



Q2

2023 Report

CEO Message

Making Madrid a strategic tool for Otovo

Otovo is bringing its operations and marketing resources together in Madrid in order to harness the pan-European position built over the last few years, leveraging a flexible, cost-effective and highly skilled central team.

The rationale

Let's take a step back. Otovo started in 2016 in Norway, hardly the best place for solar: the energy is inexpensive, the labour quite the opposite, and the sun, well, let's just say California is sunnier... But having successfully developed a platform that saves time and waste in selling residential solar projects, even under these adverse conditions, we were confident we were on to a winning formula. It was time to expand Otovo to the rest of Europe.

Starting in 2018, Otovo embarked on international expansion. First to Sweden, then to France and Spain, later to Poland and Italy, before launching in Germany and six other countries on our way out of the pandemic. Today, we are present in 13 European markets.

This portfolio of positions not only mitigates our exposure to individual countries' political whims but it also enables us to arbitrage between varying customer acquisition costs, allowing us to grow where it is more cost-effective.



However, the ability to pick and choose in the marketing spending is only fully utilized if paired with an ability to move operational and human resources. Therefore, this spring, we decided to transfer our marketing and operations teams to Madrid.

The benefit

Having a pool of marketing and operations talent in Madrid benefits us in many ways. Firstly, Madrid serves as a thriving talent hub, being a European metropolis with excellent access to highly educated international talent. This enables us to swiftly (notice periods are some of the shortest in Europe) fill vacancies with native speakers of relevant European languages, subject matter experts and seasoned veterans in the solar industry. The Otovo hub in Madrid boasts a team comprising 16 nationalities and is only a few months into operation.

Secondly, Madrid serves as an affordable business hub. For the type of talent that Otovo employs there, the fully loaded cost of labour is EUR 37.000 per year, compared to EUR 87.000 median in Otovo's 13 markets, where cities like London, Zurich and Amsterdam represent new and costly additions.

Thirdly, centralizing our staff in one pool grants us the flexibility to allocate resources effectively in response to changes in the workload across different countries. Switzerland slowing down? No problem, the team works on Austrian leads and projects. Belgium experiencing a surge? No issue, let's leverage the Dutch and French members of the team.

The implementation

Since we made the decision to establish our shared services center in Madrid, we have achieved several significant milestones:

- reduced staff in Paris, Berlin and the local Spanish organization with ~50 FTEs
- reduced staffing needs in new markets, creating a ~50 FTEs replacement at year end
- opened, hired for and transitioned to a European Operations Center in Madrid, mimicking Sunnova's NOC in Houston
- established and filled a joint marketing studio, where all of the company's SEO, performance and content marketing teams are now based in a single location

Looking ahead, we expect about ¼ of Otovo employees to be based out of Madrid at the turn of the year.

The added emphasis on joint resources in Madrid fills me with great excitement, as it provides a structural advantage to the resource-heavy models commonly adopted by most of our competitors. Coupled with our capital light marketplace model, where local installers represent the physical infrastructure, we believe we possess an aggressive structural cost advantage that will benefit us greatly in competition to come.

Andreas E. Thorsheim,
Founder and CEO



Summary | Second quarter 2023 highlights

Quarterly highlights

- **Delivered a very strong quarter: Record installations, strong revenue and substantial margin improvement**
 - 3,214 installations versus 1,745 same quarter last year, up 84%
 - 2,215 unit sales versus 2,398 same quarter last year, down 8% - up 13% QoQ
 - IFRS Revenues up 2x versus last year, helped by higher ticket sizes
 - IFRS reported margins back above 20%
- **Opex and efficiency improving as business scales**
 - Created shared service hub in Madrid, reducing cost and improving flexibility
 - 50 FTEs cut in mature markets, and an additional ~50 avoided in new markets
- **Strong quarter for subscription portfolio**
 - Substantial capital deployed: NOK 133m Subscription SPV Capex versus NOK 31m same quarter last year, up 4.3x
 - Strong uptick in IRR, at 12.4% for projects installed this quarter v.s. 9.7% same quarter last year
- **Set up for high speeds and improved profitability into 2024 - 2H of 2023 expected to look similar on installations as 1H, with expected improvement in sales**

IFRS

+100%

Q2 22: 153

+124%

Q2 22: 29

Revenue

307 NOKm

Gross Profit

64 NOKm

APMs

+169%

Q2 22: 194

+217%

Q2 22: 42

+340%

Q2 22: 157

Revenue Generated

514 NOKm

Gross Profit Generated

124 NOKm

Accumulated Contracted Subscription Revenue

692 NOKm



Second quarter 2023 | Financial summary

Financial summary

(NOKm)	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	FY 2022
Revenue	307.4	153.0	101%	581.7	262.2	637.5
Gross profit	63.7	28.8	121%	114.1	46.6	114.3
Operating profit/(loss)	-98.9	-72.4		-196.9	-141.9	-317.5
Profit/(loss) after tax	-89.0	-56.6		-144.1	-136.3	-311.3

