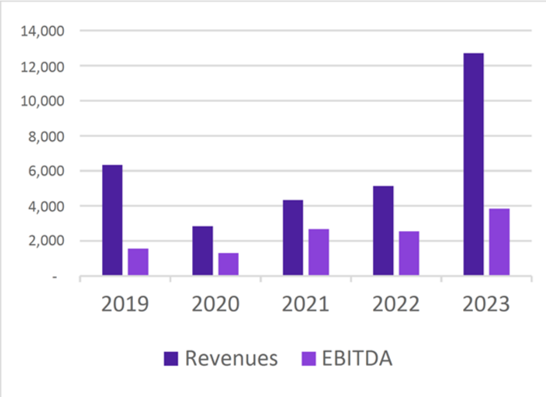
# Report from the Board of Directors

# Highlights 2023

- Proportionate revenues of NOK 12,714 million (5,133) and EBITDA of NOK 3,845 million (2,550) [1)]
- All time high D&C revenues of NOK 8.2 billion and gross margin of 12% from 40% capacity increase
- Announced self-funded growth plan targeting annual equity investments of NOK 500 – 750 million
- Divested Upington, Mozambique, Argentina, and Rwanda in line with strategy
- Raised USD 202 million of funding + USD 65 million in guarantees for Release
- Secured further growth for 2024 with NOK 350 million equity investment and NOK 2.5 billion D&C revenues
- Awarded 103 MW/412 GWh battery project in South Africa and 60 MW expansion in Botswana

Proportionate revenues and EBITDA by year




## Key figures

| NOK million | FY 2023 | FY 2022 |
|---|---|---|
| Proportionate Financials[2)] | | |
| Total revenues and other income | 12,714 | 5,133 |
| Power Production[4)] | 4,113 | 3,697 |
| Services | 373 | 312 |
| Development & Construction | 8,177 | 1,069 |
| Corporate | 50 | 56 |
| EBITDA | 3,845 | 2,550 |
| Power Production | 3,216 | 2,835 |
| Services | 118 | 74 |
| Development & Construction | 672 | -221 |
| Corporate | -162 | -138 |
| Operating profit (EBIT) | 2,152 | 460 |
| Power Production | 1,631 | 918 |
| Services | 112 | 68 |
| Development & Construction | 607 | -358 |
| Corporate | -198 | -167 |
| Net interest- bearing debt [2)] | 20,786 | 18,215 |
| Power production (GWh) | 3,615 | 3,898 |
| Scatec share of distribution from operation companies | 914 | 1,231 |
| Consolidated Financials | | |
| Revenues and other income | 4,721 | 3,751 |
| EBITDA [2)] | 3,567 | 2,555 |
| Operating profit (EBIT) | 2,625 | 723 |
| Profit/(loss) | 1,122 | -1,228 |
| Net interest- bearing debt [2)] | 23,284 | 19,578 |
| Basic earnings per share (NOK) | 3.95 | -8.40 |
| Power production (GWh) [3)] | 8,540 | 9,381 |

1) Amounts from same period last year in brackets
2) See Alternative Performance Measures appendix for definition
3) Production volume on a 100% basis from all entities, including JV companies
4) Revenue from power production for 2022 has been adjusted due to change in accounting policy as disclosed in Note 31

## Introduction

Scatec is a leading renewable energy provider, accelerating access to reliable and affordable clean energy in emerging markets. The Company develops, builds, owns and operates renewable energy and has 4.2 GW in operation and under construction across four continents at year end 2023. Additionally, Scatec started construction of 0.3 GW in the first quarter 2024. Scatec is committed to grow its renewable energy capacity, delivered by passionate employees and partners who are driven by a common vision of 'Improving our Future'.

## 2023 Summary

### Business strategy and growth

- Aligned growth rate with internal funding capacity, targeting NOK 500-750 million of annual equity investments in renewable energy
- Started commercial operation of Kenhardt, with 540 MW solar + 225 MW/ 1,140 MWh battery storage
- Divested 258 MW solar in South Africa, 40 MW solar in Mozambique and 117 MW solar in Argentina
- Reached financial close and started initial construction work for 273 MW Grootfontein in South Africa, and 60 MW first phase in Botswana
- Awarded tariff for the 103 MW/ 412 MWh battery projects in South Africa and expanded the Botswana solar project to 120 MW

### Operational

- Total proportionate power production of 3,615 GWh generating an EBITDA of NOK 3.2 billion including gain on asset sales
- The Philippines affected by el Niño and regulatory changes in the ancillary services market
- Started selling power in the merchant market from the Progressovka power plant in Ukraine
- Implemented NOK 150 million cost reduction programme
- Refinanced USD 193 million bridge to bond with new NOK 1,000 million bond and USD 100 million term loan

### Organisation and people

- Hans Jakob Hegge started as new CFO on 1 March 2023
- Permanent workforce reduced to 680 (778) employees resulting from the cost reduction programme
- 49 different nationalities, a truly global company
- 29% female employees in management positions at the end of 2023
- 2023 Statement on Equality and Non-discrimination is available on the corporate website

### Climate

- Annual GHG emissions avoided from our power plants reached 4.0 million tonnes (100%)
- On the 'A' List for tackling climate change by the Carbon Disclosure Project (CDP)
- Climate targets approved by SBTi in January 2023 – target to minimise direct emissions by 2030 and net zero across the value chain by 2040
- Net Zero roadmap published detailing the seven key initiatives required to reach our climate targets

### EU Taxonomy[1] and reporting

- The majority of revenues, opex and capex are derived from EU Taxonomy eligible activities
- Scatec's revenue is 94%, capex 97% and opex 97% aligned to the Taxonomy
- Quarterly reporting on key ESG indicators externally
- Received 'A+' score in ESG reporting by Position Green
- Limited assurance on all GRI indicators according to ISAE 3000

### HSSE

- Delivered 9.2 million working hours with no fatalities or serious injuries during 2023
- The lost time incident frequency rate (LTIF) was 0.9 per million working hours resulting from eight incidents
- Certified to ISO 9001, 45001 and 14001 by DNV

### Human rights/supply chain

- Addressed forced labour concerns in China including collaboration with key suppliers on traceability
- Transparency Act statement published detailing Scatec's work with human rights
- EcoVadis supplier management programme implemented to screen suppliers of key procurement categories
- 92 grievances received, 86% were resolved and the remaining open grievances are being investigated

### Anti-corruption and Compliance

- Scatec provides mandatory anti-corruption and code of conduct training to all employees. 100% of all employees in-scope have completed the training

1) For details, please refer to our EU Taxonomy Report 20223 available under ESG resources on the Company's website

# Group – Proportionate Financials

Please refer to Note 3 for details of the segment financials.

