

# Notes to the parent company financial statements

## Note 1 General information

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Scatec Solar ASA is incorporated and domiciled in Norway. The address of its registered office is Karenslyst Allé 49, NO-0279 OSLO, Norway. Scatec Solar was established on 2 February 2007.

Scatec Solar ASA ("the Company"), its subsidiaries and investments in associated companies and joint ventures ("the Group" or "Scatec Solar") is a leading independent solar power producer. The Company is pursuing an integrated business model across the complete lifecycle of utility-scale

solar photovoltaic (PV) power plants including project development, financing, construction, ownership, and operation and maintenance.

The Company is listed on the Oslo Stock Exchange.

The consolidated financial statements for the full year 2018 were authorised for issue in accordance with a resolution by the Board of Directors on 14 March 2019.

## Note 2 Accounting principles

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### Statement of compliance

The financial statements of Scatec Solar ASA are prepared in accordance with the Norwegian Accounting Act of 1998 and Norwegian Generally Accepted Accounting Principles (NGAAP).

### Basis for preparation

These financial statements have been prepared on a historical cost basis.

### Accounting estimates and judgements

In preparing the financial statements, assumptions and estimates that have had effect on the amounts and presentation of assets and liabilities, income and expenses and contingent liabilities must be made. Actual results could differ from these assumptions and estimates.

### Foreign currency translation

The functional currency and presentation currency of the Company is Norwegian kroner (NOK). Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical cost expressed in a foreign currency are translated into NOK using the exchange rate

applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated using the exchange rate applicable on the balance sheet date.

### Revenues and cost of sales

Scatec Solar ASA develops project rights that are the basis for construction of solar PV plants. Revenues are partly derived from the sale of these project rights. These transactions are primarily made with project companies which are under the control of the Group. Revenues are recognized upon the transfer of title. The accumulated cost of project rights is expensed upon the transfer of title or when a project is abandoned and impaired. Cost of sales consists of capitalised payroll expenses, travel expenses and external expenses that are directly attributable to developing the project rights, such as legal fees, expenses incurred for obtaining permits etc.

Revenues from construction services are based on fixed price contracts and are accounted for using the percentage of completion method. The stage of completion of a contract is determined by actual cost incurred over total estimated costs to complete. These transactions are primarily made with project companies which are under the control of the Group.

Scatec Solar periodically revise contract profit estimates and immediately recognises any losses on contracts. Incurred costs include all direct materials, costs for solar modules, labour, subcontractor costs, and other direct costs related to contract performance. Scatec Solar recognises direct material costs as incurred costs when the direct materials have been installed. When contracts specify that title to direct materials transfer to the customer before installation has been performed, revenue and associated costs are deferred and recognized once those materials are installed and have met any other revenue recognition requirements. Scatec Solar considers direct materials to be installed when they are permanently attached or fitted to the solar power systems as required by engineering designs.

Some construction contracts include product warranties. The expected warranty amounts are recognized as an expense at the time of sale and are adjusted for subsequent changes in estimates or actual outcomes.

Further, Scatec Solar ASA derives revenues from the allocation of headquarter costs to its subsidiaries. Revenues from the sale of intercompany services are recognized when the services are delivered.

### Employee benefits

Wages, salaries, bonuses, pension and social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company. The Company has pension plans for employees that are classified as defined contribution plans. Contributions to defined contribution schemes are recognized in the statement of profit or loss in the period in which the contribution amounts are earned by the employees. Certain key employees were in 2014 invited to a retention and share incentive programme. The programme is entirely settled in shares. In 2015, a cash settled share-based programme was introduced to certain key employees. In 2016, the company introduced an equity settled option program for leading employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in personnel expenses, together with a corresponding increase in equity over the vesting period. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. Service and non-market performance conditions are not considered when

determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized in personnel expenses. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

For further information refer to note 4 – Employee benefits.