Financial summary - Comments

- Revenues were up 101% compared with Q2 2022. The increase is explained by increasing demand for the Group's products, raised mark-ups, and inclusion of batteries in the Otovo product offering, combined with a significant increase in revenues from the 6 new markets that Otovo entered during 2022
- Gross profit is up NOK 34.9m YoY or 121% due to increasing volumes combined with higher margins
- Operating loss increased from NOK 72.4m to NOK 98.9m YoY, mainly due to increases in operating losses in the 6 new markets entered during 2022
- Compared to Q1 2023 revenues increased with 12% while gross profit increased with NOK 13.3m, up 26%. The operating loss expanded from NOK 98.0m in Q1 2023 to NOK 98.9m in Q2 23, with payroll, depreciation, amortisation and impairment, and other operating expenses increasing in line with the increase in gross profit.
- The weakening Norwegian Krone is contributing to the increases in revenues and expenses compared to both Q2 2022 and Q1 2023

Otovo installation in Spain, 2023



Second quarter 2023 | APMs and Key performance figures

Alternative Performance Measures

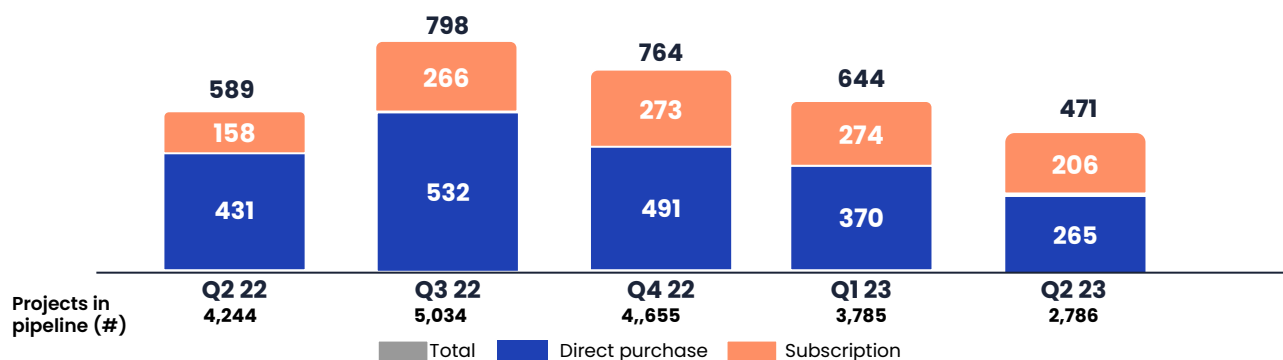
Reported financials do not reflect underlying value creation in the Subscription portfolio. This has led to the introduction of Alternative Performance Measures (APM), that blends the value creation from direct purchase projects with the value creation from subscription projects. Please refer to Alternative Performance Measures section of the report for further details.

(NOKm)	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	FY 2022
Revenue Generated	513.9	193.9	165%	921.6	329.2	846.4
Gross Profit Generated	124.2	42.0	196%	211.7	68.3	176.7
Gross Margin Generated %	24%	22%	+3%p	23%	21%	21%
EBITDA Generated	-25.6	-46.0		-73.5	-93.9	-202.3

Key performance figures

(Units)	Q2 2023	Q2 2022	Change	YTD 2023	YTD 2022	FY 2022
Unit sales	2,215	2,398	-8%	4,177	4,939	9,505
Completed projects/installations	3,214	1,745	84%	6,046	3,204	7,379
Project pipeline	2,786	4,244	-34%	6,571	7,835	4,655

Pipeline - Value (NOKm) and Units (#)



Financial review | Efficiency increasing through automation and scale

Otovo continues to deliver all time high installation numbers. The Installation pace is greatly sped up, as supply chains have caught up and installer capacity has been improved, reducing the average customer waiting times from 7.4 months in Q2 22 to 2.6 months in Q2 23. Compared to Q1 23 the waiting times have been reduced from 4 month. This is further reducing the lead time from sales, and related customer acquisition cost, to revenue recognition.

