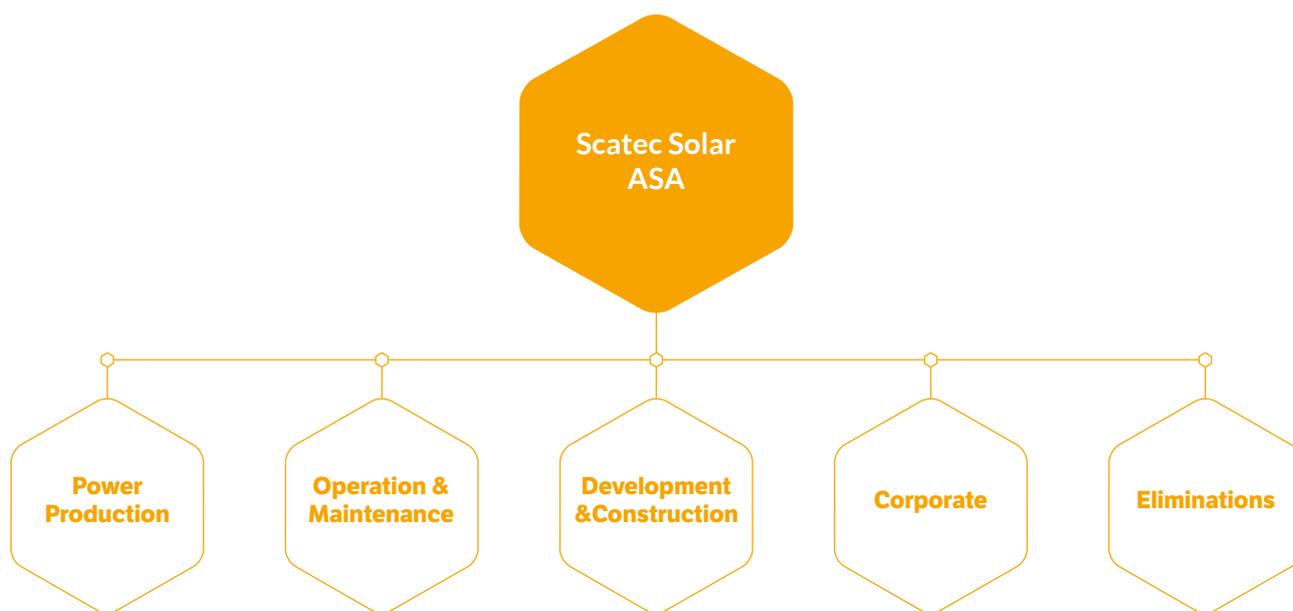
Development & Construction revenues were recognised for projects in Brazil, Malaysia, South Africa, Ukraine, Mozambique, Egypt, Honduras and Argentina in 2018. Projects under construction currently stands at 1,071 MW per reporting date. The backlog of projects with secured offtake of future power production 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.



Main activities

- Ownership and management of power producing assets

- Technical and operational services

- Project development
- 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

PROPORTIONATE FINANCIALS									
2018								RESIDUAL OWNERSHIP INTERESTS ¹⁾	CONSOLIDATED FINANCIALS
NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL		ELIMINATIONS ²⁾		
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	

PROPORTIONATE FINANCIALS									
2017								RESIDUAL OWNERSHIP INTERESTS ¹⁾	CONSOLIDATED FINANCIALS
NOK MILLION	POWER PRODUCTION	OPERATION & MAINTENANCE	DEVELOPMENT & CONSTRUCTION	CORPORATE	TOTAL		ELIMINATIONS ²⁾		
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.

NOK MILLION	EXTERNAL REVENUE ³⁾	
	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

NOK MILLION	PROPERTY, PLANT AND EQUIPMENT	
	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.

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

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

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



*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 Uppington 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		2018	2017
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			2018
			FOREIGN EXCHANGE MOVEMENT	FAIR VALUE CHANGES	OTHER/ RECLASSIFICATIONS	
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 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	
	LOSS CARRIED FORWARD	DEFERRED TAX ASSET	LOSS CARRIED FORWARD	DEFERRED TAX ASSET
COUNTRY				
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.

NOK MILLION	OVERDUE			
	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)

NOK MILLION	2018				2017			
	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 Thjomøe 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 Thjomøe 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 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, 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 COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE 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 COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE 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)

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	ATTRIBUTABLE TO	
									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)

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	ATTRIBUTABLE TO	
									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
Brazil ¹	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
Argentina ¹	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 Solar 1 SAPI de CV ³⁾	Mexico	-	60.00 %
SIM Solar 2 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.