## Power Production

Power Production revenues increased to NOK 4,113 million (3,697) in 2023, reflecting sale of electricity from our solar, hydro and wind power plants in Europe, Africa, South-east Asia, and Latin America. Kenhardt reaching commercial operation in Q4 contributed positively to the increase. The revenues also include a gain of NOK 348 million from the sale of project assets in South Africa and Mozambique, insurance proceeds of NOK 39 million in Ukraine, and foreign currency effects. Lower revenues in the Philippines due to weaker hydrology and lower contribution from ancillary services contributed negatively.

Operating expenses were NOK 896 million (834) for the year, negatively impacted by foreign currency effects and an accrual of NOK 40 million for a claim from the National Irrigation Administration in the Philippines related to water fee charges for previous periods for the lease of the Magat Dam.

Underlying EBITDA increase was NOK 93 million for the year, adjusted for divestments and new generation capacity added. Full year power Production EBITDA increased to NOK 3,216 million (2,835) explained by the factors above.

EBIT increased to NOK 1,631 million (916), impacted by an impairment of NOK 350 million related to the divested power plant in Argentina, compared to NOK 770 million in 2022 triggered by the Russian invasion of Ukraine.

Power production had 3,549 MW installed capacity at year-end and delivered 3,615 GWh on a proportionate basis, compared to 3,898 GWh last year. The reduction is explained by the divestments of Upington in South Africa, Guañizuil in Argentina and Mocuba in Mozambique, as well as, lower production in the Philippines due to the effects of el Niño. This was partly offset by additional power production from Kenhardt in South Africa and increased production in Ukraine. The underlying reduction in power production was 147 GWh, mainly driven by the Philippines. The plant availability in 2023 was close to 100%, with no Lost Time Incidents.

For further details on financial results on a country-by-country basis please refer to Scatec's Q1 to Q4 2023 historical financial information' published on Scatec's web page.

## Development & Construction (D&C)

Development & Construction delivered strong results after reaching all-time high revenues of NOK 8,177 million (1,069). 2023 was characterised by high construction activities in South Africa, Brazil and Pakistan, and a solid gross margin of 12 percent. Construction of Kenhardt, the largest project in Scatec's history, was finalised and the plants started commercial operation in the fourth quarter. The plants delivered solid operational performance with no Lost Time Incidents.

Total operating expenses were NOK 322 million (327) in 2023. This includes NOK 248 (237) million for early-stage project development and NOK 74 (90) million in construction activity. Development and construction EBITDA for the year was NOK 672 million, a solid increase from a negative EBITDA of NOK -221 million year-on-year explained by the factors above.

## Services

Services revenues increased to NOK 373 million (312) and operating expenses to NOK 260 million (238), mainly driven by higher performance bonus in South Africa related to Operations and Maintenance Services, positive net foreign currency effects, higher Asset Management revenues and mobilization fees provided by the projects under development and construction.

## Corporate

Corporate revenues were NOK 50 million (56) in 2023, while operating expenses were NOK 213 million (194). The change in operating expenses was mainly driven by the non-recurring costs related to the cost efficiency programme incurred in the second quarter.

# Consolidated financial statements

## Consolidated income statement

| NOK million | 2023 | 2022 |
|---|---|---|
| Revenues | 3,399 | 3,002 |
| Net gain/(loss) from sale of project assets | 1,276 | - |
| Net income/(loss) from JV and associated companies | 46 | 749 |
| EBITDA | 3,567 | 2,555 |
| Operating profit (EBIT) | 2,625 | 723 |
| Profit before income tax | 1,008 | -1,095 |
| Profit/(loss) for the period | 1,122 | -1,228 |
| Profit/(loss) to Scatec | 628 | -1,334 |
| Profit/(loss) to non-controlling interests | 494 | 106 |

### Revenues

Revenues reached NOK 4,721 million (3,751) in 2023. NOK 3,399 million was generated from power sales and the gain from sale of project assets of NOK 1,276 million mainly relates to the divestment of Upington, South Africa, and 32% of the shares in Release.

### Operating Profit

EBITDA increased to NOK 3,567 million compared to 2,555 million last year. The EBITDA was positively impacted by the divestments while lower net income from the Philippines and impairment of the power plant in Argentina of NOK 350 million impacted negatively.

Depreciation, amortisation and impairment amounted to NOK 942 million in 2023, compared to NOK 1,832 million in 2022. The decrease is mainly explained by impairments related to Ukraine in 2022. Refer to Note 13 Impairment for further details.

Operating profit (EBIT) ended at NOK 2,625 million in 2023, up from NOK 723 million in 2022 explained by the factors as above.

### Net financial items

| NOK million | 2023 | 2022 |
|---|---|---|
| Interest and other financial income | 415 | 115 |
| Interest and other financial expenses | -1,977 | -1,666 |
| Net foreign exchange gains/(losses) | -56 | -268 |
| Net financial expenses | -1,617 | -1,818 |

Interest and other financial income of NOK 415 million (115) includes interest income on cash balances and gain on the USD/ZAR currency hedging contracts for Kenhardt of NOK 246 million.

Interest and other financial expenses of NOK 1,977 million (1,666) consist of interest expenses of NOK 1,724 million (1,424), and other financial expenses of NOK 253 million (243). In addition, the amount in 2022 includes a loss of NOK 89 million on the USD/ZAR currency hedging contracts related to Kenhardt. The increase in interest expense for the year is mainly driven by higher interest expenses on the corporate debt which is partly offset by lower interest expenses on non-recourse project level debt due to disposal of the Upington solar plants in the second quarter 2023.