### Interest income and expenses

Interest income and expenses are recognized in the income statement as they are accrued, based on the effective interest method.

### Income tax expense

Income tax expense in the statement of income for the year comprises current tax and changes in deferred tax. Income tax expense is recognized in the statement of income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analysed individually and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amounts for assets to be received (disputed tax positions for which payment has already been made) in each case are recognized within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues are estimated and recorded in the period in which they are earned or incurred and are presented in net finance expenses in the statement of income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the

financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In order for a deferred tax asset to be recognized based on future taxable profits, convincing evidence is required.

### Balance sheet classification

Current assets and liabilities consist of receivables and payables due within one year as well as project rights. Other balance sheet items are classified as non-current assets and liabilities.

### Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated at cost, less accumulated amortisation/depreciation and accumulated impairment losses. Intangible assets and property, plant and equipment acquired separately are carried initially at cost.

Intangible assets and property, plant and equipment are amortised/depreciated on a straight-line basis over their expected useful life, from the date the assets are taken into use. The expected useful life of the assets is reviewed on an annual basis and changes in useful life are accounted for prospectively.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately on a straight-line basis over the estimated useful life of the component.

An item of intangible assets and property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the statement of income in the period the item is derecognized.

### Subsidiaries and investment in associated companies

Subsidiaries are all entities controlled by Scatec Solar ASA. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the

investee and has the ability to affect those returns through its power over the investee.

Subsidiaries and investment in associated companies are accounted for using the cost method and are recognized at cost less impairment. The cost price is increased when funds are added through capital increases. Dividends to be received are recognized either as income or a reduction of the investment in the subsidiary, at the date the dividend is declared by the general meeting of the subsidiary. To the extent that the dividend relates to distribution of results from the period Scatec Solar ASA has owned the subsidiary, it is recognized as income. Dividends which are repayment of invested capital are recognized as a reduction of the investment in the subsidiary.

### Financial assets and liabilities

Scatec Solar ASA assesses at each balance sheet date whether a financial asset or a group of financial assets should be impaired. For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables has been incurred, the carrying amount of the assets are reduced. Interest-bearing borrowings are initially recognized at cost. After initial recognition, such financial liabilities are measured at amortised costs using the effective interest method. Transaction costs are taken into account when calculating amortised cost. Trade payables are carried at cost.

### Other current assets

Inventories are measured at the lower of cost and net realisable value and comprise costs of solar PV project assets that are intended for sale. Project assets consist primarily of costs relating to solar power projects in various stages of development that are capitalised prior to the sale of the solar power project to a third party for further project development or prior to the signing of a project construction contract. These costs include costs for land and costs for developing a solar power plant. Development costs can include legal, consulting, permitting, and other similar costs such as interconnection or transmission upgrade costs as well as directly attributable payroll expenses.

Scatec Solar reviews project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company considers a project commercially viable if it is anticipated to be realised for a profit once it is either fully developed or fully constructed. Scatec Solar considers a partially developed project commercially viable if the anticipated selling price is higher than the carrying value of the related project assets.

A number of factors are assessed to determine if the project will be profitable, the most notable of which is whether there are any changes in environmental, ecological, permitting, or regulatory conditions that impact the project. Such changes could cause the cost of the project to increase or the selling price of the project to decrease. The accumulated cost of a project is expensed as cost of sales either when it is sold or when a project is impaired.

### Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months. In the statement of cash flows, the overdraft facility is presented gross as part of changes in current liabilities.

### Dividends

Distribution of dividends is resolved by a majority vote at the Annual General Meeting of the shareholders of Scatec Solar ASA, based on a proposal from the Board of Directors.

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

### Events after the reporting period

New information on the Company's financial position on the end of the reporting period which becomes known after the reporting period, is recorded in the annual accounts. Events after the reporting period that do not affect the Company's financial position on the end of the reporting period, but which will affect the Company's financial position in the future, are disclosed if significant.

