

Arendals Fossekompani

Q2 update, August 20, 2021

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Highlights

Q2 2021

Development Q2 YoY

- Revenues increased to 866 MNOK from 748 MNOK in Q2 2020, 16% growth
- EBIT increased to 77 MNOK, up from 10 MNOK in Q2 2020
 - Including a Volue one-off cost of 40 MNOK related to the cyber attack
- Tekna with +95% top line growth (local currency)
- Electricity prices about 10x higher, lifting power revenue from 9 to 63 MNOK
- Volue moved to main list on Oslo Børs
- Established partnership with Ferd within offshore wind
- Established partnership with Grieg within green ammonia

After end of the quarter

- CO2 emissions reduced by 98% through sale of Cogen. Now very strong EU Taxonomy position
- For each 10 shares in AFK, shareholders will receive a dividend in kind of 1 Volue share, plus 0.80 NOK in cash dividend per share

Arendals Fossekompani

Our history and future

01

Established in 1896

02

From local hydropower plants to global green tech group

03

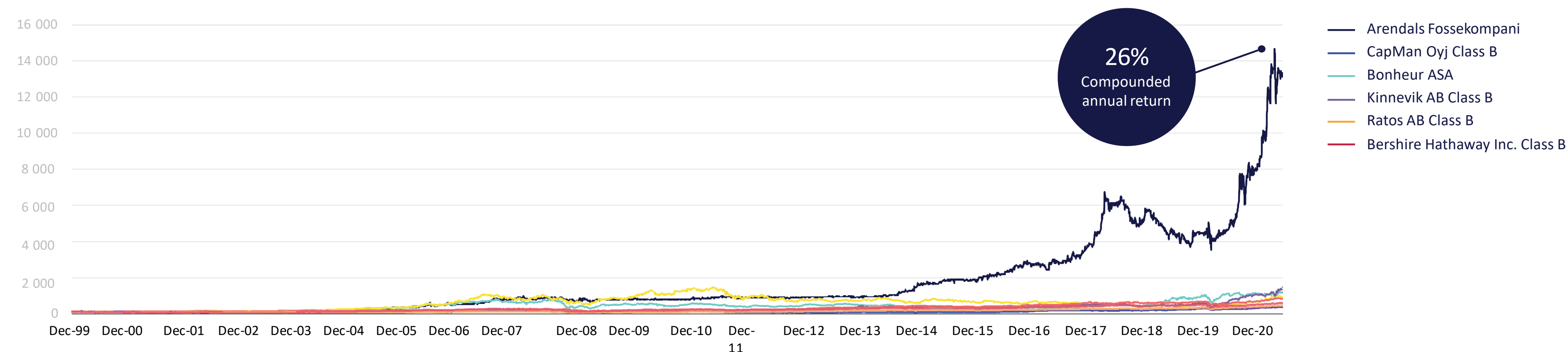
Attractive portfolio of listed and non listed companies

04

Focus on quarterly dividend yield, NAV growth, and ESG score

AFK total shareholder return analysis

Indexed total shareholder returns since December 1999 (assuming dividends reinvested)¹












Total returned to shareholders (compounded annualized returns)

Period	Norwegian peers			Other Nordic peers			Other international peers			Key indexes		
	Arendals Fossekompani	Aker ASA	Bonheur ASA	Ratos AB	CapMan Oyj	Kinnevik AB	Blackstone	KKR & Co.	Berkshire Hathaway	MSCI World	S&P 500	OSEBX
LTM	225%	95%	5%	116%	47%	141%	78%	94%	56%	38%	41%	41%
Last 5 years	49%	29%	38%	9%	30%	34%	39%	40%	14%	15%	18%	13%
Last 10 years	32%	22%	9%	(4%)	13%	23%	26%	19%	14%	12%	15%	10%
Last 15 years	26%	10%	6%	5%	6%	19%	n.m.	n.m.	11%	8%	11%	8%
Last 20 years	28%	n.m.	13%	10%	6%	16%	n.m.	n.m.	9%	7%	9%	9%

¹ Based on holding period from 30 December 1999 to 30 June 2021 – **Note:** Peers include Aker ASA, Bonheur ASA, Ratos AB (Class B), CapMan Oyj (Class B), Kinnevik AB (Class B), Blackstone Group Inc., KKR & Co. Inc., Berkshire Hathaway Inc. Class B – **Source:** Factset, Company information, Danske Bank analysis