The net foreign exchange losses were NOK 56 million (268) for the year are primarily unrealised losses from translation of monetary assets and liabilities denominated in foreign currencies.

### Profit before tax and net profit

The Group has recognized a tax benefit of NOK 114 million in 2023, compared to a tax expense of NOK 132 million last year. The decrease in tax expense is driven by a tax benefit attributable to Kenhardt (NOK 457 million) which qualified for the Enhanced renewable energy tax incentive after reaching their Commercial Operating dates in November and December 2023. For further details, refer to Note 7 Tax.

Net profit for the year was NOK 1,122 million compared to a loss of NOK 1,228 million last year. Non-controlling interests (NCI) represent equity-investors in power plants co-owned by Scatec. The allocation of profits between NCI and Scatec is impacted by the fact that NCI primarily own shares in the power plants while Scatec also carries the cost of project development, construction, operation & maintenance and corporate functions. Net income from JVs and associated companies represent Scatec's share of the investment in the JVs and are fully allocated to Scatec. For further details, refer to Note 29 Non-controlling interests.

Other comprehensive income, which comprises items that may subsequently be reclassified to profit or loss, amounted to negative NOK 30 million (986) in 2023. This relates to after-tax net movement of cash flow hedges of negative NOK 223 million (514) and positive foreign currency translation differences of NOK 194 million (472).

Total comprehensive income was NOK 1,092 million (-242) for 2023 of which NOK 704 million (-648) was attributable to Scatec, while NOK 389 (406) million is attributable to non-controlling interests.

## Consolidated statement of cash flow

### Cash flow

| NOK million | 2023 | 2022 |
|---|---|---|
| Net cash flow from operating activities | 2,184 | 1,637 |
| Net cash flow from investing activities | -6,575 | -2,287 |
| Net cash flow from financing activities | 3,294 | 221 |
| Net increase/(decrease) in cash and cash equivalents | -1,097 | -428 |

Net cash flow from consolidated operating activities amounted to NOK 2,184 million (1,637) in 2023, compared to EBITDA of NOK 3,567 million (2,555).

Net cash flow from consolidated investing activities was negative NOK 6,575 million (2,287) mainly driven by investments in property, plant and equipment. Proceeds from sale of project assets had a positive impact of NOK 390 million in the year.

Net cash flow from financing activities was positive NOK 3,294 million (221). The Group drew down on debt related to projects in South Africa and Pakistan and received project funding from non-controlling interests. Further, the cash flow was impacted by drawdown on the Revolving Credit Facility of USD 70 million, payment of interests and repayment of non-recourse financing in project companies.

Cash and cash equivalents were NOK 3,101 million (4,132) at year-end 2023 of which NOK 977 million was free cash at group level. The total cash in power plant companies in operation and under construction was NOK 1,922 million (2,166), while other restricted cash was NOK 203 million (223).

### Proportionate share of cash flow to equity

Scatec's "proportionate share of cash flow to equity", is an alternative performance measure that seeks to estimate the Group's ability to generate funds for equity investments in new power plant projects and/or for shareholder dividends over time. Cash flow to equity for all segments reached NOK 1,600 million compared to NOK 1,050 million last year.

| NOK million | 2023 | 2022 |
|---|---|---|
| Power production | 1,663 | 1,487 |
| Services | 96 | 58 |
| Development & Construction | 555 | -149 |
| Corporate | -716 | -347 |
| Sum | 1,600 | 1,050 |

The cash flow to equity for Power Production increased to NOK 1,663 million in 2023 compared to NOK 1,487 million last year. 2023 was positively impacted by divestments of the Mocuba and Upington plants while 2022 included proceeds of NOK 363 million from refinancing.

The increase in cash flow to equity in Services is mainly explained by higher EBITDA in the segment. The cash flow to equity in the D&C segment reached NOK 555 million (-149) driven by high EBITDA in the projects under construction in South Africa, Brazil and Pakistan.

The cash flow to equity in the Corporate segment decreased compared to last year, mainly explained by increased interest expenses and higher debt repayments on corporate funding for the year.

## Consolidated statement of financial position

### Assets

| NOK million | 2023 | 2022 |
|---|---|---|
| Property, plant and equipment and intangible assets | 22,752 | 18,068 |
| Investments in JV and associated companies | 12,368 | 10,674 |
| Other non-current assets | 1,790 | 1,476 |
| Total non-current assets | 36,911 | 30,218 |
| Other current assets | 1,646 | 2,380 |
| Cash and cash equivalents | 3,101 | 4,132 |
| Assets held for sale | 138 | - |
| Total current assets | 4,884 | 6,512 |
| Total assets | 41,795 | 36,730 |

Total assets amounted to NOK 41,795 million at year-end 2023, up from NOK 36,730 million at the end of 2022. Non-current assets totaled NOK 36,911 million (30,218). The increase is primarily driven by construction activities in Pakistan and the new Kenhardt plant. The increase is partly offset by the NOK 1.8 billion disposal of Upington in the second quarter and depreciation of NOK 853 million for the year. See Note 10 Property, plant and equipment and Note 14 Investments in joint venture and associated companies.

The balance of investments in JVs and associated companies increased due to investments related to the Mendubim project in Brazil and Release being classified as a joint venture. The effects were partly offset by distributions of dividends. See Note 14 Investments in joint venture and associated companies for full reconciliation.

Current assets amounted to NOK 4,884 million (6,512). Other current assets decreased at year-end with reversal of project accruals as the construction of Kenhardt was completed in the fourth quarter of 2023. See the consolidated statement of cash flows for further details and Note 15 Cash, cash equivalents for a detailed breakdown of cash balances as well as an overview of movement of cash at the Recourse Group level.