### Statement of cash flow

The cash flow statement is prepared using the indirect method.

## Note 3 Revenues

### REVENUES BY BUSINESS AREA

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

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

### REVENUES BY GEOGRAPHICAL DISTRIBUTION

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

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

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

### PERSONNEL EXPENSES

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

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

### SALARIES AND PERSONNEL EXPENSES FOR THE MANAGEMENT OF SCATEC SOLAR ASA

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

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

1) Including paid out holiday allowance.

2) See below for further information.

3) Other benefits include benefits such as insurance, free phone, and car allowance.

REMUNERATION FOR THE BOARD OF DIRECTORS <sup>1)</sup>

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

1) Annual fees paid in 2018 and 2019 respectively.

## Pension costs

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

## AUDIT

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

VAT is not included in the numbers above.

## Remuneration policy and concept for the accounting year 2018

In accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a) the Board of Directors intends to present the following statement regarding remuneration of the Executive Management Team to the Annual General Meeting.

### 1. General

This declaration is prepared by the Board of Directors in Scatec Solar ASA ("Scatec Solar") in accordance with the Norwegian Public Limited Liability Companies Act (the "Companies Act") section 6-16a, for consideration at the Annual General Meeting on 30 April 2019.

Principles in this declaration regarding allocation of shares, subscription rights, options and any other form of remuneration stemming from shares or the development of the share price in the Company or in other group companies are binding for the Board of Directors when approved by the General Meeting. Such guidelines are described in section 3.1.2. Other guidelines are precatory for the Board of Directors. If the Board of Directors in an agreement deviates from these guidelines, the reasons for this shall be stated in the minutes of the Board of Directors' meeting.

The principles set out for determination of salaries and other remuneration applies for the Chief Executive Officer, the Chief Financial Officer, and the Executive Vice Presidents of Scatec Solar (together "Executive Management"), as of today eight individuals, for the financial year 2019 and until new principles are resolved by the General Meeting in accordance with the Companies Act.

### 2. The main principles of the company's remuneration policy for Executive Management

Executive Management remuneration in Scatec Solar shall be determined based on the following main principles:

#### 2.1 Executive Management remuneration shall be competitive, but not leading

Executive Management remuneration shall, as a general guideline, be suitable to attract and retain skilled leaders. The salaries for the Executive Management should be comparable with levels in similar businesses.

#### 2.2 Executive Management remuneration is to be motivational

Executive Management remuneration should be structured to motivate the Executive Management to strive to realise the Company's strategic goals. The main element of Executive Management remuneration should be the base salary, although additional variable incentives should be available to motivate the Executive Management's efforts on behalf of the company.

### 3. Principles regarding benefits that can be offered in addition to regular salary

Scatec Solar has sought to structure a plan combining base salary, short term incentive and share based long term incentive to ensure (i) to motivate the Executive Management to strive to realise the Company's strategic goals including financial results, (ii) be suitable to attract and retain skilled leaders taking into account the international market the company participates in, and (iii) that the plan is approximately the average for management salaries for comparable Executive Management in similar businesses, and in the respective local market.

#### 3.1 Additional benefits

##### 3.1.1 Short Term Incentive - Bonus scheme

As part of the incentive and retention plan in effect from 2016, the Executive Management is part of a bonus arrangement based on key performance indicators both on the Company's overall and financial performance as well as the individual's performance. The bonus shall not exceed fifty percent (50%) of the annual base salary.

##### 3.1.2 Long Term Incentive – Option Program

The Company implemented in 2016 a share option plan (the "Former Option Plan") whereby the Executive Management and certain of the Company's key employees, may over a three-year period be allocated options corresponding to up to 4,600,000 shares of the Company, equivalent to approximately five percent (5%) of the total outstanding shares. The last tranche of the Former Option Plan was awarded in January 2019, and in aggregate options corresponding to 1,658,315 shares of the Company, equivalent to approximately one and a half percent (1.5%) of total outstanding shares have been awarded since 2016. The strike price of each yearly award is based on the volume weighted average share price for the period immediately

prior to the award. The number of options awarded to each employee is calculated so that the value of the options is expected to correspond to fifty percent (50%) of the employee's base salary based on a pre-defined share price increase over the tenor of the option program.