AFK portfolio and its megatrends

Digitalization and big data analytics		Electrification & storage		Green power shift and power volatility	
	Digital energy solutions		3D powder, battery anodes & micro electro		Hydropower, 500 GWh production
	Satellite comms services		Power and material technology		Offshore wind energy
	Data heavy business decision tools		Solar ingots & wafers		Green ammonia production
			Battery technology		

Strong underlying results

- Portfolio with solid performance over the quarter, with EBIT in EFD Induction, NSSLGlobal, and Tekna increasing by **59 MNOK**
- In addition, contribution from hydropower increased EBIT by **43 MNOK** (AFK Parent)
- The results are offset with **-40 MNOK** one-off costs in Volve due to cyber attack (as per 12 July notification)
- **Outlook 2021:** Results expected to further improve for the portfolio, and electricity prices should (according to current forecasts) substantially improve EBIT in AFK Parent. Cyber attack in Volve should not affect revenues going forward

EBIT, MNOK	Q2 2021	Q2 2020	Difference
EFD Induction	24	-21	+45
NSSLGlobal	41	33	+8
Tekna	-5	-11	+6
Volve	-11	24	-35
AFK Parent/Hydropower	31	-12	+43
Other	-3	-3	0
AFK consolidated	77	10	+67

Q2 highlights

Listed companies

- Adjusted for cyber attack, 18% revenue growth from Q2, 2020
- Adjusted EBITDA was 57 MNOK, up from 52 MNOK in Q2, 2020
- SaaS revenue grew 51%
- Sales closing back on track post cyber attack, and tremendous support from customers have been received
- Acquired Procom in Germany, with 3 MEUR in ARR and 60 new customers to Volue

Note: Volue has recognized one-off costs related to the cyber attack of 40 MNOK, and estimates one-off loss in revenue of 25 MNOK



Q2 highlights

Listed companies

- Revenue increased from 28 MNOK in Q2 2020 to 52 MNOK in Q2 2021, a growth of 95% in local currency
- Materials revenue in Q2 have more than doubled from Q2 2020, with 86% of sales generated from recurring customers
- Three major new contracts:
 - with LG Chem to develop new materials that will improve the storage capacity and the cycle stability of Lithium-Ion batteries,
 - multi-year supply agreement for 3D printing titanium powder with Airbus
 - a 10-year supply agreement with a leading EU jet engine and aerospace component OEM.

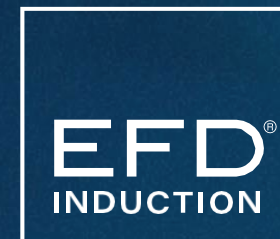


Q2 Highlights

Non listed companies



- Sold to MET Group in July
- The sale of Cogen Energia is part of AFK's corporate strategy to exit all fossil fuel positions. With this divestment AFK Group will reduce its total CO2 emissions by 98%



- Strong turn around, with EBIT at 24 MNOK, up from a loss of 21 MNOK in Q2, 2020
- Revenue increased 8.5% year on year, as markets are gradually rebounding
- Order intake remains strong, but supply-chain disruption concerns



