

Arendals Fossekompani

Q3 update, 12 November 2021

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Highlights

Q3 2021

Development Q3 YoY

- Revenues increased to 1,302 MNOK from 759 MNOK in Q3 2020, a record 72% growth
- EBIT increased to 120 MNOK, up from 62 MNOK in Q3 2020
 - Including 28 MNOK related to sale of apartments at Bryggebyen
- Volue had a total top line growth of 14.4%, and confirmed progress of the SaaS transformation, with a 72% increase from Q3 last year
- Tekna increased its production capacity with 25% and had a powder revenue growth of 10% from Q3, 2020, as most popular powder specifications sold out
- Both NSSL and EFD continued its strong performance
- Electricity prices was about 15 times higher than in Q3 2020, lifting power revenue from 6 MNOK to 68 MNOK
- Sale of Cogen Energia closed, resulting in a 98% reduction in AFK Group CO2 emissions

After end of the quarter

- Dividend NOK 0.85 per share for the quarter


AFK portfolio

Developing positions in:

Battery as a service, including storage optimization and trading

Induction charging and power electronics – Core position in industrial electrification expanded

Standardisation of energy conversion and/or transport for offshore wind

Digitalization	Electrification & materials	Green power
<div><div>value</div><div>Digital energy solutions</div><div></div><div>Space & satellite comms services</div><div></div><div>Data heavy business decision tools</div></div>	<div><div>TEKNA</div><div>3D powder, battery anodes & micro electronics</div><div>EFD[®] INDUCTION<div>Power and materials technology</div></div><div>NorSun</div><div>Solar ingots and wafers</div><div>BEYONDER[™]</div><div>Battery technology</div></div>	<div><div></div><div>Hydropower</div><div>Hydropower, 500 GWh production</div><div></div><div>Offshore wind energy</div><div></div><div>Green ammonia production</div></div>

Megatrends:

Digitalization and big data analytics

Industry 4.0, electrification and batteries

Green energy shift, volatility and storage

AFK's portfolio with strong contribution to planet, people and prosperity

Portfolio with true ESG impact



Q3 highlights:

Value

- 15% growth in recurring revenue from Q3, 2020
- SaaS revenue of 55 MNOK represents an increase of 72% from Q3, 2020
- Strong sales closing with 600 smaller and larger sales closed in the quarter
- Consulting revenue approaching full speed again at end of quarter
- Adjusted EBIT of 15 MNOK somewhat down from Q3, 2020, reflecting increased R&D spend and skewed consulting revenue pick up
- Closed Procom acquisition in Germany, with 3 MEURO in revenue and 60 new customers to Value



Q3 highlights:

Tekna

- 10% increase in material revenue from Q3, 2020, but most popular powder specs sold out as 25% increase in production capacity was on stream from end of quarter
- Overall revenue of 5.6 MCAD, was 14% down from Q3, 2020 reflecting bumpy systems deliveries. The systems revenue will continue to fluctuate from quarter to quarter.
- Market continues to develop well, and order back-log remains strong (up 57% year on year)
- Interesting developments in additional systems applications (the hypersonic market) and the battery storage market (Exploring further expansion of LG Chem Joint Development Agreement on a second research project)



EFD at a glance

The right heat for a better world

- World leader in induction technology used for the clean manufacture of important sustainable products such as wind turbines and electric vehicles
 - Energy savings
 - Less waste
 - Sustainable process
 - UN 2030 agenda
- Induction is also relevant for electrification applications such as wireless charging.
- Local presence in more than 20 countries, extensive customer base and Industry 4.0 capabilities make EFD well-positioned to continue both organic and acquisitive growth



EFD:

On a strong run

Excellent turnaround: growth and profitability

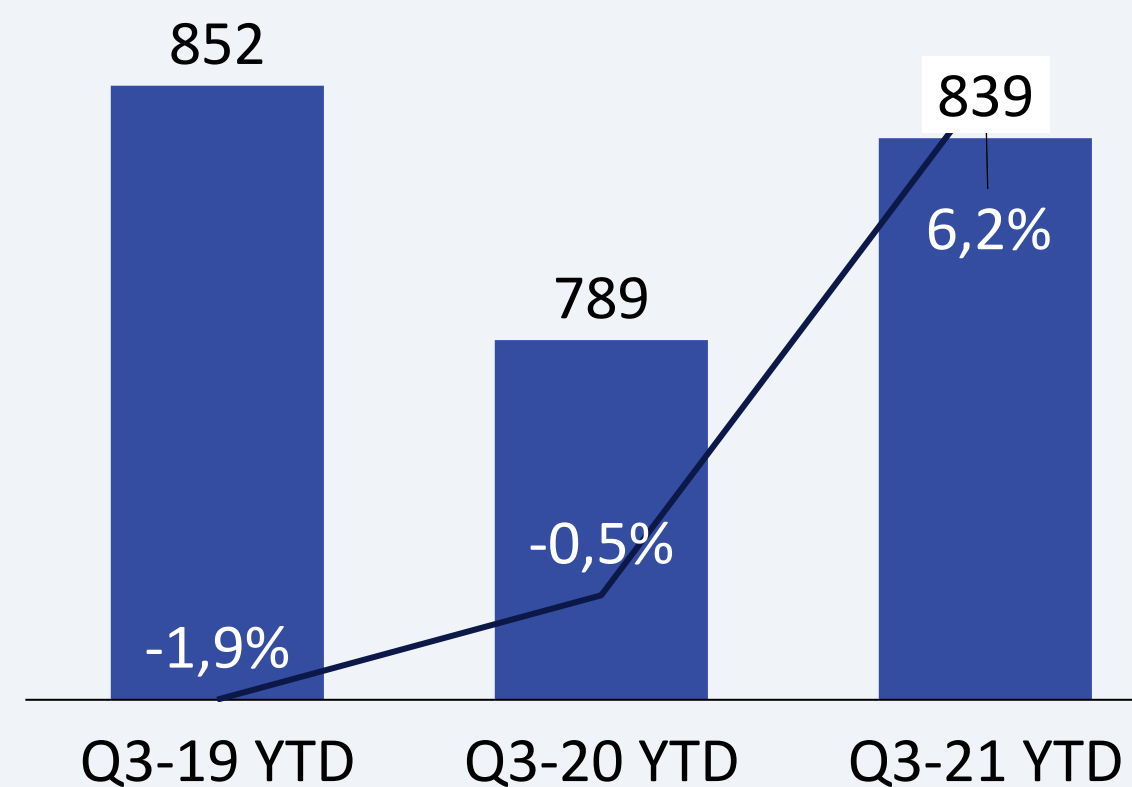
Despite challenging global markets:

- Strong execution even with global supply chain issues
- Markets improving, although Europe still lagging
- Offshore wind and electric vehicle segments with strong momentum



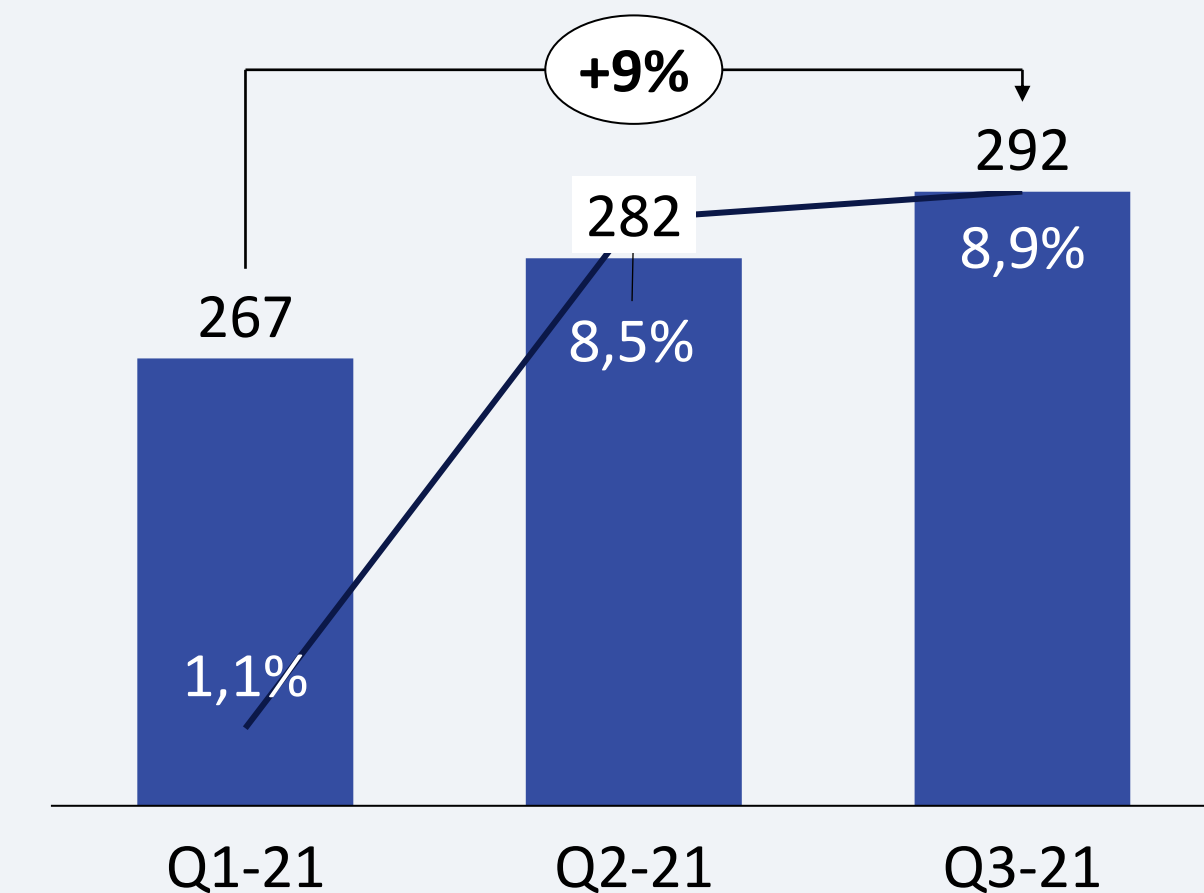
Revenue and EBIT NOKm

2019-2021 YtD Q3



— EBIT(%)
■ Revenues

Quarter by Quarter 2021








EFD:

Exploring new market applications with strong upside potential

- EFD is now exploring opportunities to take a leading role in developing next generation systems for wireless charging, including:
 - Static or dynamic charging of heavy transportation, including trucks, busses and ferries
 - Inductive charging solutions for passenger vehicles, bikes, and other light transportation

