Annual Report

2019

Scatec Solar
Improving our future™

Our vision

Improving our future

Our mission

To deliver competitive and sustainable solar energy globally, to protect our environment and to improve quality of life through innovative integration of reliable technology

Our values

Predictable
Working together
Driving results
Changemakers

Contents

Scatec Solar in brief

Scatec Solar is an integrated independent solar power producer, delivering affordable, rapidly deployable and sustainable clean energy worldwide. A long- term player, Scatec Solar develops, builds, owns, operates and maintains solar power plants and has an installation track record of more than 1.4 GW. The company has a total of 1.9 GW in operation and under construction on four continents.

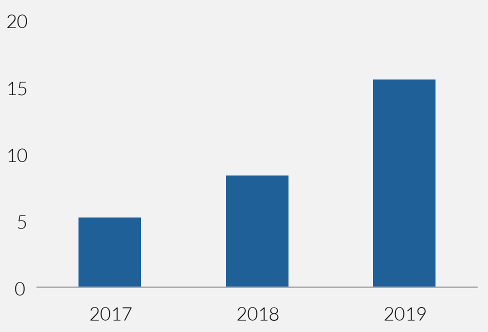
With an established global presence and a significant project pipeline, the company is targeting a capacity of 4.5 GW in operation and under construction by end of 2021. Scatec Solar is headquartered in Oslo, Norway and listed on the Oslo Stock Exchange under the ticker symbol 'SSO'.

Key facts

Employees	In operation at year-end	FY 2019 production	Project pipeline & backlog
335	1.2 GW	1,655 GWh	5.8 GW

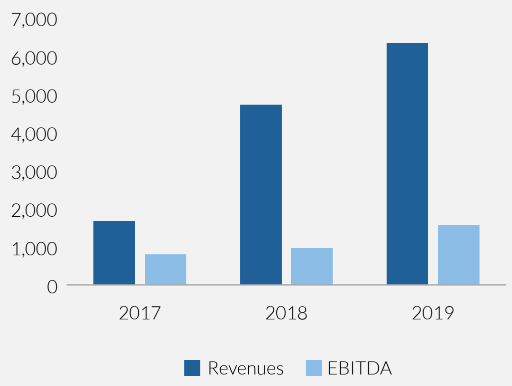
Market capitalisation at year-end

NOK BILLION



Proportionate Revenues & EBITDA

NOK MILLION



Proportionate financials

NOK million	FY 2019	FY 2018	FY 2018
PROPORTIONATE FINANCIALS 1)			
Total revenues and other income	**6,341**	4,725	1,680
EBITDA	**1,571**	961	792
Operating profit (EBIT)	**1,111**	773	632
Profit/(loss)	**530**	398	326
Net interest-bearing debt	**7,312**	4,214	2,013
Power production (GWh)	**926**	318	282
SSO proportionate share of cash flow to equity	**794**	481	265
CONSOLIDATED FINANCIALS 2)			
Revenues and other income	**1,783**	1,213	1,492
EBITDA	**1,386**	902	1,241
Basic earnings per Share (NOK)	**-0.31**	1.29	3.36
Power Production (GWh)	**1,655**	681	627

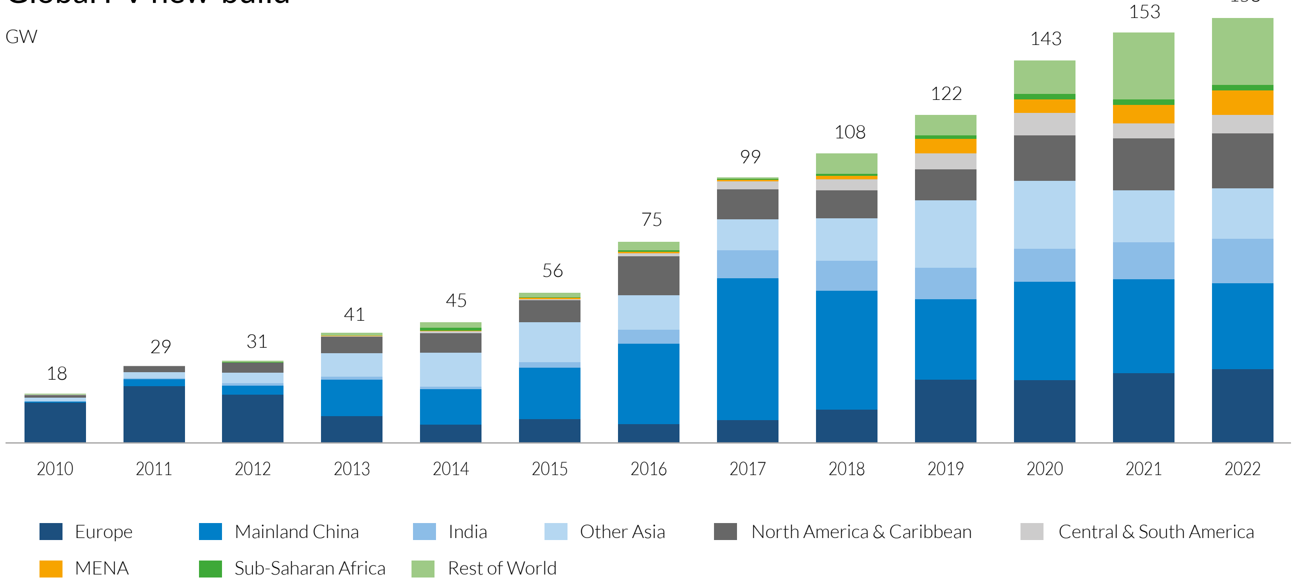
1) See Alternative Performance Measures appendix for definition.

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

Market development

Market analysts are forecasting continued strong growth rates for solar installations in the years to come even though there might be a slowdown in 2020 due to the coronavirus outbreak. Increased demand for renewable energy and further technology improvements and cost reductions are driving this growth.

Global PV new-build



Sources: Bloomberg New Energy Finance: Q1 2020 PV Market Outlook, New Energy Outlook 2019 and Covid-19 Impact on Clean Energy, Transport and Materials (12 March 2020).

The renewable energy market is expected to see continued strong long-term growth with solar and wind providing 50% of all power globally by 2050. Investments in renewables are expected to reach about USD 300 million in 2020 according to Bloomberg New Energy Finance (BENF). Battery costs also continue to decline and are expected to be reduced by almost 60% by 2030. Renewable projects in combination with storage is expected to see agreements worth about USD 5 billion in 2020 as clean energy is growing and energy storage costs are falling.

According to BNEF, about 118 GW of solar was installed globally in 2019. In the short term, the solar market volume is expected to grow by more than 30% to 158 GW in 2022, while the low estimate might see a decline to 108 GW, mainly due to Chines policy changes that will push some 2020 demand to 2021. 17 countries are expected to install more than 1 GW during the year and the highest growth is forecasted to come from new markets in Latin America, the Middle East and Southeast Asia. The investments required to realise a typical utility-scale solar plant is expected reach 75 cents per Watt in 2020, a decline of almost 40 % from 2016.

Solar power has seen exponential growth over the last decade and the costs continues to decline. Policy makers around the world are increasingly adapting renewable energy and solar is an efficient solution to cover power needs and support growth. In emerging economies, governments continue to see private/public partnerships as an attractive model where multilateral development banks and private players provide funding to realise new solar projects at a fast pace. Several development banks have long-standing presence and experience in emerging markets and are mandated to provide non-recourse project financing.

In addition to the public sector, private companies and the power intensive industries across emerging markets are seeking to source solar power. This is a new and growing market for Scatec Solar, and our new container based concept, Release is developed to address this market segment.

These markets represent interesting opportunities for Scatec Solar and continue to be a solid fundament for growth in the coming years.

Introduction to Release – Making solar simple

In 2019, Scatec Solar launched a service that offers industrial players in emerging markets access to flexible, reliable and low-cost power through solar plant leasing.


Photo: Cambridge Energy Partners

The new service, called Release - by Scatec Solar, offers companies flexible leasing agreements of pre-assembled solar and battery equipment, from 1 to 20 MW capacity. The solution is particularly attractive for companies in remote locations that rely on diesel driven power generators and would like access to cost efficient and clean energy. Today, approximately 600 GW of large-scale diesel is installed globally. This represents a significant market opportunity for smaller scale solar power.

The company has partnered with UK-based Cambridge Energy Partners to deliver the container-based tracker solution. The bifacial solar panels are pre-assembled and are shipped in containers, delivered and installed at customers' sites. The modular system enables scalability, quick installation and redeployment.

A battery storage solution is an integral part of the Release offering. The batteries can either be utilised to optimise diesel and solar uptake by reducing spinning reserve and optimising load, or to shift solar PV production from day to night.

Given the ease of redeploying the solar plants, Release offers a flexible contract duration for customers. The combination of a leasing agreement and flexible contract length greatly reduces the customer's financial liabilities. Furthermore, using the customers own site for the solar plant means that less permits and licenses are required, which combined with our pre-assembled product results in shorter preparation and installation time.

The typical Release-customer is an industry player operating in remote locations, for example off-grid mining operations powered by diesel. However, the solution is also applicable for small utilities with diesel or thermal generation, or on-grid users with high cost of electricity and unreliable power supply. The UN or NGO's can also benefit from such solar power plants.

Initially, Release is targeting the African market with its new container based solar plant solution. A broad pipeline of projects is already under development with a diversified range of customers. Scatec Solar will operate and manage the operations with a dedicated team based on proven capabilities. Release is currently also developing opportunities in Asia and Latin America.

release
BY SCATEC SOLAR

To learn more about Release, visit **www.releasesolar.com**

Collaborating with nature

Scatec Solar is riding a global wave of renewable power that is increasing in size every day. We were founded in 2007 on the idea that the solar power market would grow significantly in the coming decades. Our development and performance in 2019 demonstrate that we are well on our way to expanding our platform for increased growth.

However, despite a huge growth in plant construction in recent years, solar still only provides approximately two percent of all global power production. From an environmental viewpoint this is a challenge, particularly with the Paris agreement in mind. Although the continued dominance of fossil fuels in the global energy mix undoubtedly makes it harder to tackle climate change, we choose to view this as a fantastic opportunity to make a positive impact on the climate.

Rise in solar power

According to Bloomberg's New Energy Outlook 2019, there will be a 62 percent increase in global electricity demand by 2050, and 77 percent of this growth is expected to be covered by renewable energy. The market share for solar power is expected to rise from 2 percent in 2019 to 22 percent by 2050. At Scatec Solar we believe that the growth rate for renewable energy will accelerate beyond today's projections as the world begins to embrace change at an ever increasing pace. Together with Bloomberg's forecasts this make us confident that the solar power industry, where we are established as a solid player, is in a sweet spot.

In addition to the growth in solar energy globally, 2019 has seen increasing concerns about climate change. From an investment perspective this has translated into an expectation that companies become better at identifying climate-related risks and opportunities – and prove that they can manage them. As renewable energy is the backbone of our business the increasing ESG (environmental, social and governance) focus from investors is positive for us. This is both because sustainability is an integrated part of our business, through a positive impact on the environment and a long-term commitment to benefitting local communities, and because we are already delivering strong results on ESG performance and reporting.

Integrator-role provides robustness

Whilst the demand for solar power is a key driver for our business we are not reliant on power consumption alone. As an integrated solar power producer we also generate income from building and operating solar plants. This is a robust and proven business model that allows us to capitalise on the growth of the entire solar power value chain.

Furthermore, we are not alone when we develop, finance, build and own our portfolio of solar plants. Our many sturdy allies, from local suppliers to financial and development partners, are essential to us and help make Scatec Solar's business model even more attractive. I would hereby like to thank all our partners and contractors. We truly appreciate your commitment and continued support.

Record performance

In 2019 we brought a record-high 609 MW into operation including two solar parks in Malaysia, our first solar plants in Mozambique and Ukraine, and the giant 390 MW Benban project in Egypt which is the world's largest solar plant to utilise bi-facial modules. This meant that at year-end we had doubled our installed capacity to 1,193 MW in operation.

As a specific example of our organisation's excellent operational performance, I would like to highlight the world record set at the Guanizuil IIA project in Argentina. Here our team installed 54,090 solar modules in less than 12 hours, representing almost 18 MW of the solar plant capacity. This is an impressive achievement, underlining the rapid growth potential in our industry.

Our solid operational performance in 2019 generated record high revenues of NOK 6,341 million, up 34 percent from 2018, with an associated EBITDA of NOK 1,571 million, an increase of 63 percent from the previous year.

We were also pleased to see that our shareholders reconfirmed their trust in our business model and strategy when we in September 2019 conducted a private placement of NOK 1,320 million.

Releasing new opportunities with Release

In 2019 we also decided to target an additional segment: Smaller scale plants for industrial players in emerging markets. This new concept, named *Release – by Scatec Solar*, offers companies flexible leasing agreements for pre-assembled solar and battery equipment, from 1 to 20 MW capacity. The solution is particularly attractive for companies in remote locations that rely on diesel driven power generators but would like to access cost efficient and clean energy. Today approximately 600 GW of large-scale diesel is installed globally, which represents a significant market opportunity for smaller scale solar power.

The initial response to Release has been extremely positive. We are already in dialogue with several dozen potential customers and I am confident that we will develop Release to become a considerable part of our business in the years to come.

Raised growth targets

2019 was a year full of positives for Scatec Solar. The combination of a bright outlook for the solar industry and confidence in our own operations meant that we raised our growth target by 1 GW to 4.5 GW in operation or under construction by the end of 2021. We also introduced a new target of 1.5+ GW of annual growth from 2022 and onwards.

Currently we have 539 MW under construction on four continents and a solid project backlog and pipeline of 5,800 MW. It is worth reminding everyone that the key to successfully delivering these projects is not the sun, but our competent people. I am incredibly proud of our 335 colleagues who continue to impress me with their dedication, quality approach and safety focus. They are the key to achieving our ambitious growth targets.

Our ability to deliver consistently over time, combined with a positive market outlook, has further strengthened Scatec Solar's position as a leading player in emerging markets. I can assure you that we will do our best to continue to harness the power of solar for the benefit of our stakeholders and our planet. We are proud to run a business that creates value for our shareholders and is good for the environment. Scatec Solar looks forward to continuing our collaboration with nature, in 2020 and beyond.

Coronavirus disease outbreak

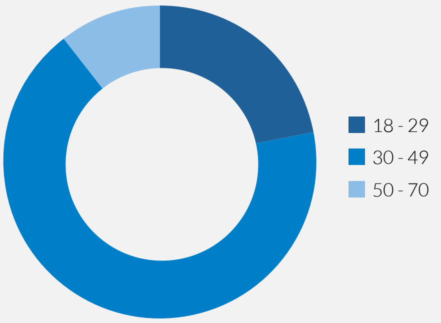
Finally, I would like to address an important topic that has surfaced subsequent to year-end. The outbreak of the coronavirus disease (COVID-19) has had a global impact on health, stock markets and economic activities. The health and safety of our people is our highest priority. We are closely monitoring developments and taking precautionary measures to safeguard our people and ensure continued stable operations.

From an operational perspective, we have so far experienced limited effects. Scatec Solar experiences no impact of COVID-19 on our operating assets and on delivery of power to our customers. The effects of COVID-19 have triggered an economic slowdown affecting most industries and companies, including Scatec Solar. Our portfolio of projects under construction is close to completion and we see that travel constraints and local regulations have started to impact construction, commissioning and testing of new solar plants. The impact on completion dates is however still uncertain. While we cannot predict the outcome of the coronavirus disease, we know that the world needs more renewable energy. Scatec Solar continues to be well positioned to help provide this.

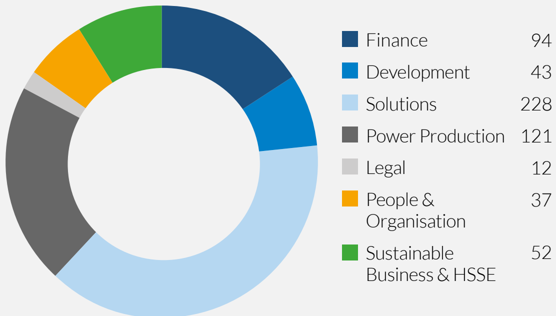
Raymond Carlsen, CEO

We expanded our global team by 89 highly skilled employees in 2019 to 335, representing 40 different nationalities.

Age groups



By functions



Growing our people and teams

The key asset for predictable performance

In 2019, our skilled people and teams yet again delivered record performance. To support this strong growth, we have continued to strengthen our global organisation through successful recruitment and onboarding.

During the year, our team was expanded with 89 highly skilled full-time employees to 335 in total. Of these, women make up 33 percent. In addition, we hired in 252 professionals to contribute to our projects during 2019. A key driver in our recruitment process is to ensure that we hire the right people by focusing on objective criteria through more automated processes, which has also been essential in building our diverse and integrated organisation now counting 40 different nationalities.

Last year, we said that we would continue our work to take further advantage of diversity to capitalise on the strengths it adds to our business. During 2019, we have added knowledge, skills, gender and personality to the equation through systematic focus. We believe a highly diverse workforce improves competitiveness and ensures predictable delivery of projects in a wide range of markets.

In 2018, we conducted our first global employee survey which we followed up with an engagement pulse survey a year later. The most relevant questions from the 2018 survey were included. The results from the 2019 pulse survey showed a 75 percent improvement, where employee pride again scored the highest. The valuable input will be included in our work to further strengthen the company and our high-performance culture.

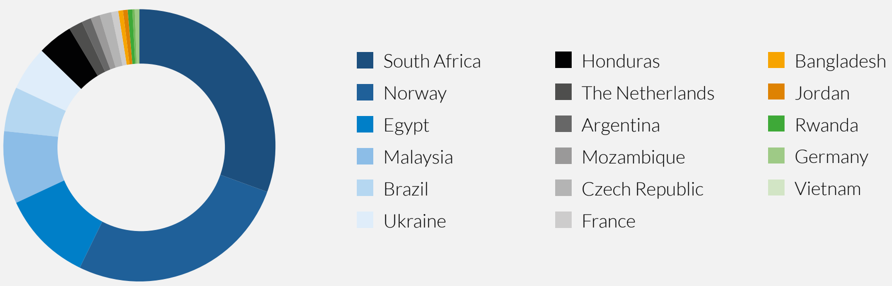
The core of the performance, management and appraisal (PDA) process, which all employees need to complete every year, is the key people process which is defined as the essence of leadership in Scatec Solar. The need for continuous dialogue between leader and employee is important and essential for improvements from both parties.

We strive for continuous improvement of our people and teams through training and development. Throughout the year we have implemented several e-learning courses and expanded the number of classroom training courses. During the year, a total of 1,607 hours of mandatory training were completed, divided between 12 courses. The courses offered are regularly being revised to ensure they are tailored to meet the needs of a fast-growing organisation. In 2019, we successfully conducted our first global leadership training programme and strengthened the support and leadership development offering for all managers. This year, we will add further activities to the leadership training portfolio, focused on enterprise leadership.

In 2019, we also initiated a competency development framework that we utilise as a matrix of critical competencies. The purpose is to improve performance, foster development and a learning culture. Getting a competency framework in place is a requirement to become ISO certified within HR, and we will continue our work towards this in 2020.

Scatec Solar's operations are spread across four continents and 17 countries. The organisation has been further strengthened in 2019 across key regions and functions, with focus on maintaining flexibility while at the same time utilising the global cross-functional teams to continue delivering consistently and achieving our ambitious growth targets.

Geographic distribution of employees



Sustainability highlights

Clean energy

Doubled installed capacity
Grid-connected 609 MW in Egypt, Malaysia, Brazil, Honduras and Mozambique

870,637 tons of CO_2 emissions avoided
from solar plants in operation

Redeployable solar
entered a new segment through introduction of Release

Targeting 4.5 GW in operation and under construction by end of 2021

Our people

Zero serious injuries
Delivered 11.7 million working hours with no serious injuries

Strong diversity
Our employees represent 40 different nationalities globally

Young and dynamic workforce with an average age of 37 globally

Local value creation

8,000 jobs created
in projects under construction – of which a large part is local and unskilled labour

56 ongoing local development programmes
across clean energy, health, education and infrastructure

Community solar PV
a larger component of local community efforts going forward

Read more about Scatec Solar's sustainability efforts in the **Sustainability Report 2019** available on https://sustainabilityreport2019.scatecsolar.com

Scatec Solar's value chain

Project development

- Site development
- System design
- Business case
- Permitting
- Grid connection
- PPA negotiation /tender / FiT

Financing

- Detailed design & engineering
- Component tendering
- Debt / Equity structuring
- Due Diligence

Construction

- Engineering and Procurement
- Construction management
- Quality assurance

Operations

- Maximise performance and availability
- Maintenance and repair

Ownership (IPP)

- Asset management
- Financial and operational optimisation

Report from the Board of Directors

Highlights 2019

- Solid financial results with significant year-on-year growth - proportionate revenues of NOK 6,341 million (4,725) and EBITDA of NOK 1,571 million (961)
- New solar plants in commercial operation in Egypt, Mozambique, Malaysia and Ukraine – power production almost trippeled from last year
- Construction ongoing for additional 711 MW in Argentina, Malaysia, South Africa and Ukraine
- Strong market development and expansion of product offering - project backlog and pipeline increased to 5.8 GW
- Growth target increased to installed capacity of 4.5 GW by end of 2021

Key figures

NOK million	FY 2019	FY 2018
PROPORTIONATE FINANCIALS [1]		
Total revenues and other income	6,341	4,725
Power Production	1,216	622
Operation & Maintenance	115	81
Development & Construction	4,980	4,005
Corporate	31	17
EBITDA	1,571	961
Power Production	994	492
Operation & Maintenance	45	34
Development & Construction	589	488
Corporate	-58	-53
Operating profit (EBIT)	1,111	773
Profit/(loss)	530	398
Net interest-bearing debt	7,312	4,214
Power production (GWh)	926	318
SSO proportionate share of cash flow to equity	794	481
CONSOLIDATED FINANCIALS [2]		
Revenues and other income	1,783	1,213
EBITDA	1,386	902
Operating profit (EBIT)	874	629
Profit/ (loss)	155	226
Net interest-bearing debt	10,986	6,447
Basic earnings per Share (NOK)	-0.31	1.29
Power Production (GWh)	1,655	681

1) See Alternative Performance Measures appendix for definition.

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

Financial review

Presentation of Accounts

Pursuant to Section 3-3 of the Norwegian Accounting Act, the Board of Directors confirm that the Financial Statements have been prepared under the assumption that the Scatec Solar Group is a going concern and that this assumption was appropriate at the date of approval of the Financial Statements. The Group reports its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) with Norwegian Kroner (NOK) as reporting currency. The notations Scatec Solar, Scatec Solar Group, the Company and the Group are used interchangeably throughout the document. Figures in parantheses are for the corresponding period of the previous year.

Segment and proportionate financials

Scatec Solar reports on three operating business segments: Power Production (PP), Operation & Maintenance (O&M) and Development & Construction (D&C), as well as Corporate and Eliminations.

Revenues and costs related to deliveries of D&C and O&M services to companies deemed to be controlled by Scatec Solar are eliminated in the Consolidated Group Financial Statements.

To improve reporting transparency on underlying value creation across Scatec Solar's business activities, the Company is reporting on proportionate financials in addition to consolidated financials. With proportionate financials Scatec Solar reports its share of revenues, expenses, profits and cash flows from its subsidiaries based on Scatec Solar's economic interest in the subsidiaries. Proportionate reporting is in line with how the Management Team assesses the performance of the segments. Please refer to note 4 Operating Segments for further descriptions of the proportionate financials as well as reconciliation to the IFRS financial statement.

