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Arendals Fossekompani Q3 Interim Report

Q3 2024

8 November 2024

Disclaimer

This Presentation includes and is based on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ from the projected results. These statements and this Presentation are based on current expectations, estimates and projections about global economic conditions and the economic conditions of the regions and industries that compose major markets for the businesses of Arendals Fossekompani ASA and its subsidiaries and affiliates (the "AFK Group"). These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions.

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Arendals Fossekompani Around the World

- Long term industrial investment company
- Invest in B2B, energy and/or technology
- Sustainable value creation
- Active ownership



Main investments
7

Employees
~2,600

Countries
23

Listed on the Oslo Stock Exchange
1913

Head Office
Arendal, Norway

Portfolio aligned with global megatrends

Digitalisation & Big Data Analytics



volue

AFK ownership
60% (40% as of 28 Oct)

Head office
Oslo, Norway

Market cap (30.09)
NOK 6,014 million

NSSLGlobal

AFK ownership
80%

Head office
London, UK

alytic

AFK ownership
95%

Head office
Arendal, Norway

Electrification & Materials



TEKNA

AFK ownership
71%

Market cap (30.09)
NOK 648 million

Head office
Sherbrooke, Canada

Listed at
Oslo Børs

ENRX

AFK ownership
95%

Head office
Skien, Norway

Energy Transition



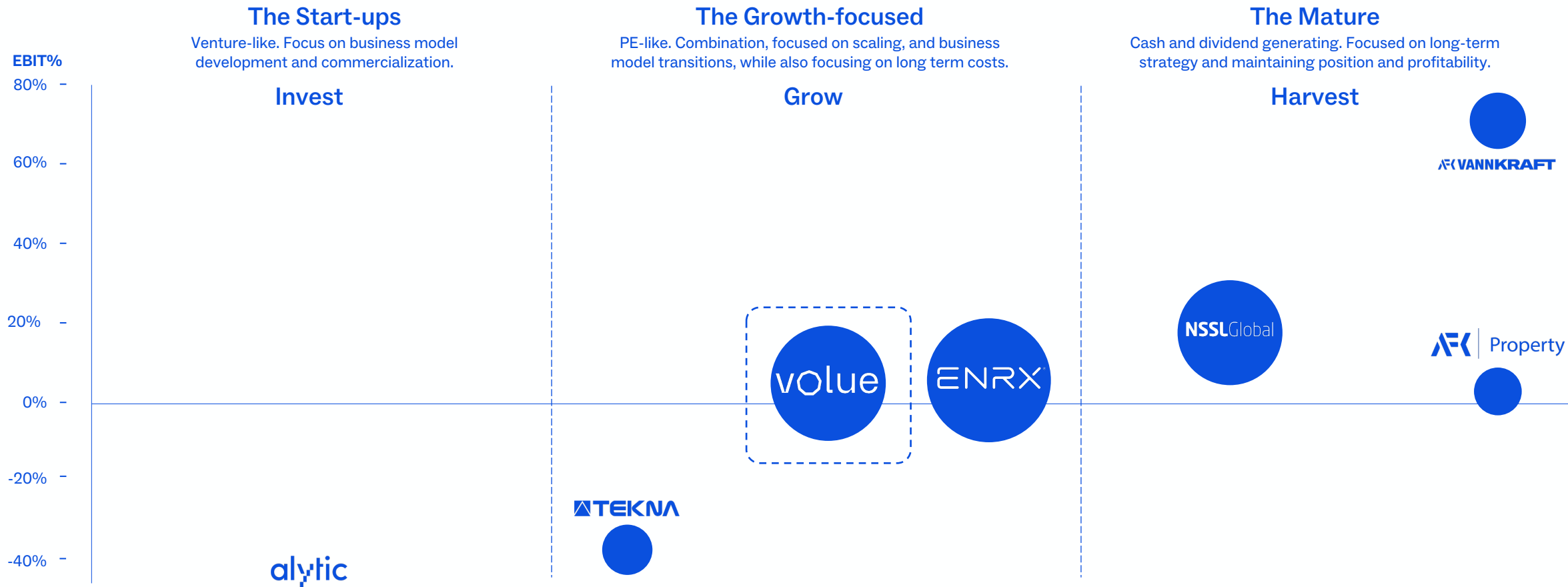
VANKRAFT

AFK ownership
100%

Head office
Arendal, Norway

A portfolio of both stable cash flow generating companies and growth prospects

An attractive and diversified portfolio



Highlights Q3 2024

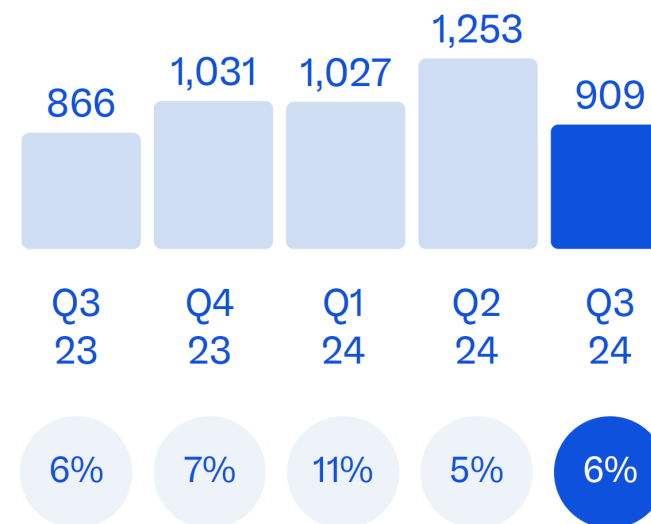
FINANCIAL

- Group revenues: NOK 909m (866m), 5% growth YoY
- Operating profit: NOK 51m (56m), -9% growth YoY
- Quarterly dividend: NOK 1.00 per share

PORTFOLIO DEVELOPMENTS

- Normalizing power prices gave lower profit from hydro
- Strong performance from Volue and NSSLGlobal
- Tekna revenue negatively impacted by Systems segment
- ENRX saw softer EU heat market. US, Asia holding up
- Vergia sale closed, focusing the portfolio

Revenue (MNOK) and operating margin



volue

Arendals Fossekompani, Advent International and Generation Investment Management completed the acquisition of Volue 28 October.

- Company delisted
- Arendals Fossekompani remains 40% shareholder
- Realized NOK 1bn net cash proceeds

High-level recap of transaction rationale




Value enablers

Key enablers for continued value creation