### Equity and liabilities

| NOK million | 2023 | 2022 |
|---|---|---|
| Equity | 10,570 | 8,803 |
| Non-current non-recourse project financing | 15,026 | 13,297 |
| Non-current corporate financing | 7,947 | 7,987 |
| Other non-current liabilities | 2,617 | 2,604 |
| Total non-current liabilities | 25,590 | 23,888 |
| Current non-recourse project financing | 1,931 | 1,963 |
| Current corporate financing | 1,132 | - |
| Trade payables and other current liabilities | 2,443 | 2,076 |
| Liabilities of disposal group held for sale | 129 | - |
| Total current liabilities | 5,635 | 4,039 |
| Total liabilities | 31,225 | 27,927 |
| Total equity and liabilities | 41,795 | 36,730 |
| Book equity ratio | 25% | 24% |

Total equity increased to NOK 10,570 million (8,803). The change in equity is driven by the total comprehensive income for the period and capital increase from non-controlling interest. For further details see consolidated statement of changes in equity.

Corporate financing consists of unsecured green bonds, secured green term loans and financing secured in relation to the acquisition of SN Power in 2021. Changes in 2023 is primarily due to refinancing of Bridge-to-Bond facility, drawdown of the Revolving Credit Facility and foreign currency translation. See Note 23 Corporate Financing for further details.

Total non-recourse financing reached NOK 17 billion at year-end after drawdown of NOK 5.4 billion in project debt in South Africa and NOK 630 million in Pakistan in the year. This was partially offset by the sale of Upington including NOK 2.2 billion in non-recourse financing and repayments. See Note 23 Corporate Financing and 24 Non-recourse Financing for further details.

## Parent Company

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

Scatec ASA reported revenues of NOK 6,271 million and operating loss (EBIT) of NOK 169 million in 2023, compared to revenues of NOK 751 million and operating loss (EBIT) of NOK 665 million in 2022. The increase in revenues is driven by high construction activity in South Africa, Pakistan and Brazil. All revenues are group internal and based on agreements established between Scatec ASA and its subsidiaries, joint ventures and associated companies.

Cost of sales and operating expenses was NOK 6,043 million (1,267). The increase is driven by higher construction activity.

Total interest and other financial income were NOK 392 million (1,570) related to interest income on shareholder loans and dividends received. The high dividend in 2022 was driven by proceeds from refinancing. External interest expense was NOK 638 million (346). In 2022 the financial expenses included an impairment of investments and receivables in Ukraine of NOK 948 million. Profit after tax was NOK -399 million, compared to a profit after tax of NOK -480 million in 2022.

Total equity for the parent company Scatec ASA was NOK 10,296 million at 31 December 2023, up from NOK 10,265 million in 2022. Total assets was NOK 21,070 million at 31 December 2023, compared to  20,591 last year.

## Overview of project portfolio

| Project stage | 2023 Capacity (MW) | 2022 Capacity (MW) |
|---|---|---|
| In operation | 3,549 | 3,375 |
| Under construction | 690 | 1,267 |
| Project backlog | 876 | 953 |
| Project pipeline | 11,091 | 15,712 |
| **Total** | 16,206 | 21,307 |

Total annual production from the 4,728 MW in operation, under construction and in backlog, excluding green hydrogen and BESS, is expected to reach about 12,600 GWh (on 100% basis).

### Projects under construction and backlog

Project backlog is defined as projects with a secure off-take agreement and assessed to have more than 90 percent likelihood of reaching financial close. When financial close has been obtained and notice to proceed has been issued, the project moves into construction generally with Scatec as the turn-key Engineering, Procurement & Construction (EPC) provider. Prior to financial close, environmental and social baseline studies or impact assessments (ESIAs) are conducted to identify potential environmental and social risks and impacts of the Company's activities. During construction Scatec is compensated for early-stage development expenditures and construction services through a Development & Construction (D&C) margin. The D&C margin is used as a funding source for Scatec's equity investment in the project company.

Key events during 2023 were commercial operation start for Kenhardt in South Africa, financial close for the 273 MW Grootfontein solar project, extension of the Mmadinare Solar Complex in Botswana to 120 MW and financial close for the first 60 MW, award of the 103 MW/412 GWh Mogobe battery energy storage project in South Africa, and discontinued development of 240 MW of the 360 MW Tunisia portfolio.

For more information about the projects under construction and in backlog, refer to our website: scatec.com/investor.

### Under construction

#### Sukkur, Pakistan 150 MW solar

At year end 2023, the construction of the Sukkur project in Pakistan approached final stages and started commercial operation on 31 January 2024.

Power from the solar power plant will be sold to Pakistan Authorities under a 25-year PPA. Capex for the project is approximately USD 110 million, financed by approximately 70% non-recourse project finance debt and 30% equity from the sponsors.

Scatec owns 75% of the project and provide EPC services as well as Operation & Maintenance (O&M) and Asset Management (AM) services to the power plants.

### Mendubim, Brazil 531 MW solar

The construction activities related to the Mendubim solar power plant were near completion at year end 2023 and started commercial operation 8 March 2024.

The 20-year PPA signed with Alunorte, with start-up 1 January 2025, will cover approximately 60% of the power produced with the remaining volume to be sold in the Brazilian power market. The estimated total capital expenditure for the project is USD 430 million and is financed by a mix of non-recourse project debt and equity from partners.

All three partners; Scatec, Equinor and Hydro Rein, have an equal economic interest of 33.3%[1)] in the power plant and will jointly provide EPC services. Scatec will further provide O&M as well as AM services to the power plants together with Equinor.

### Release

Release has 8.7 MW of solar under construction in Mexico.

## Backlog

Construction start of the backlog projects relies on final governmental approval processes, completion of project finance processes and component price development.

### Grootfontein, South Africa, 273 MW solar

In October 2021, Scatec was awarded preferred bidder status on three solar projects totalling 273 MW by the Department of Mineral Resources and Energy in South Africa under the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP). In December 2022, the power purchase and implementation agreements for the projects were signed, and in June 2023 the projects reached financial close.

At the end of the fourth quarter, Scatec started enabling works for the three projects, and construction activities will be ramped up for all disciplines in the first quarter of 2024.

The power will be sold under 20-year PPAs. Scatec will own 51% of the equity in the projects with H1 Holdings, our local Black Economic Empowerment partner owning 46.5% and a Community Trust holding 2.5%. Scatec will be the EPC provider and provide O&M as well as AM services to the power plants.

