

AFK overview and 2019 preliminary results

14.02.2020



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Presenters and agenda



Ørjan Svanevik
CEO, AFK



Trond Straume
CEO, Powel

Overview

Financials 2019

Strategic priorities

AFK's digital energy companies











Overview



AFK company portfolio

Industrial subsidiaries

	Software solutions		Induction heating equipment
	Sensors and data harvesting		Satellite communication services
	Portfolio manager, electricity market		Spanish cogeneration plants
	Power market analysis		3D metal powder and systems

Power and real estate

	Power production
	Pilot training and drones
	Real estate development

Provides solutions for sustainability and more reliable renewable energy

- Energy production
- Digitalization
- Industrials with efficient use of energy

Key priority to drive growth in digital energy businesses and 3D-printing

The AFK stock complies with ESG focused investors

UN Sustainable Development Goals



Examples from AFK

Producing 500 GWh clean energy, estimating 220 000 tons of annual CO2-savings¹

Exploiting excess heat from electricity production, to produce heat, steam or cooling

Through Powels solutions, the inclusion of large volumes of variable wind and solar power sources are balanced with traditional controllable energy sources (hydro, biomass, etc)



Industrial systems contributes to increased usage of clean and environmental friendly technology and industrial processes

Tekna's production reduces weight and waste, and contributes to less emissions from critical infrastructure

Wattsight tells the story in numbers about the drivers for the market and the potential consequences, empowering decision makers to take qualified, sustainable decisions

In 2021, AFK will be reporting relevant KPI's for sustainability alongside business results

¹ Estimated benchmark to the German power market. Production mix provided by Wattsight

Arendals Fossekompani in 90 seconds



Portfolio 2019 Highlights – Mixed performance



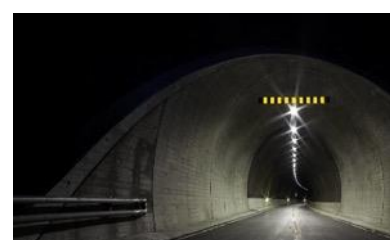
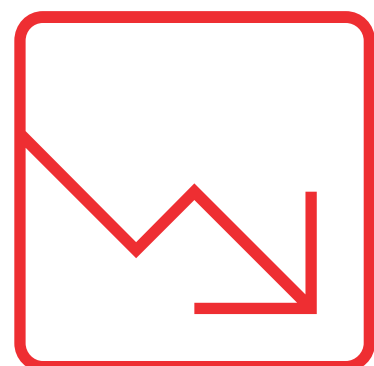
- Very strong performance due to favourable product mix and high bandwidth usage



- +50% increase in 3D powder sales
- Aperam JV within nickel powder



- Major turn-around achieved
- MNOK 16 EBITDA in 2018 to 86M in 2019



- Losses from one major tunnel project



- Low revenue and EBITDA mainly due to automotive market weakness

Financials



Group revenue 2019: Largely flat development

Revenues, MNOK	FY2019	FY2018
EFD Induction	1 170	1 250
NSSLGlobal	889	758
Cogen Energia	1 261	1182
Tekna	140	144
Powel	548	585
Scanmatic 1)	422	649
Markedskraft	68	70
Wattsight	73	66
Other	219	202
AKF consolidated	4 790	4 906

Outlook 2020:

Excluding electricity price uncertainty, flat revenue growth expected. Focus is on profitability and capacity costs

¹ Includes 311 MNOK of Scanmatic Elektro revenue in 2019

EBITDA disappointing, but excludes 223 MNOK of gain in real estate and Oslo Boers stocks

EBITDA, MNOK	FY 2019	FY 2018
EFD Induction	55	134
NSSLGlobal	230	167
Cogen Energia	22	40
Tekna	-24	-22
Powel	86	16
Scanmatic 1)	-41	44
Markedskraft	-6	-2
Wattsight	13	11
Other	131	113
AKF consolidated	465	501
AKF consolidated (ex. IFRS16 effects)	401	501