-  Scale organically and drive profitability
-  Successfully navigate ongoing but complex SaaS transition
-  Become a leading industry consolidator

Value's position

Value uniquely positioned

-  European market leader
-  Mission critical products
-  Deep domain know-how and competence



Alternative A Sponsor transaction

Execute strategy in a private setting alongside partner

Alternative B Remain listed

Continue as is as majority shareholder in a listed company

On the back of a weak share price development for Value during 2022 and 2023, AFK decided to initiate a partnership exploration process during Q4 2023/ Q1 2024 to realize the full potential of the company

Process and partner selection process

Partner selection criteria

- 1 Deep domain energy transition competence and understanding
- 2 SaaS transition expertise and experience from vertical software investing
- 3 Strong understanding of Volue, including Volue's markets
- 4 Financial capacity to support organic and inorganic growth
- 5 Deep prior market research and engagement with Volue to ensure a high likelihood of both deal execution and post-transaction value creation

*Competitive and
price-optimising
process*

Ownership situation optimised for Volue's future success



- Founded in 1984 and one of the largest and most experienced private equity investors
- EUR 84 billion in assets under management as of Dec-23 and has invested in 420 private equity investments across 43 countries

generation_____

- Founded in 2004 as an independent private, owner-managed partnership with focus on companies on the right side of structural social and economic changes
- Invests in companies with a proven technology and commercial traction, run by a talented management

Transaction is a testament to Volue's growth journey so far and to its future potential

Ambition to generate significant shareholder returns

Value to become a global leader within the energy and grid software industry



Partnership provides Volue with significant **experience and competence** with regards to building international, category-leading software companies



Significant **financial resources** available for executing growth plan, including inorganic agenda



Moderate financial risk through leverage levels acceptable for Arendals Fossekompani



Arendals Fossekompani's **long-term ownership** ambition and agenda secured through favourable shareholder governance

Potential for significant value creation for AFK shareholders through creating a global category-defining vertical software champion

volue

AFK ownership
60% (40% as of 28 Oct)