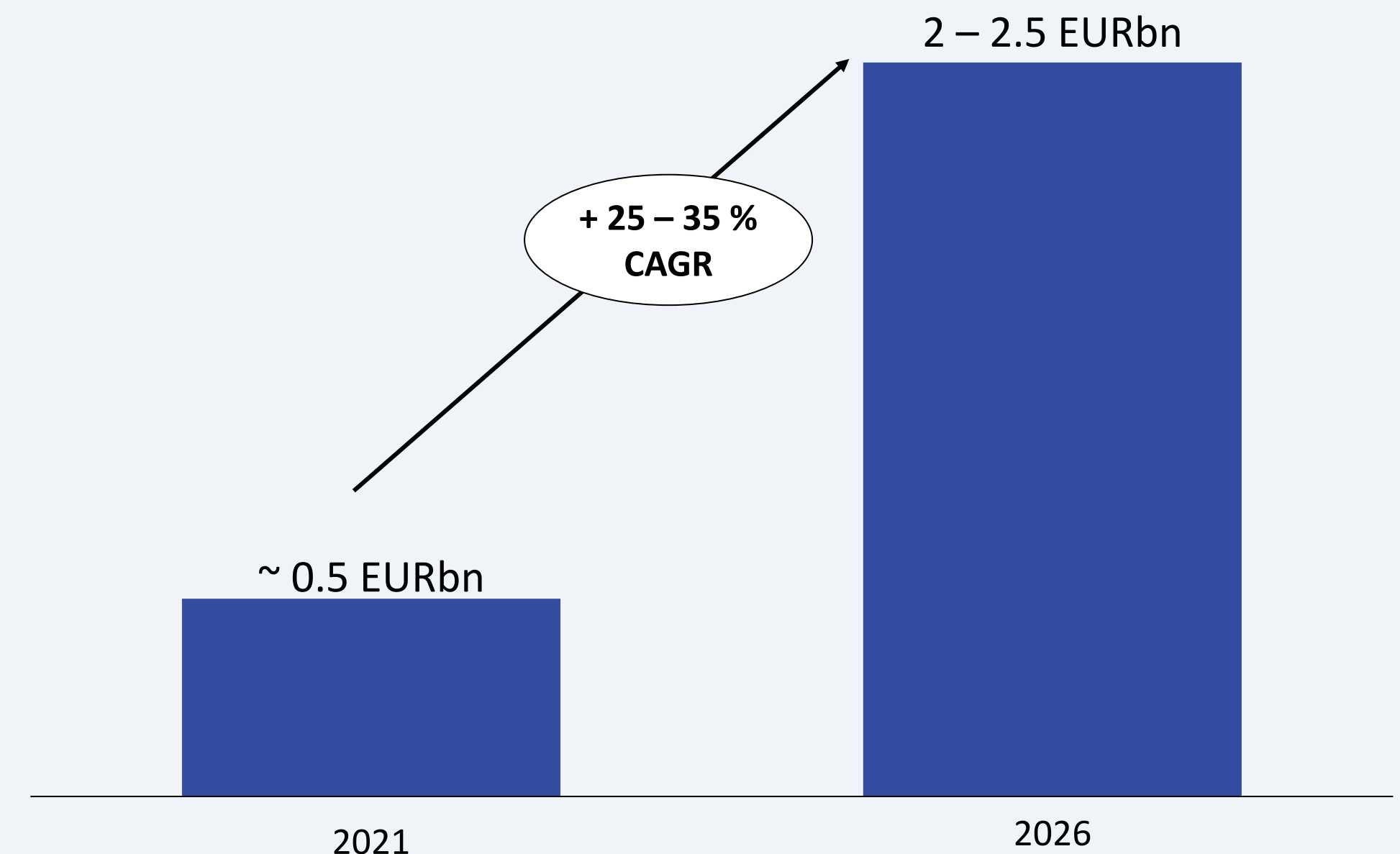
Moving to inductive charging solutions in transportation

-  Energy efficient solution
-  Save batteries and weight – Move people, not batteries
-  No moving parts: Lower wear and tear
-  Super user-friendly
-  Limits risks of human error