- Scanmatic includes consolidation of Scanmatic Elektro (51%), which had substantial loss on a major tunnel project
- EFD had high capacity costs, now aligned with 2019 revenue levels
- Financial positions in stocks provided 223 MNOK of gains in 2019, but mainly booked directly to equity
- **Outlook 2020:** Overall weaker due to current market forecast for 2020 electricity prices. Excluding power production, results expected to improve

¹ Includes losses of -53 MNOK in Scanmatic Elektro for 2019

Ordinary EPS 32 NOK and dividend recommendation of 56 NOK for 2019. New quarterly dividend policy proposed by board

P&L consolidated 2019

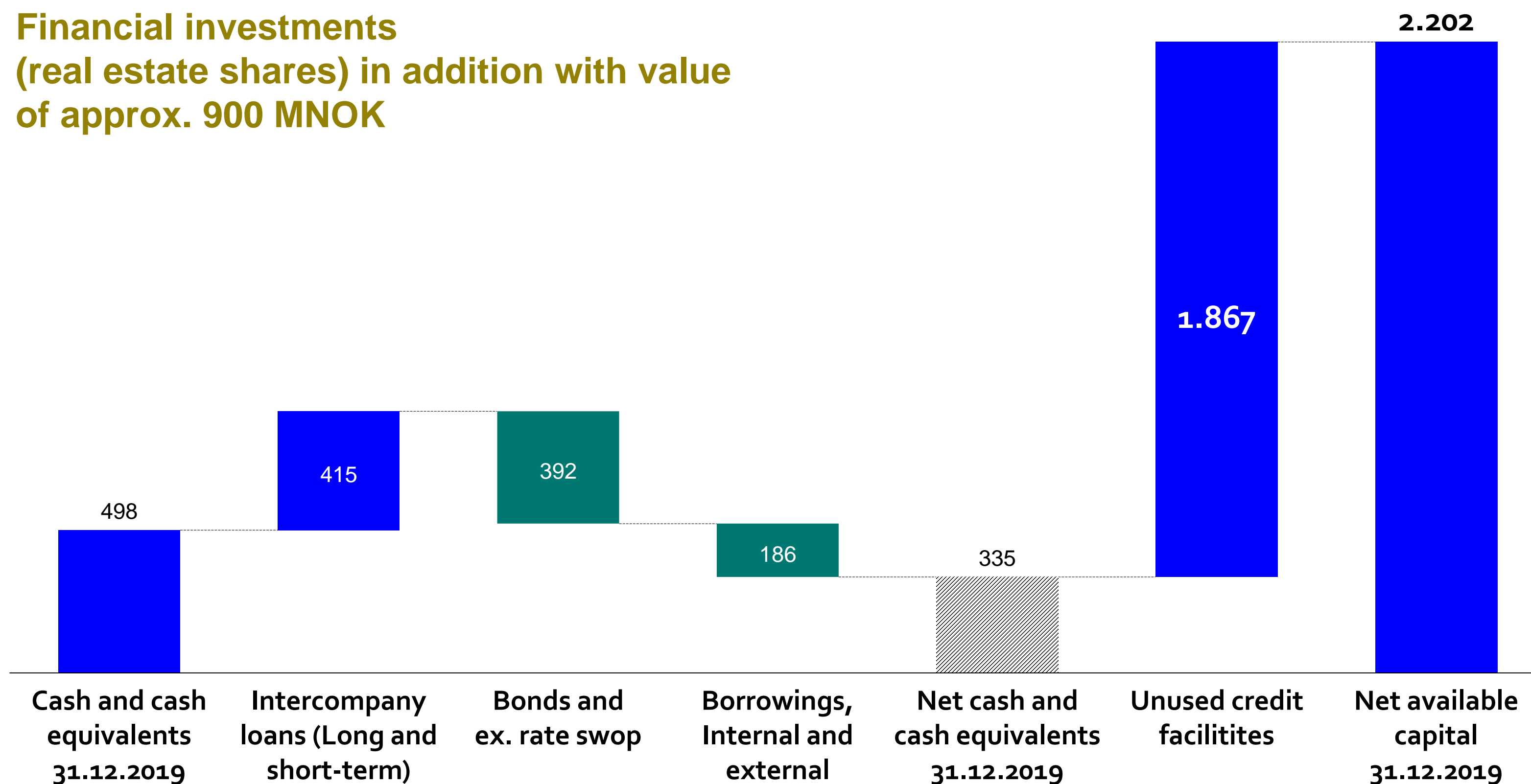
MNOK	FY 2019	FY 2018
Revenues	4 790	4 906
EBITDA	465	501
EBITDA %	9,7%	10,2%
EBIT	189	261
EBIT %	3,9%	5,3%
Net Financials	17	18
Profit before tax	205	276
Tax income	-126	-135
Profit for the period	79	141
Earnings per Share (NOK) ¹	32	51