Group – Proportionate financials

Key figures

NOK million	2019	2018	2017
Revenues and other income	**6,341**	4,725	1,680
Operating expenses	**-497**	-360	-276
EBITDA	**1,571**	961	792
D&A and impairment	**-460**	-188	-160
EBIT	**1,111**	773	632
Cash flow to equity	**794**	481	265

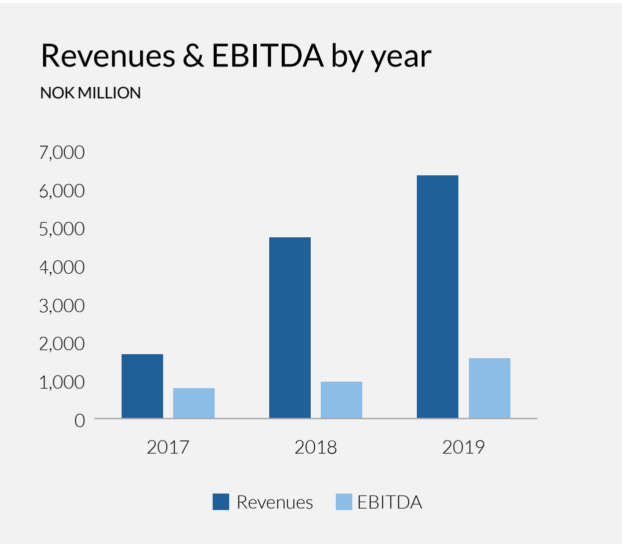
Key ratios

Percent	2019	2018	2017
EBITDA margin	**25%**	20%	47%
EBIT margin	**18%**	16%	38%

The 2019 proportionate revenues increased by 34% to NOK 6,341 million from 2018, mainly due to continued high activity in Development & Construction (D&C) and significant increase in revenues from Power Production. The growth in revenues and profitability during 2019 reflects increased power revenues driven by new solar plants starting commercial operations in Egypt, Malaysia, Mozambique and Ukraine, and increase in D&C activities compared to 2018.

Operating expenses increased in 2019, mainly due to start of operaton of new power plants.

Scatec Solar's proportionate share of cash flow to equity was NOK 794 million in 2019, up from NOK 481 million in 2018.



Power Production – Proportionate financials

Key figures

NOK million	2019	2018	2017
Revenues and other income	**1,216**	622	544
Operating expenses	**-222**	-130	-90
EBITDA	**994**	492	454
D&A and impairment	**-412**	-164	-156
EBIT	**582**	328	298
Cash flow to equity	**376**	157	143

Key ratios

Percent	2019	2018	2017
EBITDA margin	**82%**	79%	83%
EBIT margin	**48%**	53%	55%

Production

MWh	2019	2018	2017
MWh produced	**1,655**	681	627
-net to Scatec Solar	**926**	318	282

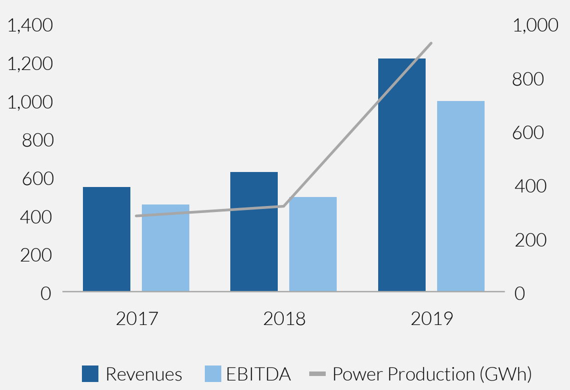
Power Production revenues reached NOK 1,216 million (622) in 2019. Installed capacity was 1,193 MW at year-end 2019 and full year production on proportionate basis reached 926 GWh compared to 318 GWh in 2018. The increase in production volumes and revenues is driven by the increased production capacity. For the existing power plants, the change in production volume from last year is small and driven by regular operational variability. The reported revenues for 2019 are mainly reflecting sale of electricity from solar power plants in Brazil, the Czech Republic, Egypt, Honduras, Jordan, Malaysia, Mozambique, Rwanda, South Africa and Ukraine.

Operating expenses and depreciation increased from last year due to added capacity, as well as commencement of asset management activities for plants under construction.

Scatec Solar's proportionate share of cash flow to equity from Power Production was NOK 376 million in 2019, up from NOK 157 million in 2018.

Revenues & EBITDA by year

NOK MILLION



Operation & Maintenance (O&M) – Proportionate financials

Key figures

NOK million	2019	2018	2017
Revenues and other income	**115**	81	69
Operating expenses	**-70**	-48	-41
EBITDA	**45**	34	28
D&A and impairment	**-3**	-1	-1
EBIT	**42**	33	27
Cash flow to equity	**37**	26	22

Key ratios

Percent	2019	2018	2017
EBITDA margin	**39%**	41%	40%
EBIT margin	**37%**	40%	39%

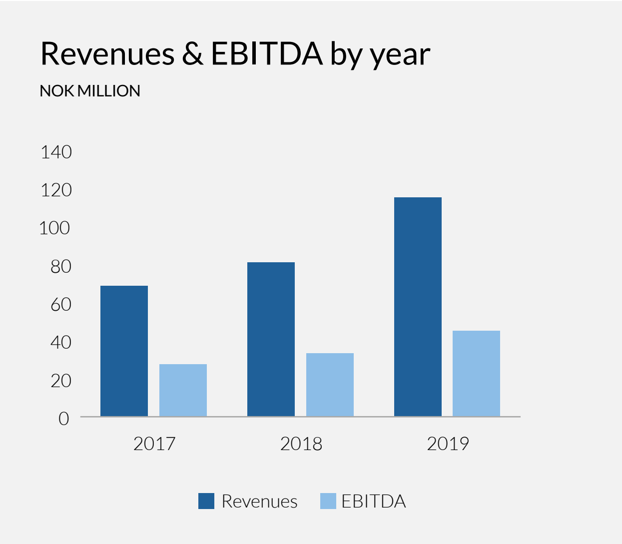
Revenues in the Operation & Maintenance segment reached NOK 115 million (81) in 2019.

The revenue growth in 2019 is explained by commencement of O&M operations in Egypt, Malaysia, Mozambique and Ukraine.

Operating expenses amounted to NOK 70 million (48) in 2019. The increase is mainly due to new power plants reaching commercial operation as well as costs related to preparations for growth in the asset portfolio.

EBITDA reached NOK 45 million (34) in 2019, corresponding to an EBITDA margin of 39% (41%).

Scatec Solar's proportionate share of cash flow to equity from O&M was NOK 37 million in 2019, up from NOK 26 million in 2018.



Development & Construction (D&C) – Proportionate financials

Key figures

NOK million	2019	2018	2017
Revenues and other income	**4,980**	4,005	1,054
Cost of sales	**-4,274**	-3,404	-612
Gross profit	**706**	601	442
Operating expenses	**-117**	-113	-82
EBITDA	**589**	488	361
D&A and impairment.	**-39**	-21	-3
EBIT	**550**	467	358
Cash flow to equity	**471**	383	167

Key ratios

Percent	2019	2018	2017
Gross margin	**14%**	15%	42%
EBITDA margin	**12%**	12%	34%
EBIT margin	**11%**	12%	34%

Revenues in Development & Construction reached NOK 4,980 million (4,005) in 2019.

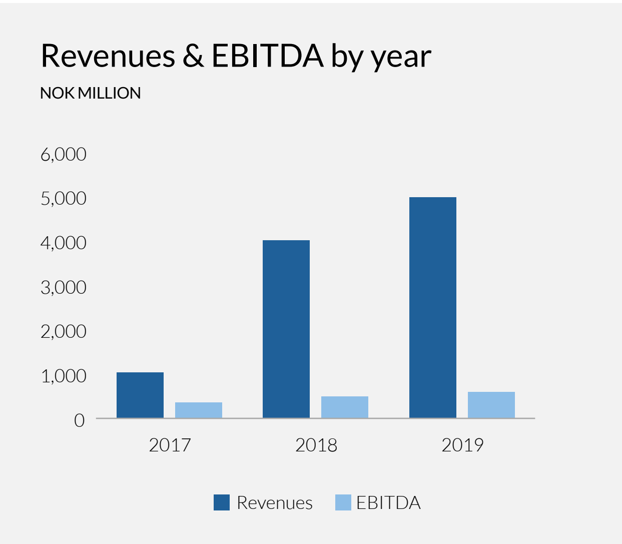
Activities in the segment increased from 2018 to 2019 with high construction activity in Malaysia, Egypt, South Africa, Ukraine, Mozambique and Argentina. The Company also continued to mature a wide range of projects during the year, resulting in a project backlog and pipeline of 5.8 GW.

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

The gross margin reached 14 % in line with earlier guidance.

EBITDA reached NOK 589 million (488).

Scatec Solar's proportionate share of cash flow to equity from D&C was NOK 471 million in 2019, up from NOK 383 million in 2018.



Corporate – Proportionate financials

Corporate activities mainly relate to corporate and management services. The segment reported an operating loss of NOK -64 million (-55) in 2019.

Corporate - Key figures

NOK million	2019	2018
Revenues and other expenses	31	17
Operating expenses	-89	-70
EBITDA	-58	-53
D&A and impairment	-6	-2
EBIT	-64	-55
Cash flow to equity	-91	-85

Revenues in the corporate segment refers to management fees charged to the other operating segments for corporate services rendered across the Group, the increase relflects the growth of the Company. Corporate incurred NOK 89 million in operating expenses, an increase of 27% compared to last year. The increase reflects strengthening of corporate functions to support the Company's growth.

Consolidated financial statements

Consolidated income statement

Unless otherwise indicated, the below information describes the development for the continuing operations of the Scatec Solar Group in 2019, and the corresponding figures for 2018.

NOK million	2019	2018
Total revenues and other income	1,783	1,213
EBITDA	1,386	902
Operating profit (EBIT)	874	629
Profit before income tax	184	323
Profit/(loss) for the period	155	226
Profit/(loss) to Scatec Solar	-39	140
Profit/(loss) to non-controlling interests	194	86

Revenues

Scatec Solar reported net revenues of NOK 1,783 million (1,213) in 2019, mainly reflecting sales of electricity from solar power plants in Brazil, the Czech Republic, Egypt, Honduras, Jordan, Malaysia, Mozambique, Rwanda, South Africa and Ukraine. Revenues from power sales increased compared to 2018, and the increase is mainly explained by start of commercial operation of the Jasin and Merchang power plants in Malaysia, the Mocuba power plant in Mozambique, the six Benban power plants in Egypt and the Rengy power plant in Ukraine. For the remaining power plants, the change in production volume from last year is small and driven by regular operational variability.

Net income from associated companies was NOK -28 million in 2019, compared to NOK 63 million in 2018. The decrease is primarily explained by reduced construction activities in Brazil, combined with a partial impairment of NOK 30 million of the assets under construction in Argentina driven by cost overrun and delayed grid connection.

Operating profit

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

Consolidated operating expenses amounted to NOK 397 million (311) for 2019. The increase compared to last year is mainly explained by operating expenses on the new plants in operation and higher number of full time employees.

The Company is not engaged in research activities and has not recognised such costs in 2019 or 2018.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached NOK 1,386 million in 2019, an increase from an EBITDA of NOK 902 million in 2018.

Depreciation, amortisation and impairment amounted to NOK 512 million in 2019, compared to NOK 273 million in 2018. The increase is mainly explained by depreciation of solar plants that have been grid connected in 2019.

Operating profit (EBIT) ended at NOK 874 million in 2019, up from NOK 629 million in 2018.

Net financial items

NOK million	2019	2018
Financial income	66	197
Financial expenses	-744	-518
Foreign exchange gains/(losses)	-13	15
Net financial expenses	-690	-306

Net financial items amounted to negative NOK 690 million in 2019, compared to negative NOK 306 million in 2018.

Financial income was NOK 66 million (197) for 2019, of which NOK 66 million (50) is reflecting interest income on cash balances. The remaining part relates to forward exchange contracts (FEC) that were set up in order to eliminate currency exchange risk in the Upington projects in South Africa. The FEC's are carried at fair value and fluctuate with changes in the exchange rates throughout the contract period.

Financial expenses mainly consist of interest expenses on non-recourse financing, and has increased compared to 2018 due to financing of new solar plants under construction.

Foreign exchange gains, which mainly relates to revaluation of intercompany balances, decreased from NOK 15 million in 2018 to negative NOK 13 million in 2019.

Profit before tax and net profit

The effective tax rate was 16% for the full year 2019. The underlying tax rates in the companies in operation are in the range of 0% to 33%. In some markets, Scatec Solar receives special tax incentives intended to promote investments in renewable energy. The average effective tax rate fluctuates from year to year mainly based on construction progress. For further details, refer to Note 11 Tax.

Non controlling interests (NCI) represent financial investors in solar power plants. The allocation of profits between NCI and Scatec Solar is impacted by the fact that NCI only have shareholdings in solar power plants, while Scatec Solar also carries the cost of project development, construction, operation & maintenance and corporate functions.

Consolidated statement of comprehensive income

Other comprehensive income comprises items that may subsequently be reclassified to profit or loss, amounted to negative NOK 162 million (-36) in 2019. This relates to after-tax net movement of cash flow hedges of negative NOK 175 million (-54) and foreign currency translation differences of NOK 12 million (18).

Total comprehensive income was thus negative NOK 7 million for 2019 of which negative NOK 117 million was attributable to Scatec Solar, while NOK 109 million is attributable to non-controlling interests. This compares to a total comprehensive income of NOK 190 million for 2018, of which NOK 136 million was attributable to Scatec Solar and NOK 53 million to non-controlling interests.

Consolidated statement of cash flow

Cash flow

Net cash flow from consolidated operating activities amounted to NOK 1,860 million (1,248) in 2019, compared to EBITDA of NOK 1,386 million. The difference between the operating cash flow and EBITDA is primarily explained by changes in working capital, mainly related to power plants under construction.

Net cash flow from consolidated investing activities was negative NOK 6,439 million (-3,809), reflecting construction activities related to the plants in Argentina, Egypt, Malaysia, Mozambique, South Africa and Ukraine.

Net cash flow from financing activities amounted to NOK 4,232 million (2,934), impacted by net proceeds from non-recourse- and NCI financing of NOK 3,646 million (2,589) and NOK 307 million (624) respectively, partly offset by interest payment of NOK 711 million (-588). Further, dividends of NOK 288 million (287) were paid in 2019 and the group raised NOK 1,307 million (596) from the private placement that was successfully completed in 2019.

In total, the Group's cash balance decreased by NOK 348 million (373). Of the total cash balance of NOK 2,824 million (3,303), NOK 1,987 million (2,197) was restricted cash in power plant companies, NOK 78 million (67) represented other restricted cash while NOK 758 million (1,039) represented free cash.

Scatec Solar's proportionate share of cash flow to equity

Scatec Solar's proportionate share of cash flow to equity, defined as EBITDA minus interest expenses, normalised debt instalments and tax (i.e. before changes in net working capital), is an alternative performance measure that seeks to estimate the Group's ability to generate funds for the group, available for equity investments in new solar power plant projects and/or for shareholder dividends over time. Scatec Solar's proportionate share of cash flow to equity totalled NOK 794 million (481) in 2019.

NOK million	2019	2018
Power production	376	157
Operation & Maintenance	37	26
Development & Construction	471	383
Corporate	-91	-85
Total	794	481

Consolidated statement of financial position

Assets

NOK million	2019	2018
Property, plant and equipment	15,401	9,008
Other non-current assets	1,682	1,407
Total non-current assets	17,083	10,415
Other current assets	1,671	1,139
Cash and cash equivalents	2,824	3,303
Total current assets	4,495	4,442
Total assets	21,578	14,857

Total assets amounted to NOK 21,578 million at year-end 2019, up from NOK 14,857 million at the end of 2018. The increase primarily reflects construction activities for the projects in Argentina, Egypt, Malaysia, Mozambique, South Africa and Ukraine during the year.

Overall, non-current assets totalled NOK 17,083 million (10,415), of which NOK 15,401 million was Property, Plant & Equipment (PP&E). Current assets amounted to NOK 4,495 million (4,442), with cash and cash equivalents amounting to NOK 2,824 million (3,303). Part of the cash holdings is subject to restrictions or is collateralised, while free unrestricted cash was NOK 758 million (1,039) at the end of 2018.

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

Equity and liabilities

NOK million	2019	2018
Equity	3,640	2,475
Non-current non-recourse project financing	12,228	8,643
Other non-current liabilities	2,963	1,940
Total non-current liabilities	15,190	10,583
Current non-recourse project financing	837	364
Other current liabilities	1,911	1,413
Total current liabilities	2,750	1,800
Total liabilities	17,939	12,383
Total equity and liabilities	21,578	14,857
Book equity ratio	16.9%	16.7%

Total equity stood at NOK 3,640 million (2,475) at the end of 2019, corresponding to an equity ratio of 17% (17%). The consolidated equity ratio is negatively affected by inclusion of non-recourse debt in power plant companies at full amount while the value of consolidated assets is reduced by the internal margins generated through the project development and construction activities. At the end of 2019 the consolidated total assets was reduced with NOK 2,353 million of eliminated internal margins.

Total non-current liabilities amounted to NOK 15,190 million (10,583) at the end of 2019, of which non-recourse project financing accounted for NOK 12,228 million (8,643) and bond debt of NOK 745 million (743). Total current liabilities came in at NOK 2,750 million (1,800), of which NOK 837 million (364) was in non-recourse project financing.

Parent Company

Scatec Solar ASA prepares its financial statements according to Norwegian Generally Accepted Accounting Principles (NGAAP). Scatec Solar ASA is a holding company comprising parts of corporate services, management and group finance. In addition, Scatec Solar ASA provides certain services related to project development and construction for its subsidiaries.

Scatec Solar ASA reported revenues of NOK 2,964 million and operating profit (EBIT) of NOK 107 million in 2019, compared to revenues of NOK 1,661 million and operating loss (EBIT) of NOK 60 million in 2018.

Revenues increased from 2018 to 2019 due to new construction projects as well as increased sale of development projects.

All revenues are group internal and based on agreements established between Scatec Solar ASA and its subsidiaries, joint ventures and associated companies. The scope of the agreements includes delivery of the main components of the solar power plants (inverter system, modules and structures) and management services as well as services related to project development and construction, including but not limited to permitting, financial modelling, production of bidding documents, debt and equity financing, evaluation of tax issues, structuring of securities and guarantees, legal services, advice on tendering of components as well as grid connection studies.

Operating expenses increased to NOK 179 million, from NOK 152 million in 2018, reflecting the increased number of employees and activities supporting the Company's growth plan.

Profit after tax reached NOK 138 million, compared to a profit after tax of NOK 122 million in 2018.

Total equity for the parent company Scatec Solar ASA stood at NOK 3,088 million at 31 December 2019, up from NOK 1,636 million in 2018. Total assets amounted to NOK 5,913 million at 31 December 2019, up from NOK 5,043 million a year earlier. The increase reflects increased funding to group companies and new projects.

Scatec Solar ASA had 89 permanent full-time employees in 2019, up from 77 in 2018. The sickness leave rate in 2019 was 2%, broadly in line with previous years. Scatec Solar ASA focuses on equal opportunities irrespective of gender. There should be no discrimination related to gender in cases such as compensation, promotion or recruitment. In Scatec Solar ASA females made up 46% of the employees in 2019, which is the same percentage as last year.

Organisation

Scatec Solar has an international and diverse workforce represented by 40 nationalities and 335 employees in 17 countries. The organisation has been further strengthen in 2019 across key regions and functions, with focus on maintaining flexibility while at the same time utilising the strong cross functional teams to continue delivering strong growth.

During 2019, recruitment and onboarding processes have been further streamlined and is being supported by the global recruitment portal and a growing number of e-learning courses for employees. Continuous training and development are an important part of building a value based high performance culture, and a new leadership programme and competency development initiatives have been implemented.

Further information on diversity and equal opportunity is available in the Company's 2019 Sustainability report.

Sustainability

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

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

For 2019, an overall focus was to establish management systems in new projects. The work from 2018 was continued, to further strengthen our corporate Environmental and Social Management System (ESMS) by reviewing processes and management plans in accordance with the IFC's Performance Standards and the Equator Principles. In addition, all corporate policies in the areas of human rights, conflict minerals and stakeholder engagement were further developed and strengthened.

Scatec Solar works systematically to disclose relevant information related to Environmental, Social and Governance (ESG) aspects. In early 2020, the Company was rated an industry leader in ESG risk management. Sustainalytics, a leading global ESG risk rating agency, ranked Scatec Solar as the Company with the lowest ESG risk, out of 450 companies in the global utilities industry.

The Company's reporting on sustainability work and performance is in accordance with the Global Reporting Initiative (GRI) Standards. The next section provides a summary of our sustainability work and results in 2019. For extensive information, refer to the Sustainability Report 2019.

Health, Safety, Security and Environment (HSSE)

Health and Safety is a key priority for Scatec Solar and the Company is continuously working to achieve the goal of zero harm to personnel, materials and the environment. Scatec Solar takes responsibility, set requirements and monitor HSSE performance in the development, construction and operations phase of our projects. Further, the health and safety standards are defined and communicated to employees and contractors.

Scatec Solar delivered approximately 11.7 million working hours with no fatalities or serious injuries involving disabilities in 2019. The year was characterised by high construction activities on 12 projects in Egypt, Malaysia, Ukraine, South Africa, Mozambique and Argentina. In Egypt, a portfolio of six projects totalling 390 MW was under construction during the year, delivering about 8 million working hours with one Lost Time Injury (LTI).

In 2019, the Company engaged close to 8,000 workers for the project construction phase, of whom more than 60% were local and unskilled labour.

The rate of recordable work-related injuries amounted to 1.5 per million working hours, down from 4.4 in 2018. The decrease reflects among others several initiatives launched during the year to strengthen the HSSE culture across the company, as well as accumulating extensive experience from the global network of our project portfolio. None of the recordable injuries were classified as serious injuries.

The sickness leave rate remained moderate at 0.7% worldwide (0.8% in 2018), broadly in line with previous years.

The Company, together with its external risk advisors, regularly assess risks related to global health issues such as pandemics. In general, Scatec Solar is always following the recommendations from relevant national authorities and takes a pro-active approach to contribute to minimize any risk or impact of such health issues. The Company has contingency plans in place to safeguard personnel and assets and has cooperation agreements with external partners for global support.

Scatec Solar works systematically to strengthen its approach to security management and emergency preparedness. One of the most serious risks employees are facing when travelling is related to traffic. In 2019, one recordable injury and two serious near misses related to motor vehicle accidents were registered. Scatec Solar continuously work to manage risk related to traffic, this includes transportation safety management plans for all locations that also require subcontractors to have a plan for transportation safety and initiatives in place to promote safe travelling among their employees.

Business ethics and anti-corruption

Working systematically to prevent corruption and unethical practices in all projects and operations is a fundamental principle in Scatec Solar. Due diligence of potential partners and suppliers through a screening process from structured intelligence to identify heightened risk or blacklisted individuals and organisations are always performed. The Company's main financial collaborators such as Norfund, the International Finance Corporation (IFC), member of the World Bank Group, and other leading development banks are also widely acknowledged for high ethical standards and rigorous due diligence requirements.

Scatec Solar regularly assess sustainability risks within its supply chain. The main risks include corruption, violations of labour rights, and poor social and environmental performance. The Company seeks to mitigate these risks through its supplier development programme, transparent and fair tender processes, robust contracting, pre-production audits and monitoring during production.

Scatec Solar has a whistleblower channel available to all employees and stakeholders of the Company through internal channels and the corporate website. This channel is operated by a neutral third party. All whistleblowers have the option to be anonymous. In 2019, six reports were received through the whistleblower channel, of which one was related to potential corruption and four were related to potential discrimination. All reports were investigated according to the established investigation procedure and no breach of policies or regulations were detected.