During Q2 Otovo opened, hired for and transitioned to Shared Services in Madrid, transferring marketing and operations teams. Madrid serves as an affordable business hub. For the type of talent that Otovo employs. Centralizing the staff in one pool also grants Otovo with the flexibility to allocate resources effectively in response to changes in the workload across different countries. With Shared Services established Otovo is set up for continued high speed and improved profitability into 2024

The result after tax was a loss of NOK89.0m in Q2 23 compared with a loss of NOK56.6m in Q2 22 and NOK 55.1m in Q1 23. The increase compared to Q2 22 is primarily driven by an increase in operating losses in the 6 new markets entered during 2022 and interest expenses on the financing of subscription assets. Change in loss compared to Q1 23 is driven by net financial items. Q1 23 contained a gain on disposal of the Group's investment in Holu of NOK 13.8 and the weakening of the Norwegian Krone was higher in Q1 23 than in Q2 23, leading to currency gains on internal loans denominated in EUR.

Income statement

Revenues were up 101% compared with Q2 22, from NOK 153.0m to NOK 307.4m, reflecting a significant growth across most of Otovo's markets. The increase is explained by increasing demand for the Group's products, raised mark-ups, and inclusion of batteries in the Otovo product offering, combined with a significant increase in revenues from the 6 new markets that Otovo entered during 2022. Compared with Q1 23 revenues grew from NOK 274.3m to NOK 307.4m (12%).

Gross profit expanded with NOK 34.8m YoY, while it increased with NOK 13.3m compared with Q1 23, primarily due to more installations performed, at higher margins. The gross margin is up from 18.9% in Q2 22 and 18.4% in Q1 23 to 20.7% in Q2 23.

Payroll and related costs increased from NOK 47.3m in Q2 22 to NOK 87.9m in Q2 23. The increase in payroll and related costs is primarily explained by new hires, and scaling the organisation for growth, both in corporate functions and new markets. Compared with Q1 23 the expenses are up NOK 12.6m, from NOK 75.2m. The increase is primarily explained by increases in payroll expenses in the 6 markets entered in 2022, restructuring expenses in relation with the establishment of the European Operations Center in Madrid, increases in share based payments and currency effects.

Expenses for share based payments were NOK 7.8m in the quarter, compared with NOK 2.0m for Q2 22, and NOK 5.8m in Q1 23.

Other operating expenses are up from NOK 41.5m in Q2 22 to NOK 63.2m in Q2 23, mainly due to higher activity and entry into new markets. Compared with Q1 23 the operating expenses are up NOK 2.1m from NOK 61.1m.

The weakening Norwegian Krone also contributed to the above mentioned changes, both compared with Q2 22 and Q1 23.

Net financial items changed from a gain of NOK 13.8m in Q2 22 to a gain of NOK 8.0m in Q2 23, mainly due to interest expenses on the financing of new subscription assets. Change in net financial items compared to Q1 23 is driven by a gain on the disposal of the Group's investment in Holu of NOK 13.8. In addition the weakening of the Norwegian Krone was higher in Q1 23 than in Q2 23, leading to high currency gains on internal loans denominated in EUR.

Financial review | Highest ever addition to the subscription portfolio

Balance sheet

Total non-current assets as of Q2 23 have increased to NOK 716m, from NOK 478m at year end 2022. 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.

Total current assets have increased from NOK 459m at year end 2022 to NOK 575m at the end of Q2 23. The increase is mainly driven by an increase in Cash and cash equivalents due to new non-current liabilities, to be used to finance new subscription assets partially netted by the investments made during the first half year of 2023..

Non-current liabilities have increased from NOK 141m at year end 2022 to NOK 351m as of Q2 23. The increase is primarily relating to the above mentioned financing of subscription assets. The share of sales on Subscription model increased from 25% in Q2 22, and remained steady compared to 39% in Q1 2023 with 38% in Q2 2023.

Current liabilities have increased to NOK 296m per Q2 23 from NOK 264m at year end 2022. The increase is mainly driven by higher activity, and increases in liabilities to installers for work and hardware.

The strengthening of EUR compared to NOK is also contributing to the increase in total assets and liabilities.

Cash flow

Net cash flow from operating activities was -NOK 28m in Q2 23. 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.. Sale of Italian tax credits is a significant contributor to the improvement in cash flows compared to prior quarters. Refer to note 7 of the report for more information.

Cash flow from investing activities in Q2 23 was -NOK 136m mainly driven by investments in assets used in the subscription business in addition to investments in Otovo Cloud.

Cash flow from financing activities was NOK 130m in Q2 23. This is primarily explained by the Group's draws on the revolving credit facility held with DNB Bank ASA and Sparebank 1 SR-bank ASA to finance its subscription assets. Total draws in the quarter was EUR 12m.

