

Otovo | Q4 2022 report



CEO Message

New markets launched – European platform established

Dear Shareholder,

Last February we announced the ambitious goal of launching 6 new countries in 2022. By December we had achieved that, becoming our industry's first pan-European player. We cover 13 markets that combined have installation markets doing 1.5 million solar PV projects per year. Our addressable market more than doubled this year.

European homeowners have gone through a lot in 2022. Just coming out of the uncertain times of covid, the current energy crisis, rising interest rates, and inflation levels not seen in decades, have put pressure on people's finances. This has prompted many to look for ways to shield themselves from shocks, and we increasingly meet enthusiastic customers who want to go solar.

Otovo is now a solar and battery marketplace of continental scale.

In the last two quarters, 35% of our sales have been Subscriptions. When these are installed, the 20-year contracts are transferred to our rapidly growing portfolio. The value of these contracts passed NOK 300m this quarter, and we expect it to pass 500m in the first half of 2023. This portfolio is now at a scale where we can monetize it. As our marketplace originates assets at an accelerating pace we will launch



a process to explore monetization. We have proven that we are able to generate and finance high quality assets at scale. The next step is to validate the monetization potential of the portfolio

High conviction in staying on the course charted in 2022

We stepped up installation pace in the last quarter now at an annual run-rate of nearly 9,000 systems. We are installing more, more regularly and predictably. This gives us more visibility on volumes. We are confident in reiterating our guidance of *at least doubling* revenues generated in the first half of 2023 compared to the same period last year.

With scale comes profitability

With the footprint in place we will push countries to profitability. All new markets are expected to be unit positive in Q1, and we have an ambition to bring six countries to profitability on EBITDA generated in first half.

Andreas E. Thorsheim,
Founder and CEO

Summary | Fourth quarter 2022 highlights

Quarterly highlights

- **Marketplace growing rapidly**, passing NOK 1 billion runrate on revenues generated:
 - 2,205 installations versus 1,209 same quarter last year, **up 1.8x**
 - 1,826 sales versus 2,066 same quarter last year, **down 12%**
 - **Pipeline wait times down 1 month**, units in pipeline are 4,655.
 - NOKm 205 Total Revenues (IFRS) versus NOKm 99 same quarter last year, **up 2.1x**
 - NOKm 282 Revenue Generated versus NOKm 109 same quarter last year, **up 2.6x**
 - NOKm 56 Gross Profit Generated versus NOKm 22 same quarter last year, **up 2.6x**
- **New markets launched**
 - Sales closed in Netherlands, Belgium and Switzerland, marking the end of Otovo's 6-country launch in 2022
- **Strong outlook**
 - Reiterating guiding on at least doubling revenues generated for 1H 23
 - Expecting six countries profitable in first half, 9-10 profitable by the end of the year, and remaining countries during 2024

+106% Revenue
Q4 21: 98
201 NOKm

+118% Gross Profit
Q4 21: 15
34 NOKm
IFRS

APM's
+159% Revenues Generated
Q4 21: 109
282 NOKm

+157% Gross Profit Generated
Q4 21: 22
56 NOKm

+220% Accumulated Contracted
Subscription Revenue
Q4 21: 94
305 NOKm



Fourth quarter 2022 | Key metrics and Financial summary

Financial summary

(NOKm)	Q4 2022	Q4 2021	Change	FY 2022	FY 2021*	Change
Revenue	200.8	97.5	106%	637.5	285.3	123%
Gross profit	33.5	15.4	118%	114.3	44.9	155%
Operating profit/(loss)	-93.0	-62.4		-317.5	-175.3	
Profit/(loss) after tax	-96.0	-37.3		-311.3	-153.8	

Financial summary - Comments

- Revenues were up 106% (153% pre elimination of sales to Subscription SPV) compared with Q4 2021. The increase is explained by increasing demand for the Group's products, raised mark-ups, inclusion of batteries in the Otovo product offering and increasing contribution from markets which were still new in Q4 2021
- Gross profit up NOK 18.1m YoY or 118% (NOK 20.3m pre elimination of gross profit on sales to Subscription SPV) due to increasing volumes and raised margins in the Group's established markets
- Operating loss increased from NOK 62.4m to NOK 93.0m YoY, mainly due to expansion in current markets and entry into new markets, combined with the effects of consolidating EDEA (Subscription SPV) leading to reduction in reported gross profit and increase in depreciation and amortization
- Compared with Q3 2022 the revenues increased with 15% while gross profit remained flat due to high growth in new markets with low entry margins. The operating loss expanded from NOK 82.6m in Q3 2022 to NOK 93.0m in Q4 22, primarily due to increases in expenses related to the expansion into new markets, strengthening of our group functions and severance cost, partly netted by lower expenses relating to share based payments programs, insurance and Italian tax credits

Alternative Performance Measures

(NOKm)	Q4 2022	Q4 2021*	Change	FY 2022	FY 2021*	Change
Revenue Generated	282.0	108.9	159%	846.4	310.5	173%
Gross Profit Generated	55.8	21.7	157%	176.7	63.5	178%
Gross Margin Generated %	20%	20%	-0%p	21%	20%	+0%p
EBITDA Generated	-57.3	-49.0		-202.3	-159.5	

