

# 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