- High quality portfolio providing basis for stable dividend pay-outs
- The board has proposed a dividend of 56 NOK per share for 2019. To be approved at AGM on May 7th, 2020
 - Payment date around May 18
- Including gains on financial positions, EPS for 2019 is 139 NOK
- New dividend policy to be recommended at AGM
 - Change to quarterly dividend and aiming for stable growth
 - First quarterly payment proposed for Q2, 2020 at around September 2

¹ The number of outstanding shares on 31.12.2019 was 2 193 519, outstanding shares on 31.12.2018 was 2 188 958

The parent company with net cash of 335 MNOK. Above 2 BNOK in available liquidity, before financial shares

- **Financial investments** (real estate shares) in addition with value of approx. 900 MNOK





Strategic priorities



Competitive edge both in operational excellence and technology position



Tekna operates in two markets



1) Metal and Ceramic Powders



The Powder market addressed by Tekna are primarily *Additive Manufacturing* (micro size metals for 3D printing) and *Printed Electronics* (nano size metals and ceramic materials).

2) Plasma Systems



The Plasma Systems are mostly machine orders generating revenue annually of around \$10M – \$15M (2019: 10 M), and funds R&D efforts, with sales to non-competing customers

Target market groups:

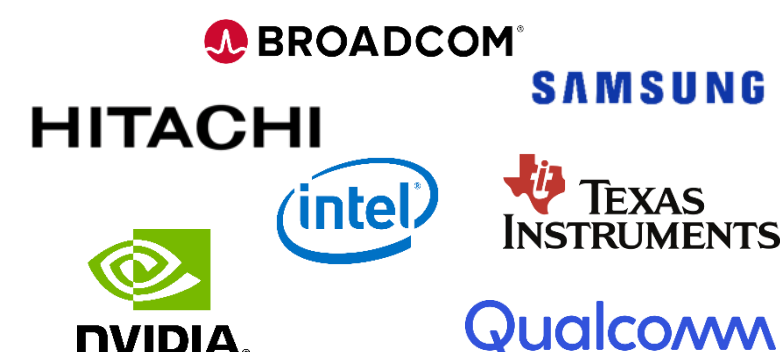
Medical



Aerospace



Microelectronics



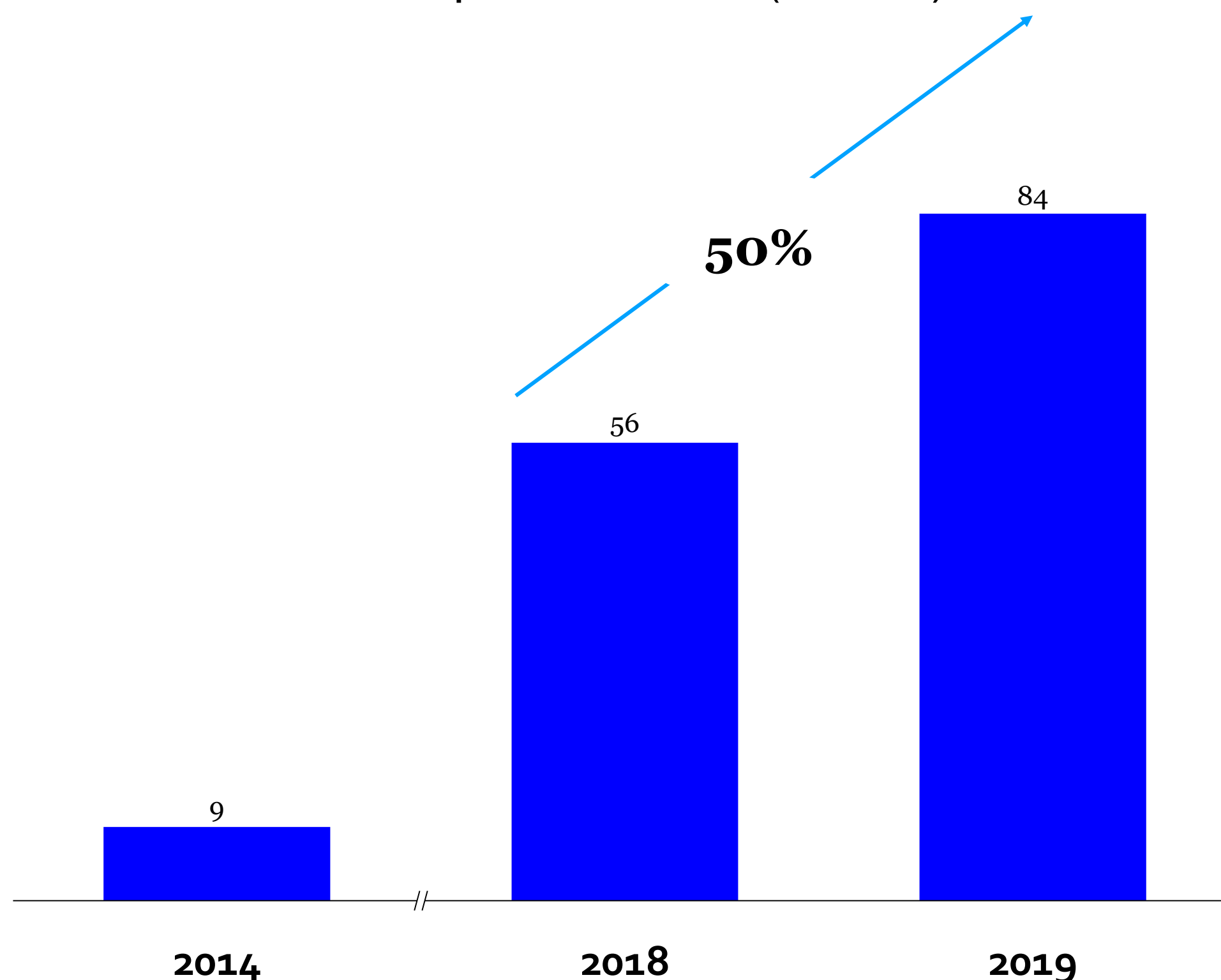
Automotive



High expectations for powder sales outlook. Tekna with 50% growth in 2019



Tekna powder sales (MNOK)