In 2016, Scatec Solar implemented mandatory anti-corruption training for all employees and specific anti-corruption and integrity due diligence training for particularly exposed business units such as Procurement and Business Development. In 2019, seven ethics and anti-corruption trainings were organised globally with 172 participants in total. In addition, six targeted workshops were held for business units with an identified high risk of corruption.

Human rights and social issues

Key elements in Scatec Solar's project work are human rights and social issues. Such issues are normally mainly related to labour rights, land resettlement, local community acceptance, and health and safety.

Scatec Solar has a publicly available grievance mechanism for all projects through the corporate website and at each local project site. The grievance mechanism is targeted towards individuals, communities and companies who have feedback or concerns regarding our projects. It is a channel to present issues to the administration of the projects and the channel is directly supervised by Scatec Solar's corporate sustainability unit. In 2019, 174 grievances were registered. The majority of the grievances were from projects under development or construction, usually representing the phases with most feedback and concerns from project stakeholders. About 80% of the grievances were solved by engaging with local communities on a regular basis, following up with subcontractors and communicating our processes and principles. At the end of 2019, 37 grievances were still in process of being resolved. Eleven of these are connected to the construction of the Benban solar park in Egypt and relate to commercial disputes between Scatec Solar's contractors and their subcontractors around delayed payments which have been addressed and resolved. The grievances are still classified as open as they are awaiting final confirmation of resolvement from the company that received them. Eight of the remaining 26 grievances were resolved during the first months of 2020. The remaining 18 are still being addressed and processed according to Scatec Solar's procedures and are expected to be resolved within the next quarter.

To further strengthen our work related to human rights and social issues, Scatec Solar developed a corporate human rights policy in line with United Nation's Guiding Principles on Business and Human Rights in 2019. The human rights aspects will be implemented as a standardised element in training for all managers, Community Liaison Officers and security personnel globally in 2020.

Climate

The Company's solar plants contribute to the reduction of greenhouse gas emissions in every country where Scatec Solar operates. The total greenhouse gas emissions from Scatec Solar in 2019, including scope 1, 2 and air travel in scope 3, were estimated to 10,972 tonnes of CO2 with the majority coming from electricity usage and air travels.

Simultaneously, the operating solar plants contributed to reduce estimated CO2 emissions of about 870,000 tonnes in 2019. This figure will more than double when projects currently under construction are grid connected in 2020.

In 2019 Scatec Solar made an important step to better identify and manage the environmental impacts from its business by reporting to the Carbon Disclosure Project (CDP). This reporting leads to increased transparency for management of risks and opportunities posed by climate change, performance and targets. Scatec Solar's final CDP score is B, indicating that the Company is "taking coordinated action on climate issues". The score levels range from A to D, where A is the top score. To further strengthen reporting and scoring, Scatec Solar will work to set emission reduction targets and initiatives in 2020 and expand reporting to cover more elements of our value chain.

Corporate governance

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

Share capital and the Scatec Solar share

Scatec Solar ASA is listed on the Oslo Stock Exchange under the ticker "SSO". The share capital of Scatec Solar is NOK 3,142,079.725 divided on 125,683,189 shares, each with a nominal value of NOK 0.025. All shares are of the same class and with equal voting and dividend rights. Per 31 December 2019, the number of shareholders were 10,306. Refer to Note 23 - Share capital, shareholder information and dividend for further information.

Scatec Solar puts a strong emphasis on informing all interested parties about important news and the Company's developments through annual reports and quarterly financial presentations, stock exchange notices and other updates. Further information can be found in the investor section of Scatec Solar's website at www.scatecsolar.com/investor.

Dividend policy

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

On 24 January 2020, the Board of Directors announced its intention to propose a dividend of NOK 1.05 per share to the Annual General Meeting. Since then, capital markets have severely weakened. Therefore, in order to maintain the Company's financial flexibility, the Board of Directors has resolved to seek authorisation from the Annual General Meeting to pay a dividend of up to NOK 1.05 per share at a later stage, when the conditions in the capital markets have improved.

Risk factors and risk management

Scatec Solar has extensive policies and procedures in place as part of its operating system to actively manage risks related to the various parts of the Company's operations. Key risks are discussed and policies are reviewed and approved by the Board of Directors on a regular basis. The daily follow up of these policies, including internal control and aduits, is carried out by Scatec Solar's management team, the Finance function, Legal and other relevant functions.

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

In 2019, DNV GL awarded ISO 9001, ISO 14001 and ISO 45001 certification to Scatec Solar. This certification results from a yearly audit process by DNV GL which is designed to assess and confirm the compliance of the Company to these three standards for Quality, Environmental and Health & Safety Management respectively. Risk Management is an integral part of the standards and compliance clearly indicates a well-functioning risk management framework and processes within the organisation.

Operational risk

The main economic risks going forward relate to the performance of operating power plants, timely completion of solar power plants under construction and progress in the transitioning of projects in backlog and pipeline through financial close and into construction.

The business of the Company is project related and most of the risks that the business is exposed to is contained and actively managed within individual projects. The market risk mainly relates to the attractiveness of solar projects in the various markets as derived from development in power prices, including feed-in-tariffs in key markets, relative to the prices of key components such as solar modules. Scatec Solar manages this risk through balancing the commitments on sourcing of projects and components with the commitments on the off-take and financing of the solar plants, and through developing a robust portfolio of attractive project opportunities in different markets.

The Company has established a solid project pipeline, but further growth of the business will depend on a number of factors such as project availability, access to competitive financing, component availability and pricing, price development for alternative sources of energy and the regulatory framework in the relevant markets.

Scatec Solar operates in several regions of the world with complex risk environments. This primarily relates to political, compliance, integrity and security risk. The Company mitigates these risks through comprehensive due diligence processes whereby country risk, permits, project agreements, partners, execution plans, security and all other relevant aspects of the project are carefully assessed. These assessments are done in close cooperation with several advisors including global risk and security consultancies.

Scatec Solar acknowledges cybercrime to be a potential risk to the company. This risk is mitigated proactively by deploying security patches to all computers and network equipment in addition to continuous monitoring the equipment for security issues. Scatec Solar's IT partner's Security Operations Center (ISOC) monitors all data traffic passing through the firewalls 24/7 in addition to surveillance of the general threat level across Scatec Solar's global networks.

The Company, together with its external risk advisor, regularly assess risks related to global health issues such as pandemics. The Company has contingency plans in place to safeguard personnel and assets, as well as cooperation agreements with external partners for global support. Refer to Subsequent Events.

Political risk

Scatec Solar holds assets and operates in many jurisdictions, and the Company's operations are subject to international and national laws and regulations applied by various government authorities in connection with obtaining licenses and permits, government guarantees and other obligations regulated by law.

Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits, capital transfer restrictions and in monitoring licensees' compliance with the terms thereof. Commercial practices and legal and regulatory frameworks differ significantly between jurisdictions and are subject to change at any time. As a result, it may be difficult to ensure compliance with changes in regulatory requirements in the jurisdictions where the Company operates, and this can have an adverse effect on the Group's operations, business, financial performance and prospects.

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

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

Financial risk

Through its business activities, Scatec Solar is mainly exposed to market risk, including currency risk and credit risk; liquidity risk and to some extent interest rate risk. Financial risk management is based on the objective of reducing negative cash flow effects and to a less extent negative accounting effects of these risks. For description and management of financial risk, refer to Note 5 – Financial risk management. Refer to Subsequent Events.

Project portfolio

The solar market continues to grow strongly, and Scatec Solar is continuously developing a large project pipeline across several markets.

Project overview

Project stage	Q4'19 Capacity [1] (MW)	Q4'18 Capacity (MW)
In operation	**1,193**	584
Under construction	**711**	1,071
Project backlog [2]	**568**	225
Project pipeline [2]	**5,206**	4,545

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

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

Location	Capacity (MW)	Currency	CAPEX (100%, million)	Annual production (100%, GWh)	Debt leverage	SSO economic interest
In Operation	1,193	NOK [3]	16,622	2,278	70%	59%
Under Construction						
Ukraine portfolio	289	EUR	266	313	70%	96%
Upington, South Africa	258	ZAR	4,760	650	77%	46%
Guanizuil, Argentina	117	USD	103	310	60%	50%
Redsol, Malaysia	47	MYR	200	67	75%	100%
Total under construction	711	NOK [3]	6,935	1,379		70%
Backlog						
Tunisia	360	USD	240	830	70%	65%
Vietnam	48	USD	54	97	70%	65%
Ukraine	65	EUR	74	65	70%	65%
Bangladesh	62	USD	68	86	70%	65%
Segou, Mali	33	EUR	50	60	75%	51%
Total Backlog	568	NOK [3]	4,682	1, 138		64%
Total	2,472	NOK [3]	27,984	4, 795		63%

1) Status per reporting date for fourth quarter 2019
2) See Other Definitions for definition
3) All exchange rates to NOK are as of 31 December 2019

production. For extensive information about the projects under construction and in backlog, refer to the fourth quarter 2019 report on www.scatecsolar.com/Investor.

Total annual revenues from the 2,472 MW in operation, under construction and in backlog is expected to reach about NOK 4,230 million (on 100% basis) based on 20-25-year Power Purchase Agreements (PPAs). Scatec Solar will build, own and operate all power plants in the project backlog and pipeline. All projects under construction is expeted to start commercial operation during first half of 2020.

Project pipeline

Location	Q4'19 Capacity (MW)	Q4'18 Capacity (MW)
Latin America	**960**	833
Africa	**2,198**	2,186
Europe & Central Asia	**463**	523
South East Asia	**1,585**	912
Total pipeline	**5,206**	4,454

In addition to projects in backlog Scatec Solar holds a solid pipeline of projects totalling 5,206 MW. The pipeline has developed favourably over the last year through systematic project development efforts in several markets across four key regions where both governments and corporate off-takers are seeking to source solar energy.

Historically, about 50% of projects in pipeline have been realised. The pipeline projects are in different stages of development and maturity, but they are all typically in markets with an established government framework for renewables and for which project finance is available (from commercial banks or multilateral development banks). The project sites have typically been secured and Scatec Solar is in a position to participate in bilateral negotiations for a long-term power sales agreement with an off-taker, feed-in- tariff schemes, or tender processes. For detailed information about Scatec Solar's project pipline and main markets, refer to the fourth quarter 2019 report on www.scatecsolar.com/Investor.

Short term guidance

For 2020, Power production is expected to reach 1,250 – 1,350 GWh on proportionate basis from plants in operation at year end 2019, compared to 926 GWh in 2019. Production volumes will continue to grow as plants of 711 MW under construction are being grid connected and starting commercial operations in 2020.

Outlook

The renewable energy market is expected to see continued strong growth with solar market volumes expected to grow by more than 30 % to 158 GW by 2022. most of the new capacity is expected to be installed outside the OECD according to Bloomberg New Energy Finance (BNEF).

The outbreak of COVID-19 has triggered a global economic slowdown impacting all industries and BNEF has recently cut its global solar demand forecast for 2020 from the interval 121-152 GW to 108-143 GW. Even though the demand for electricity continue to grow in emerging markets, some of the near-term growth is expected to be pushed back in time and investments in renewable energy might see delays which could impact Scatec Solar negatively.

Scatec Solar's strategic direction remains firm as the Company aims to continue delivering shareholder value and strong growth with a target of installed capacity of 4.5 GW by end 2021.

In September 2019, Scatec Solar raised its growth ambitions and updated its financial and operational targets:

- Installed capacity of 4.5 GW in operation or under construction by end of 2021
- Annual growth of 1.5 GW per year from 2022 onwards
- Development & Construction segment gross margin of 12-14%
- Average equity IRR on investments of 12-14%

The following key priorities is supporting the Company's growth strategy:

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

The Company is utilising its solid track record and market position to further grow its business in new segments and to realise attractive project opportunities. Scatec Solar's ability to delivery consistently over time combined with a positive market outlook, has further strengthened the Company's position as a leading player in emerging markets.

Subsequent events

Coronavirus disease (COVID-19)

Scatec Solar is closely monitoring developments and is following the respective national authorities' advise and recommendations regarding COVID-19. The Company is together with its risk advisors continuously assessing any potential implications the outbreak might have for personnel and assets.

The Company is taking precautionary measures at all locations to limit the spread of the virus, keep people safe, and ensure continued safe operations of the power plants.

Scatec Solar has to date not experienced any impact of COVID-19 on operating assets or on delivery of power to customers. The risk of such impact is assessed to be low as power supply is generally defined as critical infrastructure in most countries where Scatec Solar operates. First quarter 2020 production is therefore expected to be in line with previously communicated guidance.

The Company's portfolio of projects under construction is close to completion. Travel constraints and local regulations have started to impact construction, commissioning and testing of new solar plants. It is however too early to predict what effects this will have on completion dates.

Scatec Solar focuses on sustaining a strong financial capacity to be well prepared in a rapidly changing environment. The Company continues to monitor the situation closely and will implement any further measures required to maintain the health and safety of our people and continued stable operations.

Oslo, 26 March 2020
The Board of Directors of Scatec Solar ASA

John Andersen Jr. (Chairman)   John Giverholt   Mari Thjømøe

Jan Skogseth   Gisele Marchand   Raymond Carlsen (CEO)

Executive Management

Raymond Carlsen

Chief Executive Officer

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

Number of shares in Scatec Solar: 2,987,847
Number of share options: 108,638

Mikkel Tørud

Chief Financial Officer

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

Number of shares in Scatec Solar: 223,817
Number of share options: 79,876

Snorre Valdimarsson

EVP General Counsel

Snorre Valdimarsson became EVP General Counsel of Scatec Solar in 2009. Valdimarsson was previously an Associate and Senior Associate in the lawfirm Selmer DA, focusing on M&A, finance, and debt capital markets. He has more than 12 years of experience in advising on infrastructure transaction, hereunder development, structuring, construction, project finance and equity funding of renewable energy projects. Valdimarsson holds a Master in Law from the University of Bergen, Norway.

Number of shares in Scatec Solar: 15,924
Number of share options: 64,073

Pål Helsing

EVP Solutions

Pål Helsing became EVP of Solutions of Scatec Solar in 2015. Helsing was previously President of Kongsberg Oil and Gas Technologies AS and a member of the Kongsberg Group Executive Management Team. Before that, he held several executive positions within Aker Solutions. Helsing holds a Bachelor of Science Civil from Glasgow University and a Business Economics degree from BI Norwegian Business School.

Number of shares in Scatec Solar: 4,877
Number of share options: 51,161

Note: The number of shares and share options are quoted per 19 March 2020.

Roar Haugland

EVP Sustainable Business & HSSE

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

Number of shares in Scatec Solar: 186,639
Number of share options: 62,114

Terje Pilskog

EVP Project Development & Project Finance

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

Number of shares in Scatec Solar: 510,877
Number of share options: 70,930

Toril Haaland

EVP People & Organisation

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

Number of shares in Scatec Solar: 877
Number of share options: 43,450

Torstein Berntsen

EVP Power Production

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

Number of shares in Scatec Solar: 695,486 [1)]
Number of share options: 65,940

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

Board of Directors

John Andersen Jr.

Chairman

Mr. Andersen is the CEO of Scatec AS and has been Chairman of the Board of Scatec Solar since May 2014. He is the former Chief Operating Officer of the REC Group, where he held several executive management positions during his 12 years with the company. Prior to the REC Group, he held various management positions in Borregaard. Mr. Andersen holds a Master of Business and Economics from BI Norwegian Business School.

Current Board positions: Chair of Scatec AS portfolio companies, including Norsk Titanium AS, NorSun AS and Keep-it AS.
Number of shares in Scatec Solar: 0 [1)]

Mari Thjømøe

Board Member

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

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

Jan Skogseth

Board Member

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

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

Note: The number of shares is quoted per year end 2019.
1) Related parties' control 19,482,339 shares through Scatec AS.

Gisele Marchand

Board Member

Mrs. Marchand has worked as full time non-executive board member and advisor since 2018. She has extensive top management experience from positions in financial institutions like DNB ASA (VP in charge of corporate and retail banking), the Government Pension Fund (CEO), Eksportfinans ASA (CEO) as well as the law firm Haavind AS (CEO). She has also extensive board experience from the last 20 years in different quoted and non-quoted companies and was former vice chair on the Norwegian Stock Exchange. Mrs. Marchand holds a Bachelor's degree in Business from Copenhagen Business School.

Current Board positions: Chair: Gjensidige Insurance ASA, Norgesgruppen Finans Holding AS and Boligbygg KF. Board member: Norgesgruppen ASA, Selvaag Bolig ASA, Eiendomsspar AS and Victoria Eiendom AS.
Number of shares in Scatec Solar: 2,586

John Giverholt

Board Member

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

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

Consolidated financial statements Group

Consolidated statement of profit or loss

1 January – 31 December

NOK million	Note	2019	2018
Revenues	4	1,810	1,151
Net income/(loss) from JVs and associated companies	4, 14	-28	63
Total revenues and other income		1,783	1,213
Personnel expenses	8	-163	-137
Other operating expenses	9	-234	-174
Depreciation, amortization and impairment	12, 13	-512	-273
Operating profit (EBIT)		874	629
Interest and other financial income	10	66	197
Interest and other financial expenses	10	-744	-518
Net foreign exchange gain/(loss)	5, 10	-13	15
Net financial expenses		-690	-306
Profit before income tax		184	323
Income tax (expense)/benefit	11	-29	-97
Profit/(loss) for the period		155	226
Profit/(loss) attributable to:			
Equity holders of the parent		-39	140
Non-controlling interests	24	194	86
Basic earnings per share (NOK)	25	-0.31	1.29
Diluted earnings per share (NOK)	25	-0.31	1.28

Consolidated statement of comprehensive income

1 January – 31 December

NOK million	Note	2019	2018
Profit/(loss) for the period		155	226
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Net movement of cash flow hedges	20	-233	-74
Income tax effect	11	58	20
Foreign currency translation differences		12	18
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-162	-36
Total comprehensive income for the year, net of tax		-7	190
Attributable to:			
Equity holders of the parent		-117	136
Non-controlling interests		109	53

Consolidated statement of financial position

NOK million	Note	As of 31 December 2019	As of 31 December 2018
Assets			
Non-current assets			
Deferred tax assets	11	**781**	526
Property, plant and equipment - in solar projects	12	**15,180**	8,956
Property, plant and equipment - other	12	**221**	53
Goodwill	13	**24**	24
Investments in JVs and associated companies	14	**728**	745
Other non-current assets	17, 26	**149**	112
Total non-current assets		**17,083**	10,415
Current assets			
Trade and other receivables	16	**461**	279
Other current assets	17, 26	**1,211**	711
Financial assets	7	**-**	149
Cash and cash equivalents	15	**2,824**	3,303
Total current assets		**4,495**	4,442
Total assets		**21,578**	14,857

Consolidated statement of financial position

NOK million	Note	As of 31 December 2019	As of 31 December 2018
Equity and liabilities			
Equity			
Paid in capital			
Share capital	23	3	3
Share premium		3,108	1,795
Total paid in capital		3,111	1,797
Other equity			
Retained earnings		-134	8
Other reserves		-2	79
Total other equity		-136	87
Non-controlling interests	24	663	591
Total equity		3,640	2,475
Non-current liabilities			
Deferred tax liabilities	11	437	345
Non-recourse project financing	18	12,228	8,643
Bonds	19	745	743
Financial liabilities	7	320	115
Other non-current liabilities	21, 26	1,460	738
Total non-current liabilities		15,190	10,583
Current liabilities			
Trade and other payables		888	162
Income tax payable	11	92	34
Non-recourse project financing	18	837	364
Financial liabilities	7	31	9
Other current liabilities	21, 26	902	1,230
Total current liabilities		2,750	1,800
Total liabilities		17,939	12,383
Total equity and liabilities		21,578	14,857

Oslo, 26 March 2020

The Board of Directors of Scatec Solar ASA

John Andersen Jr. (Chairman) John Giverholt Mari Thjømøe

Jan Skogseth Gisele Marchand Raymond Carlsen (CEO)

Consolidated statement of changes in equity

				Other reserves				
NOK million	Share capital	Share premium	Retained earnings	Foreign currency translation	Hedging reserves	Total	Non-controlling interests	Total equity
At 1 January 2018	3	1,195	31	105	-23	**1,310**	577	**1,887**
Profit for the period	-	-	140	-	-	**140**	86	**226**
Other comprehensive income	-	-	-1	18	-21	**-3**	-32	**-36**
Total comprehensive income	-	-	139	18	-21	**136**	54	**190**
Share-based payment	-	5	-	-	-	**5**	-	**5**
Share capital increase	-	606	-	-	-	**606**	-	**606**
Transaction cost, net after tax	-	-10	-	-	-	**-10**	-	**-10**
Dividend distribution	-	-	-81	-	-	**-81**	-206	**-286**
Purchase of NCIs shares in group companies	-	-	-82	-	-	**-82**	-22	**-104**
Capital increase from NCI	-	-	-	-	-	**-**	188	**188**
At 31 December 2018	3	1,795	8	123	-44	**1,884**	591	**2,475**
Profit for the period	-	-	-39	-	-	**-39**	193	**155**
Other comprehensive income	-	-	3	5	-86	**-77**	-85	**-162**
Total comprehensive income	-	-	-36	5	-86	**-117**	108	**-7**
Share-based payment	-	7	-	-	-	**7**	-	**7**
Share capital increase	-	1,330	-	-	-	**1,330**	-	**1,330**
Transaction cost, net after tax	-	-23	-	-	-	**-23**	-	**-23**
Share purchase program	-	-1	-	-	-	**-1**	-	**-1**
Dividend distribution	-	-	-108	-	-	**-108**	-180	**-288**
Purchase of NCIs shares in group companies	-	-	2	-	-	**2**	-3	**-1**
Capital increase from NCI	-	-	-	-	-	**-**	147	**147**
At 31 December 2019	3	3,108	-134	128	-130	**2,975**	663	**3,640**

Nature and purpose of reserves included in total equity

Share premium

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

Foreign currency translation reserve

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

Hedging reserve

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

Consolidated statement of cash flow

NOK million	Note	2019	2018
Cash flow from operating activities			
Profit before taxes		184	323
Taxes paid	11	-61	-65
Depreciation and impairment	12, 13	512	273
Net proceeds from sale of fixed assets	12	6	5
Net income from associated companies/sale of project assets	14	28	-63
Interest and other financial income	10	-66	-197
Interest and other financial expenses	10	744	518
Unrealised foreign exchange (gain)/loss	10	13	-15
(Increase)/decrease in current assets and current liabilities		501	469
Net cash flow from operating activities		1,860	1,248
Cash flows from investing activities			
Interest received		76	77
Investments in property, plant and equipment	12	-6,502	-3,565
Net investments in subsidiaries and associated companies	14, 23	-14	-321
Net cash flow used in investing activities		-6,439	-3,809
Cash flow from financing activities			
Proceeds from non-controlling interest shareholder financing [1)]	28	307	624
Interest paid		-711	-588
Payments on lease liabilities	22	-29	-
Proceeds from non-recourse project financing	18	3,937	2,855
Repayment of non-recourse project financing	18	-291	-266
Share capital increase [2)]	23	1,307	596
Dividends paid to equity holders of the parent company and non-controlling interests	23	-288	-287
Net cash flow from financing activities		4,232	2,934
Net increase/(decrease) in cash and cash equivalents		-348	373
Effect of exchange rate changes on cash and cash equivalents		-131	67
Cash and cash equivalents at beginning of the period		3,303	2,863
Cash and cash equivalents at end of the period	15	2,824	3,303

1) Includes both equity contributions and shareholder loans. Please refer to note 28 for further information on project equity financing provided by co-investors.
2) The amounts of share capital increase are presented net of transaction cost of NOK 29 million ((2018: NOK 12 million).

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 Askekroken 11, NO-0277 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 4 – Operating segments). Information on the Group's structure is provided in Note 27 – 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 2019 were authorised for issue in accordance with a resolution by the Board of Directors on 26 March 2020.