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 , 12 June 2023

Otovo installation in Netherlands, Q2 2023



Responsibility Statement

We confirm, to the best of our knowledge, that the Condensed Interim Consolidated Financial Information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that arose during the first six months of the financial year 2022, and their impact on the Condensed Interim Consolidated Financial Information, and accounts properly for the principal risks and uncertainties for the remaining six months of the financial year 2022, as well as major related parties transactions.

Oslo, 12 July 2023

Peter Mellbye

Chairman of the Board

Ingunn Andersen Randa

Board member

Stine Halla

Board member

**Tor Øystein
Repstad**

Board member

**Johan Erik Sixten
Bergström**

Board member

**Josefin Christina
Landgård**

Board member

Zoë Wyon

Board member

Matteo Ciprandi

Board member

**Andreas Egge
Thorsheim**

Chief Executive Officer

Consolidated income statement

Consolidated income statement

(NOK 000')	Notes	Unaudited Q2 2023	Unaudited Q2 2022	Unaudited YTD 2023	Unaudited YTD 2022	Audited FY 2022
Revenue	2	307,415	152,978	581,707	262,195	637,501
Other operating income	2	10,017	3,024	16,885	5,987	14,763
Total operating income		317,432	156,002	598,592	268,182	652,264
		-	-			
Cost of goods sold	2	243,727	124,134	467,582	215,563	523,152
Payroll and related costs	2,5	87,878	47,264	163,120	88,751	219,117
Depreciation, amortisation and impairment	2	21,553	15,520	40,443	30,231	64,333
Other operating expenses	2,3	63,203	41,483	124,350	75,503	163,197
Operating profit/(loss)		-98,929	-72,399	-196,903	-141,866	-317,534
Financial Income		727	976	1,454	1,056	1,806
Financial Expense		6,849	441	8,751	576	4,080
Net exchange gain/(loss)		14,132	15,244	42,440	5,978	10,625
Gains on disposal of investment in associated company		-	-4,710	13,791	-4,710	-
Share of profit/(loss) of equity accounted investees, net of tax		-	2,733	-	-	-9,864
Net financial items		8,010	13,802	48,934	1,748	-1,513
		-	-			
Profit/(loss) before tax		-90,919	-58,597	-147,969	-140,118	-319,047
Income tax expense/(income)		-1,945	-1,959	-3,902	-3,833	-7,781
Profit/(loss) after tax		-88,974	-56,638	-144,067	-136,285	-311,266
Profit is attributable to:						
- Owners of Otovo AS		-88,974	-56,638	-144,067	-134,517	-309,498
- Non-controlling interests		-	-	-	-1,768	-1,768
Basic earnings per share (NOK)		-0.60	-0.42	-1.01	-1.07	-2.47
Diluted earnings per share (NOK)		-0.60	-0.42	-1.01	-1.07	-2.47

Consolidated statement of comprehensive income

(NOK 000')	Unaudited Q2 2023	Unaudited Q2 2022	Unaudited YTD 2023	Unaudited YTD 2022	Audited FY 2022
Profit/(loss) after tax for the period	-88,974	-56,638	-144,067	-136,285	-311,266
Other comprehensive income which may be reclassified to profit and loss					
Foreign currency translation differences	-11,975	3,855	710	1,199	-3,138
Total comprehensive income for the period	-100,949	-52,783	-143,357	-135,086	-314,404
Total comprehensive income is attributable to:					
- Non-controlling interests	-	-128	-	-1,752	-1,802
- Owners of Otovo AS	-100,949	-52,655	-143,357	-133,334	-312,602

Consolidated balance sheet

Consolidated statement of financial position

(NOK 000')	Notes	Unaudited	Unaudited	Audited
		2023	2022	2022
		30 Jun	30 Jun	31 Dec
ASSETS				
Intangible assets		91,275	113,432	102,803
Goodwill		168,927	156,661	158,181
Investments in associated companies		-	5,141	-
Property, plant and equipment		440,600	109,907	200,491
Right of use asset		11,064	8,680	14,317
Other assets		3,850	2,967	2,648
Total non-current assets		715,716	396,788	478,440
Trade receivables		64,352	49,898	44,054
Other receivables and prepayments	7	195,083	132,443	200,395
Non-current assets classified as held for sale		-	-	9,748
Inventory		3,058	9,905	10,761
Cash and cash equivalents		312,537	330,734	193,868
Total current assets		575,030	522,980	458,826
Total assets		1,290,746	919,768	937,266
EQUITY				
Share capital		1,488	1,358	1,362
Share premium reserve		1,397,860	1,153,438	1,156,329
Other paid-in equity		51,458	23,635	37,331
Foreign currency translation reserve		978	4,605	268
Retained earnings		-807,860	-488,811	-663,793
Non-controlling interests		-	-	-
Total equity		643,924	694,225	531,497
LIABILITIES				
Deferred tax liability		5,717	13,364	9,607
Non-current interest bearing liabilities	4	341,211	30,349	125,672
Lease liabilities non-current		4,312	5,213	6,130
Other non-current liabilities		-	105	-
Total non-current liabilities		351,240	49,031	141,409
Lease liabilities current		6,772	3,831	8,747
Trade payable		102,710	48,426	71,473
Other current liabilities	4	186,100	124,254	184,139
Total current liabilities		295,582	176,511	264,359
Total equity and liabilities		1,290,746	919,768	937,266