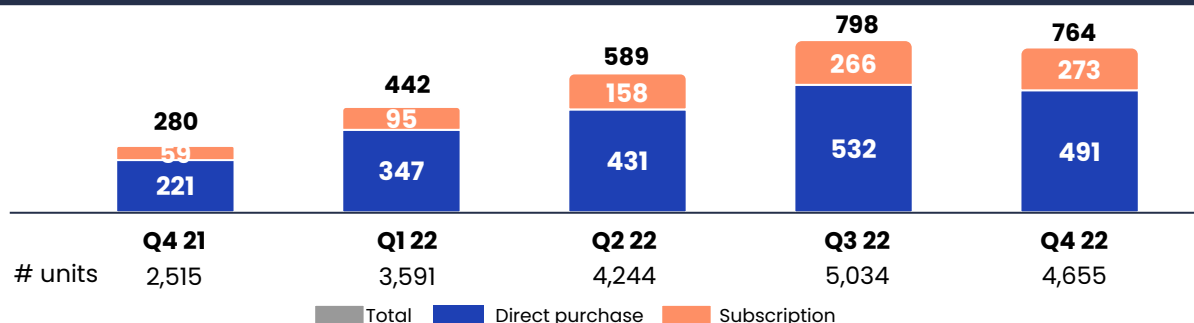
*Proforma numbers, consolidating EDEA with effect from 01.01.2021.

Key performance figures

(Units)	Q4 2022	Q4 2021	Change	FY 2022	FY 2021*	Change
Unit sales	1,826	2,066	-12%	9,505	5,534	72%
Completed projects/installations	2,205	1,209	82%	7,379	3,822	93%
Project pipeline	4,655	2,515	85%	4,655	2,515	85%

Fourth quarter 2022 | APMs and Financial summary

Pipeline - Value (NOKm) and Units (#)



Alternative Performance Measures

Reported financials do not reflect underlying value creation in the Subscription portfolio, this has led to the introduction of Alternative Performance Measures (APM). Please refer to Alternative Performance Measures section of the report for further details.

	Direct purchase (~65% of customers today)	Subscription (~35% of customers today)	Otovo Group
Revenue	Revenue Booked revenue, value of upfront payment from customer	Contracted Subscription Revenue Present value of all subscription payments over 20 years, discounted at 5%	Revenue generated Revenue + Contracted subscription revenue
Profit	Gross profit Revenue - Upfront COGS, value of payment to installers (inc. HW)	Gross Subscription Profit Contracted subscription revenue - Upfront COGS, value of payment to installers (inc. HW) - Present value of O&M cost (inverter replacement in Y 10 & customer service)	Gross Profit generated Gross Profit + (Gross subscription profit)
Assets		Accumulated Contracted Subscription Revenue Present value of the remaining cash flows from subscription contracts, discounted at 5%	Accumulated Contracted Subscription Revenue Present value of the all remaining cash flows from subscription and service contracts, discounted at 5%

Key Alternative Performance Measures

(NOK 000')	Q4 2022	Q4 2021*	FY 2022	FY 2021*
Revenue according to the Income Statement	200,758	82,975	637,501	227,458
Contracted subscription revenue (calculated)	81,260	25,983	208,940	83,075
Revenue Generated	282,018	108,958	846,441	310,533
Cost of goods sold according to the Income Statement	167,233	70,272	523,152	193,625
Investment in subscription assets	53,178	15,131	131,527	49,988
Subscription O&M cost (calculated)	5,855	1,886	15,065	3,418
Gross Profit Generated	55,754	21,669	176,700	63,503
Gross Margin Generated %	19.8%	19.9%	20.9%	20.4%
Operating profit/(loss)	-93,028	-64,429	-317,535	-188,247
Add back depreciation and amortisation	17,836	7,853	64,333	21,210
Add contracted subscription profit (calculated)	22,228	8,951	62,348	8,951
Subtract subscription revenue in the quarter	-4,310	-1,371	-11,420	-1,371
EBITDA Generated	-57,274	-48,997	-202,274	-159,458

*Proforma numbers, consolidating EDEA with effect from 01.01.2021.

Financial review | A solar and battery marketplace of continental scale

Otovo wraps up 2022 with another quarter of growth in key metrics such as installations, ticket sizes, subscription shares and battery attachment rates. Focus during the quarter has been on completing the launch of the 6 new markets as well as on increasing throughput speed in order to stabilize the pipeline and reduce waiting times for customers.

The result after tax was a loss of NOK 96.0m in Q4 22 compared with a loss of NOK 37.3m in Q4 21 and NOK 79.0m in Q3 22. The increase in loss compared with Q4 21 is primarily explained by expansion of the business, changes in timing of revenue recognition for transactions relating to subscription customers after the EDEA (Subscription SPV) acquisition in the end of Q4 21, as well as an increase in depreciations stemming from the excess values from this acquisition. Change from Q3 22 is explained by increases in payroll, primarily due to launch and growth in the 6 market launches done in 2022, and interest expenses on the EDEA financing.

We see that residential solar in general and especially our subscription segment is resistant to the turmoil that European homeowners have gone through in 2022. The energy crisis caused by the war in Ukraine, and high inflation have put pressure on people's finances and they see an increasing risk of continued high and volatile prices for the time to come. This has prompted many to look for ways to shield themselves, and we increasingly meet enthusiastic customers who want to go solar, contributing to the growth reported for the quarter.

Income statement

Revenues were up 106% (153% pre elimination of sales to Subscription SPV) compared with Q4 2021, from NOK 97.5m to NOK 200.8m (NOK 256.9m pre elimination of sales to Subscription SPV), reflecting a significant growth across all of Otovo's markets. The growth is explained by including batteries in the Otovo product offering, increasing mark-ups and in general increasing demand for the Group's products, combined with successful launches in new markets. Compared with Q3 22 revenues grew from NOK 174.5m to NOK 200.8m (15%).

Gross profit expanded with NOK 18.1m YoY (NOK 20.3m pre elimination of gross profit on sales to Subscription SPV that are eliminated), while it is reduced with NOK 0.7m compared with Q3 22, primarily due to growth in new markets operating at low entry margins. The gross margin is up from 15.8% in Q4 21 to 16.7% in Q4 22.