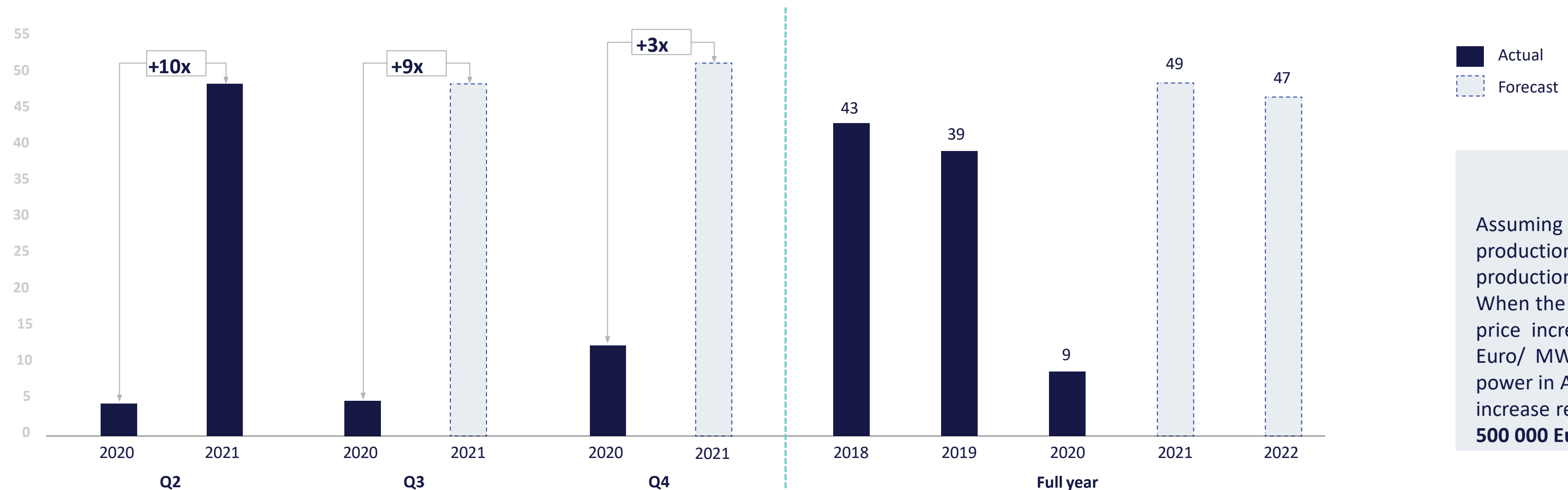
- Strong performance continues, with revenue of 227 MNOK, up from 212 MNOK in Q2, 2020
- EBIT increased from 33 MNOK in Q2 2020 to 41 MNOK this quarter

Strong performance

Electricity prices +10x higher than Q2 2020

Outlook good

Actual and forecasted EUR/MWh NO2



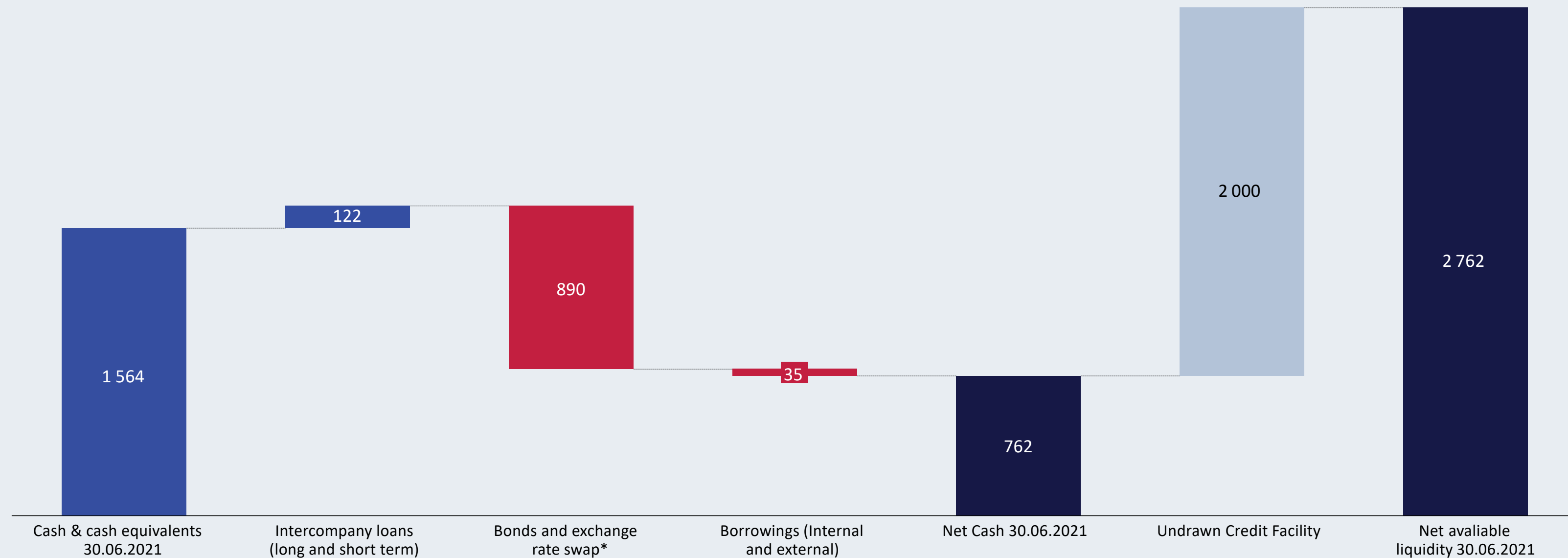
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Assuming uniform production, and AFK production of 500 GWh: When the electricity price increases with 1 Euro/ MWh, Hydro power in AFK will increase revenues with **500 000 Euro**