### Tunisia portfolio, 120 MW solar

Since the fourth quarter 2022, Scatec has engaged with the Tunisian authorities to negotiate the PPA tariff in order to improve the economics of the three solar projects awarded in 2019, totalling 360 MW. Based on a review of the project portfolio and in close dialogue with the Tunisian government, Scatec decided to discontinue development of 240 MW in the fourth quarter of 2023. The remaining 120 MW hold 20-year PPAs with Société Tunisienne de l'Electricité et du Gaz (STEG) and will continue to be developed based on more favourable project economics.

Scatec currently owns 100% of the projects and will provide EPC, O&M and AM services to the project company. Scatec is aiming to reduce its ownership in the project by inviting equity partners.

### Egypt, 100 MW green hydrogen facility

Scatec has partnered with Fertiglobe, The Sovereign Fund of Egypt and Orascom Construction to develop, build, own and operate a 100 MW green hydrogen production facility in Ain Sokhna in Egypt. When the project is fully developed the facility will be powered by 260 MW of solar and wind capacity.

The partners have signed a term sheet with Fertiglobe for a 20-year offtake agreement for 100% of the volumes produced. Fertiglobe will use the green hydrogen as feedstock for production of green ammonia. Execution of the project will depend on securing offtake for the green ammonia and the timing of this depends on the development of market mechanisms and demand for green ammonia.

Scatec will be the lead equity investor in the project with an ownership share of 52% and provide EPC services in collaboration with Orascom Construction. Scatec will further provide O&M and AM services for the project alongside key technology providers and project partners.

### Mmadinare Solar Complex, Botswana, 120 MW solar

In August 2022, Scatec signed a binding 25-year PPA with Botswana Power Corporation, a state-owned utility in Botswana, for a 60 MW solar power plant at Selebi-Phikwe. During the third quarter 2023 Scatec was awarded an additional 25-year PPA with Botswana Power Corporation for another 60 MW. In December 2023, Scatec reached financial close for the first 60 MW and have started preliminary site activities. Construction is expected to ramp up in the first quarter 2024. The remaining 60 MW will be developed in a second phase with financial close and

1) In conjunction with the start of commercial operations, Alunorte has exercised its call option for an economic interest of 10% in Mendubim. Following the exercise of the option, Scatec, Equinor and Hydro Rein hold an equal economic interest of 30%.

construction start also expected in 2024. The solar projects are the first of its kind in the country.

Scatec currently owns 100% of the projects, and will provide EPC services, as well as Asset Management and O&M services. Scatec is aiming to reduce its ownership in the projects by inviting equity partners.

### Mogobe, South Africa, 103 MW BESS

In November 2023, Scatec was awarded preferred bidder status for a battery energy storage project totalling 103 MW/ 412 MWh by the Department of Mineral Resources and Energy in South Africa under the Battery Energy Storage Independent Power Producer Procurement Programme (BESIPPPP).

The power will be dispatched under a 15-year PPA. Scatec will own 51% of the equity in the project with Perpetua Holding owning 46.5% and a Community Trust holding 2.5%. Scatec will be the engineering, procurement, and construction (EPC) provider and provide operations & maintenance (O&M), as well as asset management (AM) services to the project. According to the Department of Mineral Resources and Energy, commercial close is expected by June 2024.

### Pipeline

| Location | 2023 Capacity (MW) | 2022 Capacity (MW) |
|---|---|---|
| Asia | **834** | 4,800 |
| Latin America/Europe | **2,161** | 3,315 |
| Middle East and North Africa | **2,270** | 2,560 |
| Sub-Saharan Africa | **5,826** | 5,037 |
| **Total pipeline** | **11,091** | 15,712 |

In addition to the projects in backlog Scatec holds a solid pipeline of projects totalling 11.1 GW across technologies, down from 15.7 GW at the end of last year. This is due to high grading of the pipeline with focus on project locations, shorter timelines, maturity and value creation. Less attractive projects, mainly within offshore wind and hydro, have been taken out and new attractive solar projects in core regions have been added. Consequently, the share of solar in the pipeline has increased to 59%, and the share of projects in our focus markets to above 90%.

| Solution | 2023 Capacity (MW) | 2022 Capacity (MW) |
|---|---|---|
| Solar | **6,571** | 5,005 |
| Wind | **2,280** | 6,223 |
| Hydro | **700** | 2,684 |
| Green Hydrogen[1] | **1,240** | 1,500 |
| Release | **300** | 300 |
| **Total** | **11,091** | 15,712 |

1) Renewable capacity for use in production of green hydrogen and green ammonia

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 where project finance is available. The project sites and concessions have been secured and negotiations related to power sales and other project implementation agreements are in various stages of completion.

For Scatec's policy for research and development expenses, please refer to Note 10 Property, plant and equipment for further information.

## Other matters

### Russian war in Ukraine

After Russia's attack on Ukraine the war has been going on for two years. Scatec currently operates five solar power plants with a total capacity of 336 MW, located in the central and southern parts of the country. After a remarkable effort by our employees, approximately 95% of the power plants owned and operated by Scatec are intact and available. Revenues from power production in Ukraine have only been recognised in accordance with actual paid amounts since March 2022. In 2023, proportionate revenues and EBITDA in Ukraine amounted to NOK 371 million and NOK 289 million respectively. The payment level reached 66%.

In June 2023, Scatec started selling power from the Progressovka power plant in the merchant market, reaching a payment level of 100 percent, with revenues being settled in full every ten days. The decision to sell into the spot market was made based on changes in the local law which enabled Scatec to pause the PPA, while retaining the option to re-enter the PPA at a later stage.

The Russian invasion triggered an impairment assessment in 2022 and Scatec recognised an impairment charge of NOK 770 million in the proportionate financials (NOK 816 million in the consolidated financials) related to tangible and intangible assets in Ukraine. Per 31 December 2023 the impairment tests have been updated with new information on cash flow assumptions and discount rates, however no further impairments have been recognised. Refer to Note 13 Impairment for details on the impairment of the plants.

