



Aker ASA Q1 2024:

Letter from the
President and CEO



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Dear fellow shareholders,

The first quarter of 2024 saw strong performance in financial markets with several equity indices reaching all-time highs. This was to a large degree driven by growing optimism for a soft economic landing and easing interest rates, along with the ongoing positive momentum related to AI and the major tech companies. Despite continued geopolitical uncertainty, Aker closed the first quarter of 2024 with high activity across the portfolio and continued momentum for growth.

By the numbers, Aker's Net Asset Value stood at NOK 60.4 billion at the end of the first quarter, compared to NOK 63.2 billion the previous quarter. The share price closed at NOK 623.50, down 6.4% during the quarter, compared to the 1.6% increase in the Oslo Stock Exchange Benchmark Index (OSEBX) and the Brent oil price increasing 12.7%.

The year started with some notable developments in the global economy. In the US, the S&P 500 index increased more than 10% during the first quarter, marking the first time in over a decade that the index has seen consecutive quarters with double-digit increases. This was largely driven by the major tech companies, the so-called 'magnificent seven,' which represent 30% of the index, and the ongoing momentum related to Artificial Intelligence (AI). The Nikkei Index in Japan saw its strongest performance since Q2 2009 and surpassed its previous record high from 1989. But even as risk assets did well, bond markets saw weaker performance, as more persistent inflation and the strength of the economy led investors to price in fewer rate cuts. Furthermore, geopolitical uncertainty remains, especially related to the continued devastating wars in Ukraine and the Middle East, where further escalation could cause renewed disturbances for the global economy.

Moving on to Aker's investment universe. Aker invests along attractive long-term global megatrends, with the potential for secular growth, good profitability, and cash flow generation. One of these megatrends is *Energy security, efficiency, and transition*. Global energy demand is growing and, as we all know, electricity is central to the functioning of modern societies and economies. Policy, technology, and consumer preferences are all important drivers for further acceleration in demand moving forward. As societies, economies and industry is becoming more digital and more electrified, the demand for electricity is increasing at accelerating pace. As a result, electric utilities have significantly increased their forecasts of how much additional power they will need to supply over the next few years as they confront an explosion in the number of data centers being built, a

significantly increased demand for electrification of industry, and millions of electric vehicles (EVs) being plugged in. In Norway, the electrification of the oil and gas infrastructure on the Norwegian continental shelf is also a driver of increased demand for electricity. Somewhat ironically, also the renewables industry itself, and the production of EVs and batteries, with heavy manufacturing involved, are driving further demand for more electricity in its fight for climate change.

Hence, the growth in demand for electricity, which is an energy carrier and not an energy source, could be as much as four times faster than overall energy demand moving forward. And the large users of energy, like data centers, the transition to EV's and heavy industry sectors, are not only demanding more electricity, but most often compete for the same sources of electricity. Thus, ensuring both secure and affordable access to electricity, while at the same time reducing global emissions, is the core challenge of the energy transition, often referred to as *the energy trilemma*.

Aker has experienced this challenge first-hand. Over the last 1.5 years we have witnessed a negative sentiment for listed renewables companies, including Aker Horizons, and at the same time the need for more and cleaner energy production has probably never been greater. The paradox is that this has developed a significant gap between the *market values* of renewables companies versus the *market opportunities* for the same companies. In fact, given the shifts and developments discussed above, many developers are now saying that there have never been more attractive market opportunities for investments in renewable solutions than what they see today. As we have learned from history, these types of market imbalances can give rise to counter-cyclical opportunities. There are several companies in Aker's portfolio that could benefit from it, including Aker Horizons and Aker Solutions. And this is exactly the investment challenge and opportunity that Industry Capital Partners (ICP) was established to tackle, by bringing capital and industry closer together and providing a platform for investing globally in both infrastructure and in quality companies that are positioned to benefit from the transition toward a low-carbon world.