Source: Nordpool Spot for historical prices (average of months), Value Insight for forecasted prices. Prices are average of historical and forecasted months

Price forecast will contribute to a substantially improved profitability in hydropower

AFK with 1,6 MNOK in cash and 2.8 BNOK in available liquidity

Total Available Liquidity in AFK Parent 30.06.21 (MNOK)



OUR PORTOFLIO

Portfolio strongly positioned
on long-term megatrends

Sustainability performance

Ethical business conduct

- 87.4% Employees signed code of conduct 2020.
 - 100% Target for 2021
- Implementing Supplier Code of Conduct in 2021
- Implementation of public handling of concern procedure in 2021

A great place to work

- 13.1 % women in board position 2020
 - 33.3% Target for 2021
 - 40% Target for 2023
- Absentee rate 2.94% in 2020
 - 3% Target for 2021

Climate impact

- Reduction of CO2-emissions will be significant in 2021, based on divestment of Cogen Energia this year (98% reduction)
- EU Taxonomy alignment-project
- Climate risk analysis performed
- CDP-reporting completed for 2021



- Disclosure report for 2020 delivered in Q2 2021



- Detailed climate risk analysis performed in Q2 2021



- Updated materiality analysis
- New GHG-reporting portal



- Preparing for EU taxonomy disclosure in 2022

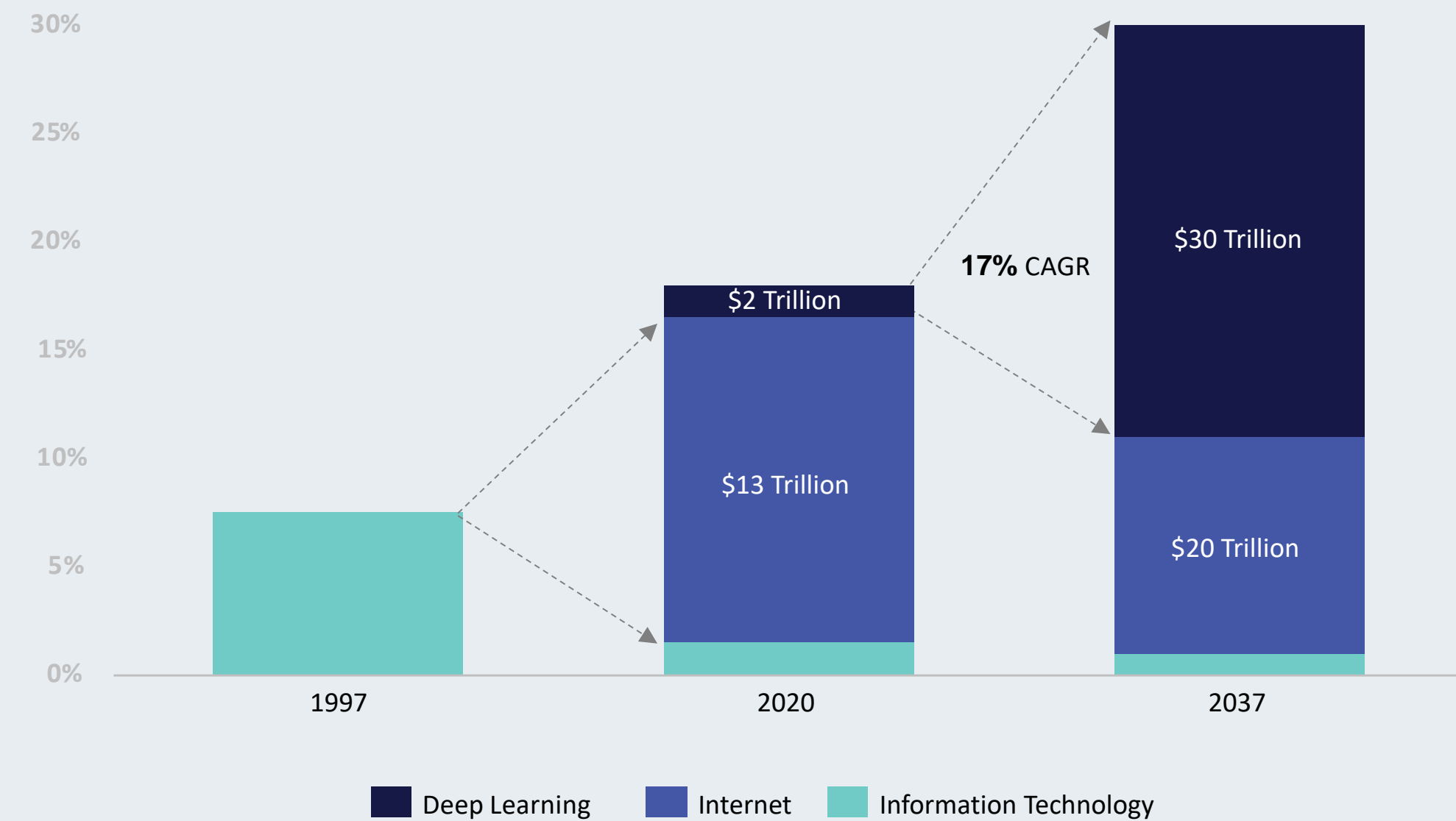
Sustainability projects 2021

Mega trends

Digitalization and big data analytics

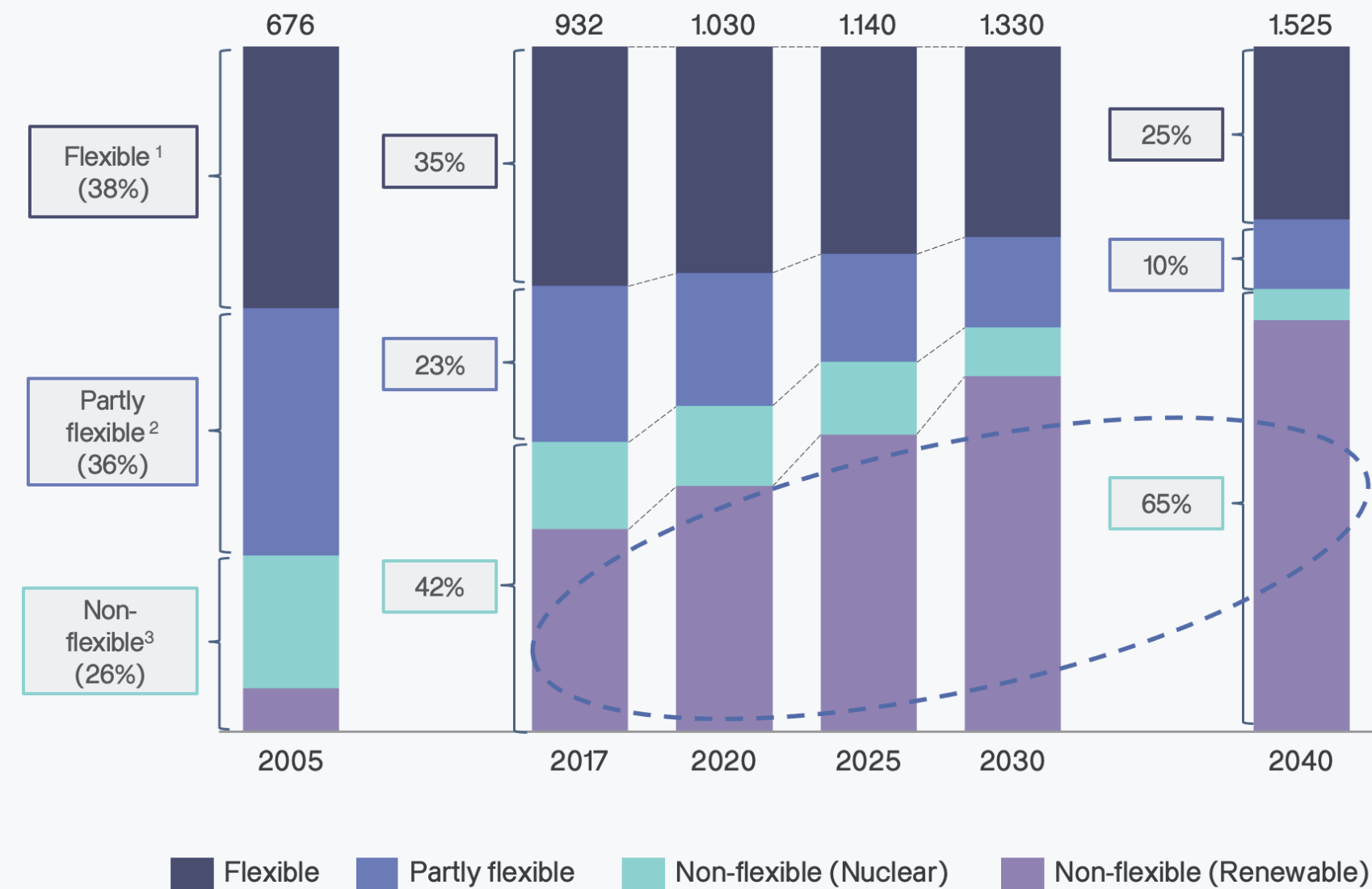
Deep learning will add **30 Trillion USD** to equity market capitalizations during the next 15-20 years.