Global inductive charging market for electric transportation

Expected 25 – 35 % annual market growth next five years



NSSL

Stable performance and dividend contributor

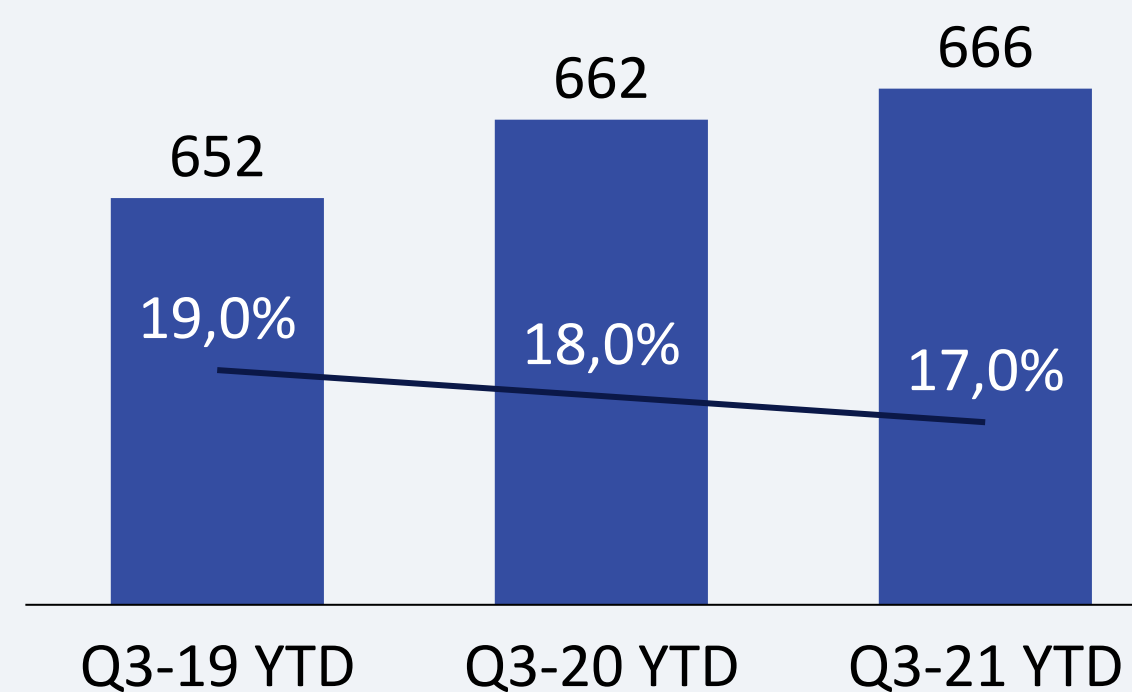
Backlog and high visibility

- Long term backlog provides stable outlook
- Markets developing positively as always connected theme plays out
- Provides stable dividend payments to AFK