Head office
Oslo, Norway

Market cap (30.09)
NOK 6,014 million

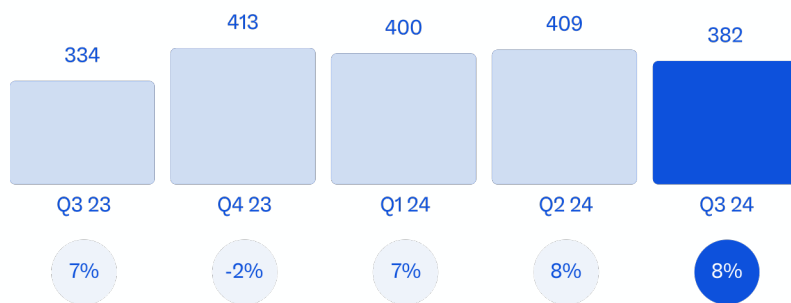
Listed at
Oslo Børs

Q3 update

ARR and SaaS growth and margin expansion

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



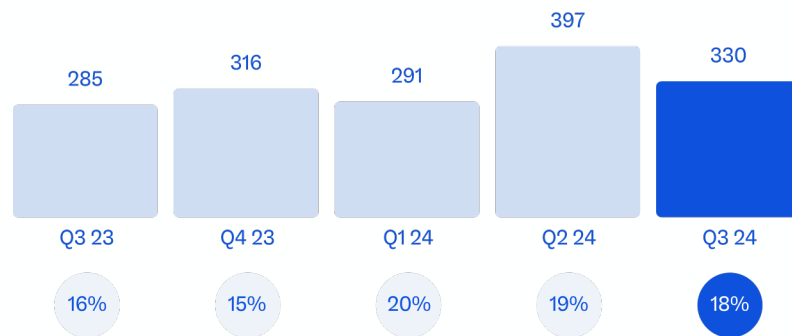
- **Revenues:** NOK 382 million (334 million).
- **Adjusted EBITDA:** NOK 83 million (63 million).
- **Adjusted EBITDA-margin: 22%** (19%).
- **Annual recurring revenues:** NOK 289 million, an increase of 14% compared to the third quarter of 2023, representing 76% of total revenues in the quarter.
- **SaaS revenues:** NOK 145 million, an increase of 38% compared to the third quarter of 2023, representing 38% of total revenues in the quarter.
- Large ongoing changes in end markets, like increased price and production volatility, as well as overall market complexity, are driving growth and further business opportunities for the company.

Q3 update

Uplift in profits and strong pipeline

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



- Revenues: GBP 23.7 million (GBP 21.4 million)
- EBIT: GBP 4.1 million (GBP 3.5 million).
- **Revenue increase in the quarter** due to heightened activity level in the Middle East and the completion of a large government project in the period
- **Higher operating profit in Q3** compared to last year, primarily due to the increased revenues, and lower operating costs
- **Continued strong underlying performance**, supported by a strong pipeline, solid customer base, competitive technology and service driven organization.
- During the third quarter, NSSLGlobal won **GBP 8.7 million of new business**.



AFK ownership
71%

Head office
Sherbrooke, Canada

Market cap (30.09)
NOK 648 million

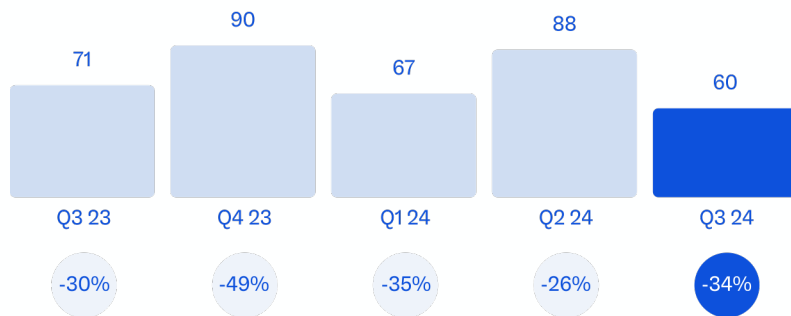
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Q3 update