Payroll and related costs increased from NOK 37.0m in Q4 21 to NOK 70.7m in Q4 22. The increase in payroll and related costs is explained by new hires, and scaling the organisation for growth, both in corporate functions and new markets. Compared with Q3 22 the expenses are up NOK 11.0m, from NOK 59.7m. The increase is explained by growth in the 6 markets launched in 2022, severance packages resulting from restructuring of some of the functions in the Group and strengthening of other functions, partially netted by a reduction in expenses relating to share based payments programs.

Expenses for share based payments were NOK 5.0m in the quarter, compared with NOK 6.0m for Q4 21, and NOK 8.7m in Q3 22.

Other operating expenses are up from NOK 33.2m in Q4 21 to NOK 42.2m in Q4 22, mainly due to higher activity and entry into new markets. Compared with Q3 22 the operating expenses are down NOK 3.3m from NOK 45.5m, primarily due to a correction of insurance expenses in Q4, and a non recurring negative revaluation of Italian tax credit receivables in Q3 2022, partially netted by increased operating expenses related to the 6 new markets launched during 2022.

Net financial items changed from a gain of NOK 24.6m in Q4 21 to a loss of NOK 4.9m in Q4 22, mainly due to a gain on the EDEA acquisition in Q4 21. Compared with Q3 22 there is a change from a net gain of NOK 1.7m. The main driver for this is increased interest expenses relating to the external financing of EDEA, and correction of previous period errors of approximately NOK 2m.

Financial review | A solar and battery marketplace of continental scale

Balance sheet

Total non-current assets as of Q4 22 have increased to NOK 477m, from NOK 365m at year end 2021. The increase is mainly driven by an increase in property, plant and equipment due to capitalization of solar energy systems in the subscription business and investments in Otovo Cloud, netted by amortizations, primarily relating to intangible assets from the acquisition of EDEA. Otovo's investment in its Brazilian associated company, Holu, is held for sale and has been reclassified to current assets during Q4 2022.

Total current assets have increased from NOK 297m at year end 2021 to NOK 456m at the end of Q4 22. The increase is mainly driven by an increase in other receivables and prepayments, due to a growing value of Italian tax credit receivables, as well as higher activity with more installations completed, and projects completed not yet invoiced. The current assets is also impacted by a capital increase of NOK 300m in Q1 22, partially netted by the negative cash flows from operations, and inflow due to new non-current liabilities of NOK 126m to finance the subscription assets.

Non-current liabilities have increased from NOK 30m at year end 2021 to NOK 140m at the end of Q4 22. The increase is primarily explained by draws on the credit facility with Nordea.

Current liabilities have increased to 264m per Q4 22 from 111m at year end 2021. The increase is mainly driven by higher activity, and increases in liabilities to installers for work and hardware and to customers prepaying for their installation. Also employee related liabilities have increased as a result of an increasing workforce

Cash flow

Net cash flow from operating activities was -NOK 78m in Q4 22. The main driver continues to be negative operating profits as a result of start-up expenses in new markets and scaling the organisation for growth. Italian tax credit receivables are continuing to grow, despite disposals in Q4, but are partly netted by prepayments from customers and other measures taken to improve working capital.

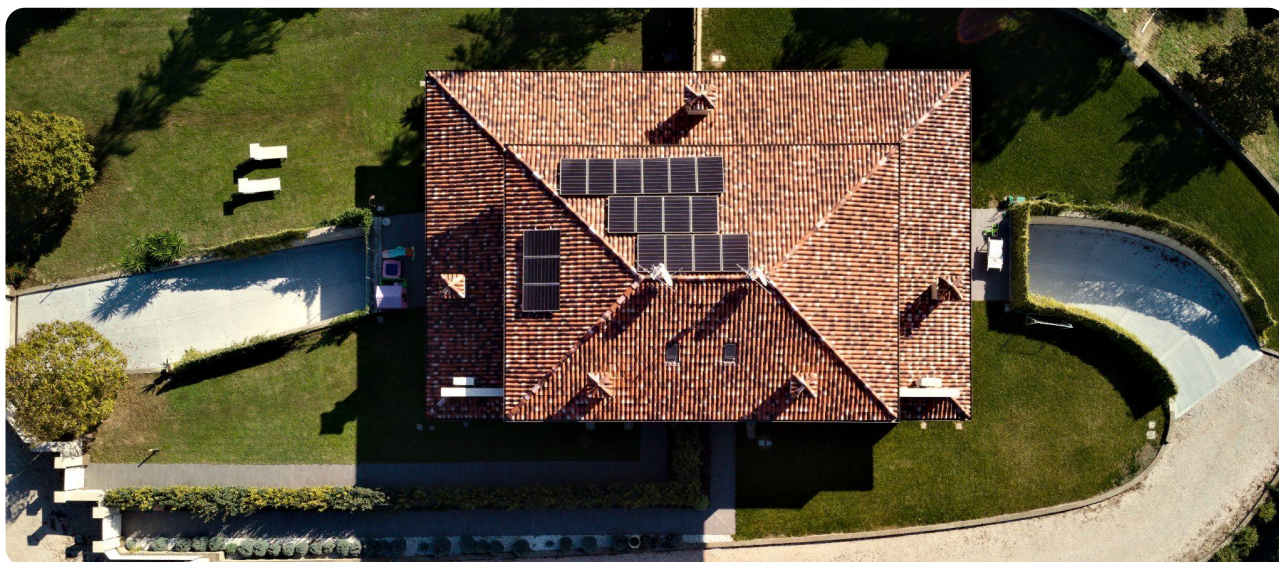
Cash flow from investing activities in Q4 22 was -NOK 67m mainly driven by investments in assets used in the subscription business, in Otovo Cloud and in the associated company Holu.