Consolidated statement of changes in equity

Consolidated statement of changes in equity

(NOK 000')	Attributable to the owners of Otovo ASA					Total	Non controlling interest	Total equity
	Share capital	Share premium reserve	Other paid-in equity	Foreign currency translation reserve				
Equity at 1 January 2023	1,362	1,156,328	37,331	268	-663,792	531,497	-	531,497
Net profit for the period	-	-	-	-	-144,067	-144,067	-	-144,067
Other comprehensive income for the period, net of tax	-	-	-	710	-	710	-	710
Total comprehensive income in the period	-	-	-	710	-144,067	-143,357	-	-143,357
Issuance of shares	126	249,874	-	-	-	250,000	-	250,000
Change in nominal value	-	-	-	-	-	-	-	-
Transaction costs on equity issues	-	-8,343	-	-	-	-8,343	-	-8,343
Purchase of non-controlling interest	-	-	-	-	-	-	-	-
Share-based payments, exercised	-	-	-	-	-	-	-	-
Share-based payments accrual	-	-	14,127	-	-	14,127	-	14,127
Equity as of 30.06.2023	1,488	1,397,860	51,459	978	-807,860	643,925	-	643,925

(NOK 000')	Attributable to the owners of Otovo ASA					Total	Non controlling interest	Total equity
	Share capital	Share premium reserve	Other paid-in equity	Foreign currency translation reserve				
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	-	-	-	-	-134,517	-134,517	-1,768	-136,285
Other comprehensive income for the period, net of tax	-	-	-	1,199	-	1,199	-	1,199
Total comprehensive income in the period	-	-	-	1,199	-134,517	-133,318	-1,768	-135,086
Issuance of shares	94	299,906	-	-	-	300,000	-	300,000
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	8	7,000	1,270	-	-	8,277	-	8,277
Share-based payments accrual	-	-	9,984	-	-	9,984	-	9,984
Equity as of 30.06.2022	1,359	1,153,438	23,635	4,605	-488,811	694,225	-	694,225



Consolidated statement of cash flows

Consolidated statement of cash flows

(NOK 000')	Notes	Unaudited Q2 2023	Unaudited Q2 2022	Unaudited YTD 2023	Unaudited YTD 2022	Audited FY 2022
Cash flow from operating activities						
Profit/(loss) before tax		-90,919	-58,597	-147,969	-140,118	-319,047
Depreciation, amortisation and impairment		21,553	15,520	40,443	30,231	64,333
Expensed share-based payments	6	7,766	4,151	14,127	9,984	24,950
Net interest income and interest expenses		3,197	212	3,090	368	2,775
Share of profit/(loss) of equity accounted investees/Gain on disposal of associated company	8	-	1,977	-13,791	4,710	9,864
Currency (gains)/losses not related to operating activities		-16,917	-14,040	-39,174	-4,957	-7,415
Changes in trade receivables		14,813	-14,567	-16,221	-27,728	-21,884
Changes in trade payables		-6,849	15,280	24,457	18,537	41,584
Change in other assets and other liabilities		42,314	-36,605	39,193	-46,370	-59,461
Cash generated from operating activities		-25,043	-86,670	-95,845	-155,344	-264,301
Received interest		692	229	1,390	306	1,017
Paid interest		-3,890	-431	-4,481	-674	-3,791
Net cash flow from operating activities		-28,240	-86,872	-98,935	-155,712	-267,075
Cash flow from investing activities						
Investment in other companies		-	-6,717	-	-6,717	-15,411
Disposal of associated company		-	-	23,539	-	-
Investments in intangible assets		-6,618	-7,215	-16,360	-14,139	-29,870
Investments in tangible assets		-131,166	-25,135	-218,516	-41,213	-133,620
Disposals of tangible assets		2,267	-	3,909	-	-
Net cash flow from investing activities		-135,517	-39,067	-207,428	-62,069	-178,900
Cash flow from financing activities						
Proceeds from issuance of ordinary shares		-	2,862	250,000	298,277	299,902
Transaction cost capital increase		-2,177	-	-8,343	-	-
Payment of lease liabilities		-2,078	-772	-4,063	-2,110	-5,722
Inflow due to new non-current liabilities	4	136,403	-	337,669	24,152	125,629
Outflow due to downpayment of non-current liabilities		-2,468	-1,358	-159,801	-2,113	-3,159
Net cash flow from financing activities		129,679	732	415,461	318,206	416,650
Net cash flow during the period		-34,078	-125,206	109,098	100,426	-29,326
Cash and cash equivalents at the beginning of the period		347,058	445,412	193,868	224,187	224,187
Exchange rate difference on cash and cash equivalents		-444	10,528	9,571	6,121	-991
Cash and cash equivalents at the end of the period		312,537	330,734	312,537	330,734	193,868