As of 31 December 2023, the non-recourse financing in Ukraine of NOK 865 million, continues to be classified as current in the consolidated financials as the power plant companies are in breach with certain covenants. A total of NOK 165 million of the debt has been repaid in 2023. Scatec has continuous and constructive dialogue with the lenders and the parties have agreed on a non-formalised standstill.

### Potential PPA changes and overdue receivables in Honduras

Scatec has over time experienced delayed payments from the state owned off-taker in Honduras (ENEE) and overdue receivables have accumulated to a varying degree since 2020. In 2023, ENEE has continued to settle outstanding receivables and paid a total of approximately NOK 180 million, leaving the balance at NOK 87 million as of year-end.

In 2022, a new Energy law came into force as introduced by the new Government of Honduras. In accordance with the new law, the state owned off-taker has proposed certain changes to the existing PPAs for all renewable power plants in the country, including Scatec's solar plants Agua Fria and Los Prados.

The negotiations of the PPAs were ongoing in 2023 and on January 31, 2024, amendments to the PPA were signed. Refer to note 32 Subsequent events for further information.

### Covenants

Except for Ukraine, Scatec was in compliance with financial covenants for both the recourse and non-recourse debt on 31 December 2023. Refer to Note 23 Corporate financing and Note 24 Non-recourse financing for more details.

## Organisation

Scatec has an international and diverse workforce which at the end of 2023 was represented by 49 nationalities and 680 employees across four continents. In May 2023, the Company announced a cost reduction programme, with a target to reduce operating expenses by NOK 150 million from the first quarter 2024 compared to the first quarter 2023. The programme was completed according to plan. As a result, the full-time workforce was reduced in 2023. In addition, Scatec had 171 short-term employees and 42 consultants supporting its functions. The organisation remains flexible, and the workforce continues to deliver strong results and growth.

The Company's reporting on diversity and equal opportunity is available in the Statement of equality and non-discrimination on https://scatec.com/sustainability/esg-resources/. For further information on work environment, including HSSE, statistics refer to the Company's 2023 ESG Performance report.

## Risk factors and risk management

In Scatec, risk management is an integrated part of our operating system. The Company has over the last years systemised the approach to risk management through policies and procedures, which are followed up by the management team and relevant functions including Solutions, Finance, Internal Audit, Legal, Sustainability, HSSE, Compliance and O&M. The main risk management policies are reviewed and approved by the Board of Directors on a regular basis.

With integrated operations within emerging economies and across renewable technologies, we are exposed to a variety of risks. Scatec's ability to manage these risks is fundamental for the Company's success and has over time developed into a key competitive advantage for Scatec. Scatec capitalise on the experience from complex environments and risk management systems to de-risk an opportunity and move it forward.

As part of the risk management system, all risks related to a project are identified and addressed in management- and project- reviews and reported upon on a regular basis. These reports represent an important part of Scatec's decision gate reviews. An annual and quarterly risk review are performed by the Executive Management Team, and the output of the reviews are reported to the Board of Directors.

### Insurance

Scatec uses comprehensive global insurance programmes as risk mitigating tools which covers a broad range of potential risks such as general third-party liability, professional indemnity, directors' and officers' liability, cyber security, and in certain countries political violence insurance.

Scatec's operational assets are insured against physical damage, including natural catastrophes and weather-related events, through a property damage & business interruption insurance. A similar insurance programme is also designed for projects under construction which cover physical damage, loss of income and transportation risks.

Below we have summarised the key inherent risks that Scatec is exposed to as per year end 2023 and key mitigation activities.

### Project development risk

Scatec's growth relies on successful project development which is impacted by several factors including availability of attractive sites, grid capacity and securing interconnection, power prices, component prices, interest rate level, government approval process, permits and access to competitive financing. Scatec manages this risk through a well-proven approach to screening of new projects as well as holding a large and broad project pipeline.

### Component price risk

From the date when Scatec enters into long-term contract for the sale of electricity to the date of the investment decision the Company is exposed to the risk of component price fluctuations and supply chain disruptions.

Scatec manages such risk by seeking to work with a broad set of suppliers and contractors and ensure that both capex and EPC budgets for new projects hold sufficient contingencies to absorb the most likely price fluctuations in the relevant timeframe. The resilience to price fluctuations do however vary between projects.

### Ethics and integrity risk

Scatec strives to meet the highest ethical standards and to conduct business activities in a sustainable and transparent manner.

The Scatec Code of Conduct sets out clear expectations and requirements to promote ethics and integrity, including on protection of the environment, human rights, safety and security, and the Company's zero tolerance for any form of corruption. Employees are trained to manage risks they may face and are encouraged to ask for guidance when they are unsure. All employees have a duty to speak-up if they suspect misconduct.

Further, Scatec expects all business partners and suppliers to conduct their activities in a way that is consistent with the Code of Conduct. Third parties are screened and assessed against potential integrity risks, and contractually required to mitigate such risks.

A whistleblower channel is available to all employees, suppliers, partners, customers and external stakeholders through internal channels and the corporate website. The channel is operated by a neutral third-party to protect the anonymity of reporters, should they so wish, and is available in multiple languages. All reports are taken seriously and investigated according to an established investigation procedure.

As a global company, operating in diverse markets, Scatec has implemented a robust Anti-Corruption Compliance Programme designed to meet the risks of challenging business environments, including the requirements and tools noted above.

Integrity is imperative to achieve sustainable business. Scatec's reputation, built on integrity, earns the trust of its stakeholders and the communities in which the Company operates. In 2023, Scatec focused on targeted training for exposed positions, and in 2024 focus will be on strengthening the risk assessments process to ensure that integrity risks continue to be identified and adequately mitigated.

### Political risk

Scatec sells electricity to state-owned utilities typically supported by sovereign guarantees. The Company's financial performance therefore relies on government adherence to contractual obligations and various laws and regulations.

Consequently, Scatec is subject to political risk in the countries where it operates. Scatec mitigates political risk through a comprehensive contractual framework for each individual project and asset. Risk is also mitigated through partnerships with multilateral development banks as project finance lenders and/or through establishing project risk insurance cover from the World Bank and others. A large and broad asset portfolio also gives diversification effects and reduces the overall political risk related to the asset portfolio.

