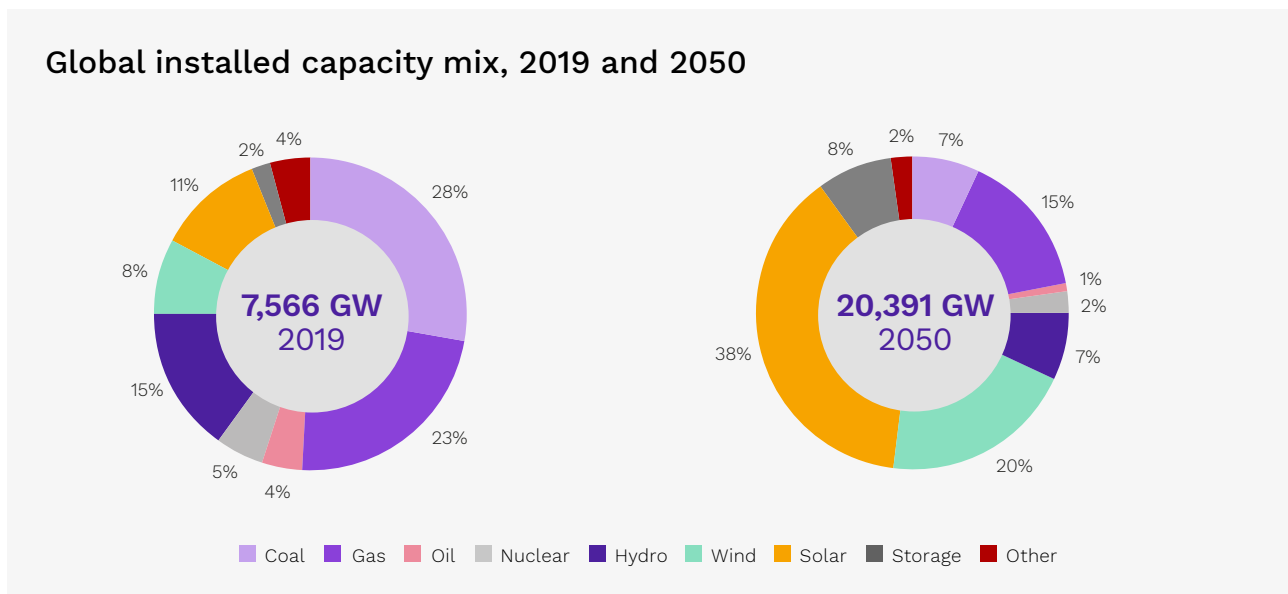


Market outlook

Renewable energy is expected to see continued strong growth in 2021, primarily marked by wind and solar reaching new highs in installed capacity. The growth is driven by increasing energy demand, cost reductions and an enabling policy environment as countries set the stage to meet net-zero commitments.



Sources in article: Bloomberg New Energy Finance: New Energy Outlook 2020, Energy, Vehicles, Sustainability – 10 Predictions for 2021, Solar: The Things to Watch in 2021, 4Q 2020 Global Wind Market Outlook, 2H 2020 Energy Storage Market outlook, Long-Term Energy Storage Outlook 2020, IEA Renewables 2020: Hydropower, bioenergy, CSP and geothermal.

According to Bloomberg New Energy Finance (BNEF), global electricity demand saw a 5% drop in 2020, but it is expected to grow again in 2022 with a 60% increase towards 2050. The rising demand is largely driven by consumption growth in non-OECD countries and will primarily be met by renewable energy supply. Solar, wind, hydro and energy storage are estimated to represent 73% of the global energy mix, solar and wind accounting for 58% and hydro and energy storage contributing another 15%.

The estimated ten-fold increase in renewables' share of installed capacity from 2019 to 2050 is primarily led by the falling costs of solar, wind and storage solutions. Currently,

either solar or wind is the most cost competitive new electricity generation in countries representing 76% of GDP and 90% of the global electricity production.

Wind, solar, hydro and storage are expected to work complementary in the renewable energy market throughout the outlook for 2050

The energy transition attracted investments of more than USD 500 billion in 2020. Out of the total, renewable energy accounted for USD 300 billion, which is a new level expected to remain in 2021.



Solar

Despite the testing waters of the COVID-19 pandemic, 2020 was another booming year for solar totaling 132 GW of new-build globally. This year is expected to set new records, BNEF forecasting 2021 to see new installations of between 151 GW to 194 GW, reaching 200 GW by 2022. The accelerated growth is driven by increased underlying demand, delayed projects from 2020 and the adoption of national plans to meet net-zero commitments. The levelised cost of electricity for utility-scale PV is expected to drop more than 50% by 2050 and solar capacity will continue to grow, averaging 5.3% year-on-year with an average annual deployment of 246 GW. By 2050, global investments in solar PV is expected to reach 4.2 trillion USD, of which 62% will be directed towards utility-scale projects.



Wind

New wind installations reached 73 GW in 2020 as governments strived to design green economic recovery packages. Wind is expected to reach new record-high levels in 2021, estimated at 84 GW. 2021 will be dominated by onshore installations, amounting to 75 GW. Improved efficiency and lowered equipment, development and financing costs for onshore wind will continue to drive prices down. Wind is expected to attract around 5.9 trillion USD in investments globally by 2050, approximately 40% more than the estimate for solar, being less capital-intensive.



Storage

The global energy storage market saw a substantial development in 2020 with 4.6 GW/9.4GWh in new capacity. Although at a slower pace between 2020-2022 due to the COVID-19 pandemic, the market is expected to continue growing and reach approximately 1.7 TW/5.8 TWh in cumulative installations by 2050. Utility-scale projects will account for 70% of global installations. Countries in the Asia Pacific will cover the main bulk of installed capacity, driven by power market deregulation, low cost of batteries and policy commitments to net-zero. Globally, energy storage is expected to attract USD 964 billion in investments by 2050, of which USD 485 billion will be towards energy-shifting batteries, typically used in higher renewable energy system.