Cash flow from financing activities ended at NOK 50m in Q4 22, as a result of an inflow from draws on the credit facility held with Nordea, used to finance the investment in subscription assets for the quarter.

Disclaimer

This report contains forward-looking statements that reflect management's current view with respect to future events. All such statements are subject to inherent risks and uncertainties, and many factors can lead to developments deviating from what has been expressed or implied in such statements.

Board of Directors, Otovo ASA , 24 January 2023



Consolidated income statement

Consolidated income statement

(NOK 000')	Notes	Unaudited	Unaudited	Unaudited	Audited
		Q4 2022	Q4 2021	FY 2022	FY 2021
Revenue	2	200,758	97,520	637,501	285,265
Other operating income	2	4,193	1,791	14,763	4,137
Total operating revenue		204,951	99,311	652,264	289,402
Cost of goods sold	2	167,233	82,125	523,152	240,362
Payroll and related costs	5	70,701	37,049	219,117	113,548
Depreciation, amortisation and impairment	2	17,836	9,301	64,333	21,649
Other operating expenses	2	42,209	33,241	163,197	89,137
Operating profit/(loss)		-93,028	-62,405	-317,535	-175,294
Financial Income		422	2,951	1,806	3,194
Financial Expense		3,388	246	4,080	1,000
Net exchange gain/(loss)		437	-1,267	10,625	-2,452
Gains/(losses) on disposal/acquisition of subsidiary		-	24,647	-	24,647
Share of profit/(loss) of equity accounted investees, net of tax	7	-2,391	-1,485	-9,864	-3,312
Net financial items		-4,920	24,599	-1,513	21,077
Profit/(loss) before tax		-97,948	-37,806	-319,048	-154,217
Income tax expense/(income)		-1,945	-457	-7,781	-457
Profit/(loss) after tax		-96,003	-37,349	-311,267	-153,760
Profit is attributable to:					
- Owners of Otovo AS		-96,003	-37,201	-309,499	-153,612
- Non-controlling interests		-	-148	-1,768	-148
Basic earnings per share (NOK)		-0.70	-0.34	-2.49	-1.64
Diluted earnings per share (NOK)		-0.70	-0.34	-2.49	-1.64

Consolidated statement of comprehensive income

(NOK 000')	Unaudited	Unaudited	Unaudited	Audited
	Q4 2022	Q4 2021	FY 2022	FY 2021
Profit/(loss) after tax for the period	-96,003	-37,349	-311,267	-153,760
Other comprehensive income which may be reclassified to profit and loss				
Foreign currency translation differences	-7,329	671	-6,130	-3,509
Total comprehensive income for the period	-103,332	-36,678	-317,397	-157,269
Total comprehensive income is attributable to:				
- Non-controlling interests	-	-145	-1,802	-151
- Owners of Otovo AS	-103,332	-36,533	-315,595	-157,118

Consolidated balance sheet

Consolidated statement of financial position

(NOK 000')	Notes	Unaudited	Audited
		2022 31 Dec	2021 31 Dec
ASSETS			
Intangible assets		102,803	124,409
Goodwill		158,181	153,637
Investments in associated companies	7	-	3,360
Property, plant and equipment		200,491	73,099
Right of use asset		13,109	8,524
Other assets		2,648	2,236
Total non-current assets		477,232	365,265
Trade receivables		44,054	22,170
Other receivables and prepayments	6	200,395	50,643
Non-current assets classified as held for sale	7	6,756	-
Inventory		10,761	-
Cash and cash equivalents		193,868	224,187
Total current assets		455,834	297,000
Total assets		933,067	662,267
EQUITY			
Share capital		1,362	571
Share premium reserve		1,156,329	824,236
Other paid-in equity		37,331	12,380
Foreign currency translation reserve		-2,724	3,406
Retained earnings		-663,793	-350,848
Non-controlling interests		-	31,303
Total equity		528,505	521,049
LIABILITIES			
Deferred tax liability		9,607	17,388
Non-current interest bearing liabilities	3	124,714	6,809
Lease liabilities non-current		5,943	6,165
Other non-current liabilities		-	29
Total non-current liabilities		140,265	30,391
Lease liabilities current		7,726	2,674
Trade payable		71,473	29,889
Other current liabilities	3	185,097	78,264
Total current liabilities		264,297	110,827
Total equity and liabilities		933,067	662,267



Consolidated statement of changes in equity

Consolidated statement of changes in equity

(NOK 000)	Attributable to the owners of Otovo ASA						Non controlling interest	Total equity
	Share capital	Share premium reserve	Other paid-in equity	Foreign currency translation reserve		Total		
Equity at 1 January 2022	571	824,236	12,380	3,406	-350,848	489,745	31,303	521,049
Net profit for the period	-	-	-	-	-309,499	-309,499	-1,768	-311,267
Other comprehensive income for the period, net of tax	-	-	-	-6,130	-	-6,130	-	-6,130
Total comprehensive income in the period	-	-	-	-6,130	-309,499	-315,629	-1,768	-317,397
Issuance of shares	94	300,103	-	-	-	300,197	-	300,197
Change in nominal value	673	-673	-	-	-	-	-	-
Transaction costs on equity issues	-	-10,000	-	-	-	-10,000	-	-10,000
Purchase of non-controlling interest	13	32,968	-	-	-3,446	29,535	-29,535	-
Share-based payments, exercised	11	9,694	-	-	-	9,705	-	9,705
Share-based payments accrual	-	-	24,950	-	-	24,950	-	24,950
Equity as of 31.12.2022	1,362	1,156,329	37,331	-2,724	-663,793	528,505	-	528,505