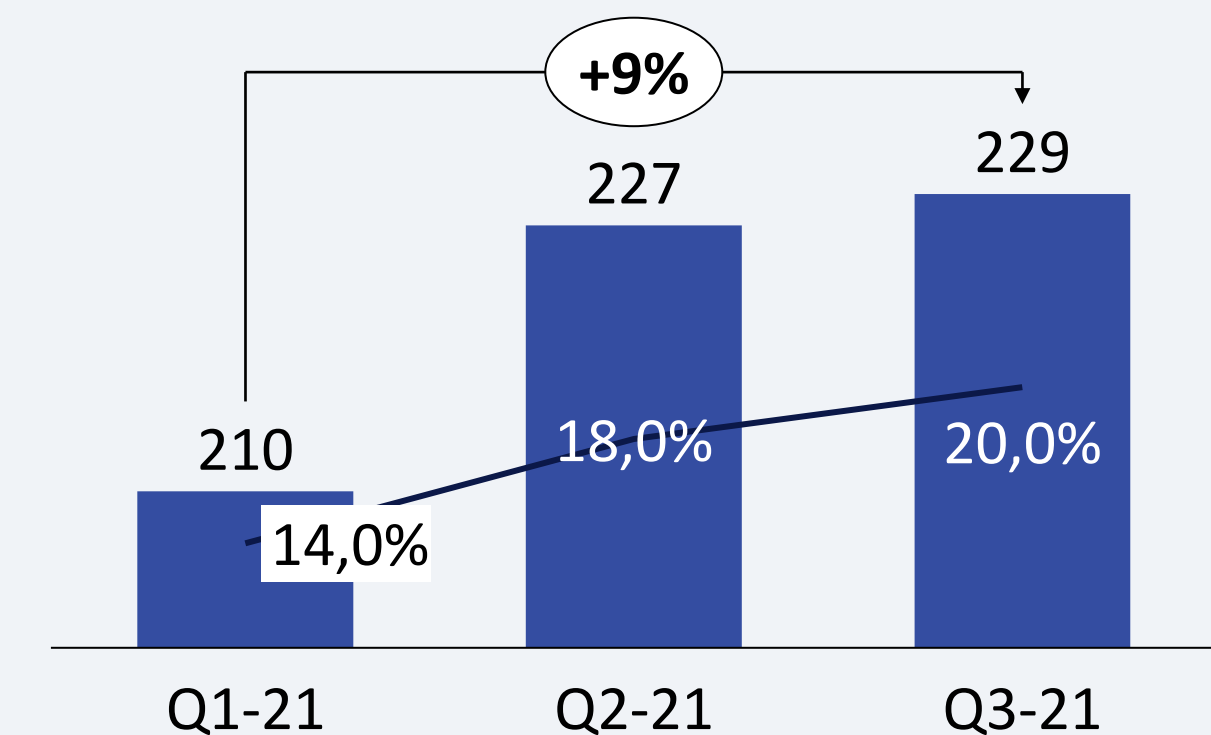
Revenue and EBIT NOKm

2019 – 2021 YTD Q3



— EBIT(%)
■ Revenues

Quarter by Quarter 2021

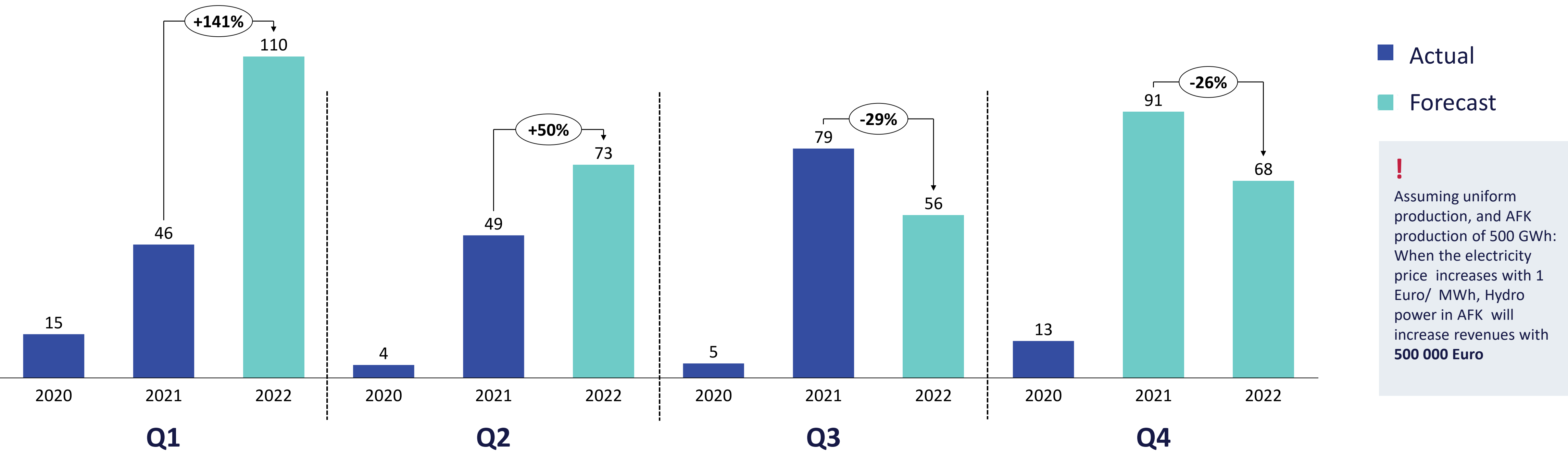


Electricity prices will improve further

... but will see moderate corrections Q3 and Q4 2022

Price forecast is high, but dependent on weather conditions and european power prices

Actual and forecasted EUR/MWh NO2, 2020-21/22



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

Alytic:

New acquisition and further development of portfolio

- Alytic invests in data-driven companies, with a clear potential for scaling up the business through digital transformation, and with unique domain knowledge and expertise
- Alytic has specialized in-house technology competence, spanning **digital transformation, big data, modern business models, development capabilities, and more**
- **Alytic's Mandate is to continue growing it's portfolio. New acquisitions are expected early next year**

Portfolio:

KONTALI

Leading knowledge-based consultancy and data provider of international data for the fish farming industry



Leading provider of services for network monitoring and analysis, mainly serving telecom carriers. The company has a broad customer base, serving companies from UK to Japan

New acquisition:



Greenfact is green-tech leader, mainly within monitoring solutions for the GoO market. The company has strong domain competence, a strong brand, ongoing SaaS business and a large potential for growth. Alytic's ambition is to develop Greenfact into a company that provides relevant data and insight into how companies can optimize and develop their climate ambitions and risks.

Q3 highlights:

Property

- Revenue of 428 MNOK and EBIT MNOK 28 booked in Q3
- 112 of 113 units sold in first construction phase.
- 2nd construction phase sales start Q1 2022
- Total project potential, 700 units before 2030

Bryggebyen










Several recent major news underpinning the massive and accelerating potential for green ammonia

Multinational retailers and manufacturers are requiring a rapid decarbonization of the maritime industry ...

"Nine big companies including Amazon, Ikea and Unilever have signed up to a pledge to only move cargo on ships using zero-carbon fuel by 2040"
– BBC Oct 19th 2021



... motivating major maritime players to move to green fuels

-  The world's largest engine manufacturer Wärtsilä says all engine types will be compliant with ammonia blends within 2 years
-  Samsung Heavy Industries and Wärtsilä to collaborate on ammonia fuelled engines for future newbuilds
-  Engine manufacturer MAN will have ammonia engines ready for installation within 3 years
-  Höegh Autoliners has signed a LoI to build a series of ammonia-ready Aurora class vessels
-  Color Line have ongoing studies to assess ammonia as fuel on their passenger vessels

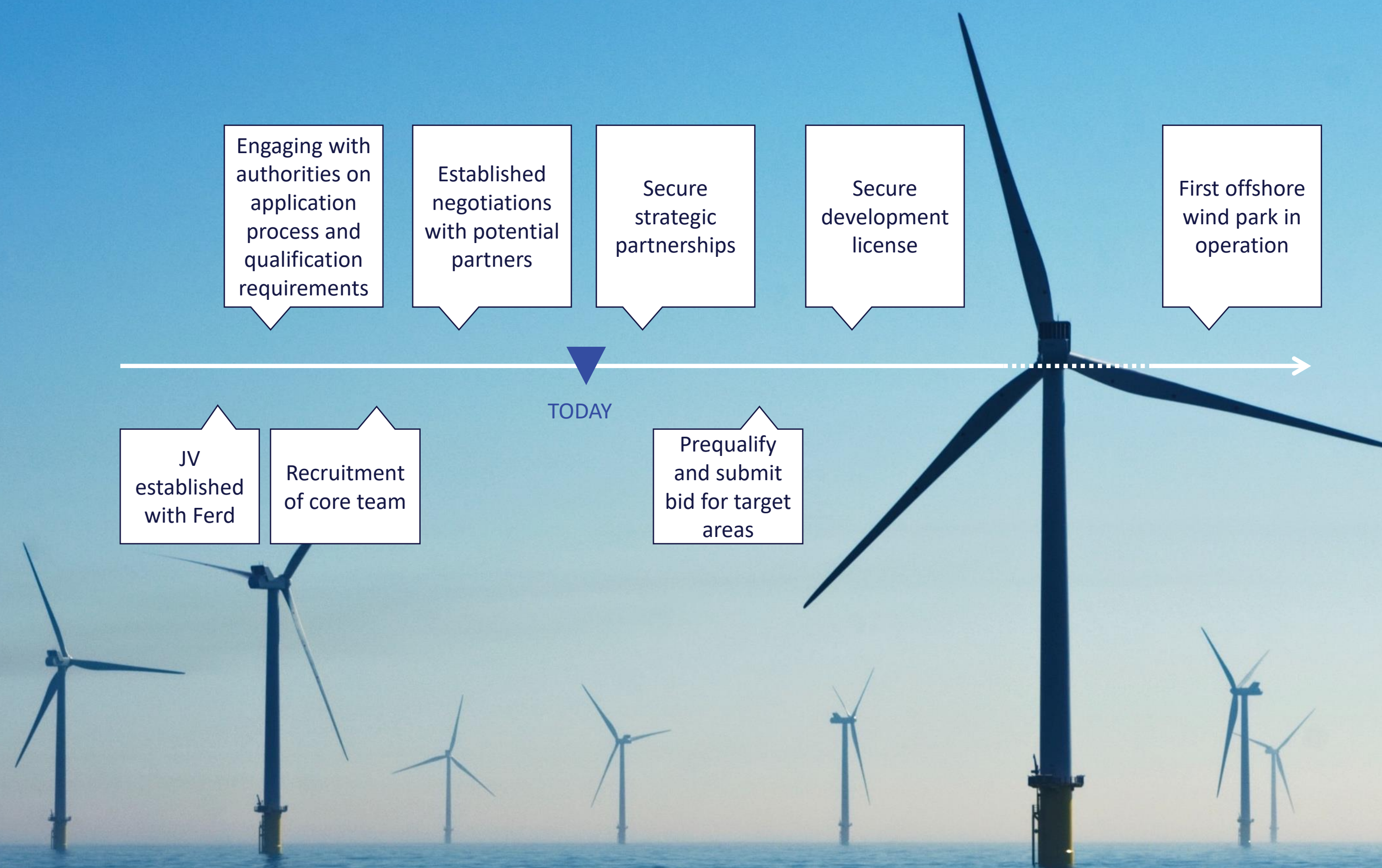
... and EU is drastically incentivizing zero-carbon maritime fuels