Excitingly, last week ICP announced the appointment of Christian Rynning-Tønnesen as new Senior Partner and CEO of *ICP Infrastructure*. Christian most recently held the role as CEO of Statkraft over the last 14 years, Europe's largest producer of renewable energy and a leading player in global energy markets. He brings unique knowledge, experience, network, and track-

record that ICP will benefit greatly from moving forward. Having had the privilege of knowing and collaborating with Christian for many years during his tenure as CEO of Statkraft, I can attest to the remarkable achievements attained under his leadership, across strategic, value-creating transactions, operational excellence, and international expansion. I am very pleased that Christian has agreed to take the helm of ICP Infrastructure and I look forward to what he and the team will achieve moving forward.

Now, taking a closer look at data centers, which are relevant to Aker in several dimensions, not least through the boom of generative Artificial Intelligence (AI) which is a core focus area and capability for Cognite in its quest to democratizing data. Data centers are expected to be a main driver in the increased demand for electricity moving forward and, hence, a key enabler of future investments in new renewable energy production and infrastructure. We are also increasingly seeing that owners of data centers are willing to sign power purchase agreements (PPAs) for up to 15-20 or more years, at good price levels. This can trigger business opportunities for developers, suppliers, and investors, like Aker Horizons, Aker Solutions and ICP.

Over the last year, an extraordinary acceleration in the growth of AI and LLMs (Large Language Models) have captured the technological zeitgeist, transforming the way we will live, work, and interact with technology in the future. Data centers, the digital nerve centers of our modern and increasingly AI-powered economy, play a pivotal role in delivering cloud computing services, managing vast amounts of data, and supporting our digital lifestyles. However, their insatiable appetite for power poses challenges and will add to the growing question of how to power the data revolution, and how to do it in a sustainable way.

For data centers, generative AI is a main catalyst for this development and will create exponential growth in energy demand moving forward. With technology advances and demand for digital services and AI continuing their rapid growth, power usage is becoming an increasingly critical issue:

- Since 2010, the number of internet users worldwide has more than doubled, while global internet traffic has expanded 25-fold.
- The rapid growth in AI and heavy workloads handled by large data centers has resulted in a substantial increase in energy use over the past several years, growing by 20-40% annually.
- French multinational Schneider Electric¹ predicts AI processing will go from accounting for 8% of data center's

power use in 2023 to accounting for 20% of data center's power use by 2028.

- The IEA predicts that electricity usage by data centers globally will increase by as much as 80% from 2022 to 2026, in its base case scenario.

The AI revolution will only add to this; according to the energy research consultancy, Thunder Said Energy, the average energy use of a Chat GPT query today is 10 times higher than that of a Google search². The rapid development means that a new data center in 2025 is estimated to require around five times more electricity than in 2017 according to Coresite, a leading global provider of data center services and hybrid IT. Hence, Thunder Said Energy predicts that the vast power demands of AI will contribute to the largest growth of new power generation capacity in history, and that power demand from data centers will increase by 1,000 TWh globally already by 2030. By comparison, the annual energy consumption in Germany is around 500-600 TWh.

Due to the number one requirement of a data center, which is stable uptime all the time, they cannot rely solely on intermittent energy sources like solar or wind. And that would be expensive too; if a data center were to be run exclusively on solar or wind power and batteries, it would be significantly more expensive than running it on power from a natural gas power plant; a so-called Combined Cycle Gas Turbine (CCGT), since the battery would need to be extremely large and could potentially cost US 35-65 c/Kwh. So where will all the new electricity come from? As much as 40% of the increased energy demand from data centers globally towards 2030 is expected to take place in the US, where 80% of this incremental power most likely will come from natural gas. Hence, the annual sales of CCGT generators in the US is predicted to increase by 2.5 times compared to today. And the same goes for diesel back-up generators, which are a necessity. The larger the data center, the more back-up generators are needed.