(NOK 000)	Attributable to the owners of Otovo ASA						Non controlling interest	Total equity
	Share capital	Share premium reserve	Other paid-in equity	Foreign currency translation reserve		Total		
Equity at 1 January 2021	443	355,102	2,130	6,915	-197,236	167,354	-	167,354
Net profit for the period	-	-	-	-	-153,612	-153,612	-148	-153,760
Other comprehensive income for the period, net of tax	-	-	-	-3,509	-	-3,509	-	-3,509
Total comprehensive income in the period	-	-	-	-3,509	-153,612	-157,121	-148	-157,269
Issuance of shares	107	463,524	-	-	-	463,631	31,451	495,082
Transaction costs on equity issues	-	-13,434	-	-	-	-13,434	-	-13,434
Share-based payments, exercised	21	19,044	-	-	-	19,065	-	19,065
Share-based payments accrual	-	-	10,249	-	-	10,249	-	10,249
Equity as of 31.12.2021	571	824,236	12,380	3,406	-350,848	489,745	31,303	521,049



Consolidated statement of cash flows

Consolidated statement of cash flows

		Unaudited	Unaudited	Unaudited	Audited
(NOK 000')	Notes	Q4 2022	Q4 2021	FY 2022	FY 2021
Cash flow from operating activities					
Profit/(loss) before tax		-97,948	-37,806	-319,048	-154,217
Depreciation, amortisation and impairment		17,836	9,301	64,333	21,649
Expensed share-based payments	5	7,277	2,346	24,950	10,248
Net interest income and interest expenses		2,598	181	2,775	692
Share of profit/(loss) of equity accounted investees		2,391	-23,162	9,864	-21,335
Currency (gains)/losses not related to operating activities		-1,316	-	-7,415	-
Changes in trade receivables		15,371	6,220	-21,884	-13,483
Changes in trade payables		3,846	7,098	41,584	10,995
Change in other assets and other liabilities		-25,643	-6,758	-59,461	10,167
Cash generated from operating activities		-75,588	-42,579	-264,302	-135,284
Received interest		407	62	1,017	305
Paid interest		-3,003	-285	-3,792	-1,039
Net cash flow from operating activities		-78,184	-42,802	-267,077	-136,018
Cash flow from investing activities					
Investment in other companies		-4,152	-3,758	-15,411	-5,478
Cash balance from EDEA acquisition		-	78,602	-	78,602
Investments in intangible assets		-8,481	-9,437	-29,870	-28,774
Investments in tangible assets		-53,902	-3,609	-133,620	-4,713
Net cash flow from investing activities		-66,535	61,798	-178,901	39,637
Cash flow from financing activities					
Proceeds from issuance of ordinary shares		-	1,000	299,902	255,634
Payment of lease liabilities		-2,389	-1,250	-5,722	-3,451
Inflow due to new non-current liabilities	3	53,253	-	125,629	-
Outflow due to downpayment of non-current liabilities		-647	-747	-3,159	-4,622
Net cash flow from financing activities		50,217	-997	416,650	247,561
Net cash flow during the period		-94,502	17,999	-29,328	151,180
Cash and cash equivalents at the beginning of the period		291,055	206,752	224,187	73,677
Exchange rate difference on cash and cash equivalents		-2,685	-564	-991	-671
Cash and cash equivalents at the end of the period		193,868	224,187	193,868	224,187

Notes to the interim consolidated financial statements

Note 1 – General information and basis for preparation

Otovo ASA (the Company or Parent) and its subsidiaries (together the Group) operates an online marketplace for solar installations. Otovo ASA is a public limited liability company, incorporated and domiciled in Norway. The Company's registered office is at Torggata 7, 0181 Oslo, Norway.

The interim condensed consolidated financial statements consist of the Group and the Group's interests in associated companies and joint arrangements. As a result of rounding differences, numbers or percentages may not add up to the total. These interim condensed consolidated financial statements for the year ended 31 December 2022, have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statement for 2021. The annual consolidated financial statements for 2021 are available at the company's website (<https://investor.otovo.com/>). The 2021 audited financial statements were approved by the Board of Directors on 22 March 2022.

The interim financial information for the quarters ended 31 December 2022 and 31 December 2021, and for the year ended 31 December 2022, are unaudited.

On 26 of April The general meeting approved the conversion of the Company to a public limited liability company (ASA). Furthermore, the general meeting approved the merger plan for the merger of Otovo (as the acquiring company) and European Distributed Energy Assets Holding AS (as the transferring company), and the corresponding share capital increase in connection with the merger. Completion of the merger was registered with the Norwegian Register of Business Enterprises 16 June 2022. After the merger Otovo ASA holds 100% of the shares in European Distributed Energy Assets Midco AS.

Notes to the interim consolidated financial statements

Note 2 – Segment reporting

For Management purposes the Group is organized into two business lines. "Direct purchase" and "Subscription". Starting from the EDEA acquisition 8 December 2021 The Executive Management monitors the operating results of these business lines separately for the purposes of making decisions about resource allocation and performance assessment.

The segment reporting is presented in the same manner as presented to the Executive Management.