It is intended that the Board of Directors may use its authorisation to increase the share capital of the Company and/or buy own shares to settle options being exercised under the Option Plan.

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

### **3.1.3 Pension plans and insurance**

The Company has established a pension scheme in accordance with the Norwegian Occupation Pension Act. The pension scheme is based on a defined contribution for all Norwegian employees. The pension scheme covers salary from 1G (NOK 96,883) to 12G (NOK 1,162,596) and is therefore in accordance with Norwegian legislation.

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

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

### **3.1.4 Severance schemes**

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

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

### **3.1.5 Benefits in kind**

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

### **3.1.6 Executive management remuneration in other Scatec Solar companies**

Other companies in the Scatec Solar group are to follow the main principles for the determining of management salaries and remuneration as set out in this declaration. Scatec Solar aims at coordinating management remuneration policy and the schemes used for variable benefits throughout the group.



## Note 5 Property, plant and equipment

### OFFICE EQUIPMENT

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

## Note 6 Other operating expenses

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

## Note 7 Financial income and expenses

### INTEREST AND OTHER FINANCIAL INCOME

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

### INTEREST AND OTHER FINANCIAL EXPENSES

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

The increased interest expenses in 2018 is driven by added corporate funding facilities. Refer to Note 11 – Cash and cash equivalents and 16 - Bonds for further information on company financing.

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

## Note 8 Tax

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

1) Net non-deductible income and expenses for 2018 and 2017 are mainly related to non-taxable dividends partly offset by non-deductible share based payment expenses. The items also include tax-deduction on transaction costs from capital increase recognized in equity.

## RECONCILIATION OF NOMINAL STATUTORY TAX RATE TO EFFECTIVE TAX RATE

NOK MILLION	2018	2017
Expected income tax expense according to statutory tax rate (23%/24%)	34	-6
Non-deductible expenses	-13	-36
Withholding tax on received dividends/CFC	5	13
Effect of changed statutory tax rate (23% to 22% and 24% to 23%)	3	3
Income tax expense/(income)	28	-26
Effective tax rate (%)	19.8%	106.2%

## TEMPORARY DIFFERENCES AS OF DECEMBER 31:

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

NOK 29 million of the tax losses carried forward expire in 2024. The remaining tax loss can be carried forward indefinitely.

## Note 9 Investments in subsidiaries and associated companies

The table below sets forth Scatec Solar ASA's ownership interest in subsidiaries as well as investments owned by Scatec Solar's subsidiaries. Ownership interest corresponds to voting interest if not otherwise stated.

Ownership interest in daughter-daughter companies are shown by direct ownership interest of daughter-company.