Data centers already represent a large share of electricity demand globally, with more than half the OPEX of a data center being power consumption. To look at some examples, data centers today consume 4% of total electricity demand in the EU and 5% in the US. In Denmark and Ireland, data centers already represent 11% and 17% share, respectively, of these nations' total electricity consumption, and they are on track to further increase this towards 20% and 26%, respectively, by 2026. In Norway, a new 240MW data center was recently approved and is already seeking to increase to 840MW, which means this data center would consume more than 7TWh of electricity, equivalent to

5.5% of Norway's total annual energy consumption. It could thus represent Norway's largest single consumer of electricity, illustrating the large growth in incremental energy demand we might see moving forward. At the same time, the challenges that rising electricity consumption pose has driven several countries to introduce new data center restrictions in recent years, and we expect discussions around this to continue going forward, perhaps mostly where increased risk of power shortages is a key topic.

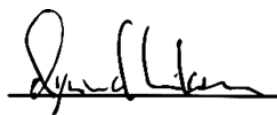
Furthermore, the vast energy consumption of data centers will probably also impact emissions, as their main source of electricity will likely not be renewable energy. Today, very few countries – likely only Norway and Brazil – offer renewable energy grids where hydro power is the main energy source. Data centers are already responsible for around 2% of global CO₂-emissions (and rising, according to the IEA), which means it is already at the same levels as the global airline industry³. This should come as no surprise as the main source of the large electricity demand from data centers globally comes from the grids and given that the global electricity mix today consists of 61% coal and natural gas. Needing power all the time to maintain their vital uptime, not only when the wind blows or when the sun shines, data centers will also in the future need either a stable grid connection or a standalone power source like the mentioned CCGT natural gas power plants (which could potentially be combined with solar and/or wind power). Being connected to the grid, in turn, also means getting in conflict with impacting other businesses' power needs and the price to the general population. It is, therefore, expected that a growing number of data centers will need to build their own power supply, resulting in increased demand for natural gas.

Moving from the big picture to a snapshot of the Aker universe, a key highlight during the quarter was the deepening of our strong collaboration with SLB through the formation of a joint venture between SLB and Aker Carbon Capture (ACC). The transaction marks another important step to Aker and SLB's existing partnerships, within subsea with Aker Solutions and within digitalization with Cognite. Together, the companies create a diversified, global carbon capture player, better positioned to accelerate international expansion and growth, and which will help bring carbon capture solutions to market more quickly and more economically. SLB will pay ACC NOK 4.12 billion in cash and SLB and ACC will own 80% and 20%, respectively, of the combined company. In addition, ACC will retain NOK 0.4 billion in cash and is entitled to performance-based payments of up to NOK 1.36 billion, subject to reaching certain milestones.

The refinancing of Solstad was completed during the quarter, and Solstad is now reported as part of Aker's Industrial Holdings segment. The NOK 750 million share issue, fully underwritten by Aker, is planned to be completed during June. Following the share issue, the intention is to list Solstad Maritime as soon as possible, and at latest within the following 12 months. With one of the industry's most modern fleets of high-end vessels, a healthy balance sheet, and backed by the Aker group's substantial industrial competence, Solstad Maritime is uniquely positioned for growth. With the strong offshore market as a backdrop, the company's clear ambition is to initiate quarterly dividend payments to shareholders during the second half of 2024.

Overall, Aker's commitment to long-term industrial development and shareholder value creation remains firm. Moving forward our approach will be more focused, concentrated on fewer and larger portfolio companies, prioritizing investments that provide running returns and contribute to increased and diversified upstream cash. The aim is both to increase our ability to seize value-adding investment opportunities and to ensure continued predictable dividends to shareholders in the years to come.

All the best,



Øyvind Eriksen,
President & CEO

¹ Schneider Electric, "The AI Disruption: Challenges and Guidance for Data Center Design, 06 Dec 2023, version 2.1

² Thunder Said Energy, "Energy and AI: the power and the glory?", 08 April 2024

³ Harvard Business Review, 20 July 2023