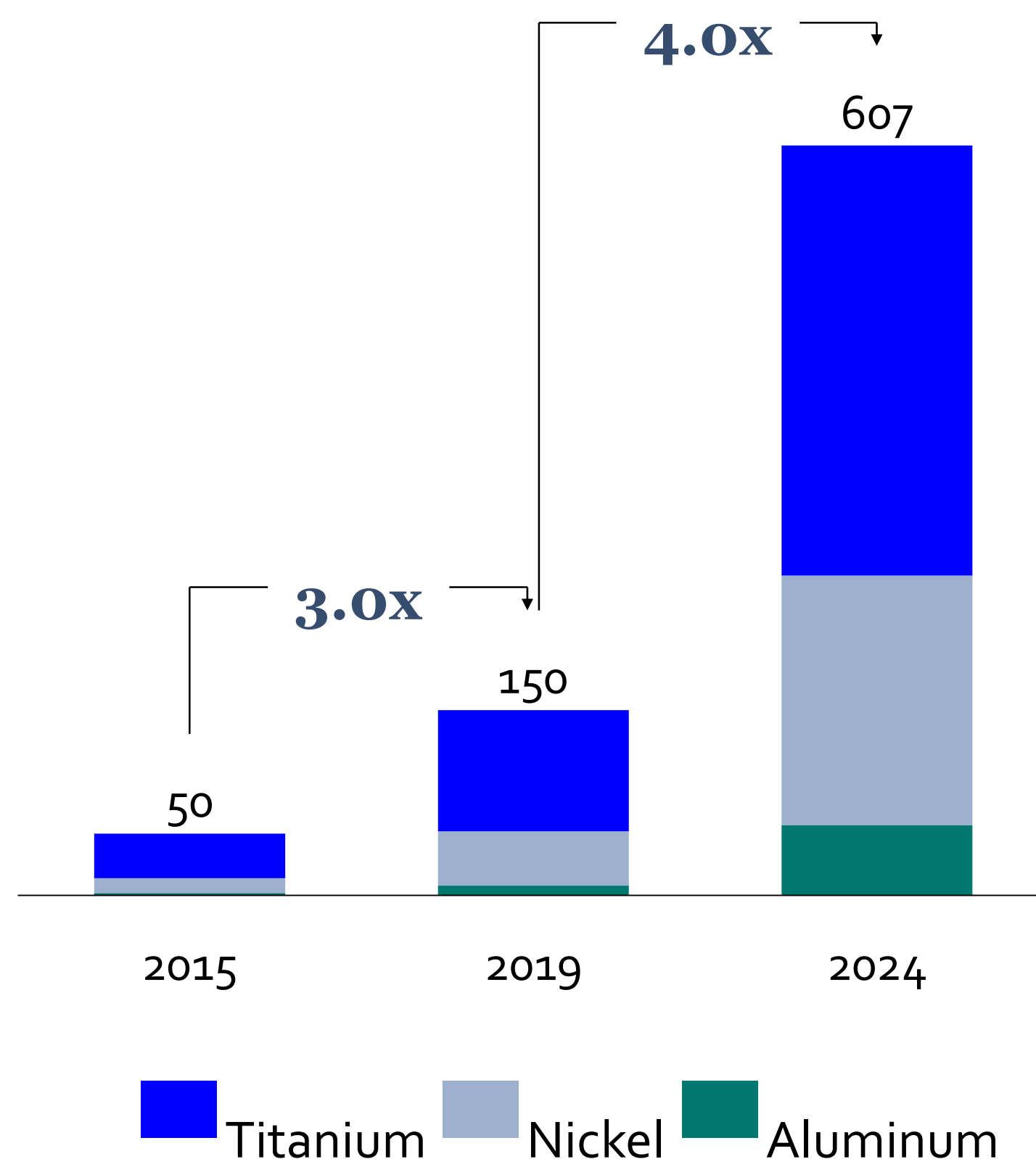


- Total installed number of 3D printers end 2018 at 6,500. End 2020 forecasted at near 15,000¹
- Industrial use finally booming:
 - Material cost (waste)
 - Labour
 - Lead times
 - Weight
 - Working capital
 - Design for 3D

¹ Source: Wohlers Report 2018 (Wohlers Associates, 2018), AFK investment team

Exponential market growth expected to continue in metal markets

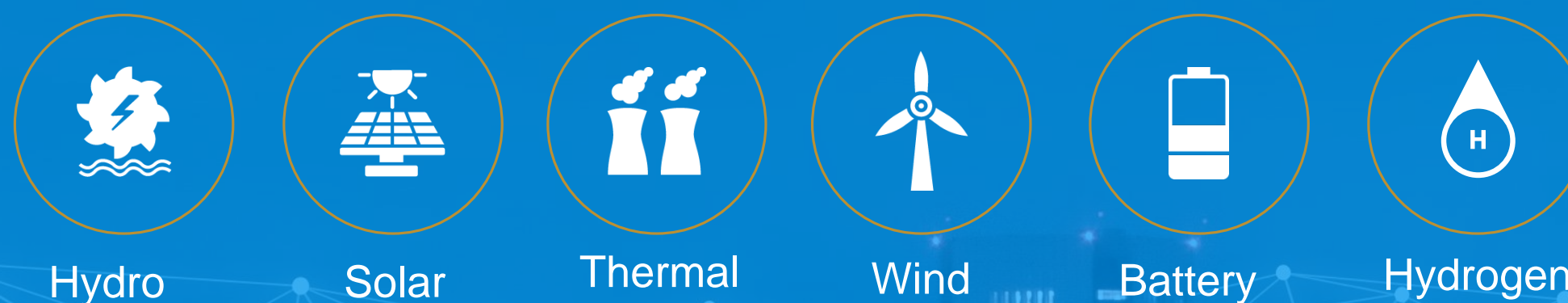
Estimated market size (MUSD), Selected metal powders ¹