Lower revenues due to Systems segment

Development last 5 quarters

Revenue and other income (MNOK) and operating margin

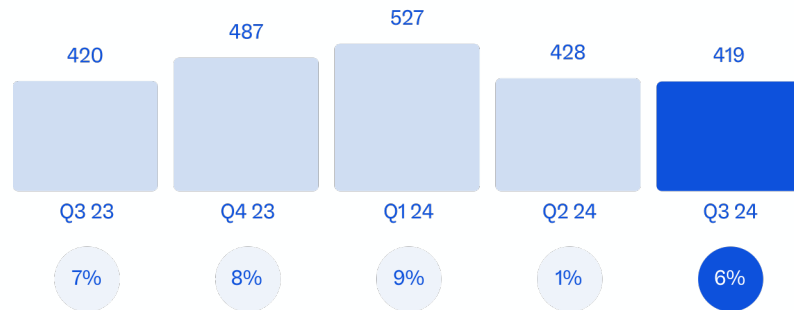


- **Total operating revenue** of CAD 7.6 million (9.1 million), a decline of 16% YoY
- **Adjusted EBITDA** of CAD -1.4 million (-1.7 million) an improvement of CAD 0.3m YoY
- YoY revenue decline driven by a significant drop in revenues from Plasma Systems (-43%). YoY revenue growth from Advanced Materials was 5%, due to demand slowdown from 3D printer manufacturer segment
- Continued cost and profitability measures contributing to **Adjusted EBITDA improvement**, despite decline in revenue (employees reduced by 15% YoY)
- Order intake CAD 5,8 million, order backlog was CAD 16.5 million
- In **microelectronics (MLCC)**, Tekna continues to develop its nanomaterials and maintains close relations with its potential customers

Q3 update

Softer market in Europe. US and Asia holding up

Development last 5 quarters
Revenue and other income (MNOK) and operating margin



- **Revenues decreased by 3% YoY** to EUR 35.5 million in the quarter, primarily driven by a lower activity level within the Heat division
- **Revenue growth in North America and Asia**, but Softer markets in Europe resulted in revenue reduction compared to Q3 2023.
- **Operating profit margin 6% (7%)**, cost inflation emphasizes importance of strict cost control
- **Order intake:** EUR 34.1 million (38.1 million)
- A total order backlog of EUR 77 million (94.3 million), but up from EUR 75.6 million in Q2



AFK ownership
95%

Head office
Arendal, Norway

Portfolio
KONTALI

veyt



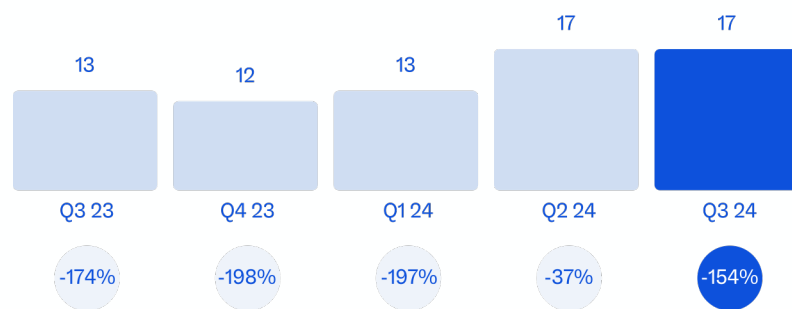
Factlines.

Q3 update

Growing ARR and introducing new products

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



The annual recurring revenues (ARR) for the portfolio grew to NOK 52 million, representing an 35% increase compared to Q3 last year.

ARR growth was driven by continued underlying demand and customer growth, introduction of new products and upselling to existing customers

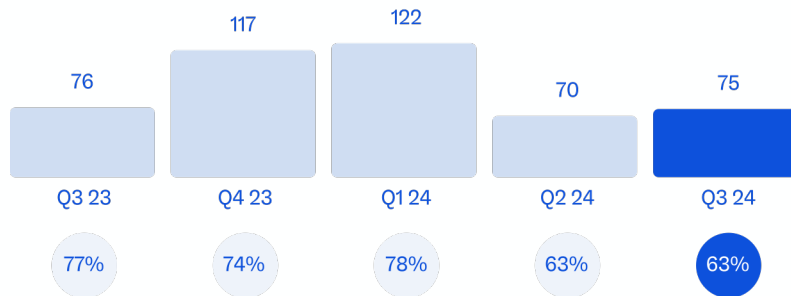
- **Kontali** grew ARR by 19% compared to same quarter last year.
- **Veyt** grew ARR by 38% compared to same quarter last year.
- **Factlines** grew ARR by 89% compared to same quarter last year.
- **Utel** has a strong emphasis on outbound sales. The company's sales pipeline is strong and ARR movement in the coming quarters is expected.