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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 Summary of significant accounting policies

The accounting principles in the annual report are largely incorporated into the individual notes. Principles and policies that are presented in note 2 are more general descriptions which do not naturally belong in the individual notes.

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 amortised cost, financial instruments that are recognised at fair value, and loans, receivables and other financial liabilities recognised at amortised cost.

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 the Operation & Maintenance and Development & Construction segment mainly reflect deliveries to other companies controlled by Scatec Solar (with from 40 % 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. For further description of the proportionate financials as well as a reconciliation between proportionate financials and the consolidated financials please refer to note 4 Operating segments

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as of 31 December 2019. 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 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.

Statement of cash flows

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

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.

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.

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 General Meeting. A corresponding amount is recognised directly in equity.

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.

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 2019. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

In January 2016 the IASB issued IFRS 16 Leases. The standard is effective from 1 January 2019 and replaces the previous standard IAS 17. Contrary to IAS 17, IFRS 16 does not distinguish between operational and financial leases for lessees. Lease agreements under IFRS 16 will for lessees require the recognition of a lease liability, and a right to use lease asset, with a few exceptions. See further details on accounting principles and estimates in note 22 Leases.

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

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

Note 3 Key sources of estimation uncertainty, judgements and assumptions

Information about estimation uncertainty, judgements and assumptions in the annual report are largely incorporated into the individual notes. Information that is presented in note 3 are more general descriptions and information that does not naturally belong in the individual notes.

In preparation of the Group'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 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 and in individual notes. 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.

The Company's management believes the following critical accounting items represent the more significant judgements and estimates used in the preparation of the consolidated financial statements:

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

During 2018, the Upington project in South Africa was consolidated for the first time. The project reached financial close in April 2018, and Scatec Solar's shareholding is 45.5%. Construction activities are on track with grid connection of the first two plants in February 2020, with expected subsequent grid connection for the last plant within the next few months. 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. Another project in Ukraine, the 32 MW Kamianka project, was also consolidated for the first time in December 2018. Scatec Solar's economic interest in the project company was 100%

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To be able to fully utilise the business model, Scatec Solar seeks to obtain operational control of the power plant companies until second quarter 2019 where Scatec Solar signed an agreement with FMO, the Dutch development bank, for FMO to take a 40% equity stake in the project company.

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.

Further, the following accounting items are discussed in the respective notes:

Accounting item	Note	Estimate/assumptions
Tax	11	Recognition of deferred tax asset
Property, plant and equipment	12	Net present value future cash flows/useful life of solar power plants
Goodwill	13	Net present value future cash flows
Lease	22	Determine whether an arrangement contains a lease

Note 4 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.

Revenues from transactions between group companies in the D&C, O&M and PP segments, where Scatec Solar is deemed to hold a controlling interest, are presented as internal revenues in the segment reporting and eliminated in the consolidated statement of profit or loss. These transactions are based on international contract standards and terms negotiated at arm's length with lenders and co-investors in each power plant company. No operating segments have been aggregated to form these reporting segments.

Scatec Solar ASA

Power Production

Main activities

- Ownership and management of power producing assets

Assets / projects with revenues recognized

Egypt (51%):
Benban, 400 MW

Malaysia (100%):
Gurun, 65 MW
Jasin, 66 MW
Merchang, 66 MW

South Africa (45%):
Kalkbult, 75 MW
Linde, 40 MW
Dreunberg, 75 MW

Brazil (44%):
Apodi, 162 MW

Honduras (51%):
Agua Fria, 60 MW
Los Prados, 35 MW

Ukraine:
Rengy, 47 MW (51%)

Mozambique (52%):
Mocuba, 40 MW

Jordan:
Oryx, 10 MW (90%)
Ejre/Glae,
33 MW (50.1%)

Rwanda (54%):
ASYV, 9 MW

Czech Republic (100%):
Portfolio 20 MW

Operation & Maintenance

Main activities

- Technical and operational services

Assets / projects with revenues recognized

Egypt (51%):
Benban, 400 MW

Malaysia (100%):
Gurun, 65 MW
Jasin, 66 MW
Merchang, 66 MW

South Africa (45%):
Kalkbult, 75 MW
Linde, 40 MW
Dreunberg, 75 MW

Brazil (44%):
Apodi, 162 MW

Honduras (51%):
Agua Fria, 60 MW
Los Prados, 35 MW

Ukraine:
Rengy, 47 MW (51%)

Mozambique (52%):
Mocuba, 40 MW

Jordan:
Oryx, 10 MW (90%)
Ejre/Glae,
33 MW (50.1%)

Rwanda (54%):
ASYV, 9 MW

Czech Republic (100%):
Portfolio 20 MW

Development & Construction

Main activities

- Project developement
- Engineering and Procurement
- Contruction management
- Quality assurance

Assets / projects with revenues recognized

South Africa (46%):
Round 4, 258 MW

Malaysia (100%):
RedSol, 47 MW

Argentina (50%):
Guanizuil, 117 MW

Ukraine:
Kamianka, 32 MW (60%)
Progressovka, 148 MW (100%)
Chigirin, 55 MW
Boguslav, 54 MW (100%)

Backlog:
568 MW

Pipeline:
5,206 MW

Corporate

Main activities

- Corporate services
- Management
- Group finance

Eliminations

Main activities

- Elimination of revenues and profits from internal transactions

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. The segment also include revenues from asset management services delivered to the Group's solar plant companies based on service agreements with a fixed fee. The services include, but are not limited to, corporate governance, lender reporting, contract management, cash flow modelling and stakeholder management.

Operation & Maintenance
The Operation & 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 & Construction
The Development & 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 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 the 65 MW Jasin plant in May, the 40 MW Mocuba plant in Mozambique, the 66 MW Merchang plant in July, the 47 MW Rengy plant in Ukraine in August and the MW Benban plant in Egypt in October.

Development & Construction revenues were recognised for projects in Egypt, Ukraine, South Africa, Malaysia, Argentina, Mozambique and Malaysia in 2019. Projects under construction currently stands at 711 MW per reporting date. The backlog of projects with secured offtake of future power production is currently at 568 MW, while the project pipeline consists of several projects with a combined capacity of 5,206 MW.

Corporate
Corporate consists of the activities of corporate and management services.

Accounting principle
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.

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 turnkey 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 main 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)

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. The performance obligation is to deliver a series of distinct goods (power) and the transaction price is the consideration the Group expects to receive. The performance obligation is satisfied over time which entails that revenue should be recognised for each unit delivered at the transaction price. The Group applies a practical expedient under IFRS 15 whereby the revenue from power for most of the contracts is recognised at the amount of which the entity has a right to invoice. Revenues from the sale of electricity are recognised at the time the electricity is supplied on the basis of periodic meter readings. The right to invoice power arises when power is produced and delivered and the right to invoice the consideration will normally correspond directly with the value to the customer.

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. 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.

Use of proportionate financials

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 segment financials are reported on proportionate basis. With proportionate financials Scatec Solar reports its share of revenues, expenses, profits and cash flows from its subsidiaries without eliminations based on Scatec Solar's economic interest in the subsidiaries. The Group introduced SSO Proportionate Financials as the Group is of the opinion that this method improves earnings visibility. The key differences between the proportionate and the consolidated (IFRS) financials are that;

- Internal gains are eliminated in the consolidated financials but are retained in the proportionate financials. These internal gains primarily relate to gross profit on D&C goods and services delivered to project companies which are eliminated as a reduced group value of the solar plant compared to the stand-alone book value. Similarly, the consolidated financials have lower solar plant depreciation charges than the proportionate financials since the proportionate depreciations are based on solar plant values without elimination of internal gain. Internal gain eliminations also include profit on Operations and Maintenance- and Asset Management services delivered to project companies.

- The consolidated financials are presented on a 100% basis, while the proportionate financials are presented based on Scatec Solar's ownership percentage/economic interest.

- In the consolidated Financials joint venture companies (Brazil and Argentina) are equity consolidated and are presented with Scatec Solar's share of the net profit on a single line in the statement of profit or loss. In the proportionate financials the joint venture companies are presented in the same way as other subsidiaries on a gross basis in each account in the statement of profit or loss.

For 2019 Scatec Solar reports a proportionate operating profit of NOK 1,111 million compared with an operating profit of NOK 874 million in the consolidated financials. To arrive at the proportionate operating profit from the consolidated operating profit the Group has;

1. added back to the proportionate statement of profit or loss the internal gain on transactions between group companies with an amount of NOK 651 million [1)],

2. removed the non-controlling interests share of the operating profit of NOK 452 million to only leave the portion corresponding to Scatec Solars ownership share,

3. replaced the consolidated net profit from joint venture companies of NOK -28 million with Scatec Solar's share of the Operating profit from the joint venture companies with NOK 10 million [2)] including impairment charges of NOK 31 million in Argentina.

A further reconciliation between the segments proportionate financials and the groups consolidated financials are provided in the tables below.

2019	Proportionate financials							
NOK million	Power Production	Operation & Maintenance	Development & Construction	Corporate	Total	Residual ownership interests [3]	Eliminations [4]	Consolidated financials
External revenues	1,163	1	-	-	1,165	776	-130	**1,810**
Internal revenues	53	114	4,980	31	5,176	301	-5,477	**-**
Net income/(loss) from JV and associates	-	-	-	-	-	-	-28	**-28**
Total revenues and other income	1,216	115	4,980	31	6,341	1,077	-5,635	**1,783**
Cost of sales	-	-	-4,274	-	-4,274	-228	4,503	**-**
Gross profit	1,216	115	706	31	2,067	848	-1,133	**1,783**
Personnel expenses	-33	-33	-59	-48	-173	8	2	**-163**
Other operating expenses	-189	-36	-57	-40	-323	-126	215	**-234**
EBITDA	994	45	589	-58	1,571	730	-915	**1,386**
Depreciation and impairment	-412	-3	-39	-6	-460	-278	226	**-512**
Operating profit (EBIT)	582	42	550	-64	1,111	452	-689	**874**

2018	Proportionate financials							
NOK million	Power Production	Operation & Maintenance	Development & Construction	Corporate	Total	Residual ownership interests [3]	Eliminations [4]	Consolidated financials
External revenues	584	-	-	-	584	567	-	**1,151**
Internal revenues	38	81	4,006	17	4,142	282	-4,424	**-**
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	33	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**

1) Where NOK 706 million comprise Scatec Solar's share of gross profit on D&C contracts, NOK -83 million comprise increased depreciation charges from internal gains and NOK 28 million comprise other items.
2) Excluding internal gain on EPC contracts to joint venture companies of NOK 9 million which are included in the amount of NOK 651 million in list item 1 above.
3) Residual ownership interest share of the proportionate financials in subsidiaries where SSO does not have 100% economic interest
4) Eliminations made in the preparation of the group IFRS consolidated financials

Geographical break down of consolidated revenues

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.

	External revenue	
NOK million	2019	2018
South Africa	776	753
Egypt	249	-
Malaysia	224	4
Honduras	206	128
Jordan	149	133
Czech Republic	118	115
Mozambique	43	-
Ukraine	24	-
Rwanda	20	18
Total	1,810	1,151

	Property, plant and equipment	
NOK million	2019	2018
South Africa	3,430	1,931
Egypt	3,207	1,562
Malaysia	2,732	2,034
Ukraine	2,358	57
Honduras	1,511	1,536
Jordan	896	916
Mozambique	564	315
Czech Republic	261	387
Norway	207	117
Rwanda	151	148
The Netherlands	80	3
Other	4	3
Total	15,401	9,009

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, Brazil, Egypt, Malaysia, Honduras, Jordan, Czech Republic, Mozambique, Ukraine and Rwanda.

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, whereas the Los Prados plant in Honduras commenced operation in 2018. The electricity from both plants 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 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, whereas the Merchang and Jasin plant commenced operation in 2019. 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.

The Benban plant in Egypt commenced operation in 2019. The electricity is sold under a 25-year Power Purchase Agreement with Egyptian Electricity Transmission Company, S.A.E. The financial commitments of Egyptian Electricity Transmission Company, S.A.E under the PPA are guaranteed by the by sovereign guarantee from The Ministry of Finance under the Egyptian Law.

The Rengy plant in Ukraine commenced operation in 2019. The electricity is sold under a 10-year Power Purchase Agreement with the state-owned company Guaranteed Buyer. The financial commitments of Guaranteed Buyer under the PPA are guaranteed by the State under the law on *Alternative Energy Sources* and the Law on *Electric Energy Market*.

The Mocuba plant in Mozambique commenced operation in 2019. The electricity is sold under a 25-year Power Purchase Agreement with *Electricidade de Moçambique (EDM)*. The financial commitments of EDM under the PPA are guaranteed by *The Mozabican government* under the concession agreement approved under law 88/2016, of 5 December 2016 for 30 years.

Note 5 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 Group 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 statement of profit or loss, 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 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. 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. Although, 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, 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 7 - 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 flow interest rate risk by either using long-term financing at fixed rates or using floating to fixed interest rate swaps.

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 QSP-projects in Malaysia have secured MYR denominated, fixed interest non-recourse financing through issuance of the world's largest green Islamic bond, whereas the RedSol project in Malaysia has fixed 80 % of the non-recourse financing at a fixed rate. 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 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 18 – Non-recourse financing and Note 19 - Bonds.

For interest-risk sensitivities refer to Note 7 - Financial instruments: Measurement and market risk sensitivities. Based on the current Group interest bearing debt portfolio, the interest rate hedge ratio (weighted average) is 82% for the period 2019-2035

Liquidity risk

Liquidity risk is the risk that Scatec Solar will not be able to meet its financial obligations 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 (RCF) with Nordea and ABN Amro as lenders. In second quarter 2019 the available amount under the RCF was increased to USD 90 million. 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 2019 not drawn on the revolving credit facility or the overdraft facility. As of 31 December 2019, the Group has total short-term contractual commitments of approximately NOK 1,068 million in addition to the current payables which are recognized in the Group's balance sheet. For further information on contractual commitments, refer to note 6 - Guarantees and commitments.

For information about the Group's financial liabilities, refer to Note 18 – Non-recourse financing and Note 19 - Bonds.

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 15 – Cash and cash equivalents.

Credit risk

Credit risk is the risk that Scatec Solar's customers or counterparties will cause financial loss by failing to honour their obligations. The Group is exposed to third party credit risk in several instances, including off-take partners who have committed to buy electricity produced by or on behalf of the Group, suppliers and/or contractors who are engaged to construct or operate assets held by the Group, property owners who are leasing land to the Group, 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 have obligations towards 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, 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, the majority of these 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 accounts receivables and deposits with financial institutions. Some of the markets in which the Group operates have 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 4,644 million at 31 December 2019.

Refer to Note 16 – Trade receivables for information on the provision for bad debt related to trade receivables.

Note 6 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, in addition to relating to construction activities in which the Group has a solid track record. A bid bond is a guarantee issued to the provider in a tender process. Scatec Solar is also sometimes 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 2019

- Guarantees for advance payments of NOK 197 million (NOK 226 million as of 31 December 2018) related to the construction contracts for power plants in Ukraine
- Performance guarantees NOK 1,267 million (NOK 1,036 million as of 31 December 2018) primarily related to the construction contracts for power plants in Egypt, Malaysia, Mozambique, South-Africa, Ukraine, Argentina and Brazil
- Warranty guarantees of NOK 99 million (NOK 22 million as of 31 December 2018) related to power plants constructed by Scatec Solar in Honduras and Malaysia
- Bid bonds of NOK 68 million (NOK 47 million as of 31 December 2018) related to tenders/bidding for new projects in Tunisia, Malaysia and Bangladesh
- Other guarantees of NOK 538 million (NOK 889 million as of 31 December 2018) primarily related to equity guarantee in South Africa, Malaysia, and Ukraine and development guarantees in Egypt 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):

NOK million	2020	2021	2022	>2022
Advance payment guarantees	197	-	-	-
Performance guarantees	453	290	524	-
Warranty guarantees	41	40	-	18
Bid Bonds	66	-	-	2
Other guarantees	528	5	-	4
Total	1,285	335	524	25

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 Egypt, Brazil, Ukraine, South Africa and for the majority of the projects in Malaysia are counter guaranteed by The Norwegian Export Credit Guarantee Agency (GIEK). These financial covenants are equal to financial covenants in the green bond issued in November 2017. Per 31 December 2019, Scatec Solar was in compliance with all bond covenants.

Refer to Note 19 – Bonds, for further information and definitions.

Contractual obligations

Scatec Solar has commitments in contracts with suppliers of equipment and sub-EPC services related to the plants under construction in Ukraine, Malaysia, South Africa and Egypt. For contractual obligations for leases, see details in note 22 Leases.

Contractual obligations

NOK million	2020	2021	2022	>2022
Total purchase modules, inverters etc	1,065	-	-	-
Total purchase services	3	-	-	-
Total contractual obligations	1,068	-	-	-

Note 7 Financial instruments: measurement and market risk sensitivities

Accounting principle

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) or 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 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 fair value through profit or loss 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.

Fair value measurement

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.

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. This assessment is conducted through an expected credit loss (ECL) approach, under which forward-looking information is taking into account. 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.

Derecognition of financial assets

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

Initial recognition 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.

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 definitions in IFRS are met. See note 28 Project equity financing provided by co-investors for further information.

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.

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 forecasted transaction occurs.

Estimation uncertainty

The fair value of the Group's currency hedges is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value (level 2). The fair value of interest interest rate swaps is calculated as the present value of the estimated future cash flows based on the observable yield curves (level 2). Changes in the fair value relate to daily changes in market prices of the derivative contracts and the volume of contracts. The fair value of the Group's derivative financial instruments has been determined by external banks. The table below table summarises the fair value for 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.

2019 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)	-	-	-351	**-351**
Fair value based on unobservable inputs (Level 3)	-	-	-	**-**
Total fair value at 31 December 2019	-	-	-351	**-351**

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**

The contracts in fair value level 2 at 31 December 2019 and 2018 are 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.

Contracts in fair value level 3 are shares in companies in which Scatec Solar does not have significant influence or control. 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.

During the reporting period ending 31 December 2019, there have been no transfers between the fair value levels.

Market risk sensitivities

In the following overview, a sensitivity analysis shows 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.

For further information related to market risks and how the Group manages these risks, see Note 5 - 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 2019 and 2018, 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	Profit (loss) before taxes
At 31 December 2019	
EUR - Net gain/(loss) (- 5%)	69
USD - Net gain/(loss) (- 5%)	53
BRL - Net gain/(loss) (- 5%)	7
ZAR - Net gain/(loss) (- 5%)	-1
MYR - Net gain/(loss) (- 5%)	-1
EUR - Net gain/(loss) (+ 5%)	-69
USD - Net gain/(loss) (+5%)	-53
BRL - Net gain/(loss) (+ 5%)	-7
ZAR - Net gain/(loss) (+ 5%)	1
MYR - Net gain/(loss) (+ 5%)	1

NOK million	Profit (loss) before taxes
At 31 December 2018	
EUR - Net gain/(loss) (-5 %)	-22
USD - Net gain/(loss) (- 5%)	57
ZAR - Net gain/(loss) (- 5%)	52
BRL - Net gain/(loss) (- 5%)	6
MYR - Net gain/(loss) (- 5%)	-1
EUR - Net gain/(loss) (+ 5%)	22
USD - Net gain/(loss) (+ 5%)	-57
ZAR - Net gain/(loss) (+ 5%)	-52
BRL - Net gain/(loss) (+ 5%)	-6
MYR - Net gain/(loss) (+ 5%)	1

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 5 - 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 before tax on an annual basis.

NOK million		
At 31 December 2019	1%	-1%
Net gain/(loss)	13	-13
At 31 December 2018	1%	-1%
Net gain/(loss)	7	-7

Note 8 Employee benefits

Accounting principle

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 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 recognised in personnel expenses, together with a corresponding increase in equity over the vesting period. The cumulative expense recognised 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.

Salaries and other personnel costs

NOK million	2019	2018
Salaries	219	158
Share-based payment	9	8
Payroll tax	29	20
Pension costs	15	11
Other personnel costs	74	57
Capitalised to PP&E (project assets)	-183	-117
Total personnel expenses	163	137

Management Group remuneration

NOK million	2019	2018
Salary and bonus	23	21
Pension	1	1
Total reportable benefits paid	24	22

For further details refer to note 4 Personnel expenses, number of employees and auditor's fee in the separate financial statements for the Parent Company. No severance package agreements have been established with management.

Long term incentive programs

In line with the terms adopted by the Annual General Meeting of Scatec Solar ASA on 4 May 2016, and prolonged on 30 April 2019, the Board of Directors has established an option program for leading employees of the company.

In line with the terms adopted by the Annual General Meeting of Scatec Solar ASA on 30 April 2019, the Board of Directors continued to implement a share-based incentive programme for leading employees of the company. The first award under the programme, granted in January 2020, was 595 thousand options, which is divided into three tranches whereby 1/3 vests each year over three years with the first tranche vesting 1 January 2021. The strike price of the option was set to NOK 114.83 per share based on the volume weighted average share price over the ten last trading days preceding the grant date. The current grant is the first of three contemplated annual grants of share options in accordance with Scatec Solar's incentive programme. A total of 39 employees were awarded options. During 2019 341 thousand options were exercised, and at the end of the year the total number of outstanding options are 1,185 thousand.

The three previously awards, under the incentive programme and terms adopted in 2016, was granted October 2016, January 2018 and January 2019. The first award under this program was 757 thousand options, which vested 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 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 of which none have subsequently left the company. 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 by end of 2018 the total number of outstanding options were 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 awards is expensed as the options vests. For the previously granted awards the fair value of the equity instruments was also 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.

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 was paid to the participants 28 February 2017 and 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) was recognised per 31 December 2018. The payment to the participants was NOK 2 million in 2017, NOK 0 million in 2018, and the remaining part of NOK 6.3 million was paid 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.

Number of FTE's employed during the financial year

	2019	2018
South Africa	95	88
Norway	87	77
Egypt	28	11
Malaysia	26	22
Brazil [1)]	18	17
Honduras	14	12
Ukraine	11	2
The Netherlands	5	3
Czech	4	4
Argentina [1)]	4	1
France	3	1
Mozambique	3	1
Jordan	2	2
Rwanda	2	2
Bangladesh	1	-
Germany	1	1
Mali	-	1
Total	303	245

1) Equity consolidated joint venture.

Note 9 Other operating expenses

See note 21 for accounting principles for provisions and contingent liabilities

NOK million	2019	2018
Facilities	86	61
Professional fees	62	49
Other office costs	34	23
Travel costs	18	15
Social development contributions	12	14
O&M external fees	5	3
Other costs	17	9
Total other operating expenses	234	174

Remuneration to the auditors (EY and other independent auditors):

NOK million	2019	2018
Audit services	6	5
Other attestation services	1	-
Tax services	1	2
Other services	1	-
Total remuneration	9	7

VAT is not included in the numbers above.

Note 10 Financial income and expenses

See note 7 Financial instruments: Measurement and market risk sensitivities and note 18 Non-recourse financing for details on accounting principles and estimates.

NOK million	2019	2018
Interest income	66	50
Forward exchange contracts	-	147
Interest and other financial income	66	197

NOK million	2019	2018
Interest expenses	-704	-500
Forward exchange contracts	-33	-
Other financial expenses	-6	-18
Interest and other financial expenses	-744	-518
Foreign exchange gains/(losses)	-13	15
Net financial expenses	-690	-306

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 2019 the net loss following the mark-to-market revaluation of open USD and EUR FECs amounts to NOK -33 million (147). The FECs are carried at fair value and fluctuate with changes in the exchange rates throughout the contract period.

Refer to Note 18 – Non-recourse financing and Note 7 – Financial instruments: Measurement and market risk sensitivities for further information on project financing and interest rate sensitivity. Refer to Note 19 – Bonds and Note 15 – Cash for further information on corporate financing.