- Scale across value chain driving down cost
- New compact and automated 3D printer systems
- Higher powder quality and properties
- From prototyping to mass production

¹ Source: Titanium Additive Manufacturing 2019 (Smartech, 2019), Tekna

AFK's digital energy companies play a significant role throughout the rapidly changing energy value chain



WATTSIGHT

- Delivering price forecasts ranging from years to minutes
- Big data analytics to improve forecasting

scanmatic

Sensor expert with data capturing and formatting

- Water, snow, wind, temperature, sun, etc.
- HW devices and SW to format and relay data

powel

- Optimizing production mix and monitoring distribution network
- Maximizing profit potential

MARKEDSKRAFT

ANALYSING AND MANAGING ENERGY

- Outsourcing partner of trading activities
- Transforming to robots as market increasingly trades towards real time



Core company portfolio continued



Evaluating strategic opportunities and long term market direction, in context of adjusted subsidy regime



More aggressive sales and marketing approach. Right size capacity, including global footprint, to 2020 market progress



Focus on existing clients and contract renewals



Evaluating strategic opportunities

Hydropower: 500 GWh production in AFK

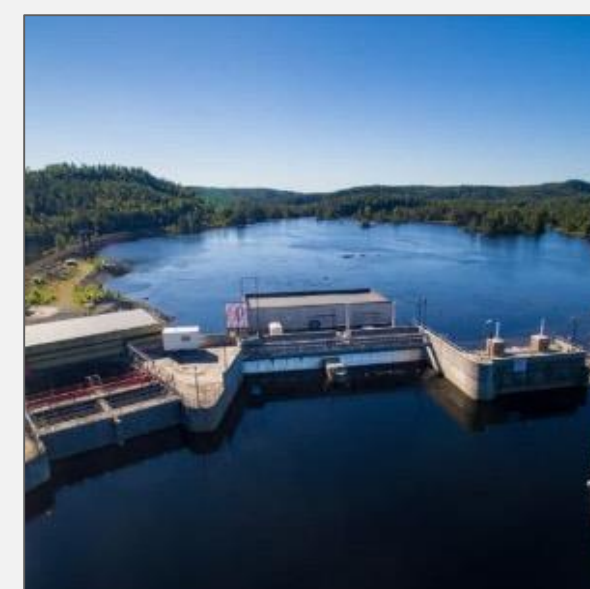
AFK has been a reliable producer of hydropower for more than 100 years

AFK owns and operates two hydropower plants in Nidelva in the south of Norway



Bøylefoss

Installed capacity:
65 MW
Annual production:
approx. 400 GWh



Flatenfoss

Installed capacity:
12,5 MW
Annual production:
approx. 100 GWh

AFK has two potential projects under development together with other partners:

KILANDSFOSS

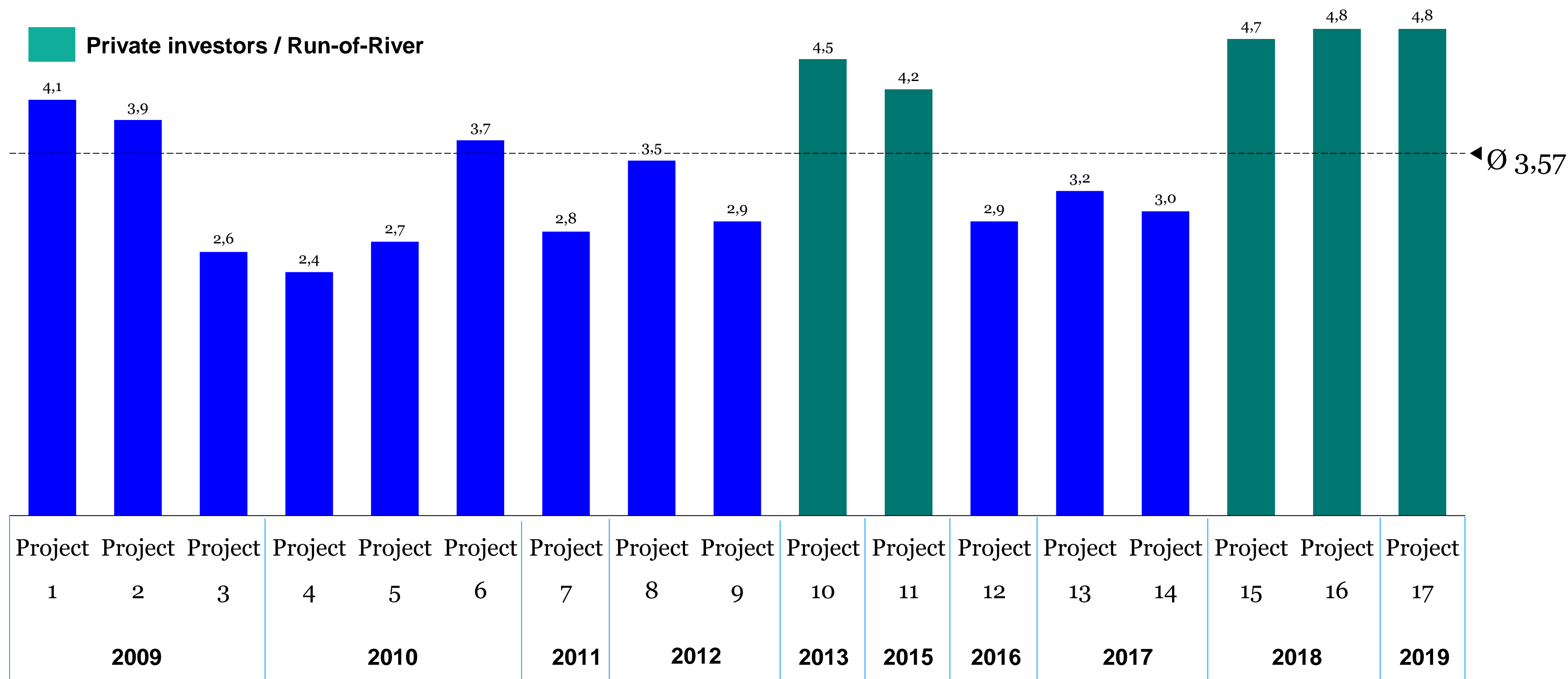
Estimated annual production approx. 40 GWh

GLOMSDAM

Estimated annual production approx. 7,3 GWh

Later years transactions have shown a hydropower market price evolving around 3-5 NOK/kWh ¹

Overview of hydropower transaction values in the Norwegian market (NOK /kWh)



¹ Transaction multiples for hydropower (SEB 2020)

Valuation Considerations and Uncertainty

- Net cash position in parent of about 300 MNOK and real estate shares of around 900 MNOK
- Market transactions valuing kWh hydro power production between 3-5 NOK
- Around 0.5 BNOK in book equity at Cogen and EFD
- Book equity in NSSL of 389 MNOK, and AFK ownership 80%. EBITDA of 230 MNOK in 2019
- Software revenue seen valued at 5-7 x sales (relevant for AFK digital energy companies), but needs high recurring revenue and growth rate, combined with solid margin
- 3d printing expected to grow 4x next 3-4 years (AFK investment in Tekna at approx. 470 MNOK, incl. loans)

Key AFK parent agenda

Improve profitability and increase focus on strategic agenda

- ✓ Cost base, Sales efficiency, Streamlined offering, Product development
 - ✓ Invest in strategic position
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Increased investment churn willingness, although remain long term

- ✓ Both exits and new investments on agenda
 - ✓ But patience required
-

Improve visibility and position of AFK

- ✓ Bring forward inherent ESG profile
- ✓ Become more shareholder friendly; including quarterly dividend policy
- ✓ Strengthen investment team capacity



AFK's digital energy companies (Trond Straume)