Q3 update

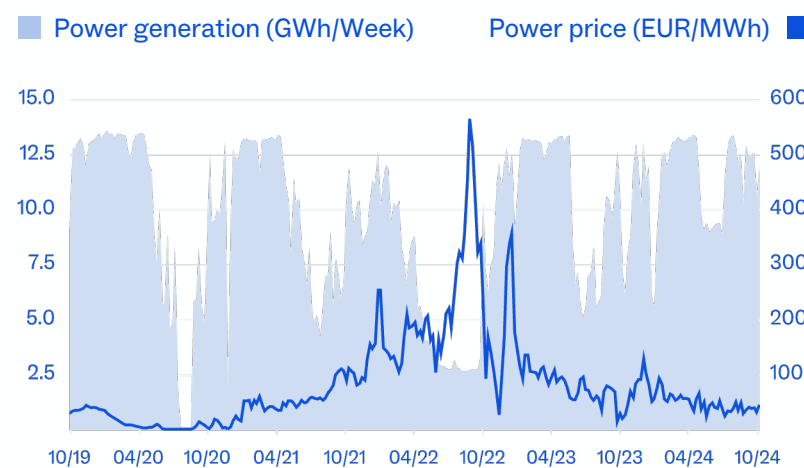
Normalizing power prices, increased production

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



Price and power generation*



- Average electricity price in the NO2 price area during Q3 was **38 EUR/MWh** (58 EUR/MWh). Hydropower production amounted to **148 GWh** (115Wh) in Q3. Lower prices were offset by a higher production.
- Electricity price is normalizing compared to higher electricity prices a year ago, which were still affected by uncertainty in gas supply to Europe
- The construction of Kilandsfoss (38 GWh) proceeding according to plan.

Financials

Lower profitability in the quarter

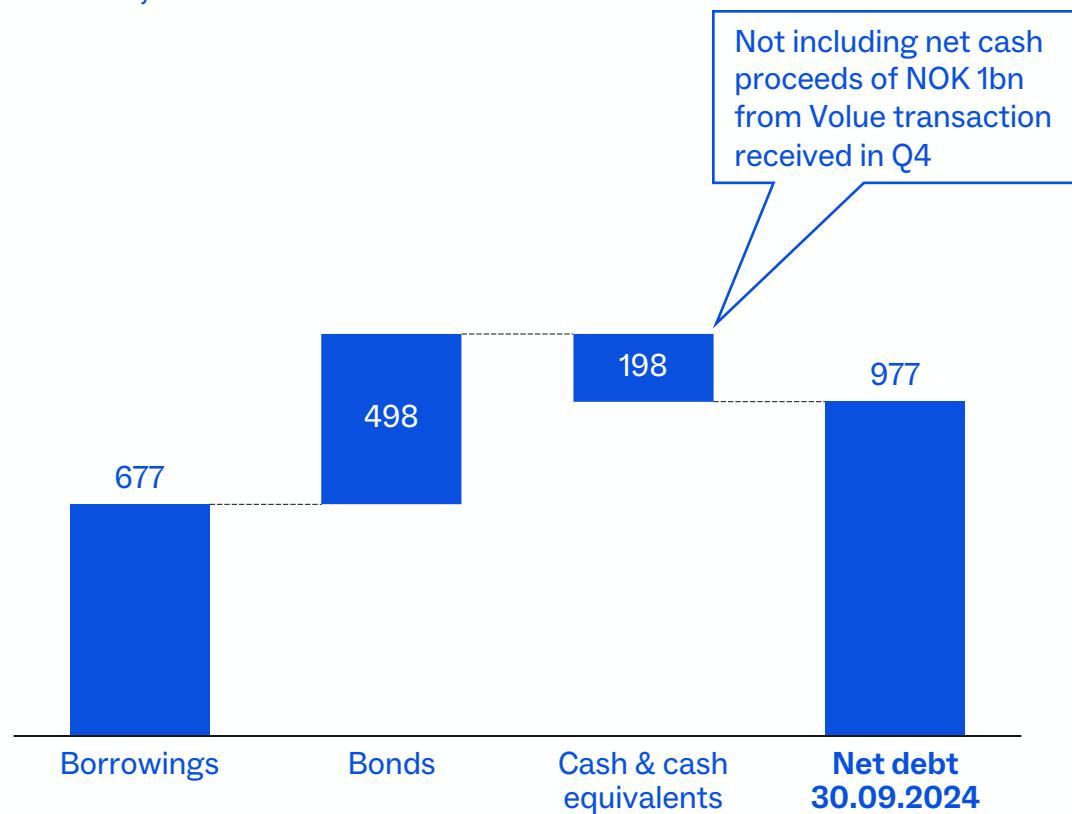
Lower profits from hydro production, partly offset by strong results in NSSLGlobal

- Profitability improvement in portfolio companies NSSLGlobal, Volue, Tekna and Property.
- ENRX: A softer European market and increased cost reduced the profitability in the quarter
- Reduced profit from hydropower due to considerably lower electricity prices.
- **Outlook**
The Group expects revenues to be higher in 2024, whilst operating profit is expected to be lower than 2023.