Note 11 Tax

Accounting principle

Income tax expense comprises current tax and change in deferred 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. 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. 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 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.

Estimation uncertainty

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.

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 assets to be received (disputed tax positions for which payment has already been made), are recognised within current tax or deferred tax as appropriate.

The Group has NOK 2,461 million (2018: NOK 1,966million) 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 2019 the Group has recorded a valuation allowance of NOK 40 million (2018: NOK 24 million) related to tax losses carried forward.

NOK million	2019	2018
Tax payable	-140	-40
Change in deferred tax	91	-52
Withholding tax	-5	-5
Taxes related to previous years	26	-1
Income tax expense	-29	-97
Reconciliation of Norwegian nominal tax rate to effective tax rate		
Profit before income tax	184	323
Nominal tax rate (22% / 23%)	-40	-74
Tax effect of:		
Tax rates different from nominal rate	23	-3
Share of net income from associated companies	-6	8
Permanent differences	-10	-10
Current tax on dividend received and withholding tax	-5	-5
Use and capitalisation of previously unrecognised losses carried forward	4	-
Valuation allowance loss carried forward	-18	-11
Effect of change of statutory tax rate	-	-3
Tax incentives received related to prior years income	24	-
Correction of previous years taxes	2	-1
Other items	-2	2
Calculated tax expense	-29	-97
Effective tax rate	16%	30%

For 2019 the Group had an income tax expense of 29 million, equivalent to an effective tax rate of 16%. The effective income tax rate for the year was significantly influenced by the recognition of tax incentives related to prior years income after the construction revenues in Malaysia was approved under the Malaysian Green Tariff Incentive exemption. In general, the effective income tax 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	2019	2018
Deferred tax assets		
Tax losses carried forward	566	537
Property, plant and equipment	327	282
Financial instruments	76	30
Bad debt provision	2	5
Lease liabilities	33	-
Other items	10	9
Valuation allowance of deferred tax assets	-40	-24
Offsetting of tax balances 1)	-192	-313
Total deferred tax assets	781	526

NOK million	2019	2018
Deferred tax liabilities		
Property, plant and equipment	605	555
Financial instruments	19	83
Other items	5	20
Offsetting of tax balances 1)	-192	-313
Total deferred tax liabilities	438	345

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	2019		2018	
Country	Loss carried forward	Deferred tax asset	Loss carried forward	Deferred tax asset
South Africa	1,266	350	1,628	450
Jordan	369	19	-	-
Norway	392	86	260	60
Egypt	307	69	11	3
Netherlands	89	-	34	-
France	18	-	18	-
Italy	14	-	14	-
Ukraine	4	1	-	-
Total at 31 December	2,461	526	1,966	513

The losses carried forward in South Africa, Egypt and Jordan are mainly related to accelerated depreciation rates for solar plant assets compared to the accounting depreciations which is determined by the useful life of the assets. The accelerated tax depreciations result in a deferred tax liability for property, plant and equipment and at the same time a taxable loss which can be carried forward.

The tax losses in Egypt and Jordan 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. In Norway, interest limitation rules came into force in 2014. The Group has at the end of 2019 capitalised approximately NOK 7 (7) million in deferred tax asset related to deferred interest expenses, which can be carried forward for 10 years until 2027.

Movement in net deferred tax asset

NOK million	2019	2018
Net deferred tax asset at 1 January	181	217
Recognised in the consolidated statement of profit or loss	91	-52
Deferred tax on financial instruments recognised in other comprehensive income	58	20
Recognised in the consolidated statement of changes in equity	6	4
Translation differences	7	-8
Net deferred tax asset at end of period	343	181

Note 12 Property, plant and equipment

Accounting principle

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. 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.

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.

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. 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.

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.

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. In the case where the Group's intention is to sell the solar power plant, capitalised development costs are presented as inventory.

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 2044. 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.

Intangible assets

Intangible assets mainly consist of software.

Impairment of property, plant and equipment

For impairment of property, plant and equipment, the Group 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.

Impairments are reversed to the extent that conditions for impairment are no longer present.

For accounting principles related to right to use lease assets, details are provided in note 22 Leases.

Estimation uncertainty

Estimated useful life of solar power plants

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

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 off-take agreements. 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 off-take agreement. 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.

Impairments

Solar power plants and projects under development/construction 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 discounted cash flow (DCF) 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.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows.

NOK million	Solar power plants	Solar power plants under development and construction	Intangible assets, equipment and other assets	Total
Accumulated cost at 1 January 2019	6,432	3,598	76	**10,106**
Right-of-use assets recognised at initial application	121	-	61	**182**
Additions	129	6,333	131	**6,593**
Transfers	6,400	-6,400	-	**-**
Cost of disposed assets	-	-6	-	**-6**
Effect of movements in foreign exchange	36	106	2	**144**
Accumulated cost at 31 December 2019	13,118	3,631	270	**17,019**
Accumulated depreciation and impairment losses at 1 January 2019	1,057	17	23	**1,097**
Depreciation for the year	454	-	25	**479**
Impairment losses	6	23	4	**33**
Accumulated depreciation and impairment losses disposed assets	-	-	-	**-**
Effect of movements in foreign exchange	17	-5	-3	**9**
Accumulated depreciation and impairment losses at 31 December 2019	1,534	35	49	**1,618**
Carrying amount at 31 December 2019	11,584	3,596	221	**15,401**
Estimated useful life (years)	20-25	N/A	3-10	
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	

The power plant companies in Argentina and Brazil are equity consolidated and hence not included in the above table.

During 2019 the Group capitalised borrowing costs amounting to NOK 191 million, corresponding to 100% of directly attributable cost to acquired assets.

The carrying value of development projects that have not yet reached the construction phase was NOK 181 million at 31 December 2019 (31 December 2018: NOK 144 million).

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

Impairments

During 2019, the Group impaired equipment amounting to NOK 33 million (2018: NOK 17 million) mainly related to discontinued development of some projects.

Note 13 Impairment testing goodwill

Accounting principle

Goodwill and intangible assets with an indefinite useful life are not amortised on a regular basis but are tested for impairment annually as of 31 December or more frequently if there are circumstances indicating that the carrying amount 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 the goodwill cannot be reversed in future periods. As of 31 December 2019 and 2018, the Group had no other intangible assets with infinite useful life.

Estimation uncertainty

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 2020, which is based on the Group's project backlog. 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 and the asset is not impaired.

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 – Operating segment

NOK million	2019	2018
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.

Note 14 Investments in JVs and associated companies

Accounting principle

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 derecognised 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 'Net income(loss)from JVs and associates 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.

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.

Company	Registered office	2019	2018
Scatec Energy LLC	California, USA	-	50.00%
Kube Energy AS	Oslo, Norway	25.00%	25.00%
Scatec Solar Brazil BV	Amsterdam, Netherlands	50.00%	50.00%
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	50.00%	50.00%
Scatec Solar Brasil Servicos De Engenharia LTDA	Recife, Brazil	50.00%	50.00%
Scatec Equinor Solutions Argentina S.A	Buenos Aires, Argentina	50.00%	50.00%
Cordilleras Solar VIII S.A (Argentina)	Buenos Aires, Argentina	50.00%	50.00%

Scatec Energy developed wind projects in the US, that was closed at year end 2019. The projects are sold, and the company's activities are limited to managing and following up on these sales agreements.

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 was recognised 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 amortisation 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 was 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.

Proportion of equity interest held by non-controlling interests

NOK million	Brazil	Argentina	Other	Total
Carrying amount of investments in JV and associated companies 31 December 2017	413	-	2	**415**
Addition of invested capital	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**
Argentina reclassified from category Other	-	197	-197	**-**
Addition of invested capital	-	59	-	**59**
Share of profit/loss for the year	9	-38	1	**-28**
Dividend paid to owners	-55	-	-	**-55**
Items charged to equity	-12	19	-	**8**
Carrying amount of investments in JV and associated companies 31 December 2019	490	236	2	**728**

100% figures of summarized financial information for material JV companies (stand alone basis)

	Brazil JV companies		Argentina JV companies	
NOK million	2019	2018	2019	2018
Revenues	**255**	594	**104**	-
Operating expenses	**-189**	-436	**-70**	-
Operating profit/(loss)	**66**	158	**34**	-
Net financial items	**-68**	8	**-37**	-
Profit before income tax	**-2**	167	**-3**	-
Income tax	**-8**	-31	**-4**	-
Profit/(loss) after tax	**-9**	136	**-7**	-
Non-controlling interests	**1**	1	**-**	-
Profit/loss (100%) after non-controlling interests	**-9**	135	**-7**	-
Scatec Solar's Share	**-5**	67	**-4**	-
Less elimination of unrealised internal profit between joint venture companies	**-2**	-30	**-6**	-
Plus, profit from sale of services from consolidated to joint venture companies	**16**	26	**3**	-
Less impairment of value on construction joint venture companies	**-**	-	**-31**	-
Net profit/loss (100 %) after non-controlling interests	**9**	63	**-38**	-

100% figures of summarised financial positions for material JV companies (standalone basis)

NOK million	Brazil JV companies 31.12.2019	31.12.2018	Argentina JV companies 31.12.2019
Non-current assets	**1 599**	1,787	**946**
Current assets	**58**	27	**165**
Cash and cash equivalents	**127**	191	**21**
Total assets	**1 783**	2,006	**1 133**
Non-current liabilities	**1 237**	1,385	**267**
Current liabilities	**104**	77	**645**
Total liabilities	**1 341**	1,462	**912**
Total Equity	**442**	544	**221**
Non-controlling-interests	**40**	40	**-**
Total equity excluding NCI	**402**	504	**221**
Scatec Solar share of equity	**201**	252	**110**
Elimination of unrealized internal profit between JV companies	**-35**	-35	**-8**
Fair value remeasurement at first time recognition of JV	**166**	178	**-**
Loan to JV	**158**	152	**133**
Net investment in JV	**490**	547	**235**

Note 15 Cash and cash equivalents

Accounting principle

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.

Refer to note 29 Financial instruments by category for the accounting principles for financial instruments.

NOK million	2019	2018
Cash in power plant companies in operation	**1,567**	730
Cash in power plant companies under development / construction	**420**	1,467
Other restricted cash	**78**	67
Free cash	**758**	1,039
Total cash and cash equivalents	**2,824**	3,303

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	2019	2018
Free cash at beginning of the period	1,039	688
Proportionate share of cash flow to equity O&M	37	26
Proportionate share of cash flow to equity D&C	471	383
Proportionate share of cash flow to equity CORP	-91	-85
Project development capex	-135	-106
Equity contributions/collateralised for equity commitments in power plant companies	-869	-1,655
Distributions from power plant companies	241	216
Share capital increase, net after transaction cost and tax	1,300	590
Dividend distribution	-108	-81
Working capital / Other	-1,127	1,064
Free cash at end of the period	758	1,039

Proportionate share of cash flow to equity is defined in Alternative Performance Measures Appendix.

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 April 2019 Scatec Solar increased the revolving credit facility from USD 60 million to USD 90 million, with Nordea Bank as agent and Nordea Bank, ABN Amro and Swedbank 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 2019.

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 2019.

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.

At 31 December 2019, 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 5,004 million per year end.

During 2019, interest amounting to NOK 68 million (61) 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 16 Trade receivables

NOK million	2019	2018
Accounts receivables	**336**	199
Provision for bad debt	**-**	-
Accrued income and other receivables	**124**	80
Total trade receivables	**461**	279

Information on credit risk and foreign exchange risk regarding accounts receivables is further provided in Note 5 - 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
2019	**336**	**221**	**115**
2018	199	160	39

The overdue receivables are mainly related to sale of electricity from the Agua Fria and Los Prados plants in Honduras. The PPA payments for the IPPs in Honduras are secured by a sovereign guarantee and ENEE is in process of being restructured and refinanced and the collection risk is hence considered low. Accordingly, no allowance has been made for the overdue payments.

	Overdue			
NOK million	Less than 30 days	30 - 60 days	60 - 90 days	More than 90 days
2019	**9**	**1**	**20**	**85**
2018	9	10	9	11

Note 17 Other non-current and current asset

Accounting principle

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. Reference is given to note 2 Summary of significant accounting policies for the accounting principles of current versus non-current classification.

Other non-current assets comprise the following:

NOK million	2019	2018
Non-current assets from related parties (ref. note 26)	**3**	4
Loan to non-controlling interests	**36**	61
Other non-current receivables	**110**	46
Total other non-current assets	**149**	112

Other current assets comprise the following:

NOK million	2019	2018
Prepayments related to assets under development/construction	**519**	221
Receivables from public authorities /prepaid taxes, VAT etc	**579**	310
Other receivables and prepaid expenses	**113**	181
Total other current assets	**1,211**	711

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

Note 18 Non-recourse financing

Accounting principle

At initial recognition, interest-bearing loans and borrowings are measured at fair value, less any transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR (Effective Interest Rate) 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.

The table below specifies non-recourse financing at 31 December 2019 and 2018.

NOK million	Interest rate [3]	Maturity date	2019	2018
Loan facilities (ZAR) - South Africa portfolio, Kalkbult, Linde and Dreunberg [1,2]	11.68 %	31.12.2029	**2,191**	2,262
Loan facilities (CZK) – Czech portfolio [1]	5.27 %	11.05.2029	**352**	377
Loan facilities (USD) - Gigawatt Global Rwanda Ltd (ASYV) [1]	8.15 %	11.01.2030	**117**	121
Loan facilities (USD) – Jordan portfolio [1]	6.24 %	10.01.2032	**740**	776
Loan facilities (USD) – Produccion De Energia S.A (Aqua Fria) [1]	7.02 %	31.12.2026	**464**	513
Loan facilities (MYR) – Quantum Solar Park (Semenanjung) SDN. BHD.	6.13 %	23.02.2035	**2,036**	2,076
Loan facilities (USD) - Aswan portfolio Egypt [1) 2)]	7.21 %	31.10.2036	**2,952**	1,831
Loan facilities (USD) - Central Solar de Mocuba, Mozambique [2]	6.41 %	31.01.2035	**477**	267
Loan facilities (ZAR) - South Africa Upington [1]	6.43 % [4]	31.03.2037	**2,385**	785
Loan facilities (MYR) – Red Sol	5.20 %	31.12.2028	**242**	-
Loan facilities (EUR) - Ukraine [1]	6.46 %	31.12.2028	**1,106**	-
Total non-recourse financial liabilities			**13,064**	9,007

1) The rate of interest is a calculated average.
2) The rate of interest is 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.
4) Parts of the loans in South Africa Upington are structured as CPI-linked loans where the principal loan amount is uplifted based on the yearly observed CPI factor. Hence, the effective interest including the CPI factor is higher than the nominal interest rate of the loan. For 2019 the CPI factor applied to the loans was 4.2 %.
5) The amounts include accrued interest per December 31st.

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 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 14,263 million (2018 NOK 8,079 million).

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

Repayment structure

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

NOK million	Loan repayment	Interest payment	Total
2020	629	808	**1,438**
2021	738	862	**1,600**
2022	784	809	**1,593**
2023	868	762	**1,630**
2024	947	715	**1,662**
2025	976	659	**1,635**
2026	1,039	600	**1,639**
2027	1,004	537	**1,541**
2028	1,078	480	**1,557**
2029	810	416	**1,226**
2030	641	363	**1,004**
2031	641	328	**969**
2032	601	294	**896**
2033	592	261	**853**
2034	621	226	**847**
2035	588	184	**771**
2036	330	92	**422**
2037	165	9	**173**
Total future loan repayment	13,053	8,404	**21,457**

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

Principal repayments

NOK million	South Africa portfolio; Kalkbult, Linde and Dreunberg	Czech portfolio	Asyv, Rwanda	Jordan portfolio	Agua Fria, Honduras	QSP, Malaysia	Egypt portfolio	Mocuba, Mozam-bique	South Africa portfolio; Upington	Red sol, Malaysia	Ukraine portfolio	Total
2020	163	31	5	47	58	103	54	12	55	15	86	**629**
2021	197	33	6	48	61	103	69	27	51	18	125	**738**
2022	209	35	7	49	63	103	83	25	60	19	133	**784**
2023	228	37	7	51	65	103	137	27	59	20	133	**868**
2024	238	39	8	53	69	125	165	29	69	20	132	**947**
2025	244	41	10	56	76	115	172	28	87	21	126	**976**
2026	252	44	11	59	74	126	184	30	105	22	133	**1,039**
2027	248	47	12	62	-	126	196	31	120	23	139	**1,004**
2028	263	49	13	65	-	126	208	33	133	84	102	**1,078**
2029	149	21	19	69	-	148	220	34	150	-	-	**810**
2030	-	-	17	73	-	148	200	31	172	-	-	**641**
2031	-	-	-	76	-	149	205	34	177	-	-	**641**
2032	-	-	-	42	-	149	214	36	160	-	-	**601**
2033	-	-	-	-	-	150	225	37	181	-	-	**592**
2034	-	-	-	-	-	150	235	39	198	-	-	**621**
2035	-	-	-	-	-	108	248	17	215	-	-	**588**
2036	-	-	-	-	-	-	99	-	231	-	-	**330**
2037	-	-	-	-	-	-	-	-	165	-	-	**165**
Total	2,191	377	116	751	465	2,031	2,914	470	2,385	242	1,109	**13,053**

Interest payments

NOK million	South Africa portfolio; Kalkbult, Linde and Dreunberg	Czech portfolio	Asyv, Rwanda	Jordan portfolio	Agua Fria, Honduras	QSP, Malaysia	Egypt portfolio	Mocuba, Mozam-bique	South Africa portfolio; Upington	Red sol, Malaysia	Ukraine portfolio	Total
2020	242	18	10	45	29	113	161	12	92	70	17	**808**
2021	222	17	9	42	25	107	169	12	184	61	13	**862**
2022	199	15	9	39	21	102	165	11	183	53	12	**809**
2023	175	13	8	36	17	96	170	10	179	44	11	**762**
2024	151	11	8	33	13	90	176	9	177	36	11	**715**
2025	123	9	7	29	8	83	180	9	173	28	10	**659**
2026	95	7	6	26	3	76	181	8	168	20	9	**600**
2027	67	5	5	22	-	69	182	7	160	12	8	**537**
2028	39	3	4	19	-	62	180	6	152	8	7	**480**
2029	20	-	3	15	-	55	177	5	140	-	-	**416**
2030	-	-	1	10	-	46	173	4	129	-	-	**363**
2031	-	-	-	6	-	37	168	3	114	-	-	**328**
2032	-	-	-	1	-	28	162	3	100	-	-	**294**
2033	-	-	-	-	-	19	155	2	86	-	-	**261**
2034	-	-	-	-	-	10	145	-	70	-	-	**226**
2035	-	-	-	-	-	2	131	-	51	-	-	**184**
2036	-	-	-	-	-	-	60	-	32	-	-	**92**
2037	-	-	-	-	-	-	1	-	8	-	-	**9**
Total	1,333	99	70	323	117	995	2,737	102	2,197	332	98	**8,404**

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.

At December 31st, 2019 the Historic Unaudited DSCR was below the required 1:10 and the loan amount of NOK 116 million is hence classified as current in the balance sheet of the group. A waiver for this covenant breach has been obtained from the lenders in January 2020 and the loan is again to be considered as non-current.

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 on occasions been late in paying for the electricity produced by Independent Power Producers (IPPs) in the country, including payments to Agua Fria and Los Prados. The accumulated unpaid balance represents six and eight months of revenues for Aqua Fria and Los Prados respectively, and the unpaid balance has remained fairly constant since 2018. The PPA payments for the IPPs in Honduras are secured by a sovereign guarantee and ENEE is in the process of being restructured and refinanced and the collection risk is hence considered low. Based on this situation the company has obtained a change of covenants regarding the required Minimum Debt Service Coverage in the loan agreement for Agua Fria, where next measurement is set to April 2020. Accordingly, the company was not in breach with any covenant at 31 December 2019.

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.

Ukraine portfolio
The Loan Facilities and the Common Terms Agreements contain financial covenants including, but not limited to: Default Ratios: the Twelve Month Historic DSCR is equal to or exceeds 1.10:1, the Twelve Month Projected DSCR is equal to or exceeds 1.10:1, until the Final Maturity Date the projects maintain a Debt to Equity Ratio of not more than 70:30. Distribution Conditions: restricted until Financial Completion Date, thereafter the Historic and Projected DSCRs must exceed 1.20:1.

The Agreements contain further restrictions on, inter alia, hedging policies, asset sales and entering into new activities, amendments to the key agreements, insurance policies, pledges and guarantees, additional financial indebtedness, project accounts, capital expenditures and changes of shareholder structure and auditors, as well as a number of undertakings related to e.g. budgets, financial, operational and environmental reporting and information.

Red Sol, Malaysia:
The Facility Agreement contains financial covenants including, but not limited to: Default Ratios: the Twelve Month Historic DSCR is equal to or exceeds 1.10:1, the Twelve Month Projected DSCR is equal to or exceeds 1.10:1, until the first Repayment Date the projects maintain a Debt to Equity Ratio of not more than 73:27. Distribution Conditions: Historic and Projected DSCRs exceed 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.

With exception of the breach for Rwanda mentioned above the power plant companies were in compliance with the financial covenants at 31 December 2019. Refer to the definitions chapter for description of the abbreviations.

Note 19 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 2019, Scatec Solar was in compliance with all of the bond's covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 5,004 million per year end, and the debt to capitalization ratio was 13% per year end.

During 2019, interest amounting to NOK 50 million was expensed (2018: 46 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-overview for further information and definitions.

Refer to Note 15 – Cash and cash equivalents, for description of other sources of corporate funding.

Note 20 Derivative financial instruments

For details on accounting principles and accounting estimates related to derivatives, reference is given to note 7 Financial instruments: Measurement and market risk sensitivity

Derivative financial assets

NOK million	2019	2018
Forward exchange contracts		
Current portion	-	149
Total derivative financial assets	-	149

Derivative financial liabilities

NOK million	2019	2018
Interest rate swap contracts		
Current portion	31	9
Non-current portion	320	115
Total derivative financial liabilities	351	124

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 designed as hedging instruments.

The tables above show the market value of the derivatives for the year ending 2019 and 2018, 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.

Interest rate Swaps - South Africa
The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were NOK 2,286 million (2018 NOK 2,603 million). The fixed interest rates vary from 7.5 % to 8.4 %, and the main floating rates is linked to 3-month JIBAR. The maturity profile of the interest rate swaps is set up in order to match the non-recourse financing, and maturity is in 2028.

Interest rate Swaps - Egypt
The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were NOK 1,437 million (2018 NOK 1,282). The fixed interest swap rate varies from 2.69 % to 3.465 %, and the main floating rates is linked to 6-month USD Libor. The maturity profile of the interest rate swaps is set up in order to match the non-recourse financing, and maturity is in 2035.

Interest rate Swaps - Mozambique
The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were NOK 385 million (2018 NOK 187). The fixed interest swap rate is 3.30% %, and the main floating rates is linked to 6-month USD Libor. The maturity profile of the interest rate swaps is set up in order to match the non-recourse financing, and maturity is in 2035.

Forward exchange contracts – South Africa
In 2018, forward exchange contracts (FEC) were set up to eliminate currency exchange risk in the Upington projects in South Africa. The nominal values of the USD-contracts are NOK 110 million and the EUR-contracts have a nominal value of NOK 23 million. The FECs are carried at fair value and fluctuate with changes in the exchange rates throughout the contract period. All the FEC-contracts mature in 2020.

Interest rate Swaps - Malaysia
The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were NOK 233 million (2018 NOK 0). The fixed interest swap rate is 4.3 %, and the main floating rates is linked to 6-month KLIBOR. The maturity profile of the interest rate swaps is set up in order to match the non-recourse financing, and maturity is in 2028.