All commercial ship traffic to and from any EU port is forced to invest in carbon allowances per tonne of CO₂ emitted on the voyage. Green maritime fuels will therefore become an even more competitive solution, in the very near future

SEAGUST

On track to secure strong partnerships and prequalify for development license

Seagust will harness the offshore wind to further develop renewable energy and build a stronger Norwegian supplier industry



Recently established renewable infrastructure cluster with strong partners, valuable assets and clear growth plan



- North Ammonia was started in 2021 with the objective to develop and supply next generation green fuels to the maritime sector and heavy industries
- The company is focusing its efforts in establishing its pilot production site and negotiating offtake agreements with partners and customers
- **Currently solid traction in developing a pipeline of production sites and commercial agreements with customers and partners**

Partnership

- JV between AFK (50%) and Grieg Edge (50%)



- Seagust was established in 2021 to develop offshore wind projects in the North Sea
- The company is on track to secure new strategic partnerships and prequalify for the upcoming site application process

Partnership

- JV between AFK (50%) and Ferd (50%)



New Hydropower Projects

- AFK and associated partners are currently investigating potential building of two new hydropower plants (~55 GWh)
- Both projects have the received the necessary concessions to operate

Partnership

- Ownership split between AFK and various municipalities around Arendal

Bøylestad Energipark

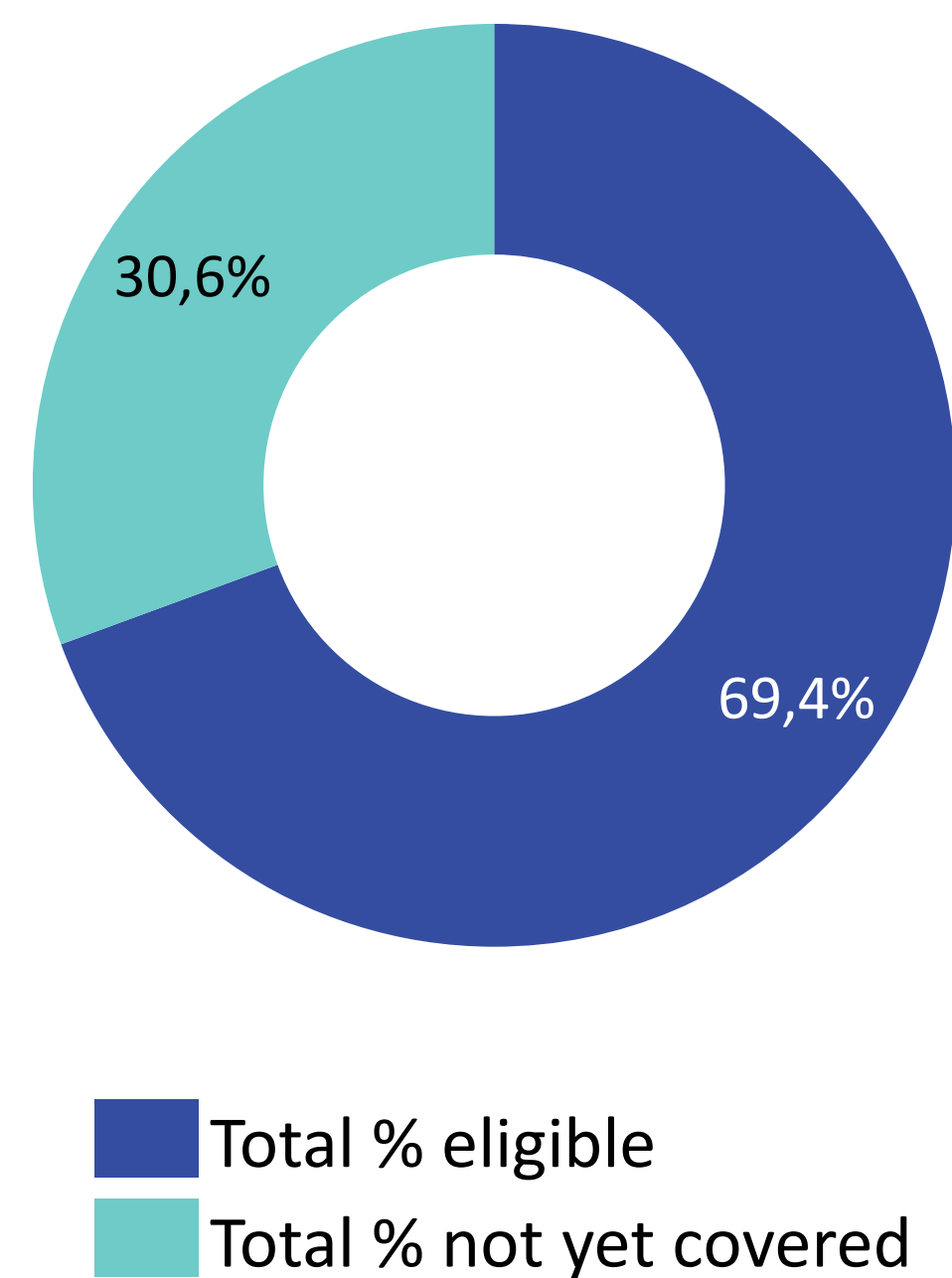
- Bøylestad Energipark is an industrial real estate project currently under planning
- The property is situated around one of the Agder region's strongest power sources, with enough energy available to support a range of energy intensive green industrial projects