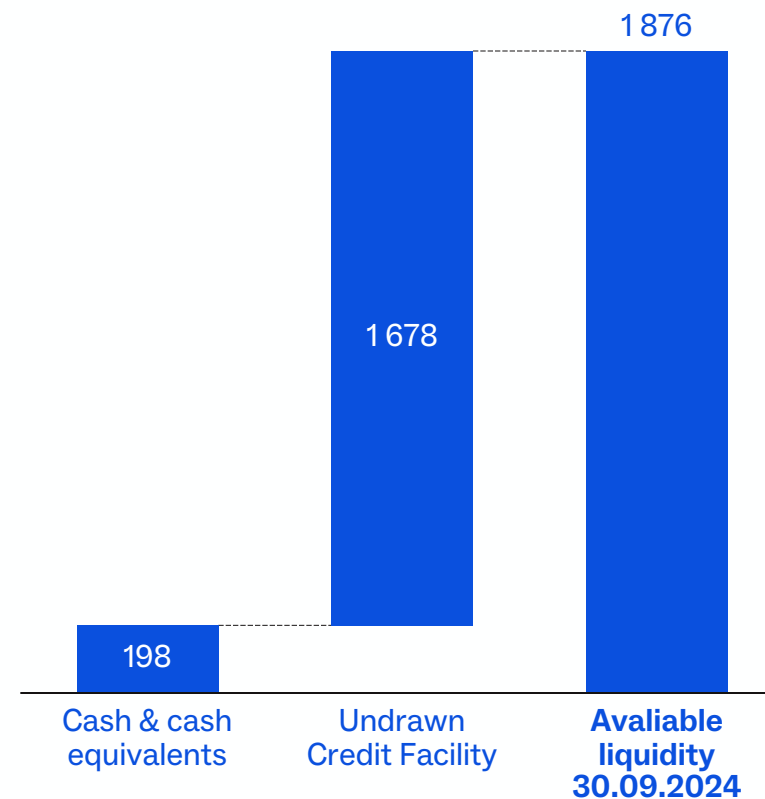
Operating Profit (MNOK)	Q3 2024	Q3 2023	Difference
NSSLGlobal	58	47	+11
TEKNA	-21	-22	+1
ENRX	24	29	-5
VANNKRAFT	48	59	-11
alytic	-24	-22	-2
Property	-1	-3	+2
Arendals Fossekompani Consolidated	51	56	-5
volue	29	25	+4

Solid balance sheet

Net debt, NOK million



Liquidity, NOK million



Guiding

2024 revenue is expected to be higher than 2023, driven by expected underlying growth in the portfolio companies, whereas operating profit is expected to be lower for AFK Group as a whole. This is largely driven by normalizing electricity prices compared to 2023.

Value expects both revenues and operating profit to be higher in 2024 than in 2023. Long term guidance:

- Annual long-term organic growth of 15%.
- Active M&A agenda with 1-2 deals per year.
- Year by year improvements in adjusted EBITDA margin, cash conversion, share of ARR and SaaS revenues.

Tekna expects revenues to be in line with 2023, and operating profit to improve in 2024 compared to 2023.

ENRX expects revenues and operating profit in 2024 to be in line with 2023.

NSSLGlobal expects 2024 revenues to higher than 2023. Operating profit is expected to be in line with 2023.