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 quarter and first half year ended 30 June 2023, 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 2022. The annual consolidated financial statements for 2022 are available at the company's website (<https://investor.otovo.com/>). The 2022 audited financial statements were approved by the Board of Directors on 22 March 2023.

The interim financial information for the quarters and first half years ended 30 June 2023 and 30 June 2022, are unaudited.



Otovo installation in Spain, Q2 2023

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". 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 – Q2 2023

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	439,956	-10	-132,530	307,415
Other operating income	2,083	8,807	-873	10,018
Total operating income	442,039	8,797	-133,403	317,433
Cost of goods sold	374,629	-	-130,902	243,727
Payroll and related costs	87,871	-	8	87,878
Depreciation, amortisation and impairment	5,713	6,038	9,803	21,553
Other operating expenses	62,897	4,584	-4,279	63,203
Operating profit/(loss)	-89,071	-1,825	-8,033	-98,928

Segment Reporting – Q2 2022

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	183,670	-	-30,692	152,978
Other operating income	1,611	2,255	-842	3,024
Total operating income	185,281	2,255	-31,534	156,002
Cost of goods sold	148,984	-	-24,850	124,134
Payroll and related costs	47,235	29	-	47,264
Depreciation, amortisation and impairment	5,483	1,195	8,842	15,520
Other operating expenses	40,382	1,901	-800	41,483
Operating profit/(loss)	-56,803	-870	-14,726	-72,399

Notes to the interim consolidated financial statements

Note 2 – Segment reporting continued

Segment Reporting – YTD 2023

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	810,229	-10	-228,512	581,707
Other operating income	4,627	14,569	-2,310	16,886
Total operating income	814,856	14,559	-230,822	598,593
Cost of goods sold	685,031	-	-217,449	467,582
Payroll and related costs	163,037	-	83	163,120
Depreciation, amortisation and impairment	10,995	9,433	20,015	40,443
Other operating expenses	122,251	6,964	-4,865	124,350
Operating profit/(loss)	-166,458	-1,838	-28,606	-196,902

Segment Reporting – YTD 2022

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	311,929	-	-49,734	262,195
Other operating income	3,108	3,960	-1,081	5,987
Total operating income	315,037	3,960	-50,815	268,182
Cost of goods sold	255,986	-	-40,423	215,563
Payroll and related costs	88,186	565	-	88,751
Depreciation, amortisation and impairment	10,433	2,114	17,684	30,231
Other operating expenses	72,701	3,841	-1,039	75,503
Operating profit/(loss)	-112,269	-2,560	-27,037	-141,866



Notes to the interim consolidated financial statements

Note 3 – Other Operating Expenses

Other Operating Expenses					
(NOK 000')	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Other expenses related to buildings and short-term/low value rent of equipment	3,900	1,445	7,044	2,382	5,769
External personnel and consultancy fees 1)	19,165	17,128	34,838	30,627	72,856
Media spend, advertising and partnerships	27,443	11,973	54,404	24,314	52,450
System and software	5,180	3,147	10,469	6,042	13,758
Other operating expenses	7,515	7,790	17,595	12,138	18,364
Total other operating expenses	63,203	41,483	124,350	75,503	163,197

1) Including audit fee.

Note 4 – Subscription SPV bank facility

The Subscription SPV has a revolving credit facility ("RCF" or "facility") with DNB Bank ASA and Sparebank 1 SR-bank ASA. The facility is priced based on a floating interest rate, with EURIBOR, NIBOR, STIBOR, or other relevant IBOR as the reference rate based on the the loan currency, and a margin of 350 bps. The tenor of the facility is 2+1 years. At the end of the quarter the Subscription SPV had drawn EUR 28.8m on the RCF. The Subscription SPV was in compliance with financial covenants at the time of covenant reporting.