NOK MILLION				
COMPANY	REGISTERED OFFICE	OWNERSHIP INTEREST	CARRYING VALUE 2018	CARRYING VALUE 2017
Scatec Solar Solutions GmbH	Regensburg, Germany	100%	44	43
Scatec Solar SA163 (Pty) Ltd	Cape Town, South Africa	92%	16	16
Scatec Solar Italy S.R.L	Rome, Italy	100%	-	-
BFL F S.R.L	Rome, Italy	100%	-	-
Scatec Solar S.R.O	Prague, Czech	100%	62	113
Signo Solar PP01 S.R.O	Prague, Czech	100%	-	-
Signo Solar PP02 S.R.O	Prague, Czech	100%	-	-
Signo Solar PP03 S.R.O	Prague, Czech	100%	-	-
Signo Solar PP04 S.R.O	Prague, Czech	100%	-	-
SPV 1 Solar S.R.O	Prague, Czech	100%	7	16
Scatec Solar India Pvt. Ltd.	New Delhi, India	100%	-	-
Scatec Solar North America Inc.	California, USA	100%	-	85
Utah Red Hills Renewable Park, LLC	California, USA	-	-	-
Altamaha Renewable Energy Park, LLC	California, USA	-	-	-
Live Oak Solar Farm, LLC	California, USA	-	-	-
Three Peaks Power, LLC	California, USA	-	-	-
Scatec California Solar No 1, LLC	California, USA	100%	-	-
Scatec California Partners, LP	California, USA	100%	-	-
Scatec Solar Hawaii LLC	Hawaii, USA	100%	-	-
Chateau St Jean Solar LLC	California, USA	80%	-	-
Tourves SPV SAS	St Raphael, France	100%	-	-
Scatec Solar SAS	Paris, France	100%	-	-
Scatec Solar Jordan EPC	Amman, Jordan	100%	-	-
Scatec Solar AS/Jordan PSC	Amman, Jordan	90%	53	52
Anwar Al Ardh For Solar Energy Generation PSC	Amman, Jordan	50.1%	72	72
Ardh Al Amal For Solar Energy Generation PSC	Amman, Jordan	50.1%	33	33
Scatec Luxemburg Holding SA	Luxemburg	-	-	-
Scatec Solar Asia Pacific Pte Ltd	Singapore	-	-	-
Scatec Solar SA (Pty) Ltd	Sandton, South Africa	70%	3	3
Scatec Solar SA 165 (Pty) Ltd	Sandton, South Africa	65%	96	79
Scatec Solar SA 166 (Pty) Ltd	Sandton, South Africa	39%	-	-
Scatec Solar SA 164 (Pty) Ltd	Sandton, South Africa	71%	123	153
Simacel 155 (Pty) Ltd	Sandton, South Africa	39%	-	-
Simacel 160 (Pty) Ltd	Sandton, South Africa	39%	-	-
Scatec Solar Management Services (Pty) Ltd	Sandton, South Africa	100%	-	-
Scatec Solar Corporation	Tokyo, Japan	-	-	-
Scatec Solar Rwanda Ltd	Rwanda	100%	-	-
Gigawatt Global Rwanda Ltd	Rwanda	54%	21	20
Scatec Solar Honduras SA	Honduras	100%	19	-
Produccion de Energia Solar Demas Renovables SA	Honduras	40%	59	59
Fotovoltaica Surena S.A	Honduras	70%	150	11
Generaciones Energeticas S.A	Honduras	70%	145	11

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NOK MILLION				
COMPANY	REGISTERED OFFICE	OWNERSHIP INTEREST	CARRYING VALUE 2018	CARRYING VALUE 2017
Fotovoltaica Los Prados S.A	Honduras	70%	63	9
Foto Sol S.A	Honduras	70%	4	4
Energias Solares S.A	Honduras	70%	87	6
Scatec Solar Africa (Pty) Ltd	South Africa	100%	-	-
Scatec Solar DMCC	United Arab Emirates	100%	-	-
Central Solar de Mocuba SA	Mozambique	52.5%	-	-
Scatec Solar Mozambique Limitada	Mozambique	100%	8	8
Scatec Solar Mexico SAPI de CV	Mexico	100%	-	-
Scatec Solar Intertec Mexico SAPI de CV	Mexico	60%	-	-
Saferay Solar SAPI de CV	Mexico	60%	-	-
SIM Solar 1 SAPI de CV	Mexico	60%	-	-
SIM Solar SAPI de CV	Mexico	60%	-	-
Scatec Solar Netherlands B.V	The Netherlands	100%	767	14
Scatec Solar Nigeria B.V	The Netherlands	100%	-	-
Scatec Sukhur B.V Offshore Holdco	The Netherlands	100%	-	-
Scatec Solar Solutions Egypt LLC	Egypt	100%	-	-
Egypt Solar B.V	The Netherlands	70%	-	-
Upper Egypt 2 B.V	The Netherlands	70%	-	-
Upper Egypt Solar Power	Egypt	51%	-	-
Kom Ombo 2 B.V	The Netherlands	70%	-	-
Kom Ombo Renewable Energy SAE	Egypt	51%	-	-
Daraw B.V	The Netherlands	70%	-	-
Philadelphia Power SAE	Egypt	49%	-	-
Zafarana 2 B.V	The Netherlands	100%	-	-
Zafarana Solar Power SAE	Egypt	49%	-	-
Red Sea Solar Power 2 B.V	The Netherlands	100%	-	-
Red Sea Solar Power SAE	Egypt	51%	-	-
Aswan Solar Power SAE	Egypt	100%	2	2
Scatec Solar Mali S.A.	Mali	100%	-	-
Segou Solaire S.A	Mali	50%	-	-
			<b>1,834</b>	<b>809</b>