Reconciliation of hedging reserve - interest rate swap contracts

NOK million	2019	2018
Opening balance	-87	-41
Reclassification during the year to profit or loss, gross	9	16
Reclassification during the year to profit or loss, tax effect	-2	-4
Net gain/(loss) during the year of the not-yet matured contracts	-249	-74
Tax on items recognised in OCI	62	17
Closing balance	-268	-87
Of which equity holders of the parent company	-130	-44

Note 21 Other non-current and current liabilities

Accounting principle

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.

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.

For accounting principles regarding asset retirement obligations, see note 12 Property, plant and equipment.

For accounting principles regarding leases, see note 22 Leases.

Other non-current liabilities comprise the following:

NOK million	2019	2018
Shareholder loan from non-controlling interests (ref note 28)	**761**	564
Non-current lease liability	**231**	-
Asset retirement obligations	**215**	78
Other long-term provisions and accruals	**254**	96
Total other non-current liabilities	**1,460**	738

Other current liabilities comprise the following:

NOK million	2019	2018
Current liabilities to related parties (ref note 26)	**16**	9
Current liabilities to non-controlling interests	**-**	83
Accrued expenses related to assets under development/construction	**449**	764
Public dues other than income taxes	**88**	99
Accrued interest expenses	**6**	6
Accrued payroll	**36**	33
Current lease liability	**14**	-
Other accrued expenses	**293**	238
Total other current liabilities	**902**	1,230

Liabilities related to assets under development/construction reflects working capital components on the construction contracts for the projects in Malaysia, South Africa and Ukraine.

Note 22 Leases

Accounting principle

The group has implemented IFRS 16 from 2019 with the modified retrospective approach. The comparative figures for 2018 have not been adjusted. With the transition to IFRS 16 the group has recognized right-of-use assets of NOK 182 million, and lease liabilities of NOK 170 million as of 1 January 2019. A further description of the impact of the initial application is disclosed in the tables below.

IFRS 16 requires a lessee to account for lease contracts by recognizing 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 are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The implementation of IFRS 16 has mainly affected the accounting for office and land leases for the Group.

Identifying a lease

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the right to direct the use of the asset
- The supplier does not have a substantive right to substitute the asset throughout the period of use

Recognition of leases and exemptions

At the lease commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognises the lease payments as other operating expenses in the statement of profit or loss when they incur.

Measuring the lease liability

The lease liability is initially measured at the present value of future lease payments for the right to use the underlying asset during the lease term. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option.

The lease payments included in the measurement of the lease liability includes fixed lease payments and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. The Group does not include variable lease payments in the lease liability arising from future events, such as lease payments which depend on production volume. Instead, the Group recognises these costs in profit or loss in the period in which the event that triggers those payments occurs. Land leases where the lease payment is based on power production have been excluded from the liability measure.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

Measuring the right-of-use asset

For accounting principles on right-of-use asset, see note 12 Property, plant and equipment. The right-of-use asset is initially measured at cost and include the amount of the initial measurement of the lease liability and lease pre-payments made at or before the commencement date.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses.

Group as a lessor - Leases previously classified as operating leases under IAS 17 and IFRIC 4

The groups Power Purchase Agreements in Jordan and Malaysia have a pricing mechanism which require power produced above a certain volume to be made available to the buyers at a discount. Hence, the pricing is not "contractually fixed per unit" and these two contracts were accounted for as operational leases as set forth by IFRIC 4. IFRIC 4 was superseded by IFRS 16 as of 1 January 2019 and the group has concluded that these contracts do not contain leases based on the guidance in IFRS 16, and these contracts are no longer accounted for as leases. This change does however not have an impact on the presentation in the financial accounts as operating lease revenues were presented together with revenues from sale of electricity in the statement of profit and loss.

Estimation uncertainty

When calculating the lease liability, the discount factor is a significant estimate. In the absence of an identifiable discount rate, implicit in the lease agreement, the discount rate used is the Groups incremental borrowing rate. The incremental borrowing rate has been estimated by each subsidiary on an individual basis. For subsidiaries with solar parks, the interest rate from the non-recourse loan has been central when estimating the incremental borrowing rate. For other subsidiaries, non-secured debt has been used as a benchmark for the discount rate for lease agreements.

In addition, several of the groups lease agreements contain options to extend the lease agreement beyond the contractual lease term. The group has evaluated all these options, but it's not deemed reasonably certain that the group will exercise the option, and hence, the period covered by the option has not been included in the lease liability.

Reconciliation of lease commitments to lease liabilities

NOK million	
Operating lease obligations 31 December 2018 – Including obligations with variable payment	430
Operating lease obligations 31 December 2018 – Of which are variable payments	163
Short term- and low value lease exemption	2
Operating lease obligations 31 December 2018 – Excluding obligations with variable payments	265
Effect of discounting	-95
Lease liabilities recognised at initial application	170
Weighted average incremental borrowing rate	6.5 %
Lease liability at 1.1.2019	170
Lease agreements entered into during the year	97
Lease payments made during the year	-29
Interest expense on lease liabilities	11
Effect of movements in foreign exchange	-4
Lease liability at 31.12.2019	245

Leases in the income statement

NOK million	2019	2018
Operating expenses		
Short term- low value and variable lease payment expenses	-24	-
Operating lease expenses under IAS 17 and IFRIC 4	-	-30
Depreciation expenses		
Depreciation of right-of-use assets (land lease)	-6	-
Depreciation of right-of-use assets (office lease and other)	-14	-
Total depreciation	-20	-
Financial expenses		
Interest expense on lease liability	-11	-
Total lease expense in the income statement	-55	-30

Leases in the statement of financial position

NOK million	2019	2018
Assets		
Right-of-use assets – land lease	125	-
Right-of-use assets – office lease and other	115	-
Total right-of-use assets	240	-
Liabilities		
Non-current liabilities		
Lease liabilities (see note 21 Other non-current and current liabilities)	231	-
Current liabilities		
Lease liabilities (see note 21 Other non-current and current liabilities)	14	-

Leases in the statement of cash flows

NOK million	2019	2018
Cash flow from operating activities		
Short-term and variable lease payments	20	30
Cash flow from financing activities		
Lease payments on lease liability	29	-

Maturity analysis – Undiscounted contractual cash flows

NOK million	
One year	33
One to two years	39
Two to three years	31
Three to four years	22
Four to five years	22
More than five years	209
Total undiscounted lease liabilities	357
Lease liabilities included in the balance sheet	245

Note 23 Share capital, shareholder information and dividend

At year-end 2019 the total number of shareholders in Scatec Solar was 10,306. The total number of outstanding shares was 125,128,672 at par value NOK 0.025 per share as of 31 December 2019.

In the first quarter of 2019 the Group increased the share capital by 0.3 % and increased the number of shares by 341,240, as part of the Group's incentive program.

In September 2019, Scatec Solar successfully raised NOK 1,320 million through a private placement consisting of 11,375,000 new shares at a price of NOK 116 per share. At 31 December 2019, the share capital amounted to NOK 3.1 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 2019.

Shareholder	Number of shares	Ownership
SCATEC AS	19,482,339	15.57 %
EQUINOR ASA	18,965,400	15.16 %
FOLKETRYGDFONDET	10,530,997	8.42 %
UBS AG	4,899,554	3.92 %
ARGENTOS AS	2,928,173	2.34 %
THE BANK OF NEW YORK MELLON	2,241,538	1.79 %
UBS SECURITIES LLC	1,937,124	1.55 %
STOREBRAND NORGE I VERDIPAPIRFOND	1,795,817	1.44 %
CACEIS BANK	1,596,000	1.28 %
VERDIPAPIRFONDET DNB NORGE	1,540,325	1.23 %
HANDELSBANKEN NORDEN	1,407,413	1.12 %
JPMORGAN CHASE BANK, N.A., LONDON	1,402,964	1.12 %
STATE STREET BANK AND TRUST COMP	1,299,722	1.04 %
STATE STREET BANK AND TRUST COMP	1,273,898	1.02 %
VERDIPAPIRFONDET PARETO INVESTMENT	1,146,000	0.92 %
HANDELSBANKEN HALLBAR ENERGI	1,122,976	0.90 %
BNP PARIBAS SECURITIES SERVICES	1,029,331	0.82 %
NORDNET BANK AB	1,015,689	0.81 %
KLP AKSJENORGE INDEKS	979,790	0.78 %
J.P. MORGAN BANK LUXEMBOURG S.A.	817,747	0.65 %
Total 20 largest shareholders	77,412,527	61.86 %
Total other shareholders	47,716,145	38.14 %
Total shares outstanding	125,128,672	100.0 %

Board of Directors	Number of Shares	Ownership
John Andersen, Jr. 1)	-	0.00 %
Jan Skogseth	22,000	0.02 %
Gisele Marchand	2,586	0.00 %
Mari Thjømøe 2)	27,338	0.02 %
John Giverholt	4,000	0,00 %
Total at 31 December 2019	55,924	0.04 %

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

Management		Number of Shares	Ownership
Raymond Carlsen [1)]	Chief Executive Officer	2,987,847	2.39 %
Mikkel Tørud	Chief Financial Officer	298,817	0.24 %
Terje Pilskog [2)]	EVP Project Development & Project Finance	510,877	0.41 %
Roar Haugland [3)]	EVP Sustainability Business & HSSE	186,639	0.15 %
Torstein Berntsen [4)]	EVP Power Production	695,486	0.56 %
Snorre Valdimarsson	EVP General Counsel	15,924	0.01 %
Pål Helsing	EVP Solutions	4,877	0.00 %
Toril Haaland	EVP People & Organisation	877	0.00 %
Total at 31 December 2019		4,701,344	3.76 %

1) Held through the controlled company Argentos AS, whereof 59,674 shares held by Raymond Carlsen directly.
2) Held through the controlled company Océmar AS, whereof 877 shared held by Terje Pilskog directly.
3) Held through the controlled company Buzz Aldrin AS, whereof 877 shares are held by Roar Haugland directly.
4) Held through the controlled company Belito AS, whereof 17,877 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 8 – Employee benefits for information on share options granted to the management.

Dividend

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

On 24 January 2020, the Board of Directors announced its intention to propose a dividend of NOK 1.05 per share to the Annual General Meeting. Since then, capital markets have severely weakened. Therefore, in order to maintain the Company's financial flexibility, the Board of Directors has resolved to seek authorisation from the Annual General Meeting to pay a dividend of up to NOK 1.05 per share at a later stage, when the conditions in the capital markets have improved.

For 2018, the Board of Directors proposed a dividend of NOK 0.95 per share, totalling NOK 108 million. The General Meeting resolved the Board's proposal of a dividend of NOK 0.95 per share and the share was traded excluding dividend rights (ex-date) on 30 April 2019. The dividend was paid on 15 May 2019.

Note 24 Non-controlling interests

Accounting principle

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. 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.

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.

Non-controlling interests

Scatec Solar's value chain comprises all downstream activities such as project development, financing, construction, operations as well as having an asset management role trough ownership of the solar power plants. Normally Scatec Solar enter into partnerships for the shareholding of the power plant company owning the power plants while maintaining control, leading to material non-controlling interest.

Consolidation of power plant companies are identified as a significant judgement for the consolidated financial statements, please refer to note 3 for further information.

In the table below the non-controlling interests are presented in groups for companies that share the same non-controlling interests.

Proportion of equity interest held by non-controlling interests

Name	Country of incorporation and operation		2019	2018
Egypt				
Aswan Solar Power SAE	Egypt	In operation	49 %	49 %
Daraw Solar Power SAE (Philadelphia)	Egypt	In operation	49 %	49 %
Kom Ombo Renewable Energy SAE (Kom Ombo)	Egypt	In operation	49 %	49 %
Red Sea Solar Power SAE (Red Sea)	Egypt	In operation	49 %	49 %
Upper Egypt Solar Power SAE (Sun Infinite)	Egypt	In operation	49 %	49 %
Zafarana Solar Power SAE (Zafarana)	Egypt	In operation	49 %	49 %
Daraw BV	Netherlands	In operation	49 %	30 %
Egypt Solar BV	Netherlands	In operation	49 %	49 %
Kom Ombo BV	Netherlands	In operation	49 %	30 %
Upper Egypt BV	Netherlands	In operation	49 %	49 %
Zafarana B.V.	Netherlands	In operation	49 %	-
Red Sea Solar Power B.V.	Netherlands	In operation	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	30 %	30 %
Foto Sol S.A	Honduras	Under development	30 %	30 %
Jordan				
Scatec Solar AS/ Jordan PSC (Oryx)	Jordan	In operation	-	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	In operation	-	-
Quantum Solar Power Kedah	Malaysia	In operation	-	-
Quantum Solar Power Melaka	Malaysia	In operation	-	-
Quantum Solar Power Terengganu	Malaysia	In operation	-	-
RedSol	Malaysia	Under construction	-	-
Mozambique				
Central Solar de Mocuba (Mocuba)	Mozambique	In operation	47.5 %	47.5 %

Name	Country of incorporation and operation		2019	2018
Rwanda				
Gigawatt Global Rwanda (ASYV)	Rwanda	In operation	45.97 %	45.97 %
South Africa Upington				
Scatec Solar South Africa BV	Netherlands	Under construction	30 %	30 %
Dyason's Klip 1	South Africa	Under construction	54.5 %	54.5 %
Dyason's Klip 2	South Africa	Under construction	54.5 %	54.5 %
Sirius Solar PV Project One (RF) (Pty) Ltd	South Africa	Under construction	54.5 %	54.5 %
Scatec Solar Construction	South Africa	Under construction	49 %	49.0 %
Scatec Solar Operations (Pty) Ltd	South Africa	Under construction	49 %	49.0 %
South Africa Linde/Dreunberg				
Scatec Solar SA 164 (Pty) Ltd	South Africa	In operation	19.3 %	19.3 %
Simacel 155 (Pty) Ltd (Linde)	South Africa	In operation	55.6 %	55.6 %
Simacel 160 (Pty) Ltd (Dreunberg)	South Africa	In operation	55.6 %	55.6 %
South Africa Kalkbult				
Scatec Solar SA 165 (Pty) Ltd	South Africa	In operation	23.4 %	23.4 %
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	South Africa	In operation	54 %	54 %
South Africa other				
Scatec Solar SA 163 (Pty) Ltd	South Africa	In operation	8 %	8 %
Ukraine				
Scatec Solar Ukraine B.V.	Netherlands	Under construction	40 %	-
Chysta Energhiaa 2011 LLC	Ukraine	Under construction	40 %	-
Rengy Solar BV	Netherlands	In operation	49 %	49 %
Rengy Bioenergy LLC	Ukraine	In operation	49 %	49 %

Accumulated balances of non-controlling interest and the allocation profit and loss are presented below, where they are presented by portfolio. The change in NCI balance from year to year is driven by the NCIs share of profit or loss and other comprehensive income, capital injections from- and dividends paid to NCIs, as well as foreign exchange differences.

Accumulated balances of material non-controlling interest

NOK million	2019	2018
Egypt	-63	-11
Honduras Agua Fria	96	87
Honduras Los Prados	218	190
Jordan	135	140
Malaysia	-	-
Mozambique	12	2
Rwanda	12	15
South Africa Upington	148	11
South Africa Linde / Dreunberg	119	158
South Africa Kalkbult	6	19
South Africa other	-20	-21
Ukraine, Rengy	-8	-
Ukraine, other	7	-
Total non-controlling interest	663	591

Profit/(loss) allocated to material non-controlling interest

NOK million	2019	2018
Egypt	-8	-10
Honduras Agua Fria	7	-4
Honduras Los Prados	7	-
Jordan	-	3
Malaysia	-	-
Mozambique	3	-5
Rwanda	-3	-3
South Africa Upington	41	9
South Africa Linde / Dreunberg	72	48
South Africa Kalkbult	78	47
South Africa other	1	1
Ukraine, Rengy	-3	-
Ukraine, other	1	-
Total non-controlling interest	194	86

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

Summarised statement of profit or loss for 2019 (before group eliminations)

NOK million	Revenues	Operating expenses	Operating profit	Net financial expenses	Profit before income tax	Profit/ (loss) for the period	Other compre-hensive income	Total compre-hensive income	Profit/loss attributable to non-controlling interests	Dividends paid to non-controlling interests [1]
Egypt	251	-114	136	-138	-2	-13	-	-13	-8	-
Honduras Agua Fria	131	-62	69	-57	12	12	-	12	7	-
Honduras Los Prados	75	-48	27	-2	26	25	-	25	7	-
Jordan	113	-52	62	-38	24	3	-	3	-	-
Malaysia	228	-123	105	-131	-26	-27	-	-27	-	-
Mozambique	43	-23	20	-14	6	6	-	6	3	-
Rwanda	20	-11	8	-13	-5	-7	-	-7	-3	-
South Africa Upington	1,689	-1,595	94	21	114	82	-	82	41	-
South Africa Linde / Dreunberg	424	-119	305	-152	153	114	-25	89	72	96
South Africa Kalkbult	351	-79	272	-99	173	125	-6	119	78	83
South Africa other	53	-41	12	1	14	11	-	11	1	-
Ukraine, Rengy	24	-14	10	-8	2	2	-	2	-3	-
Ukraine, other	-	-1	-1	4	3	2	-	2	1	-

1) Excluding repayments of shareholders loans

Summarised statement of profit or loss for 2018 (before group eliminations)

NOK million	Revenues	Operating expenses	Operating profit	Net financial expenses	Profit before income tax	Profit/ (loss) for the period	Other compre-hensive income	Total compre-hensive income	Profit/loss attributable to non-controlling interests	Dividends paid to non-controlling interests [1]
Egypt	1	-2	-1	4	-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	-	-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	-

1) Excluding repayments of shareholders loans

Summarised statement of financial position as at 31 December 2019 (before group eliminations)

NOK million	Property, plant and equipment	Other non-current asstes	Cash and cash equivalent	Other current assets	Non-resource financing	Other non-current liabilities	Current liabilities	Total equity	Attributable to Non-controlling interests	Attributable to Equity holders of the parent
Egypt	3,659	1,714	456	88	-2,952	-2,988	-103	**-126**	-63	-64
Honduras Agua Fria	726	-	103	91	-464	-296	-	**159**	96	64
Honduras Los Prados	722	11	13	52	-	-50	-5	**743**	218	524
Jordan	741	18	254	17	-580	-104	-42	**304**	135	168
Malaysia	2,916	2,669	405	244	-269	-4,719	-137	**1,108**	-	1,108
Mozambique	569	13	120	59	-477	-185	-75	**23**	12	11
Rwanda	158	-	5	4	-117	-51	-1	**-2**	12	-13
South Africa Upington	2,312	478	116	1 104	-2,385	-764	-567	**293**	148	145
South Africa Linde / Dreunberg	1,499	79	186	100	-1,337	-221	-30	**277**	119	158
South Africa Kalkbult	908	51	132	70	-854	-199	-17	**91**	6	85
South Africa other	1	123	15	6	-	-88	-2	**56**	-20	76
Ukraine, Rengy	414	145	52	46	-318	-304	-30	**4**	-8	11
Ukraine, other	257	100	15	40	-193	-188	-12	**19**	7	13

Summarised statement of financial position as at 31 December 2018 (before group eliminations)

NOK million	Property, plant and equipment	Other non-current asstes	Cash and cash equivalent	Other current assets	Non-resource financing	Other non-current liabilities	Current liabilities	Total equity	Attributable to Non-controlling interests	Attributable to 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		**43**	-20	64

Note 25 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, refer to note 8 Employee benefits.

NOK million	2019	2018
Profit/(loss) attributable to the equity holders of the company and for the purpose of diluted shares	-39	140
Weighted average number of shares outstanding for the purpose of basic earnings per share	125.1	108.8
Earnings per share for income attributable to the equity holders of the company - basic (NOK)	-0.31	1.29
Effect of potential dilutive shares:		
Weighted average number of shares outstanding for the purpose of diluted earnings per share	126.3	109.1
Earnings per share for income attributable to the equity holders of the company - diluted (NOK)	-0.31	1.28

Note 26 Transactions with related parties

The Scatec Solar Group has during 2019 and 2018, had transactions with the following related parties:

Related party	Nature of transaction
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 2019 and 2018 are:

Other non-current assets comprise the following

NOK million	2019	2018
Loan to associated companies	153	308
Loan to key management personnel	3	4
Total other non-current assets	156	312

Refer to Note 17 – 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	2019	2018
Payable to associated companies	6	1
Accrued payroll to key management personnel	10	8
Total current liabilities to related parties	16	9

Refer to Note 14 Investments in associated companies for specifications of investment in associated companies.

Refer to Note 21 Other non-current and current liabilities for a specification of total other non-current and other current liabilities.