Note 5 – Contracted future payments

Subscription customers enters 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 1.1b 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.

The Contracted Customer Payments were impacted significantly by changes in foreign exchange rates during the quarter, increasing the reported amounts as the NOK declined against the EUR, SEK and PLN.

Contracted Customer Payments					
(NOKm)	NPV	2023	2024-2025	2026-2030	2031-2043
Non-discounted contracted customer payments*		25	103	276	697
NPV @5%	692				

*) Assuming 2% annual inflation

Notes to the interim consolidated financial statements

Note 6 – Share based payments

Otovo has granted share options to management and key personnel. As of 30.06.2023 there are 9,377,673 outstanding options with a weighted average strike price of 19.40 kroner per share. Further, Otovo has two employee share purchase programmes. There are 1,088,197 retention shares outstanding under these programmes.

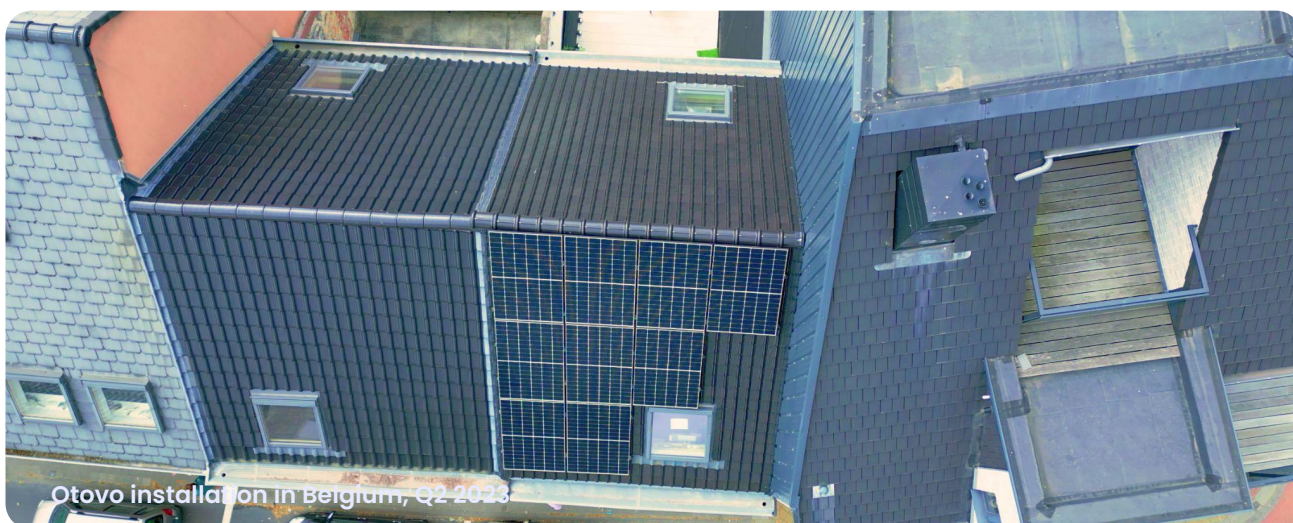
Expense in Q2 2023 for both share programmes was NOK 7.8m. Expense in Q2 2022 was NOK 2.0m.

Note 7 – Tax credits

As of 30 June the carrying amount of the tax credit assets was NOK 57m compared with NOK 111m at the end of Q1 23 and NOK 102m as of 31 December 2022. The reduction is explained by tax credit sales during the quarter, partly netted by tax credits from projects installed in Q2. Otovo expects to sell all tax credits from installed and to be installed projects during Q3. The tax credits were received as part of the settlement from customers for projects sold ahead of changes in legislation, where the Italian government discontinued the possibility for consumers to resell tax credits issued under the Ecobonus scheme.

Note 8 – Events after the reporting period

Reference is made to Otovo's announcement on 7 July 2023. Otovo ASA ("Otovo"/the "Company") received notification from Norway's Financial Supervisory Authority ("FSA") that the FSA deems Otovo's subscription product as financial leasing, triggering a licensing requirement under the Norwegian Financial Undertakings Act. The FSA's decision won't affect existing customers. Otovo disagrees and plans to appeal to the Ministry of Finance. Otovo will explore modifying the product to comply with the requirements from the FSA.



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.