Hydro

Global hydropower new build reached approximately 18 GW in 2020 and is forecasted to further increase in 2021 and 2022 at an average of 28 GW per year, largely driven by growth in China and other Asian countries. With increased installed capacity, global hydropower generation is expected to grow by 10% towards 2025, increasing from 4,250 TWh in 2019 to 4,650 TWh in 2025. As such, hydropower will represent 16% of the global electricity generation by 2025. Global investments in hydro is expected to reach around USD 150 billion between 2020 and 2050.

Acquisition of leading hydropower player SN Power

Late January 2021, Scatec completed its largest transaction, the USD 1.1 billion acquisition of SN Power from Norfund. The transaction was announced in October 2020 and forms an important part of Scatec's broadened growth strategy, to become a global player in solar, hydro, wind and storage solutions, and an integrator of high-value infrastructure solutions.

With this transaction, Scatec sees great potential in broader project origination and geographical expansion into growth markets in Asia, Africa and Latin America. SN Power adds scale, hydropower competence and significant cash flow from operating plants. The companies are also a strong cultural fit, both rooted in Norway's industrial tradition and ambitious frontrunners in renewable energy in emerging markets.

Scatec and SN Power have a unique and complementary portfolio of assets, geographical footprint and capabilities, and have access to a significant project pipeline of almost 10 GW across solar, hydro, wind and storage. The new company has 485 employees¹⁾, power plants in 14 countries and 3.3 GW of plants in operation or under construction. When all plants are in full operation from first half of 2021, the expected median annual production is 4.1 TWh.

Expanding competence and organisation

In the coming years, we will grow the company whilst retaining our fast-moving and dynamic DNA. Competence development and building new technology capabilities are



key strategic pillars to succeed. To fully integrate former SN Power, we are conducting a thorough global onboarding process and various culture development integration activities. In addition, we are broadening our interactive gamified learning portfolio and external learning sources for all, as well as increasing leadership development initiatives and ensuring clear competence development goals for everyone.

Compelling strategic benefits

Hydropower has inherently attractive characteristics including storage, perpetual asset life, and low operational risk and gearing. Further, hydropower and solar PV are complementary technologies, resulting in new project opportunities, for instance the installation of floating solar on existing hydro reservoirs and thereby also capturing hybridisation benefits.

Floating solar is becoming mainstream technology and has several benefits such as attractive cost, reduced environmental and social impact, utilisation of existing infrastructure when combined with hydropower and it benefits from positive cooling and evaporation effects. Scatec already has a test facility on the Magat dam in the Philippines and there is significant potential for floating solar installations on our existing hydropower facilities. Hybridisation of solar and hydropower allows for sharing of infrastructure to reduce cost and the conversion of incidental power to firm power with a higher market value. If solar panels covered 1% of the surface area of the hydro

1) At date of transaction close

reservoirs in Africa, it would represent a doubling compared to the existing hydropower capacity and an increase in electricity generation from these dams by 50%²⁾.

The technological and geographical diversification further enhances cash flow resilience and increases optionality with respect to profitable growth. It also leverages the long-standing emerging market expertise gained through hydropower production and Scatec's solid Engineering, Procurement and Construction (EPC) track record. With SN Power, Scatec also strengthens its position as a frontrunner in renewable energy and as a partner for governments and other stakeholders.

SN Power's 2020 results

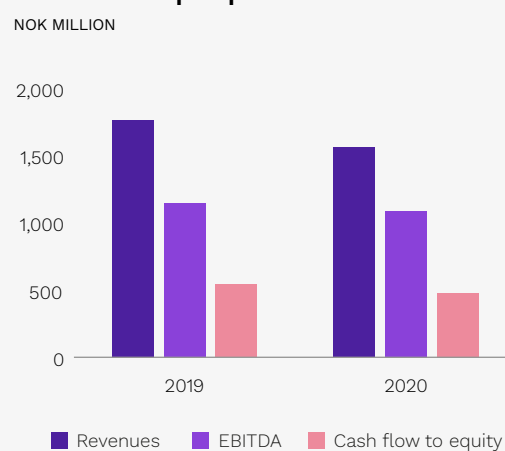
In 2020 SN Power reached revenues of NOK 1,562 million (1,766), EBITDA of NOK 1,092 million (1,149) and Cash Flow to Equity of NOK 477 million (541), measured on Scatec's proportionate basis. The performance of 2020 is influenced by reduced water in-flow in the first nine months of the year, combined with COVID-19 impact on power demand and prices in the Philippines. In 2020 net power production reached 1.4 TWh compared to the median net annual production of 1.8 TWh.

Financing

The acquisition is fully funded through cash available and the following facilities; a USD 200 million vendor note, a USD 150 million green term loan, and a USD 400 million acquisition finance facility from Nordea, DNB and Swedbank. The acquisition finance is partially refinanced by the proceeds from the EUR 250 million bond issue announced in February 2021. Refer to note 30 Subsequent events for further details about the acquisition.



SN Power proportionate financials



Country	Power plant	Gross capacity	Median net production	Economic interest
Philippines	Benguet & Magat	642 MW	810 GWh	50%
Laos	Theun Hinboun	525 MW	600 GWh	20%
Uganda	Bujagali	255 MW	420 GWh	28.3%

2) Source: Elsevier, Renewable Energy volume 169 - Assessment of floating solar photovoltaics potential in existing hydropower reservoirs in Africa