Segment Reporting – Q4 2022

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	256,919	-	-56,161	200,758
Other operating revenue	804	4,310	-921	4,193
Total operating revenue	257,723	4,310	-57,082	204,951
Cost of goods sold	220,410	-	-53,178	167,232
Payroll and related costs	70,701	-	-	70,701
Depreciation, amortisation and impairment	7,019	2,561	8,256	17,836
Other operating expenses	41,245	1,940	-976	42,209
Operating profit/(loss)	-81,652	-191	-11,184	-93,027

Segment Reporting – Q4 2021

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	101,594	-	-4,074	97,520
Other operating revenue	1,368	423	-	1,791
Total operating revenue	102,962	423	-4,074	99,311
Cost of goods sold	85,403	-	-3,278	82,124
Payroll and related costs	36,851	200	-	37,052
Depreciation, amortisation and impairment	7,142	82	2,076	9,300
Other operating expenses	32,672	569	-	33,241
Operating profit/(loss)	-59,107	-428	-2,872	-62,406

Notes to the interim consolidated financial statements

Segment Reporting – FY 2022

<i>(NOK 000')</i>	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	789,449	-	-151,948	637,501
Other operating revenue	6,031	11,420	-2,688	14,763
Total operating revenue	795,480	11,420	-154,636	652,264
Cost of goods sold	654,678	-	-131,527	523,151
Payroll and related costs	218,552	565	-	219,117
Depreciation, amortisation and impairment	23,235	6,316	34,782	64,333
Other operating expenses	158,322	7,586	-2,711	163,197
Operating profit/(loss)	-259,307	-3,047	-55,180	-317,534

Segment Reporting – FY 2021

<i>(NOK 000')</i>	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	289,339	-	-4,074	285,265
Other operating revenue	3,714	423	-	4,137
Total operating revenue	293,053	423	-4,074	289,402
Cost of goods sold	243,640	-	-3,278	240,362
Payroll and related costs	113,348	200	-	113,548
Depreciation, amortisation and impairment	19,491	82	2,076	21,649
Other operating expenses	88,568	569	-	89,137
Operating profit/(loss)	-171,994	-428	-2,872	-175,294

Notes to the interim consolidated financial statements

Note 3 – Subscription SPV bank facility

Subscription SPV has an existing bank facility with Nordea to finance the subscription assets. The entity has drawn a euro amount equivalent to NOK 125m, out of a committed facility of NOK 150m. The first tranche of EUR ~2.5m was drawn in Q1 2022, the second and third tranche of EUR ~2.5m each were drawn in Q3 2022, and the fourth and fifth tranches of EUR ~2.5m each were drawn in Q4 2022.

The facility is priced based on a floating interest rate, with EURIBOR as the reference rate and a margin of 250 bps. The Subscription SPV was in compliance with financial covenants at 31 December 2022.

Note 4 – Contracted future payments

Subscription customers enter into a 20 year contract for PV systems, and 10 year contract for batteries, paying a monthly price that is adjusted for inflation annually. The existing subscription customers are contracted to pay the subscription SPV NOK 492m over the next 20 years, assuming 2% annual inflation for the remainder of the contract period, without accounting for churn. In order to terminate the contract a customer would have to either buyout the system or pay a fee, hence it has limited impact on the expected payments.

Contracted Customer Payments

(NOKm)	NPV	2023	2024-2025	2026-2030	2031-2042
Non-discounted contracted customer payments*		22.216	45.769	122.677	301.39
NPV @5%	305.387				

*) Assuming 2% annual inflation

Note 5 – Share based payments

Otovo has granted share options to management and key personnel. As of 31.12.2022 there are 4,970,007 outstanding options with a weighted average strike price of 22.75 kroner per share. Further, Otovo has two employee share purchase programmes. There are 269.571 performance shares and 1.148.191 retention shares outstanding under these programmes.

Expense in Q4 2022 for both share programmes was NOK 5.0m. Expense in Q4 2021 was NOK 6.0m.

Notes to the interim consolidated financial statements

Note 6 – Tax credits

The Italian government has implemented the Ecobonus program where consumers get support for energy requalification projects. Under this system, the consumer is issued a tax credit from the Italian state that can offset taxes and certain other public duties. As common in the Italian market, Otovo purchases such tax credit to effectively provide the consumer with a cash subsidy. Otovo can choose whether to sell the credits to a third party or offset towards taxes and public duties. The fair value of the tax credit is included in revenue at the transaction date. The tax credit asset is included in Other receivables and prepayments.

During Q4 22 Otovo signed agreements for disposal of tax credits with a net book value of NOK 17m , and received settlement for tax credits with a net book value of NOK 6m. As of 31 December 2022 the carrying amount of the tax credit assets was NOK 78.8m, compared with NOK 55.3M as of 30 September 2022. The increase is explained by tax credits on new invoices issued during the quarter, including tax credits on prepayment invoices for projects not yet reflected in the income statement, partially netted by tax credit receivables settled during the quarter.

Note 7 – Non-current assets classified as held for sale

On 21 December 2022, Otovo entered into an agreement with Gera Brazil Tecnologia Ltda. (Gera), for the sale of Otovo's stake in the Brazilian solar platform Holu. Holu was established as a joint venture with Gera in 2019 where Otovo owns 34%.

The transaction price of approximately NOK 22m is equal to the capital injected since 2019 plus an additional 5% premium. The transaction is pending certain conditions and has not been settled as of 31 December 2022. Completion and settlement of the consideration is expected in Q1 2023.

The investment has been reclassified from investments in associated companies to assets held for sale in accordance with IFRS 5.

Alternative Performance Measures

Otovo's financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the company presents alternative performance measures (APM). In management's view, the measures aim to provide relevant supplemental information of the company's financial position and performance. The APMs are regularly reviewed by management, are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described in the table below.