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

## Note 10 Inventory

The carrying value of projects under development are presented as inventories and are stated at the lower of cost and net realisable value. The project assets are related to solar power plants under development and construction.

### PROJECT GEOGRAPHY

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

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

## Note 11 Cash and cash equivalents

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

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

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

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

In fourth quarter 2017 Scatec Solar issued a NOK 750 million senior unsecured green bond with maturity in November 2021. The bond carries an interest of 3-month NIBOR + 4.75%, to be settled on a quarterly basis. The bond was listed on the Oslo Stock Exchange 6 April 2018 with ticker SSO2 G.

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

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

Refer to note 16 for further information on the bonds.

## Note 12 Equity and shareholder information

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

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

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

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

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

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

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

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

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

2) Held through the controlled company Thjømøe Kranen AS.

MANAGEMENT	NUMBER OF SHARES	OWNERSHIP	
Raymond Carlsen <sup>1)</sup>	Chief Executive Officer	2,778,386	2.45%
Mikkel Tørud	Chief Financial Officer	283,940	0.25%
Terje Pilskog <sup>2)</sup>	EVP Project Development & Project Finance	497,727	0.44%
Roar Haugland <sup>3)</sup>	EVP Sustainable Business & HSSE	240,262	0.21%
Torstein Berntsen <sup>4)</sup>	EVP Power Production & Asset Management	682,609	0.60%
Snorre Valdimarsson	EVP General Counsel	4,747	0.00%
Pål Helsing	EVP Solutions	4,000	0.00%
Toril Haaland	EVP People & Organisation	-	0.00%
<b>Total at 31 December 2018</b>		<b>4,492,566</b>	<b>3.96%</b>

1) Held through the controlled company Argentos AS, where of 22,626 shares held by Raymond Carlsen directly

2) Held through the controlled company Océmar AS.

3) Held through the controlled company Buzz Aldrin AS.

4) Held through the controlled company Belito AS, where of 5,000 shares held by Torstein Berntsen directly. In addition, 895 shares are held by Torstein Berntsen's spouse. These are not included in the total presented in the table above.

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

## Note 13 Guarantees, contractual obligations, contingent liabilities

Scatec Solar is often required to provide advance payment, performance and warranty guarantees in connection with construction activities, as well as bid bonds in connection with tender processes. These guarantees are issued under the guarantee facility established by Scatec Solar ASA. Outstanding advance payment, performance and warranty guarantees are mainly issued in relation to construction contracts entered into with project companies where Scatec Solar has a controlling interest. Advance payment guarantees typically represent 15-25% of construction contract value and performance guarantees typically represents 10-15% of the construction contract value. After the power plant is completed and grid connected the performance guarantee is replaced by a warranty guarantee of typically 5-10% of the contract value and is in force for the duration of the warranty period typically two years from grid connection. While the total nominal exposure from such guarantees may become significant as the level of construction activities increases in new markets, the exposure is limited in relation to the expected project margins and the contracts relate to construction activities where Scatec Solar has a solid track record. A bid bond is a guarantee issued to the provider in a tender process. Scatec Solar ASA is also providing equity guarantees to project lenders, if project debt is disbursed to project companies before equity.