### Cyber risk

Cyber risk is an increasing concern in society today. The main cyber risks in 2023 were ransomware/cryptolocker, phishing, supply chain attacks and zero-day vulnerabilities.

To mitigate these risks Scatec is protecting and monitoring all endpoints with a well-known EDR (Endpoint Detection and Response) solution, and another dedicated tool to reveal crypto locker activity at an early stage. All user accounts are protected with multi-factor authentication and users yearly need to complete IT security awareness training.

Scatec's offices and managed power plants are all connected to the global enterprise network where all network traffic is passing through next-generation firewalls that are monitored by our service providers Security Operations Center (SOC) at all times. All computers, servers and network devices are updated regularly by following the best-practice schedules by the vendors. Any urgent security vulnerabilities are patched immediately. The network is protected against distributed denial-of-service (DDoS) attacks and all the central server infrastructure is backed up to three different physical locations. The security set-up is audited by third party experts on a regular basis. Scatec has not had any major cyber incidents in 2023.

### Financial risk

Through its business activities, Scatec is exposed to financial risk, mainly currency risk, credit risk, liquidity risk and 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 a more detailed description and management of financial risk, refer to Note 20 Financial risk management.

### Power market price risk

The Company has exposure to power market price risk. Scatec has entered into long-term fixed price contracts for the sale of electricity from most of its power plants in operation at year end 2023. In the Philippines, Scatec has exposure to the long-term power market price with about 70-80% of the electricity from power plants sold under 1 - 3 year contracts to hedge the short to mid-term market price exposure. In Ukraine, for the Progressovka plants, changes in the local law in 2023 enabled Scatec to pause the PPA and sell electricity in the spot market while retaining the option to re-enter the PPA at a later stage.

### Health, Safety and Security risk

Through the construction of large-scale renewable energy plants with between 500-5,000 workers on the project site, and when providing operations and maintenance services during the operational phase, the Company is exposed to health and safety risk. Scatec is continuously working to achieve the goal of zero harm to personnel, materials and the environment. Scatec takes responsibility, sets requirements and monitors HSSE performance in the development, construction and operations phases of the projects. Further, the health and safety standards are defined and communicated to employees and contractors.

Contractor management is identified as a key risk area for the Company, and Scatec continuously works to monitor that all subcontractors operate in accordance with its corporate policy and principles.

For countries with a high-risk rating, Scatec follows special security measures for all travel in line with the recommendations of the Company's third-party risk advisor. Scatec works systematically to strengthen its approach to security management and emergency preparedness.

### Climate risk

Scatec's business model and strategy is based on the need to transition from fossil fuels to reduce greenhouse gas (GHG) emissions, a key climate opportunity. However, climate risk, both physical risk and transition risk, could also have a range of potential impacts on Scatec's business. The most serious climate-related risks involve the physical impact of extreme weather events, including droughts and floods. Extreme weather can cause physical damage to the plants and directly affect power generations. The risk is mitigated through adequate engineering in the design phase, regular inspections and emergency plans. Transitional risks such as increased regulation, new technologies and changes to markets also affect Scatec. As climate ambitions increase, there is likely to be increased competition that can affect among others component prices and power prices. Refer to our Task Force on Climate related Financial Disclosure (TCFD) report 2023 for corporate climate risk assessments and more information. For further environmental and social responsibilities refer to the 2023 ESG Performance report.

### Other risks

Other inherent risk with low likelihood and/or lower potential business impact is briefly described here.

*Risk of war and civil unrest* – Scatec is generally not making investments in regions with high risk of war and civil unrest. This risk is assessed before starting development of new project opportunities. The risk has unfortunately materialised in Ukraine where Russia started a military invasion in February 2022. Refer to 'Other matters' for update on Ukraine.

*Human rights* – the risk relating to the breach of fundamental human rights in renewable energy projects and the supply chain. The main risk relating to the Company's supply chain is related to labour and working conditions in exposed regions such as Xinjiang, China. The Company conducts human rights due diligence in projects and the supply chain as per the Transparency Act requirements and has a corporate human rights policy aligned with the United Nations Guiding Principles on Business and Human Rights.

*Pandemic risk - Scatec* with its external risk advisors, regularly assess risks related to global health issues such as pandemics.

### 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 open communication between management, the Board of Directors, the shareholders and other stakeholders. 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.

Scatec ASA has purchased and maintains a Directors and Officers Liability Insurance on behalf of the members of the Board of Directors and CEO. The insurance additionally covers any employee acting in a managerial capacity and includes subsidiaries owned with more than 50%. The insurance policy is issued by a reputable, specialised insurer with appropriate rating.

## Market outlook

Renewable energy is key to serve a growing population, create economic development in emerging markets and drive the energy transition.

According to Bloomberg New Energy Finance (BNEF), global investments in the energy transition technologies hit a record of USD 1.8 trillion in 2023, 17 per cent up year-on-year. At COP28, 130 countries pledged to triple renewable energy capacity by 2030, and for the first time it was committed to transition away from fossil fuels.

To stay on track to reach net zero emissions by 2050, BNEF confirms that a tripling is what the world needs. This requires a significant acceleration, including investments in renewable energy and power grids, increased battery storage capacity and scaling up the technology mix for complementary generation.

The competitiveness of renewables continued to strengthen and it is the most cost-efficient power source in most of the world. Fundamentals for renewables remain strong, both solar PV prices and battery storage systems reached all-time low in 2023. Prices are expected to remain low in 2024, as supply of both solar modules and battery input metals is estimated to exceed demand.

Forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Although Scatec believes that these assumptions were reasonable when made, the Group cannot assure that the future results, level of activity or performances will meet these expectations.

## Scatec growth targets and outlook

In November 2023 Scatec gave a strategy update and announced that the growth rate for the strategy period to 2027 will be funded by internal capacity, targeting NOK 500-750 million of annual equity investments within renewable energy.

Scatec will further consider additional repayments of the corporate debt on top of existing amortisations of approximately NOK 280 million annually.