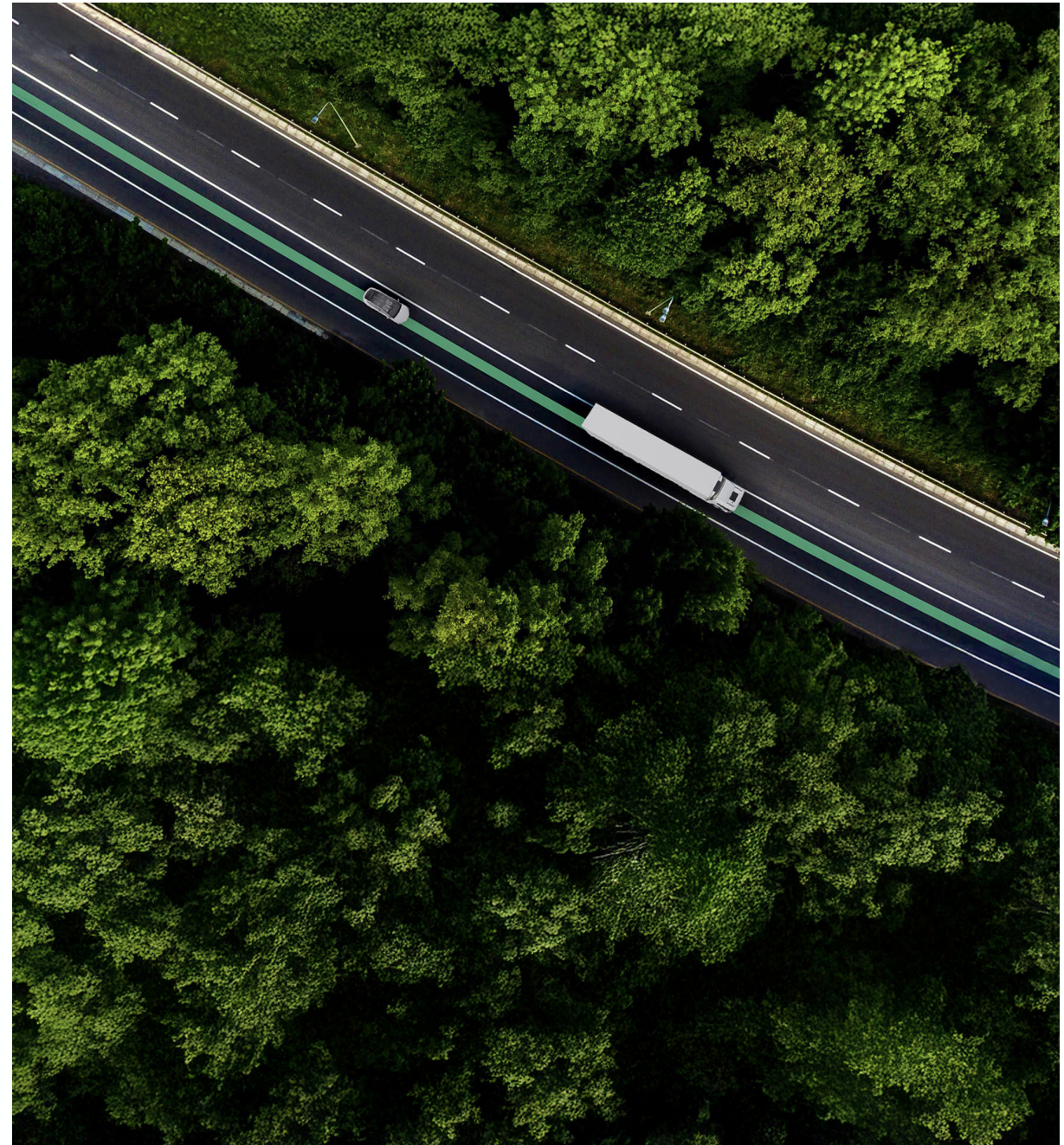




Outlook and Closing Summary

Outlook – focus, optimize

- **Energy transition, electrification and digitization** will continue to drive growth in all portfolio companies.
- **Capital to be carefully allocated** toward accelerating most promising value creation opportunities in portfolio.
- Short to medium term focus on **realizing full value potential in existing portfolio**.
- **We do not expect significant new investments** on AFK level in short to medium term, however active M&A agendas in portfolio companies.



Closing summary

- **Mixed operational results** from portfolio companies. Profitability affected by normalizing electricity prices, softer top line development ENRX, partly offset by NSSLGlobal. Value growth and margin expansion.
- **Value transaction** will support the company's ambitious growth targets. Arendals Fossekompni remains a **long-term** investor in the company.
- **Focused business development** on-going in all portfolio companies. Focus on **operational efficiency, profitability, cash**. Targeting growth in long term NAV.
- **Diversified and well positioned portfolio** of both stable cash flow generating businesses and attractive growth opportunities.



Thank you!

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