APM	Definition & Description
Contracted Subscription Revenue ("CSR")	<p>Net present value of contracted cash flows from subscription installations in the reporting period, adjusted with expected CPI increases (2% annually), and discounted at 5% annual discount rate. Contracted cash flows are the sum of monthly subscription fees over the subscription contract period.</p> <p>The Company uses CSR to provide an estimate of the future cash inflows relating to the solar energy system installed during the reporting period. Subscription customers enter into a 20 year contract for solar energy systems, and a 10 year contract for batteries, paying a monthly price that is adjusted for inflation (CPI) annually. In order to terminate the contract a customer would have to either buy out the system or pay a fee, hence any buyout will have limited impact on the expected payments. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that CSR is a measure relevant to investors who want to understand the generation of future cash flows stemming from solar energy systems and batteries installed in the subscription business during the reporting period.</p>
Subscription O&M costs ("S O&M")	<p>Net present value of operation and maintenance cost relating to the fulfilment of subscription contracts over their lifetime (1% of installation cost).</p> <p>The Company uses S O&M as it provides an estimate of the future cash outflows relating to the solar energy system installations belonging to the subscription business during the reporting period. Subscription customers enter into a 20 year contract for solar energy systems, and a 10 year contract for batteries. The replacement cost is mainly related to an expected inverter change in the middle of the contract period for solar energy system subscription assets. The Company believes that CSR is a measure relevant to investors who want to understand the generation of future cash flows stemming from solar energy systems and batteries installed in the subscription business during the reporting period.</p>
Gross Subscription Profit ("GSP")	<p>Contracted Subscription Revenue (CSR) less the cost of the subscription assets at the time of installation and less the Subscription O&M costs (S O&M).</p> <p>The Company uses GSP as it provides an estimate of the net contribution relating to the solar energy systems and batteries installed in the Subscription segment during the reporting period. The acquisition cost of the subscription asset is recognised as part of property, plant and equipment in the consolidated statement of financial position and amortised over 20 years for solar energy installations and 10 years for batteries. Hence, this acquisition cost is not reflected in the consolidated income statement in the reporting period the installation has been completed (only through regular depreciation), but is included for the purpose of calculating GSP. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that GSP is a measure relevant to investors who want to understand the generation of net cash flows stemming from solar energy systems and batteries installed in the Subscription segment during the reporting period.</p>
Revenue Generated	<p>Revenue (as reported in the Company's consolidated income statement in line with IFRS), plus Contracted Subscription Revenue (CSR).</p> <p>The Company uses Revenue Generated as it provides an estimate of the total estimated cash inflows relating to the solar energy system installations performed during the reporting period. In accordance with the Group accounting policy, revenue from customers in the Direct Purchase segment (as defined and further described in Section 6.5.4 "Purchasing models" and Section 7.8 "Reporting segment information and revenue") is recognised in the reporting period the installation is physically completed, while for customers in the subscription segment, the revenue is recognised over the contract period which is 20 years for solar energy systems and 10 years for batteries. Revenue Generated is disregarding the timing differences which are required for revenue recognition, as reported under IFRS, between the segments, and is also reflecting that a subscription customer is more valuable to the business than a direct purchase customer. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that Revenue Generated is a measure relevant to investors who want to understand the generation of cash flows stemming from solar energy systems and batteries installed during the reporting period, independent of purchase model.</p>

Alternative Performance Measures continued

APM	Definition & Description
Investment in Subscription Asset	Investment in tangible fixed assets in the Subscription segment, equalling the amount the Group has paid, or is to pay, for the hardware and the installation work. The amount can be found in the elimination of cost of goods sold ("COGS") in the note for segment reporting in the Company's consolidated quarterly and annual reports.
Gross Profit	<p>Revenue less COGS (both as reported in the Company's consolidated income statement).</p> <p>The Company uses Gross Profit as it provides an estimate of the total contribution from the solar energy systems and batteries installed in the reporting period for the customers in the Direct Purchase segment. The recurring subscription revenues are not included in this measure. Similar APMs are common in the industry in which the Company operates, however it may be calculated differently and may not be comparable.</p>
Gross Profit Generated	<p>Gross Profit, plus Gross Subscription Profit (GSP).</p> <p>The Company uses Gross Profit Generated as it provides an estimate of the total contribution from the solar energy systems and batteries installed in the reporting period. In accordance with the Group accounting policies, revenue and COGS in the Direct Purchase Segment is recognised in the reporting period the installation is physically completed, while for customers in the subscription segment, the revenue and amortisation of the subscription assets is recognised over the contract period which is 20 years for solar energy systems and 10 years for batteries. Gross Profit Generated is eliminating the timing differences in revenue and cost recognition, as reported under IFRS, between the segments, and is also reflecting that a Subscription customer is more valuable to the business than a Direct Purchase customer. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that Gross Profit Generated is a measure relevant to investors who want to understand the generation of net contribution stemming from solar energy systems and batteries installed during the reporting period.</p>
Gross Margin Generated (%)	Gross Profit Generated divided by Revenue Generated.
Accumulated Contracted Subscription Revenue ("ACSR")	<p>Net present value of all contracted cash flows in the portfolio over the remaining contract lifetime adjusted with expected CPI increases (2% annually), and discounted at 5% annual discount rate.</p> <p>From one reporting period to the next, the development in ACSR will typically be as follows:</p> <p>Opening balance ACSR + CSR for the period - Subscription revenues (IFRS) for the period - Buyout and defaults during the reporting period +/- Foreign exchange rate effect =Closing balance ACSR</p> <p>The Company uses ACSR as it provides an estimate of the accumulated future cash inflows relating to the solar energy systems and batteries held by the subscription business. Customers in the Subscription segment enter into a 20 year contract for solar energy systems and a 10 year contract for batteries, paying a monthly fee that is adjusted for inflation (CPI) annually. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that ACSR is a measure relevant to investors who want to understand the expected future cash flows stemming from solar energy systems and batteries held by the subscription business.</p>
EBITDA Generated	<p>Operating profit/(loss), net of depreciation and amortisation and net of subscription revenues (all as reported in the Company's consolidated income statement), plus Gross Subscription Profit.</p> <p>The Company uses EBITDA Generated as it provides an estimate of the EBITDA that would be derived if the Company had sold the subscription assets and related contracts for the solar energy systems and batteries installed during the reporting period. EBITDA Generated is eliminating the timing differences in revenue and cost recognition which otherwise are accounted for under IFRS. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that EBITDA Generated is a measure relevant to investors who want to understand the generation of earnings before investment in fixed and intangible assets and the Company's ability to service debt.</p>