Note 27 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 2019 [1]	Consolidated economic interests 2018 [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 %
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	100.00 %	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 %	76.60 %
Scatec Solar SA 166 (Pty) Ltd.	Sandton, South Africa	46.00 %	46.00 %
Scatec Solar SA 164 (Pty) Ltd.	Sandton, South Africa	80.70 %	80.70 %
Simacel 155 (Pty) Ltd.	Sandton, South Africa	44.40 %	44.40 %
Simacel 160 (Pty) Ltd.	Sandton, South Africa	44.40 %	44.40 %
Scatec Solar Rwanda Ltd	Kigali, Rwanda	100.00 %	100.00 %
Gigawatt Global Rwanda Ltd	Rwamagana, Rwanda	54.03 %	54.03 %

Company	Registered office	Consolidated economic interests 2019 1)	Consolidated economic interests 2018 1)
Scatec Solar Honduras SA	Tegucigalpa.Honduras	100.00 %	100.00 %
Produccion de Energia Solar Demas Renovables S.A,.	Tegucigalpa.Honduras	40.00 %	40.00 %
Fotovoltaica Surena S.A.	Tegucigalpa.Honduras	70.00 %	70.00 %
Generaciones Energeticas S.A.	Tegucigalpa.Honduras	70.00 %	70.00 %
Fotovoltaica Los Prados S.A.	Tegucigalpa.Honduras	70.00 %	70.00 %
Foto Sol S.A.	Tegucigalpa.Honduras	70.00 %	70.00 %
Energias Solares S.A.	Tegucigalpa.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.	Maputo, Mozambique	52.50 %	52.50 %
Scatec Solar Mozambique Limitada	Mocuba, Mozambique	100.00 %	100.00 %
Scatec Energy LLC 3) 4)	California, USA	-	50.00 %
Scatec Solar Netherlands B.V.	Amsterdam, The Netherlands	100.00 %	100.00 %
Scatec Sukhur B.V. Offshore Holdco	Amsterdam, The Netherlands	100.00 %	100.00 %
Scatec Solar Nigeria B.V.	Amsterdam, The Netherlands	70.00 %	70.00%
Nova Scotia Power Development Limited	Abuja, Nigeria	100.00 %	100.00 %
Scatec Solar Solutions Egypt LLC	Cairo, Egypt	100.00 %	100.00 %
Egypt Solar B.V.	Amsterdam, The Netherlands	51.00 %	51.00 %
Aswan Solar Power SAE	Cairo, Egypt	51.00 %	51.00 %
Upper Egypt 2 B.V.	Amsterdam, The Netherlands	51.00 %	51.00 %
Upper Egypt Solar Power	Cairo, Egypt	51.00 %	51.00 %
Kom Ombo 2 B.V.	Amsterdam, The Netherlands	51.00 %	51.00 %
Kom Ombo Renewable Energy SAE	Cairo, Egypt	51.00 %	51.00 %
Daraw B.V.	Amsterdam, The Netherlands	51.00 %	51.00 %
Philadelphia Power SAE	Cairo, Egypt	51.00 %	51.00 %
Zafarana 2 B.V.	Amsterdam, The Netherlands	51.00 %	100.00 %
Zafarana Power SAE	Cairo, Egypt	51.00 %	51.00 %
Red Sea Solar Power 2 B.V.	Amsterdam, The Netherlands	51.00 %	51.00 %
Red Sea Solar Power SAE.	Cairo, Egypt	51.00 %	51.00 %
Scatec Solar Mali B.V.	Amsterdam, The Netherlands	100.00 %	100.00 %
Scatec Solar Malaysia B.V.	Amsterdam, 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 5)	Kuala Lumpur, Malaysia	100.00 %	100.00 %
Quantum Solar Park (Kedah) Sdn Bhd 5)	Kuala Lumpur, Malaysia	100.00 %	100.00 %
Quantum Solar Park (Melaka) Sdn Bhd 5)	Kuala Lumpur, Malaysia	100.00 %	100.00 %
Quantum Solar Park (Terengganu) Sdn Bhd 5)	Kuala Lumpur, Malaysia	100.00 %	100.00 %
Red Sol	Kuala Lumpur, Malaysia	100.00 %	100.00 %
Scatec Solar South Africa B.V.	Amsterdam, The Netherlands	70.00 %	70.00 %
Dyason's Klip 1 (Pty) Ltd	Cape Town, South Africa	45.50 %	45.50 %
Dyason's Klip 2 (Pty) Ltd	Cape Town, South Africa	45.50 %	45.50 %
Sirius Solar PV Project One (RF) (Pty) Ltd	Cape Town, South Africa	45.50 %	45.50 %
Scatec Solar Construction R4 1)	Cape Town, South Africa	51.00 %	51.00 %
Scatec Solar Brazil II B.V. 4)	Amsterdam, The Netherlands	51.00 %	51.00 %
Apodi I Energia SPE S.A. 4)	Jaboatão dos Guararapes, Brazil	43.75 %	43.75 %
Apodi II Energia SPE S.A. 4)	Jaboatão dos Guararapes, Brazil	43.75 %	43.75 %
Apodi III Energia SPE S.A. 4)	Jaboatão dos Guararapes, Brazil	43.75 %	43.75 %
Apodi IV Energia SPE S.A. 4)	Jaboatão dos Guararapes, Brazil	43.75 %	43.75 %
Scatec Solar Brazil II Solutions B.V. 4)	Amsterdam, The Netherlands	50.00 %	50.00 %
Scatec Solar Brazil Servicos de Engenharia Ltda 4)	Recife, Brazil	50.00 %	50.00 %

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Company	Registered office	Consolidated economic interests 2019 1)	Consolidated economic interests 2018 1)
Scatec Solar Argentina B.V. 4)	Amsterdam, The Netherlands	100.00 %	100,00%
Scatec Equinor Solutions Argentina S.A. 4)	Buenos Aires, Argentina	50.00 %	50.00 %
Cordillera Solar VIII S.A. 4)	Buenos Aires, Argentina	50.00 %	50.00 %
Scatec Solar Ukraine B.V.	Amsterdam, The Netherlands	60.00 %	100.00 %
Scatec Solar Solutions Ukraine LLC	Kyiv, Ukraine	100.00 %	100.00 %
Chysta Energhiaa 2011 LLC	Kamianka, Ukraine	60.00 %	100.00 %
Atlas Capital Energy LLC	Nova Zburiivka, Ukraine	100.00 %	100.00 %
Greenteco SES LLC	Kyiv, Ukraine	100.00 %	100.00 %
Boguslav Energy LLC	Bohuslav, Ukraine	100.00 %	100.00 %
Rengy Solar B.V.	Amsterdam, The Netherlands	51.00 %	51.00 %
Rengy Bioenergy LLC	Kyiv, Ukraine	51.00 %	51.00 %
Progressovka Solar B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
PV Progressovka Agro LLC 2)	Kyiv, Ukraine	100.00 %	-
PV Progressovka Alpha LLC	Berezanka, Ukraine	100.00 %	100.00 %
PV Progressovka Beta LLC 2)	Berezanka, Ukraine	100.00 %	-
PV Progressovka Gamma LLC 2)	Berezanka, Ukraine	100.00 %	-
Scatec Solar Vietnam B.V.	Amsterdam, The Netherlands	100.00 %	100.00 %
Scatec Solar Bangladesh B.V.	Amsterdam, The Netherlands	100.00 %	100.00 %
Memphis Solar B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
Scatec Solar Qway B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
Scatec Solar Nicaragua B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
Scatec Solar Akadyr B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
Scatec Solar Kherson B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
Scatec Solar Boguslav B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
Scatec Solar Chigirin B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
Scatec Solar Guatemala B.V. 2)	Amsterdam, The Netherlands	100.00 %	-
Scatec Solar Brazil Solidao B.V. 2)	Amsterdam, The Netherlands	100.00 %	-

1) For projects under development the economic interest may be subject to change
2) Companies established/consolidated in 2019
3) Companies sold or liquidated in 2019
4) Joint venture companies refer to note 14 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 95% 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 14 Investments in JVs and associated companies.

Note 28 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 to both the controlling and non-controlling interests. Such financing is granted both as formal equity and shareholder loans. The shareholder loans granted to ASYV, EJRE and GLAE (and Linde and Dreunberg in 2018), 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 2019, the following financing have been granted by co-investors to consolidated power plant companies:

NOK million	Total financing	Formal equity	Shareholder loan recognised in equity	Financial liability
Scatec Solar SA 166 (Pty) Ltd (Kalkbult)	58	58	-	-
Simacel 155 (Pty) Ltd (Linde)	25	25	-	-
Simacel 160 (Pty) Ltd (Dreunberg)	43	43	-	-
Gigawatt Global Rwanda (ASYV)	15	5	11	-
Anwar Al Ardh for Solar Energy Generation PSC (EJRE)	81	1	80	-
Ardh Al Amal for Solar Energy Generation PSC (GLAE)	38	1	37	-
Producción de Energía Solar y Demás Renovables, S.A. (Agua Fria)	246	99	-	148
Los Prados	220	219	-	1
Aswan Solar Power SAE (BB1)	6	6	-	-
Zafarana Solar Power SAE (ZAF1)	110	5	-	105
Red Sea Solar Power SAE (ZAF2)	110	5	-	105
Upper Egypt Solar Power (BB2)	110	6	-	104
Kom Ombo Renewable Energy SAE (BB3)	111	5	-	107
Daraw Solar Power SAE (BB4)	108	8	-	100
Kamianka / Chysta Energiya	33	1	-	31
Rengy Bioenergy	45	1	-	43
Central Solar de Mocuba, Mozambique	43	26	-	17
Dyason's Klip 1	49	49	-	-
Dyason's Klip 2	2	2	-	-
Sirius Solar PV Project One	53	53	-	-
Total project financing from non-controlling interests	1,508	619	128	761

At 31 December 2018, the following financing have been granted by co-investors to consolidated power plant companies:

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)	6	6	-	-
Zafarana Solar Power SAE (ZAF1)	85	5	-	81
Red Sea Solar Power SAE (ZAF2)	86	5	-	81
Upper Egypt Solar Power (BB2)	86	6	-	79
Kom Ombo Renewable Energy SAE (BB3)	86	5	-	82
Daraw Solar Power SAE (BB4)	85	8	-	77
Kamianka / Chysta Energiya	3	3	-	-
Rengy Bioenergy	13	1	-	12
Central Solar de Mocuba, Mozambique	34	19	-	15
Total project financing from non-controlling interests	1,251	488	200	564

For the year ended 31 December 2019 NOK 55 million (NOK 14 million per 31 December 2018) of interest on financing provided by co-investors have been accrued, of which NOK 1 million is recognised directly in equity (NOK 3 million per 31 December 2018).

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.

For some of the project companies in the above table the co-investor funding has been provided indirectly through jointly owned holding companies.

Note 29 Financial instruments by category

For details on accounting principles and estimation uncertainty for financial instruments, see note 7 Financial instruments – Measurement and market risk sensitivities.

NOK million	Measurement category	2019	2018
Assets			
Derivatives			
Foreign exchange forward contracts	Fair value through profit or loss	-	149
Debt instruments			
Other debt instruments and receivables	Amortised cost	852	823
Accounts receivable	Amortised cost	336	279
Cash and cash equivalents	Amortised cost	2,824	3,303
Total financial assets		4,012	4,554
Total current		3,863	4,440
Total non-current		149	112
Liabilities			
Interest bearing loans and borrowings			
Bonds	Amortised cost	745	743
Non-recourse financing loans	Amortised cost	13,065	9,007
Derivatives			
Interest rate swap	Fair value – hedging instruments through OCI	351	124
Other financial liabilities			
Trade and other financial liabilities	Amortised cost	1,649	2,130
Total financial liabilities		15,810	12,004
Total current		1,448	1,756
Total non-current		14,362	10,239

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 above. There are no significant differences between total carrying value and fair value for financial instruments measured at amortised cost.

			Non-cash changes			
NOK million	2018	Cashflows	Foreign exchange movement	Fair value changes	Other/ Reclassifi-cations	2019
Non-recourse financing	9,007	3,646	210	-	202	**13,064**
Bond	743	-	-	-	2	**745**
Derivatives (net)	-25	-	-	-326	-	**-351**
Shareholder loan from non-controlling interests	564	196	-	-	11	**761**
Current liabilities to non-controlling interests	83	-84	1	-	-	**-**
Total liabilities arising from financial liabilities	10,732	3,758	211	-326	215	**14,219**

The table above provides a reconciliation of the movement of liabilities arising from financing activities, disaggregated by cash and non-cash movements.

Note 30 Subsequent events

Accounting principle

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.

Coronavirus disease (COVID-19)

Scatec Solar is closely monitoring developments and is following the respective national authorities' advise and recommendations regarding COVID-19. The Company is together with its risk advisors continuously assessing any potential implications the outbreak might have for personnel and assets.

The Company is taking precautionary measures at all locations to limit the spread of the virus, keep people safe, and ensure continued safe operations of the power plants.

Scatec Solar has to date not experienced any impact of COVID-19 on operating assets or on delivery of power to customers. The risk of such impact is assessed to be low as power supply is generally defined as critical infrastructure in most countries where Scatec Solar operates. First quarter 2020 production is therefore expected to be in line with previously communicated guidance.

The Company's portfolio of projects under construction is close to completion. Travel constraints and local regulations have started to impact construction, commissioning and testing of new solar plants. It is however too early to predict what effects this will have on completion dates.

Scatec Solar focuses on sustaining a strong financial capacity to be well prepared in a rapidly changing environment. The Company continues to monitor the situation closely and will implement any further measures required to maintain the health and safety of our people and continued stable operations.

Parent company financial statements

Statement of income

1 January – 31 December

NOK million	Note	2019	2018
Revenues	3	2,964	1,661
Total revenues		2,964	1,661
Costs of sales	2	-2,653	-1,446
Personnel expenses	4	-100	-90
Other operating expenses	6, 14, 15	-79	-62
Depreciation, amortisation and impairment	5, 10	-24	-3
Operating profit/(loss)		107	60
Interest and other financial income	7, 14	188	148
Interest and other financial expenses	7, 14	-73	-102
Foreign exchange gain/(loss)		-66	44
Profit before tax		156	149
Income tax (expense)/benefit	8	-18	-28
Profit/(loss) for the period		138	122
Allocation of profit/(loss) for the period			
Dividend	12	-	108
Transfer to/(from) other equity	12	138	14
Total allocation of profit/(loss) for the period		138	122

Statement of financial position

1 January – 31 December

NOK million	Note	2019	2018
Non-current assets			
Deferred tax assets	8	49	56
Property plant and equipment	5	48	26
Investments in subsidiaries	9	1,984	1,836
Loan to group companies	14	2,672	1,630
Other non-current receivables		28	29
Total non-current assets		4,782	3,578
Current assets			
Inventory	10	274	364
Trade and other receivables	15	17	15
Trade and other receivables group companies	3,15	330	641
Other current assets		16	18
Cash and cash equivalents	11	494	425
Total current assets		1,131	1,465
Total assets		5,913	5,043

Statement of financial position

as of 31 December

NOK million	Note	2019	2018
Paid in capital			
Share capital	12	3	3
Share premium	12	3,108	1,794
Total paid in capital		3,111	1,797
Other equity			
Other equity	12	-23	-161
Total other equity		-23	-161
Total equity		3,088	1,636
Non-current liabilities			
Bonds	16	745	743
Liabilities to group companies	14	369	1,041
Other non-current liabilities		4	40
Total other non-current liabilities		1,118	1,823
Current liabilities			
Trade and other payables		178	103
Trade payables group companies		1,005	83
Income tax payable	8	-	5
Public duties payable		23	16
Dividend	12	-	108
Other current liabilities	17	501	1,269
Total current liabilities		1,707	1,584
Total liabilities		2,825	3,407
Total equity and liabilities		5,913	5,043

Oslo, 26 March 2020

The Board of Directors of Scatec Solar ASA

John Andersen Jr. (Chairman)

John Giverholt

Mari Thjømøe

Jan Skogseth

Gisele Marchand

Raymond Carlsen (CEO)

Statement of cash flow

1 January – 31 December

NOK million	Note	2019	2018
Cash flow from operating activities			
Profit before taxes		156	149
Depreciation, amortisation and impairment	5	24	3
Interest and other financial income	7	-188	-148
Interest and other financial expenses	7	73	102
Foreign exchange gain/(loss)		66	-44
(Increase)/decrease in inventories	10	71	-87
(Increase)/decrease in trade receivables	15	311	198
Increase/(decrease) in trade payables		167	40
Taxes paid	8	-	-
Changes in accrued revenues and cost on construction projects		-662	894
Other items		-146	275
Net cash flow from operating activities		-127	1,382
Cash flows from investing activities			
Investments in property, plant and equipment	5	-28	-17
Proceeds from sale of fixed assets		-	-
Net loans to subsidiaries	14	-1042	-1,326
Interests received		80	91
Investments in subsidiaries and associated companies	9	-148	-614
Dividends from and capital decrease in subsidiaries	9	203	130
Net cash flow from investing activities		-935	-1,736
Cash flows from financing activities			
Proceeds from share capital increase	12	1,336	596
Transaction cost for share capital increase		-29	-
Dividends paid to equity holders	12	-108	-81
Interest paid		-68	-68
Proceeds from bond issue		-	-
Repayment of bond		-	-
Net cash flow from financing activities		1,130	447
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of period		425	93
Cash and cash equivalents at end of period		494	332
Net increase/(decrease) in cash and cash equivalents		69	425

Notes to the parent company financial statements

Note 1 General information

Scatec Solar ASA is incorporated and domiciled in Norway. The address of its registered office is Askekroken 11, NO-0277 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 2019 were authorised for issue in accordance with a resolution by the Board of Directors on 26 March 2020.

Note 2 Accounting principles

Statement of compliance

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

Basis for preparation

The 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 ASA 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, 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.

For further information refer note 4 – Personnel expenses, number of employees and auditor's fee.

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

atec 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 is 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	2019	2018
Services	2,964	1,661
Sum	2,964	1,661

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

Revenues by geographical distribution

NOK million	2019	2018
Egypt	1,155	971
South Africa	806	35
Ukraine	788	13
Malaysia	140	62
Mozambique	81	155
Argentina	15	8
Netherlands	10	-
Brazil	8	25
Honduras	- 39	391
Sum	2,964	1,661

The negative revenues from Honduras in 2019 is related to an initiated change order which was cancelled during the year.

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	2019	2018
Salaries	**114**	90
Share-based payment	**7**	7
Payroll tax	**25**	18
Pension costs	**9**	7
Other benefits and personnel costs	**4**	4
Capitalised to inventory	**-58**	-37
Total personnel expenses	**100**	90

The average number of FTEs that has been employed in the company through 2019 was 89 (77).

Salaries and personnel expenses for the management of Scatec Solar ASA

2019 NOK thousand	Title	Salary [1]	Bonus	Number of options awarded [2]	Exercise of share options	Outstanding share options	Other benefits [3]	Pension cost	Loans outstanding
Raymond Carlsen	Chief Executive Officer	3,464	1,230	52	-64	142	54	152	11
Mikkel Tørud	Chief Financial Officer	2,411	847	38	-48	106	48	151	750
Snorre Valdimarsson	EVP General Counsel	1,939	708	30	-37	82	52	152	861
Terje Pilskog	EVP Project Development & Project Finance	2,144	737	33	-42	92	53	152	740
Roar Haugland	EVP Sustainable Business & HSSE	1,863	657	30	-37	81	53	155	11
Torstein Berntsen	EVP Power Production	1,990	699	32	-40	87	52	155	784
Pål Helsing	EVP Solutions	2,035	707	32	-	32	6,325 [4]	152	11
Toril Haaland	EVP People & Organisation	1,587	300	27	-	27	18	152	11

2018 NOK thousand	Title	Salary [1]	Bonus	Number of options awarded [2]	Exercise of share options	Outstanding share options	Other benefits [3]	Pension cost	Loans outstanding
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	-

1) Including paid out holiday allowance.

2) See below for further information

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

4) Pål Helsing did not participate in the share option program launched in 2016, but did as a substitute earn synthetic options during the 36 months period from 1 December 2015 until 30 November 2018. The gain on these synthetic options was paid out in 2019, which is the reason this number deviates considerably from earlier years.

Remuneration for the Board of Directors [1)]

NOK thousand	2019 Board remuneration	2019 Audit committee	2019 Remuneration committee	2019 Nomination committee	2018 Board remuneration	2018 Audit committee	2018 Remuneration committee	2018 Nomination committee
John Andersen jr.	455	57	31	-	440	55	30	-
Mari Thjømøe	285	57		-	275	55	-	-
John Giverholt	285	-	31	-	275	-	-	-
Jan Skogseth	285		31	-	275	-	30	-
Gisele Marchand	285	57	-	-	275	-	-	-
Inge Hansen	-	-	-	-	-	-	-	50
Alf Inge Gjerde	-	-	-	52	-	-	-	35
Hilde Myrberg	-	-	-	36	-	-	-	-
Svein Høgseth	-	-	-	36	-	-	-	-

1) Annual fees paid in 2019 and 2020 respectively.

Pension costs

The Company has a defined contribution plan in line with the requirement of the law. NOK 9 million is expensed related to the defined contribution plan in 2019 (2018 NOK 7 million).

Audit

NOK million	2019	2018
Audit fees	2	2
Other attestation services	1	-
Tax services	-	2
Other services	1	-
Total	4	4

VAT is not included in the numbers above.

Remuneration policy and concept for the accounting year 2019

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 28 April 2020.

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 2020 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 programme.

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 99,858) to 12G (NOK 1,198,296) 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	2019	2018
Accumulated cost at 01.01	32	14
Additions	27	17
Accumulated cost at 31 December	59	32
Accumulated depreciation at 01.01	5	3
Depreciations for the year	5	2
Accumulated depreciation at 31 December	10	5
Carrying amount at 31 December	48	26
Estimated useful life (years)	3-10	3-10

Note 6 Other operating expenses

NOK million	2019	2018
Facilities	11	8
Professional fees	22	24
IT and communications	25	16
Travel costs	7	6
Other costs	14	8
Total other operating expenses	79	62

Note 7 Financial income and expenses

Interest and other financial income

NOK million	2019	2018
Interest income from group companies	75	80
Other interest income	8	5
Dividend from group companies	105	63
Total interest and other financial income	188	148

Interest and other financial expenses

NOK million	2019	2018
Interest expenses to group companies	-3	-10
Other interest expenses	-69	-63
Other financial expenses	-1	-29
Total interest and other financial expenses	-73	-102

The increase in Other interest income is partly due to short term investments in low risk interest rate funds due to a preliminary position of excess capital from the private placement in third quarter 2019.

The decrease in Other financial expenses is mainly due to a write down in 2018 of NOK 25 million.

Note 8 Tax

NOK million	2019	2018
Income tax expense:		
Current taxes (including CFC)	-	-
Withholding tax on received dividends	4	6
Change in deferred tax	14	22
Total tax expense(income)	18	28
Tax basis:		
Profit before taxes	156	149
Net non-deductible expenses and non-taxable income [1)]	-131	-57
Changes in temporary differences	-140	-41
Offset against tax losses carried forward	115	-48
Tax base	-	-
Current taxes according to statutory tax rate (22%/23%)	-	-

1) Net non-deductible income and expenses for 2019 and 2018 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	2019	2018
Expected income tax expense according to statutory tax rate (22%/23%)	34	34
Non-deductible expenses and non-taxable income	-24	-13
Withholding tax on received dividends/CFC	5	5
Taxes related to previous years	3	-
Effect of changed statutory tax rate (23% to 22%)	-	3
Income tax expense(income)	18	28
Effective tax rate (%)	9.0 %	19.8 %

Temporary differences as of December 31:

NOK million	2019	2018	Change
Tax loss carried forward	-392	-265	-127
Receivables	-3	-23	20
Property, plant and equipment	2	-13	15
Work in progress	174	-50	124
Shared based payments and amortized Interests on bond and revolver	-3	-	-3
Total temporary differences	-222	-251	29
Recognised deferred tax asset	-49	-56	7

The change in deferred tax asset is recognised in tax expense, except for changes which are related to transaction cost from capital increases which are booked directly to equity.

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, joint ventures and associated companies

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

NOK million Company	Registered office	Ownership interest	Carrying value 2019	Carrying value 2018
Scatec Solar Solutions GmbH	Regensburg, Germany	100%	**44**	44
Scatec Solar SA163 (Pty) Ltd	Cape Town, South Africa	92%	**16**	16
Scatec Solar Italy S.R.L	Rome, Italy	100%	**-**	-
Scatec Solar S.R.O	Prague, Czech	100%	**25**	62
SPV 1 Solar S.R.O	Prague, Czech	100%	**2**	7
Scatec Solar India Pvt. Ltd.	New Delhi, India	100%	**-**	-
Scatec Solar North America Inc.	California, USA	100%	**-**	-
Tourves SPV SAS	St Raphael, France	100%	**-**	-
Scatec Solar SAS	Paris, France	100%	**-**	-
Scatec Solar AS/Jordan PSC	Amman, Jordan	90%	**54**	53
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%	**34**	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	76.7%	**96**	96
Scatec Solar SA 164 (Pty) Ltd	Sandton, South Africa	80.7%	**71**	123
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	57%	**26**	21
Scatec Solar Honduras SA	Honduras	100%	**22**	19
Produccion de Energia Solar Demas Renovables SA	Honduras	40%	**60**	59
Fotovoltaica Surena S.A	Honduras	70%	**170**	150
Generaciones Energeticas S.A	Honduras	70%	**164**	145
Fotovoltaica Los Prados S.A	Honduras	70%	**72**	63
Foto Sol S.A	Honduras	70%	**6**	4
Energias Solares S.A	Honduras	70%	**99**	87
Scatec Solar Africa (Pty) Ltd	South Africa	100%	**-**	-
Scatec Solar DMCC	United Arab Emirates	100%	**-**	-
Scatec Solar Mozambique Limitada	Mozambique	100%	**8**	8
Scatec Solar Netherlands B.V	The Netherlands	100%	**934**	767
Release Management BV	The Netherlands	100%	**5**	
Aswan Solar Power SAE	Egypt	100%	**2**	2
Scatec Solar Mali S.A.	Mali	100%	**-**	-
Scatec Solar Weste Africa	Mali	51%		
Segou Solaire S.A	Mali	50%	**-**	-
			1,984	1,834

A Complete list of all companies in Scatec Solar Group is listed in Note 27 Consolidated subsidiaries of the Consolidated financial statements.

NOK million Associates and joint ventures	Office	Ownership	Carrying value 2019	Carrying value 2018
Kube Energy AS	Oslo, Norway	25%	2	2
Total			2	2

Note 10 Inventory

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

Project geography

NOK million	2019	2018
Americas	-	111
Africa	157	82
Middle East	14	110
Asia	37	44
Europe	66	17
Carrying value inventory at 31.12	274	364

The impairments done during 2019 were NOK 19 million (2018: NOK 12 million). The impairments are presented in Depreciation, amortisation and impairment.