Partnership

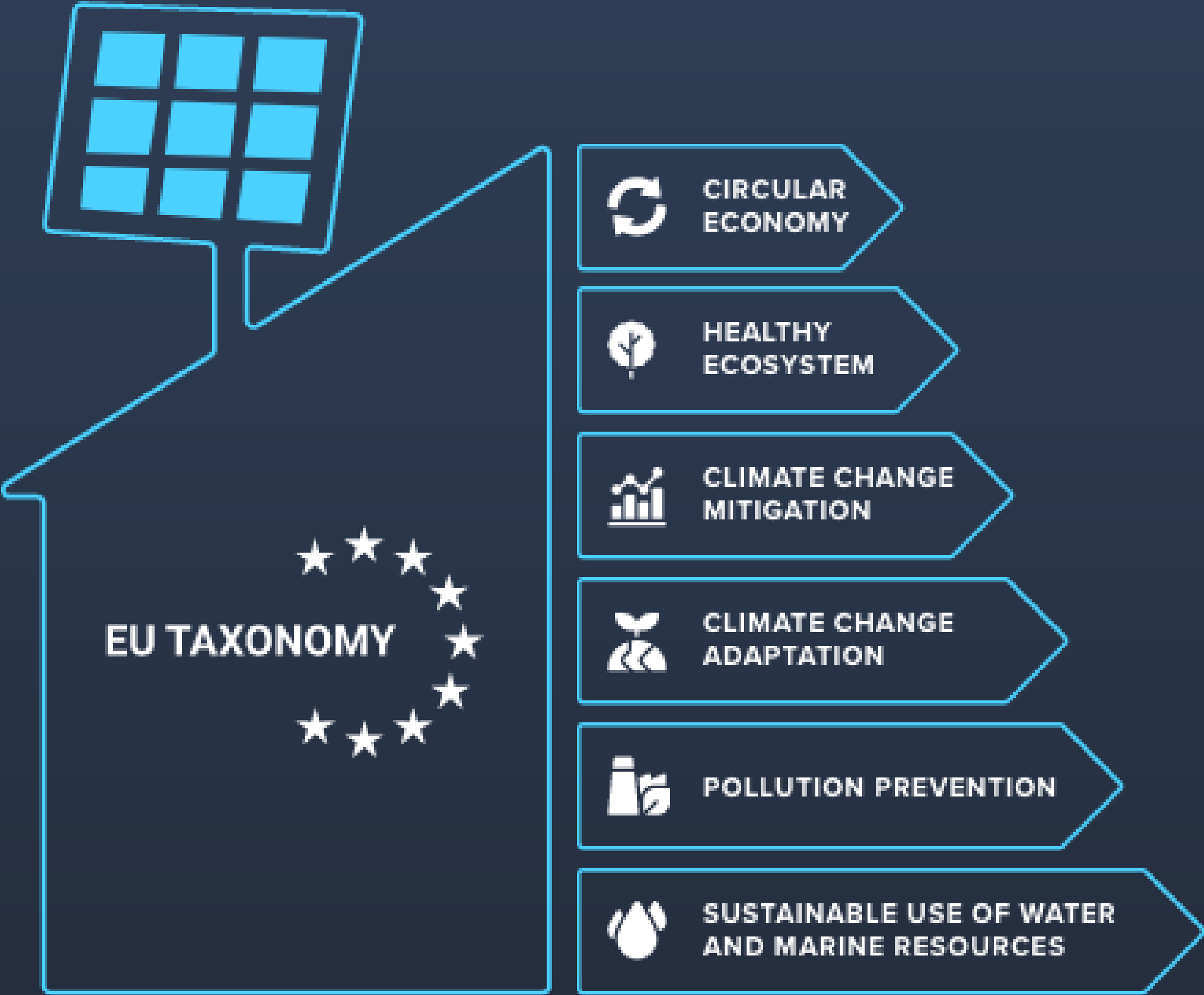
- Ownership equally split between AFK and two local landowners