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



### Scatec Solar ASA has provided the following guarantees at 31 December 2018

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

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

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

#### GUARANTEE DURATION

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

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

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

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

## Contractual obligations

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

### CONTRACTUAL OBLIGATIONS

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

## Contingent liabilities

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

Per December 2018 the construction of the extension has not yet been initiated due to interruptions out of the control of Scatec Solar. The owner has claimed that final completion certificate, and hence the final payment, will not be paid until the extension is built. Scatec's position is that it is the owner that has not initiated the extension and as such there is no requirement of having finalized the extension prior to achieving final completion. Consequently, no settlement provision has been made in the group financial statements as at 31 December 2018. There has been extensive dialogue and communication on this topic during 2018 and 2019, and the parties are now in the final phase of negotiations on a solution to the dispute.

## Note 14 Transactions with related parties

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### Related parties

Subsidiaries and associates  
Key management personnel

### Transactions

Management, development and EPC services and financing  
Loan and payroll

### Transactions with related parties

All related party transactions have been carried out as part of the normal course of business and at arm's length. The most significant transactions in 2018 and 2017 are:

#### Subsidiaries – EPC services

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

#### Subsidiaries – development services

During 2018 the company sold development projects rights amounting to NOK 47 million. The sale of rights related to the financial close and transfer of rights for the Kamianka projects in Ukraine amounting to NOK 10 million, the Redsol project in Malaysia amounting to NOK 19 million and projects in South Africa amounting NOK 5 million. During 2017 the company sold development projects rights amounting to NOK 225 million. The sale of rights related to the financial close and transfer of rights for the Los Prados projects to the power project companies in Honduras amounting to NOK 56 million as well as the Egypt projects portfolio of NOK 70 million. The company also sold the capitalised project asset values of the development projects where the role as main developer / project owner was transferred from Norway to South Africa for projects defined as sub-sahara projects amounting to NOK 67 million in total as well as the development project in Mozambique where the role as main developer was transferred from Norway to the Scatec Solar DMCC company in Dubai resulting in an income of NOK 30 million.

#### Subsidiaries - management service income

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

#### Subsidiaries and associates - financing

In the course of the ordinary business, inter-company financing is provided from Scatec Solar to its subsidiaries. Long-term financing is interest bearing and priced at arm's length. Refer to note 7 for specification of interest income/expenses from/to subsidiaries and note 9.

#### Scatec AS – consultancy services

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

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

## Note 15 Provision for bad debt

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

## Note 16 Bonds

In 2017 Scatec Solar completed a NOK 750 million senior unsecured green bond issue with maturity in November 2021. The bonds carry an interest of 3 months NIBOR + 4.75%, to be settled on a quarterly basis. The bond is listed on the Oslo Stock Exchange.

During the term of the bonds, Scatec Solar shall comply with the following financial covenants at all times:

- a)** *Minimum liquidity: Scatec Solar shall maintain free cash of minimum NOK 50 million*
- b)** *Maximum debt to capitalisation ratio: Scatec Solar shall maintain a debt to capitalisation ratio of maximum 50%*
- c)** *Minimum interest coverage ratio: Scatec Solar shall maintain a cash flow interest coverage ratio of minimum 2.*

Per 31 December 2018, Scatec Solar was in compliance with all bond covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 3,094 million per year end, and the debt to capitalization ratio was 19% per year end.

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

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

Refer to the loan agreement available on [www.scatecsolar.com/investor/debt](http://www.scatecsolar.com/investor/debt) for further information and definitions.

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

## Note 17 Other current liabilities

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

## Note 18 Subsequent events

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