Note 11 Cash and cash equivalents

NOK million	2019	2018
Restricted cash	49	18
Free cash	444	407
Total cash and cash equivalents	494	425

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 April 2019 Scatec Solar increased the revolving credit facility from USD 60 million to USD 90 million, with Nordea Bank as agent and Nordea Bank, ABN Amro and Swedbank 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 2019.

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 2019.

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 2019, 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 5,004 million per quarter end.

During 2019, interest amounting to NOK 69 million (61) was expensed for the bond, overdraft- and revolving credit facility.

Ref 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 31.12.2018	3	1,795	-161	**1,637**
Profit/(loss) for the period	-	-	138	**138**
Share-based payment	-	7	-	**7**
Capital increase from exercised employee share options, net of transaction cost after tax [1]	-	11	-	**11**
Private placement, net of transaction cost after tax [2]	-	1,297	-	**1,297**
Share purchase program	-	-1	-	**-1**
Equity as of 31.12.2019	3	3,108	-23	**3,088**

1) On 4 February 2019, as part of the Group's incentive program, a share capital increase raised NOK 11 million net of transaction cost after tax, through an exercise of employee share options consisting of 216,203 new shares at a price of NOK 28.08 per share and 125,037 new shares at a price of NOK 47.65 per share.

2) During third quarter 2019 Scatec Solar successfully raised NOK 1,297 million net of transaction cost after tax, through a private placement consisting of 11.375 million new shares at a price of NOK 116 per share. At 31 December 2019, the share capital amounted to NOK 2.956 million. All shares rank in parity with one another and carry one vote per share.

On 24 January 2020, the Board of Directors announced its intention to propose a dividend of NOK 1.05 per share to the Annual General Meeting. Since then, capital markets have severely weakened. Therefore, in order to maintain the Company's financial flexibility, the Board of Directors has resolved to seek authorisation from the Annual General Meeting to pay a dividend of up to NOK 1.05 per share at a later stage, when the conditions in the capital markets have improved.

On 30 April 2019, the Annual General Meeting of Scatec Solar ASA resolved to pay a dividend of NOK 0.,95 per share, totalling NOK 108 million. The dividend was paid to the shareholders on 14 May 2019.

The tables below show the largest shareholders of Scatec Solar ASA and shares held by Management and Board of Directors at 31 December 2019.

Shareholder	Number of shares	Ownership
SCATEC AS	19,482,339	15.57 %
EQUINOR ASA	18,965,400	15.16 %
FOLKETRYGDFONDET	10,530,997	8.42 %
UBS AG	4,899,554	3.92 %
ARGENTOS AS	2,928,173	2.34 %
THE BANK OF NEW YORK MELLON	2,241,538	1.79 %
UBS SECURITIES LLC	1,937,124	1.55 %
STOREBRAND NORGE I VERDIPAPIRFOND	1,795,817	1.44 %
CACEIS Bank	1,596,000	1.28 %
VERDIPAPIRFONDET DNB NORGE	1,540,325	1.23 %
HANDELSBANKENS NORDEN	1,407,143	1.12 %
JPMORGAN CHASE BANK, N.A., LONDON	1,402,964	1.12 %
STATE STREET BANK AND TRUST COMP	1,299,722	1.04 %
STATE STREET BANK AND TRUST COMP	1,273,898	1.02 %
VERDIPAPIRFONDET PARETO INVESTMENT	1,146,000	0.92 %
HANDELSBANKEN HALLBAR ENERGI	1,122,976	0.90 %
BNP PARIBAS SECURITIES SERVICES	1,029,331	0.82 %
NORDNET BANK AB	1,015,689	0.81 %
KLP AKSJENORGE INDEKS	979,790	0.78 %
J.P.MORGAN BANK LUXEMBOURG S.A.	817,747	0.65 %
Total 20 largest shareholders	77,412,527	61.86 %
Total other shareholders	47,716,145	38.14 %
Total shares outstanding	125.128.672	100.00 %

Board of Directors	Number of shares	Ownership
John Andersen, Jr. [1]	-	0.00%
Jan Skogseth	22,000	0.02%
Gisele Marchand	2,586	0.00%
Mari Thjømøe [2]	27,338	0.02%
John Giverholt	4,000	0,00%
Total at 31 December 2019	55,924	0,04%

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

Management		Number of shares	Ownership
Raymond Carlsen [1]	Chief Executive Officer	2,987,847	2,39%
Mikkel Tørud	Chief Financial Officer	298,817	0.24%
Terje Pilskog [2]	EVP Project Development & Project Finance	510,877	0.41%
Roar Haugland [3]	EVP Sustainable Business & HSSE	186,639	0.15%
Torstein Berntsen [4]	EVP Power Production	695,486	0.56%
Snorre Valdimarsson	EVP General Counsel	15,924	0.01%
Pål Helsing	EVP Solutions	4,877	0,00%
Toril Haaland	EVP People & Organisation	877	0,00%
Total at 31 December 2019		4,701,344	3,76%

1) Held through the controlled company Argentos AS, whereof 59,674 shares held by Raymond Carlsen directly
2) Held through the controlled company Océmar AS, whereof 877 shares held by Terje Pilskog directly
3) Held through the controlled company Buzz Aldrin AS, whereof 877 shares held by Roar Haugland directly
4) Held through the controlled company Belito AS, whereof 17,877 shares held by Torstein Berntsen directly. In addition, 895 shares are held by held by Torstein Berntsen's spouse. These are not included in the total presented in the table above.

Refer to note 4 – Personnel expenses, number of employees and auditor's fee 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 2019

- *Guarantees for advance payments of NOK 197 million (NOK 208 million as of 31 December 2018) related to the construction contracts for power plants in Ukraine*
- *Performance guarantees NOK 859 million (NOK 802 million as of 31 December 2018) primarily related to the construction contracts for power plants in Egypt, Malaysia, Mozambique, South-Africa, Ukraine and Brazil.*
- *Warranty guarantees of NOK 80 million (NOK 22 million as of 31 December 2018) related to power plants constructed by Scatec Solar in Honduras and Malaysia*
- *Bid bonds of NOK 66 million (NOK 47 million as of 31 December 2018) related to tenders/bidding for new projects in Tunisia and Bangladesh*
- *Other guarantees of NOK 477 million (NOK 626 million as of 31 December 2018) primarily related to equity guarantee in South Africa, Malaysia, and Ukraine and development guarantees in Egypt 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):

Guarantee duration

NOK million	2020	2021	2022	>2022
Advance payment guarantees	197	-	-	-
Performance guarantees	233	290	336	-
Warranty guarantees	41	40	-	-
Bid Bonds	64	-	-	2
Other guarantees	467	5	-	4
Total	1,002	335	336	6

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 Egypt, Brazil, Ukraine, South Africa and for the majority of the projects in Malaysia are counter guaranteed by The Norwegian Export Credit Guarantee Agency (GIEK). These financial covenants are equal to financial covenants in the green bond issued in November 2017. Per 31 December 2019, Scatec Solar was in compliance with all bond 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	2020	2021	2022	>2022
Leases (office rental)	16	19	18	87
Total purchase modules, inverters etc	215	-	-	-
Total purchase services	3	-	-	-
Total contractual obligations	234	19	18	87

Note 14 Transactions with related parties

Related parties	Transactions
Subsidiaries and associates	Management, development and EPC services and financing
Key management personnel	Loan and payroll

Transactions with related parties

All related party transactions have been carried out as part of the normal course of business and at arm's length. The most significant transactions in 2019 and 2018 are:

Subsidiaries – EPC services

Scatec Solar ASA sold EPC services amounting to NOK 2,916 million in total during 2019 (2018: NOK 1,595 million). Scatec Solar ASA has been EPC contractor for the construction of power plants in Ukraine, Malaysia, Honduras, Mozambique, South Africa and Egypt. During 2019 total revenues on these contracts amounted to NOK 2,879 million (2018: NOK 1,514 million). In 2019 the company continued to deliver construction services to subsidiaries in Malaysia, Brazil, Egypt, Ukraine, and Argentina contracted as a sub-contractor. The revenues for 2019 amounted to NOK 37 million (2018: NOK 82 million).

Subsidiaries – development services

During 2019 Scatec Solar ASA sold development project rights amounting to NOK 15 million. The sale of rights related to the financial close and transfer of rights for the Boguslav, Chigrin and Progressovka projects in Ukraine amounting to NOK 15 million.

During 2018 the company sold development projects rights amounting to NOK 37 million. The sale of rights related to the financial close and transfer of rights for the Kamianka and Rengy Bioenergy projects in Ukraine amounting to NOK 13 million, the Redsol project in Malaysia amounting to NOK 19 million and projects in South Africa amounting NOK 5 million.

Subsidiaries - management service income

Scatec Solar has during 2019 charged NOK 30 million for corporate services provided to its subsidiaries (2018: NOK 17 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 Investments in subsidiaries, joint ventures and associated companies.

Scatec AS – consultancy services

Scatec Solar acquired certain consultancy services to maintain the global trademark Scatec Solar from Scatec AS, of NOK 214 thousand for 2019. For the year ended 31 December 2019 the company incurred fair share of travel agency service cost of NOK 227 thousand (2018: NOK 181 thousand). Travel agency service is presented as other operating expenses in the Statement of profit or loss. As per 31 December 2019 the trade payables to Scatec AS was NOK 0 thousand (2018: NOK 0 thousand). In connection with the Scatec Solar ASA equity issue in 2018 and 2019, Scatec Solar ASA entered a share lending agreement with the joint book-runners and Scatec AS.

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

Note 15 Provision for bad debt

No provision for bad debt has been made as the collection risk is considered low.

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 2019, Scatec Solar was in compliance with all bond covenants. The book equity of the recourse group, as defined in the loan agreement, was NOK 5,004 million per year end, and the debt to capitalization ratio was 13% per year end.

During 2019, an interest amounting to NOK 50 million was expensed (2018: 46 million).

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

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

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

Note 17 Other current liabilities

NOK million	2019	2018
Deferred income EPC projects	424	1,083
Liabilities to co-developers	4	84
Accrued interest expenses	6	5
Vacation allowances, bonus accruals etc.	26	35
Other	43	62
Total current liabilities	501	1,269

Note 18 Subsequent events

For information about subsequent events, refer to Note 30 Subsequent events in the consolidated financial statement of the Group.

Responsibility statement

We confirm to the best of our knowledge, that the consolidated financial statements for 2019 has been prepared in accordance with IFRS as adopted by EU, and that the information gives a true and fair view of the Group's assets, liabilities, financial position and result for the period. We also confirm that presented information provides a fair overview of important events that have occurred during the period and their impact on the financial statements, key risk and uncertainty factors that Scatec Solar is facing during the next accounting period.

Oslo, 26 March 2020
The Board of Directors of Scatec Solar ASA

John Andersen Jr. (Chairman)	John Giverholt	Mari Thjømøe
Jan Skogseth	Gisele Marchand	Raymond Carlsen (CEO)

Alternative Performance Measures

Scatec Solar discloses alternative performance measures (APMs) in addition to those normally required by IFRS. This is based on the Group's experience that APMs are frequently used by analysts, investors and other parties for supplemental information.

The purpose of APMs is to provide an enhanced insight into the operations, financing and future prospect of the Group. Management also uses these measures internally to drive performance in terms of long-term target setting. APMs are adjusted IFRS measures that are defined, calculated and used in a consistent and transparent manner over the years and across the Group where relevant.

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

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

Cash flow to equity: is a measure that seeks to estimate value creation in terms of the Group's ability to generate funds for equity investments in new solar power plant projects and/or for shareholder dividends over time. Management believes that the cash flow to equity measure provide increased understanding of the Group's ability to create funds from its investments. The measure is defined as EBITDA less net interest expense, normalised loan repayments and normalised income tax payments. The definition excludes changes in net working capital, investing activities and fair value adjustment of first-time recognition of joint venture investments. Normalised loan repayments are calculated as the annual repayment divided by four quarters for each calendar year. However, loan repayments are normally made bi-annually. Loan repayments will vary from year to year as the payment plan is based on a sculpted annuity. Net interest expense is here defined as interest income less interest expenses, excluding shareholder loan interest expenses and accretion expenses on asset retirement obligations. Normalised income tax payment is calculated as operating profit (EBIT) less normalized net interest expense multiplied with the nominal tax rate of the jurisdiction where the profit is taxed.

EBITDA: is defined as operating profit adjusted for depreciation, amortisation and impairments.

EBITDA margin: is defined as EBITDA divided by total revenues and other income.

Gross profit: is defined as total sales revenue including net gain/loss from sale of project assets and net gain/loss from associates minus the cost of goods sold (COGS). The measurement of gross profit is used to measure project profitability in the D&C segment. Refer to note 4 Operating Segments for further details.

Gross interest-bearing debt: is defined as the Group's total debt obligations and consists of non-current and current external non-recourse financing and external corporate financing, irrespective of its maturity as well as bank overdraft and discounted notes.

Net interest-bearing debt (NIBD): is defined as total interest-bearing debt, less cash and cash equivalents. NIBD does not include shareholder loans.

Net working capital includes trade- and other receivables, other current assets, trade- and other payables, income tax payable, other current liabilities and intercompany receivables and payables.

SSO Proportionate Financials: Calculates proportionate revenues and profits for Scatec Solar based on its economic interest in the subsidiaries. The Group introduced SSO Proportionate Financials as the Group is of the opinion that this method improves earnings visibility. For further description of the proportionate financials as well as a reconciliation between proportionate financials and the consolidated financials please refer to note 4 Operating segments.

Reconciliation of Alternative Performance Measures (consolidated figures)

NOK million	2019	2018
EBITDA		
Operating profit (EBIT)	874	629
Depreciation, amortisation and impairment	512	273
EBITDA	1,386	902
Total revenues and other income	1,783	1,213
EBITDA margin	78%	74%
Gross profit		
Total revenues and other income	1,783	1,213
Cost of sales	-	-
Gross profit	1,783	1,213
Gross interest-bearing debt		
Non-recourse project financing	12,228	8,643
Bonds	745	743
Non-recourse project financing - current	837	364
Gross interest-bearing debt	13,810	9,750
Net interest-bearing debt		
Gross interest-bearing debt	13,810	9,750
Cash and cash equivalents	2,824	3,303
Net interest-bearing debt	10,986	6,447
Net working capital		
Trade and other receivables	461	279
Other current assets	1,211	711
Trade and other payables	-888	-162
Income tax payable	-92	-34
Other current liabilities	-902	-1,230
Non-recourse project financing-current	-837	-364
Net working capital	-1,047	-799

Break-down of proportionate cash flow to equity

2019 NOK million	Power Production	Operation & Maintenance	Development & Construction	Corporate	Total
Proportionate EBITDA [1]	994	45	589	-58	**1,571**
Net interest expenses	-333	2	4	-61	**-388**
Normalised loan repayments	-229	-	-	-	**-229**
Normalised income tax payment	-55	-10	-122	27	**-159**
Cash flow to equity	376	37	471	-91	**794**

2018 NOK million	Power Production	Operation & Maintenance	Development & Construction	Corporate	Total
Proportionate EBITDA [1]	492	34	488	-53	**961**
Net interest expenses	-162	-	3	-58	**-217**
Normalised loan repayments	-136	-	-	-	**-136**
Normalised income tax payment	-38	-8	-108	26	**-127**
Cash flow to equity	157	26	383	-85	**481**

1) Refer to Note 4 Operating Segments

Other definitions

Backlog

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

Pipeline

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

Lost time injury (LTI)

Lost time injury (LTI)	An occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more.

Definition of project milestones

Financial close (FC):	The date on which all conditions precedent for drawdown of debt funding has been achieved and equity funding has been subscribed for, including execution of all project agreements. Notice to proceed for commencement of construction of the solar power plant will normally be given directly thereafter. Projects in Scatec Solar defined as "backlog" are classified as "under construction" upon achievement of financial close.
Start of Production (SOP):	The first date on which the solar power plant generates revenues through sale of power under the off-take agreement. Production volumes and/or the price of the power may be lower than when commercial operation date (COD) is reached. This milestone is regulated by the off-take agreement with the power off-taker. This milestone may be reached prior to COD if the construction of a power plant is completed earlier than anticipated in the off-take agreement.
Commercial Operation Date (COD):	A scheduled date when certain formal key milestones have been reached, typically including grid compliance, approval of metering systems and technical approval of plant by independent engineers. Production volumes have reached normalised levels sold at the agreed off-taker agreement price. This milestone is regulated by the off-taker agreement with the power off-taker.
Take Over Date (TOD):	The date on which the EPC contractor hands over the power plant to the power plant company. COD must have been reached, in addition to delivery of training and all technical documentation before TOD takes place. The responsibility for Operations & Maintenance (O&M) of the plant is handed over from the EPC contractor to the O&M contractor at the TOD. This milestone will normally occur shortly after the COD date.

Definitions of project finance terms

Debt Service Cover Ratio (DSCR): The amount of cash flow available to meet annual interest and principal payments on debt.

Loan Life Cover Ratio (LLCR): A ratio used to estimate the ability of a borrowing company to repay an outstanding loan. It is calculated by dividing the net present value (NPV) of the money available for debt repayment by the amount of senior debt owed by the company.

Project Life Cover Ratio (PLCR): A ratio of the net present value (NPV) of the cash flow over the remaining full life of the project to the outstanding debt balance in the period.

Other Definitions

Cash in power plant companies in operation: Is defined as restricted cash in proceed accounts, debt service reserve accounts, disbursements accounts, maintenance and insurance reserve accounts and similar. These cash and cash equivalents are only available to the Group through distribution as determined by shareholder and non-recourse financing agreements.

Cash in power plant companies under development/construction: Comprise shareholder financing and draw down on term loan facilities by power plant companies to settle outstanding external EPC invoices.

Full-Time Equivalent Employee (FTE): An employee which have a contract with the company with no end date.

Net gain project sale: Is defined as sales revenue less costs from sale of project assets.

Project equity: Project equity comprise of equity and shareholder loans in solar power plant companies.

Recourse Group: Recourse Group means all entities in the Group, excluding solar park companies (each a recourse group company).

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

Appendix

1 Stakeholder engagement

Key topics and concerns that have been raised through stakeholder engagement, including:

- How the organization has responded to those key topics and concerns, including through its reporting
- The stakeholder groups that raised each of the key topics and concerns

Stakeholder group	Engagement (102-43)	Key concerns (102-44 i)	Response (102-44 ii)
National governments and customers	Close dialogue with national governments is a natural part of our operations and our projects often involve regular dialogue. This dialogue is usually conducted by our project development team or community liaisons.	The main concern of governments in host countries, that will often also be our customers, is local impacts and value creation, which usually includes the economic value of the projects, increased access to energy, the potential for direct and indirect job creation.	Refer to chapter 3 in the sustainability report
Local government and communities	A social impact assessment is conducted as part of the planning of all projects and based on this a plan for stakeholder engagement is developed. Scatec Solar emphasizes continuous dialogue with local and regional communities in order to manage and meet expectations. A dedicated community liaison officer (CLO) is appointed to all our locations.	The main concern of local governments and communities is also local impacts and value creation, specifically job creation, local content and education/training.	Refer to chapter 3 in the sustainability report
Co-investors and partners	A detailed dialogue with regards to expectations is the starting point for all partnerships, and detailed in our agreements. Depending on the partnership we keep close dialogue with our partners.	Co-investors and partners are concerned that we are a trustworthy business partner that applies international best practice standards such as the IFC Performance Standards and the Equator Principles in order to manage environmental and social impacts. Investors with a specific impact investment focus are also concerned with the local value creation, and promotion of green energy. Some of our partners are also concerned with our ability to promote Norwegian exports.	Refer to chapter 2 and 3 in the sustainability report
Financing partners	Financing partners are mainly engaged prior to providing capital, and often have very specific requirements with regards to how environmental, social and governance factors are assessed and managed.	Financing partners also focus on our business conduct and efforts to ensure that we are a trustworthy business partner. Local financiers and financiers with an impact focus are also concerned with our local impact and value creation in terms of for example access to energy and job creation.	Refer to chapter 2 and 3 in the sustainability report
Shareholders	Existing and potential shareholders are engaged on a regular basis and often express their concerns and expectations directly with top management.	Shareholders are concerned with the ability to create value in the short and longer term and governance aspects such as anti-corruption and being a trustworthy business partner.	Refer to chapter 2 in the sustainability report
Employees	Our employees make up our company and who we are.	Many of our employees are proud of our social and environmental impact through promoting renewable energy and our ability to demonstrate local value creation. Employees are also concerned with own working conditions, health and safety, and opportunities to develop competencies and career path.	Refer to chapter 1, 2 and 3 in the sustainability report
Contractors	Contractors concerns are heard as part of project they are involved with and our contractors are considered as if they were our own employees when on our sites.	Contractors that work on our projects are concerned with their working conditions, fair wages, health and safety and opportunities to develop competencies.	Refer to chapter 2 in the sustainability report

Stakeholder group	Engagement (102-43)	Key concerns (102-44 i)	Response (102-44 ii)
Norwegian government and regulators	The Norwegian government is engaged through the various institutions that are interested in our efforts in Norway and in other countries.	The Norwegian government regulates our efforts and is also interested in supporting the positive impacts of our efforts in Norway and abroad.	Refer to chapter 1 and 3 in the sustainability report
Suppliers	Supplier visits are undertaken each year to monitor and establish a platform for good dialogue and feedback.	Our suppliers are concerned with fair pricing, working conditions, and health and safety.	Refer to chapter 2 in the sustainability report
NGO's	NGO's that represent local communities are engaged through each phase of the project. Environmental NGOs in Norway are engaged through collaboration with regards to promoting renewable energy.	NGOs in the local communities are concerned with our ability to create local value. Norwegian environmental NGOs support us in our efforts to promote renewable energy.	Refer to chapter 1 and 3 in the sustainability report

1.2 Our sustainability priorities

The material sustainability topics for our company were defined based on an assessment of key stakeholder expectations, the significance of social, economic and environmental impacts and the relevance to our strategy. The mapping of stakeholders' expectations was based on results of the ongoing stakeholder dialogue that is part of daily business on the ground when planning and executing projects, as well as at the corporate level with stakeholders such as investors, regulators and financiers. This information was collected and structured through interviews with key internal stakeholders. The significance of social, economic and environmental impacts was based on an assessment of impacts through the value chain in the countries where we operate.

1.3 Our sustainability framework

Our sustainability framework illustrating the most material topics for our company:

Auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Scatec Solar ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Scatec Solar ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2019, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2019, statements of profit or loss, statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Control assessments of project companies

The group has entered into partnerships for shareholding of project companies owning solar power plants. Scatec Solar seeks to obtain operational and financial control of the project companies also when Scatec Solar owns less than 50 % of the shares. Based on the criteria in IFRS 10 regarding control, other factors than ownership can be decisive as to whether Scatec Solar has control. Management's assessment of control is based on shareholder agreements and other contractual arrangements. Assessments are performed for new project companies, and an annual reassessment is performed for material project companies. The assessments are complex and involve significant use of management judgment, and due to the significant impact on classification and presentation of the project companies in the consolidated financial statements, the control assessments are considered a key audit matter.

We have evaluated management's assessment of control for new project companies and the annual reassessment for material project companies. For new projects, and project with changes in economic interest in 2019, we have read the shareholder agreements and other key contractual agreements such as development, financing, Engineering, Procurement and Construction (EPC) and Operation & Maintenance (O&M) agreements. We have compared the terms and conditions in these agreements with the requirements in IFRS 10.

We evaluated the information provided in disclosure and that the description in the notes 2, 3 and 27 are consistent with the assessments performed by management.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

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

Oslo, 26 March 2020
ERNST & YOUNG AS

Petter Larsen
State Authorised Public Accountant (Norway)

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