High taxonomy eligibility estimated for AFK*

EU Taxonomy eligibility in percentage of revenue for 2020



* Climate change mitigation and climate adaptation covered



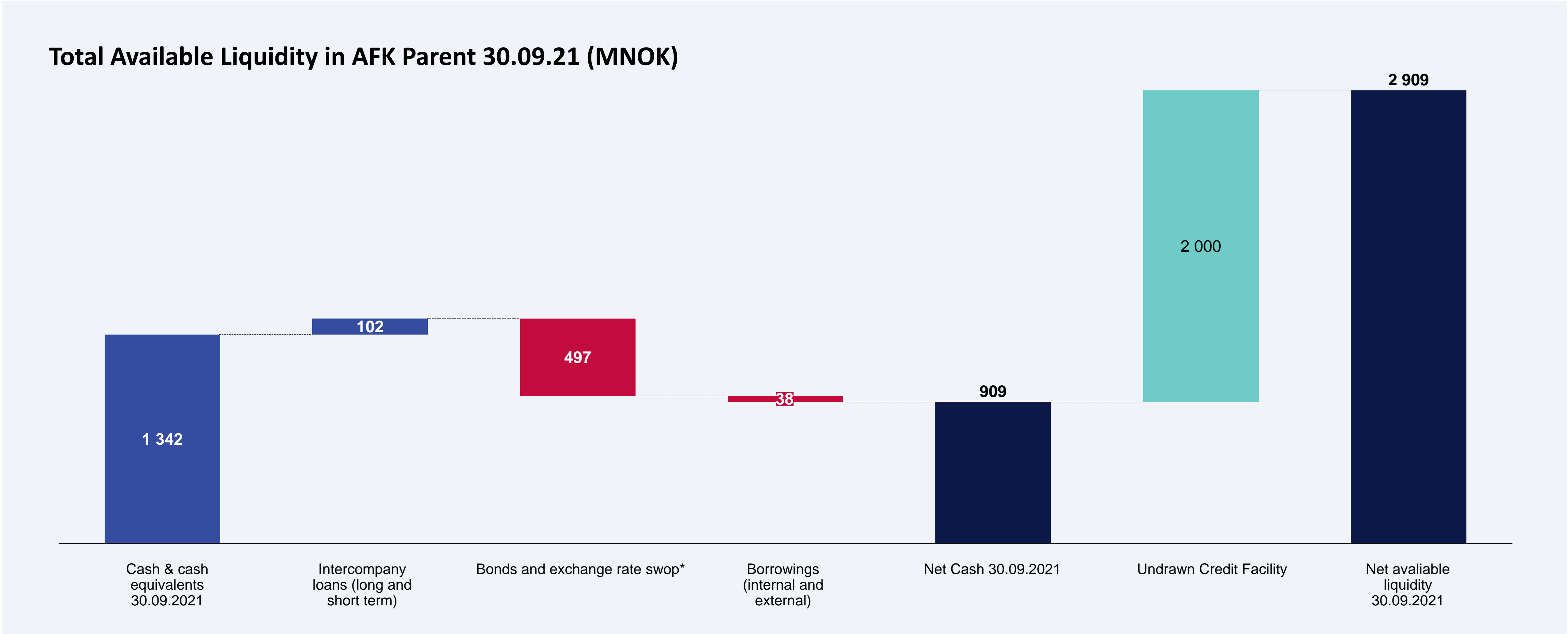
Strong underlying results

- Strong profitability in the mature companies, whereas the growth companies continue to invest
- In addition, contribution from hydropower increased EBIT with **53 MNOK** (AFK Parent)
- **Outlook 2021:** Q4 expected to be in line with Q3, but excluding property earnings.

EBIT, MNOK	Q3 2021	Q3 2020	Difference
EFD Induction	29*	27	+2
NSSLGlobal	45	38	+7
Tekna	-22	-9	-13
Volue	10	23	-8
AFK Parent/Hydropower	41	-12	+53
Other	20	-5	+25
AFK consolidated	120	62	+66

AFK with 1,3 BNOK in cash

and 2.9 BNOK in net available liquidity



Outlook 2022

- As the AFK portfolio companies are positioned within attractive mega trends, AFK expects continued growth in 2022.
- Electricity prices are expected to remain at a high level.
- But, AFK expects no significant income from property development next year.
- We expect continued AFK activity in the capital markets



Closing summary

Q3 2021

- Strong underlying results and balance sheet, with positive outlook and well positioned portfolio
- Focusing on developing embedded positions within both induction charging technologies and battery service solutions. Both propelled by very strong market growth prospects
- AFK renewable infrastructure initiatives shaping up with key building blocks coming into place. Potential for substantial capital employment for financial partners.
- Strong EU taxonomy profile with a great planet, people and prosperity contribution from the full portfolio



Q&A

Solid P&L

- Revenue mainly up due to increased electricity prices, combined with sales of apartments in Bryggebyen, along with growth in the portfolio
- Large increase in tax cost reflects growth in Norwegian electricity prices

P&L consolidated Q2 2021 & 2020

MNOK	Q3 2021	Q3 2020
Revenues	1 302	759
EBITDA	180	115
EBITDA %	13,8 %	15,2 %
EBIT	120	62
EBIT %	9,2 %	8,2 %
Net Financials	-15	-14
Profit before tax	102	48
Tax income	-35	-17
Net discontinued operations	21	36
Profit for the period	88	68
Basic earnings per Share (NOK) ¹	1,60	1,23

¹ The number of outstanding shares has been normalized due to split (25:1) on 21.11.2020.
Outstanding shares 30.09.2021 was 54 888 700