The revised business plan will be funded by:

- a strong and growing cash flow from operating assets
- enhanced capital recycling activities
- alternative ownership structures with reduced equity
- stakes
- changed dividend policy to no dividend

Scatec continues to utilise the integrated business model and stay committed to delivering attractive returns of 1.2 times cost of equity, D&C gross margins of 8-10% and O&M margins of 25-30%.

For the full year 2024 Scatec is estimated to generate proportionate power production EBITDA of NOK 3,400-3,700 million based on an estimated power production of 4,200-4,600 GWh.

## Share capital and the Scatec share

Scatec ASA is listed on the Oslo Stock Exchange under the ticker "SCATC". The share capital of Scatec was NOK 3,972,932 divided on 158,917,275 shares at year end 2023, 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 2023, the number of shareholders were 14,846. Refer to Note 27 - Share capital, shareholder information and dividend for further information. During 2023 Scatec's share price increased by 3.2 per cent.

Scatec aims at informing all interested parties about important events and the Company's developments through annual reports and quarterly financial presentations, stock exchange notices and other Company updates. Further information can be found in the investor section of Scatec's website at www.scatec.com/investor.

## Dividend policy

In the third quarter 2023, the Board of Directors changed the dividend policy to no dividend, due to the macro-economic and capital market situation. The dividend policy will be assessed annually by the board based on Scatec's capital situation.

## 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 Group and Scatec ASA 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 IFRS® Accounting Standards as adopted by the EU with Norwegian Kroner (NOK) as reporting currency. The notations Scatec, Scatec Group, the Company and the Group are used interchangeably throughout the document. Figures in parentheses are for the corresponding period of the previous year.

### Segment and proportionate financials

Scatec reports on four operating business segments: Power Production (PP), Services, Development & Construction (D&C) and Corporate.

To improve earnings visibility and reporting transparency on underlying value creation across Scatec's business activities, the Company is reporting on proportionate financials in addition to consolidated financials. With proportionate financials Scatec reports its share of revenues, expenses, profits and cash flows from its subsidiaries based on Scatec'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 3 Operating Segments for further descriptions of the proportionate financials as well as reconciliation to the consolidated financial statements.

## Subsequent events

No adjusting events have occurred after the balance sheet date.

### Non-adjusting events

#### Long term incentive programme

In line with the terms adopted by the Annual General Meeting of Scatec ASA in 2023, the Board of Directors continue the share-based incentive programme for leading employees of the company, following the same principles as previous years. On January 3, 2024, a total of 1,515,885 share options were granted to leading employees. Each share option gives the right to subscribe for and be allotted one share in Scatec ASA. The strike price of the options is set to NOK 79.47 per share based on the volume weighted average share price over the ten last trading days preceding the grant date of 3 January 2024. The options will lapse if not exercised by 1 January 2028. The option grant is divided into three tranches whereby 1/3 vests each year over three years, with the first tranche vesting 1 January 2025. The current grant is the second of three contemplated annual grants of share options in accordance with Scatec's share-based incentive programme.

#### Refinancing of USD 150 million green term loan

On January 25, 2024, Scatec ASA agreed refinancing terms with DNB, Nordea and Swedbank for its USD 150 million green term loan, with USD 135 million outstanding at the end of the fourth quarter 2023. The new green term loan will be amortised through semi-annual repayments of USD 7.5 million with final maturity in the fourth quarter 2027.

#### Placement of NOK 1,750 million senior unsecured green bonds and buy-back of bonds

On January 31, 2024, Scatec ASA announced the issuance of a NOK 1,750 million 4-year senior unsecured bond with a coupon of 3 months NIBOR + 4.25% p.a. with quarterly interest payments. DNB Markets, Nordea and SpareBank 1 Markets acted as Joint Lead Managers in connection with the placement of the new bond issue. An application was made for the bonds to be listed on Oslo Stock Exchange.
On February 1, 2024, Scatec ASA announced buy-back of EUR 136 million of outstanding bonds with ticker "SCATC03 ESG" (ISIN NO0010931181) which will be cancelled subsequently. Following the transaction, the total nominal outstanding amount is EUR 114 million. The remaining proceeds from the NOK 1,750 million bond issue after the buy-back will be applied towards eligible activities as set out in the Green Financing Framework, including additional repayment of corporate debt.

#### PPA amendments in Honduras

Reference is made to previous communication around changes to the PPA in Honduras. In May 2022, a new Energy law came into force as introduced by the new Government of Honduras. Per January 31, 2024, a PPA amendment agreement was signed between Scatec's operating entities in Honduras and the off taker ENEE. The key changes to the PPA include a lower tariff, extension of the PPA with five more years and a compensation amount to be paid by the off taker to Scatec's operating entities. In total, the amendments to the PPA in combination with the compensation amount are not expected to have a material adverse effect of the financials of the projects.

#### Devaluation of the Egyptian pound

On March 6, 2024, the central bank in Egypt announced a full free floating of the local currency, Egyptian Pound (EGP), and the local currency devaluated against USD. Scatec's Benban plants in Egypt are operating under a 25-year Power Purchase Agreement with the Egyptian Electricity Transmission Company, S.A.E, which started operations in 2019. The tariff in the Power Purchase Agreement is denominated in USD but paid in EGP. 30% of the production volume is invoiced in EGP at a fixed rate to USD of 8.88, while 70% of the revenues are invoiced at the official EGP/USD spot rate for the relevant period. Due to devaluations of the EGP since the operations commenced, the fixed-rate part of the revenues constituted approximately NOK 30 million in 2023 representing 10% of Scatec's total proportionate power production revenues in Egypt. This part of the revenues is exposed to further devaluation of the EGP. The non-recourse debt is dominated in USD and not impacted by the devaluation, while Scatec's cash balances in EGP is negatively impacted by a devaluation. The change of the central bank's strategy in Egypt is expected to ease the convertibility of EGP to USD. Please refer to Note 15 Cash and cash equivalent for information on cash balances in Egypt at year-end 2023.

Oslo, 19 March 2024

The Board of Directors Scatec ASA

John Andersen Jr. (Chairman)

Espen Gundersen

Maria Moræus Hanssen

Jørgen Kildahl

Mette Krogsrud

Gisele Marchand

Morten Henriksen

Terje Pilskog (CEO)