Alternative Performance Measures continued

Contracted subscription revenue				
<i>(NOK 000')</i>	Q4 2022	Q4 2021*	FY 2022	FY 2021*
Cost of goods sold (COGS) to subscription segment	53,178	15,476	131,527	49,378
Batteries share of COGS to subscription segment	12%	0%	8%	0%
Solar Energy Systems (PV) share of COGS to subscription segment	88%	100%	92%	100%
COGS to subscription segment - PV	46,980	15,443	120,561	49,345
Lifetime of contracts - PV	20	20	20	20
Average yield (first year payment to COGS) - PV	10.58%	11.46%	10.96%	11.46%
First year subscription payment - PV	4,971	1,770	13,222	5,663
Nominal lifetime subscription payments, not inflation adjusted	99,416	35,392	264,445	113,250
Inflation adjustment	21,361	7,605	56,821	24,334
Reduction from discounting to present value	-47,879	-17,045	-127,357	-54,541
Contracted subscription revenue - PV	72,899	25,952	193,910	83,043
COGS elimination - Batteries	6,198	33	10,966	33
Lifetime of contracts - Batteries	10	10	10	10
Average yield (first year payment to COGS) - Batteries*	16.08%	11.46%	15.96%	11.46%
First year subscription payment - Batteries	997	4	1,792	4
Nominal lifetime subscription payments, not inflation adjusted	9,968	38	17,917	38
Inflation adjustment	947	4	1,702	4
Reduction from discounting to present value	-2,553	-10	-4,590	-10
Contracted subscription revenue - Batteries	8,361	32	15,029	32
Contracted subscription revenue - Total	81,260	25,983	208,939	83,075
Revenue, Gross Profit and EBITDA Generated				
<i>(NOK 000')</i>	Q4 2022	Q4 2021*	FY 2022	FY 2021*
Revenue according to the Income Statement	200,758	82,975	637,501	227,458
Contracted subscription revenue (calculated)	81,260	25,983	208,940	83,075
Revenue Generated	282,018	108,958	846,441	310,533
Cost of goods sold according to the Income Statement	167,233	70,272	523,152	193,625
Investment in subscription assets	53,178	15,131	131,527	49,988
Subscription O&M cost (calculated)	5,855	1,886	15,065	3,418
Gross Profit Generated	55,754	21,669	176,700	63,503
<i>Gross Margin Generated %</i>	<i>19.8%</i>	<i>19.9%</i>	<i>20.9%</i>	<i>20.4%</i>
Operating profit/(loss)	-93,028	-64,429	-317,535	-188,247
Add back depreciation and amortisation	17,836	7,853	64,333	21,210
Add contracted subscription profit (calculated)	22,228	8,951	62,348	8,951
Subtract subscription revenue in the quarter	-4,310	-1,371	-11,420	-1,371
EBITDA Generated	-57,274	-48,997	-202,274	-159,458

*Proforma numbers, consolidating EDEA with effect from 01.01.2021.

Other definitions (1/2)

Abandoned project

An abandoned project is a project that has been cancelled after the contract with the customer is signed

Cost per Wp

Otovo reports on the industry standard on cost per Watt-peak (Wp). The figure is calculated as the in hardware; non-hardware; or the sum of all project cost, divided by the size of the system measured in Watt-peak, for example a 10 panel system with 375Wp panels would have 3750Wp in the denominator of a cost per Watt-peak calculation.

Sold projects

Sold projects is the number of projects sold during the period less projects abandoned during the period

Installed project

A installed project is a project that has been physically completed and is capable of producing electricity

Otovo business model

Otovo business model means that Otovo bills the final customer (private homeowner or asset-owner) and gets invoiced by the installer company with the winning bid. The difference between the two invoices is Otovo's gross profit. Until Q4 2020 the French business unit was using a different model, where they only billed the installer a commission (typically 10% of the project value), and the installer billed the final customer. During Q1 2021 the French business unit has gradually transitioned to the Otovo direct sales model

Project pipeline

A project is included in the pipeline when the contract with customer has been signed and is excluded from the pipeline when the installation is completed or the project has been abandoned

Contracted Subscription Revenue (CSR)

Net present value of contracted cash flows created in the period from subscription customers over contract lifetime adjusted with expected CPI increases

Subscription O&M (S O&M)

Net present value of operation and maintenance cost relating to the fulfillment of subscription contracts over their lifetime (currently estimated at approx. 1% of COGS annually), including replacement of equipment.

Gross Subscription Profit (GSP)

Contracted subscription revenue less COGS and S O&M

Revenue generated

Revenue + Contracted Subscription revenue

Gross Profit generated

Gross profit + Gross Subscription Profit

EBITDA generated

Gross Profit Generated - total SG&A (Payroll & Related costs, Other Operating Expenses)

Other definitions (2/2)

Accumulated Contracted Subscription Revenue (ACSR)

The accumulated CSR in the portfolio

Subscription

Customer relationships with recurring revenue, such as leases, service agreements etc relating to distributed energy systems

Direct sale

Distributed energy systems paid for directly by the customer, including sales financed by the homeowner's loans

Annual Recurring Revenue (ARR)

Annual recurring revenue from leasing portfolio

Customers

Number of customers per segment

Project / Unit

A PV system and/or a battery

Churn

of subscription customers who exercised their purchase option in the period

Discount Rate

Rate used to discount future cash flows in order to calculate net present value. Currently 5%.