Market cap creation: Internet vs. Deep learning¹



¹ Source: UnpackAI

European Installed Production Capacity (GW)³



³ Source: Arkwright Consulting

Mega trends

Green energy shift and power volatility

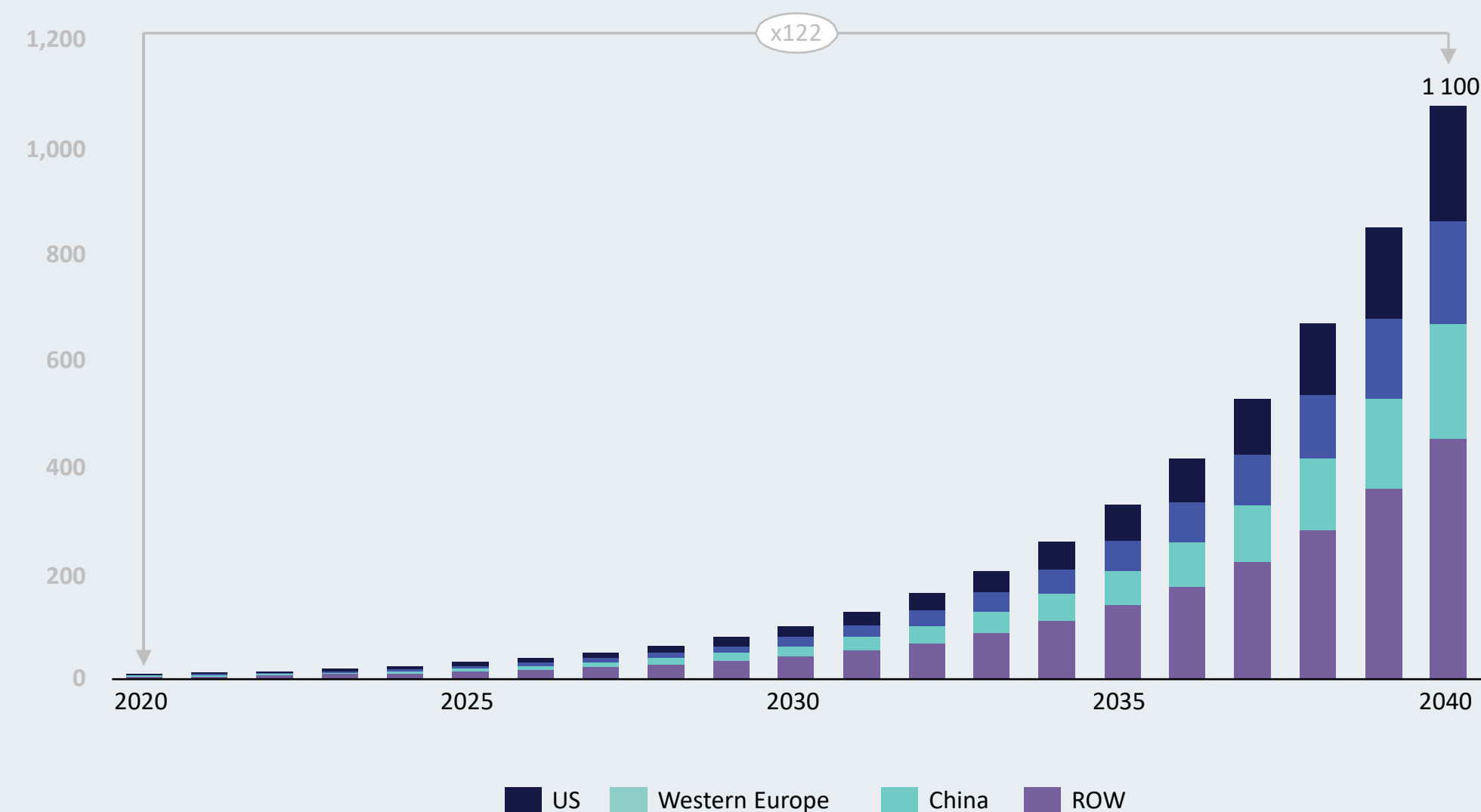
European energy production set **to become more renewable and less stable**, requiring more and faster optimisation to cope with market movements.