	Direct purchase	Subscription	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%

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>
Investment in Subscription Asset	<p>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.</p>

Alternative Performance Measures continued

APM	Definition & Description
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>
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 (%)	<p>Gross Profit Generated divided by Revenue Generated.</p>
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					
(NOK 000')	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Cost of goods sold (COGS) to subscription segment	130,902	24,850	217,449	40,423	131,527
Batteries share of COGS to subscription segment	8%	6%	17%	8%	27%
Solar Energy Systems (PV) share of COGS to subscription segment	92%	94%	183%	192%	373%
			-	-	-
COGS to subscription segment - PV	120,604	23,338	199,542	38,678	120,596
Lifetime of contracts - PV	20	20	40	40	80
Average yield (first year payment to COGS)- PV	11.0%	11.3%	21.6%	22.8%	44.4%
First year subscription payment - PV	13,219	2,641	21,579	4,402	13,223
Nominal lifetime subscription payments, not inflation adjusted	264,376	52,816	431,578	88,042	264,470
Inflation adjustment	56,806	11,349	92,733	18,918	56,826
Reduction from discounting to present value	-127,323	-25,436	-207,847	-42,401	-127,368
Contracted subscription revenue - PV	193,118	38,729	315,723	64,559	193,928
			-	-	-
COGS elimination - Batteries	10,298	1,512	17,907	1,745	10,931
Lifetime of contracts - Batteries	10	10	20	20	40
Average yield (first year payment to COGS)- Batteries*	15.5%	17.4%	32.5%	28.8%	61.8%
First year subscription payment - Batteries	1,600	262	2,888	289	1,789
Nominal lifetime subscription payments, not inflation adjusted	16,005	2,624	28,877	2,892	17,892
Inflation adjustment	1,520	249	2,743	275	1,699
Reduction from discounting to present value	-4,100	-672	-7,397	-741	-4,583
Contracted subscription revenue - Batteries	13,358	2,201	24,155	2,426	15,008
			-	-	-
Contracted subscription revenue - Total	206,476	40,930	339,879	66,985	208,936

Revenue, Gross Profit and EBITDA Generated						
(NOKm)	Note	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Revenue according to the Income Statement	2	307.4	153.0	581.7	262.2	637.5
Contracted subscription revenue (calculated)		206.5	40.9	339.9	67.0	208.9
Revenue Generated		513.9	193.9	921.6	329.2	846.4
Cost of goods sold according to the Income Statement	2	243.7	124.1	467.6	215.6	523.2
Investment in subscription assets	2	130.9	24.9	217.4	40.4	131.5
Subscription O&M cost (calculated)		15.0	2.9	24.9	4.8	15.1
Gross Profit Generated		124.2	42.0	211.7	68.3	176.7
<i>Gross Margin Generated %</i>		24.2%	21.7%	23.0%	20.8%	20.9%
Operating profit/(loss)	2	-98.9	-72.4	-196.9	-141.9	-317.5
Add back depreciation and amortisation	2	21.6	15.5	40.4	30.2	64.3
Add contracted subscription profit (calculated)		60.5	13.2	97.6	21.7	62.3
Subtract subscription revenue in the quarter	2	-8.8	-2.3	-14.6	-4.0	-11.4
EBITDA Generated		-25.6	-46.0	-73.5	-93.9	-202.3

Definitions

Project / Unit

A PV system and/or a battery

Direct sale

PV or battery systems paid for directly by the customer, including sales financed by the homeowner's loan

Subscription

Customer relationships with recurring revenue, such as leases, service agreements, etc., relating to PV or battery system

Sold projects

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

Abandoned project

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

Installed project

An installed project is a project that has been physically completed, is capable of producing electricity, and can be invoiced by Otovo

Battery attachment rate

The share of projects which include a battery

Ticket size

The total project price which the customer pays to Otovo for a direct sale

Cost per Wp

Calculated as the total project cost (i.e., ticket size) divided by the system size measured kWp.

Unit positive

A country installing projects with a positive net contribution, i.e. project gross profit less attributable sales commission and marketing spend

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

Customers

Number of customers with an installed PV and/or battery system, both from a direct sale and subscription

Churn

of subscription customers who exercised their purchase option in the period

Margin leakage

The delta in a project's gross margin from the time it's sold to installed arising from re-scoping, re-pricing or re-assigning the project to a new installer

Discount Rate

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

Contracted Subscription Revenue (CSR)

Net present value of contracted cash flows coming from sales or installations in the period. The cash flows are calculated over the contract lifetime, adjusted with expected CPI increases (currently assumed at 2% per year)

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 SO&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)

Accumulated Contracted Subscription Revenue (ACSR)

The accumulated CSR in the portfolio

Annual Recurring Revenue (ARR)

Annual recurring revenue from the leasing portfolio