Mega trends

Electrification and storage

Energy storage from stationary batteries is expected to grow exponentially from 9 GW to 1.1 TW in 2040. The 122-fold growth will require **662 Billion** in investments.

Energy Storage Capacity (GW)²



²Source: BloombergNEF

Targeting new business initiatives where AFK has strong competitive positions

Business development

AFK Battery-as-a-Service

Description

- Energy storage for grid operators, renewable producers and industrials (consumers)
- Initially focused on continental Europe, but potential for global expansion

Rationale

- Smart storage is an enabler of renewables, by solving problems of volatility and intermittency

AFK Trading

Description

- Volatility creates intraday high speed algo based opportunity (Germany as start)
- Storage concept will enable AFK and our partners to trade short term on stored energy

Rationale

- Trading is required to optimise profit potential in the renewable power sources as well as from storage, as shifting timing of volume into the market is key

AFK Wind

Description

- Development of offshore wind farms through strategic partnership with strong strategic and financial players

Rationale

- Offshore wind is believed to be a major driver of renewable energy expansion over the coming decade

AFK Ammonia

Description

- Utilizing available energy resources to build scalable production of ammonia, or even new offshore wind energy sources

Rationale

- Demand for hydrogen/ammonia is expected to increase rapidly as the green transition reaches shipping and other large-scale logistics

AFK

Guiding priorities

01

Direct yield on
AFK share

02

Growth in sum of
the parts value

03

ESG, in particular potential for
EU taxonomy alignment

High ambition levels

Listed companies

volue

Volue reiterates the 2025 ambitions:

- NOK 2 billion revenues
- 15% annual organic revenue growth
- SaaS revenues increasing to >50%
- Recurring revenues towards 80%
- An adjusted EBITDA margin towards 30%.

TEKNA

For 2030, the company has set the following targets:

- CAD 2 billion revenues
 - Additive Manufacturing sales will generate CAD 500 million by 2030
 - The Printed Electronics segment will generate CAD 300 million by 2030
 - The Energy Storage (ES) segment will generate CAD 1000 million by 2030

Closing summary

Q2 2021

- Strong underlying results, and positive outlook with well-positioned portfolio
- Balance sheet supports both continued future cash dividends and new investments
- Intense and focused business development efforts on-going, with perceived high-value potential
- Solid EU taxonomy profile (in place from January 1, 2022) following Cogen divestiture

An underwater scene with a deep blue background. Several dark, smooth rocks are visible, some partially covered in bubbles. The bubbles are small and numerous, creating a sense of movement and depth. The lighting is soft, highlighting the textures of the rocks and the clarity of the water.

Q&A

Appendix

P&L consolidated Q2 2021 & 2020

MNOK	Q2 2021	Q2 2020
Revenues	866	748
EBITDA	127	67
EBITDA %	14,7 %	9,0 %
EBIT	77	10
EBIT %	5,0 %	5,0 %
Net Financials	-15	8
Profit before tax	61	19
Tax income	-37	-2
Net discontinued operations	4	6
Profit for the period	28	23
Basic earnings per Share (NOK) ¹	0,52	0,42

¹The number of outstanding shares has been normalized due to split (25:1) on 21.11.2020.
Outstanding shares 30.06.2021 was 54 886 850

Solid P&L

- Revenue mainly up due to increased electricity prices, combined with growth in all portfolio companies
- Large increase in tax cost reflects growth in Norwegian electricity prices