Otovo | Q3 2022 report

Otovo installation in Italy, Q3 2022

CEO Message
A breakthrough for subscription

Dear Shareholder,

This quarter the subscription business really broke through.

In the few months since Otovo acquired the majority in EDEA we have moved the subscription product's share of sales from 17 percent to 35 percent. Even more satisfying; that is 35 percent of a much larger business, so absolute numbers are significantly up. As a matter of fact, in Q3 we sold subscription projects worth NOK 150 million in accumulated contracted subscription revenue, representing an increase in scale that will impact our ability to finance and extract value from the subscription portfolio.

Despite difficulties in the supply chain, we set records in sales, installations, revenue generation and gross profit once again. Q3 was Otovo's strongest in sales ever, coming in at 2,740 projects sold. We installed 1,970 projects. That means we are running at a yearly rhythm of 11,000 sales and 8,000 installations per year.

We sell what we believe we can install. The sales numbers reflect our belief in what we can install a few months from now. This is indicative of our increasing confidence in being able to deliver.

We are also proud that entry in new markets is according to plan. We have sold projects in the UK, Austria and Portugal, and the first installations are taking place. In addition we have announced and started the move into the Netherlands, Belgium and Switzerland, with web sites coming up and installer recruiting ongoing. This means Otovo now has the footprint necessary to be the continental leader of residential solar in the 2020s.

While the macro environment is challenging, Otovo's model is robust, old subscription contracts are inflation adjusted, ensuring these retain their profitability. New subscription contracts are sold at higher yields. While direct purchase sales are done at higher percentage markups on top of higher installation costs, improving unit economics.

Consequently we are reiterating the guiding for the second half of 2022, and also allow ourselves to go confidently into 2023: we are able to grow at above 100 percent year-on-year!

Andreas E. Thorsheim,
Founder and CEO

Summary |Third quarter 2022 highlights

Quarterly highlights

- ANOTHER QUARTER OF RECORDS in sales, installations, revenue and margin:
  - 2,740 sales versus 1,470 same quarter last year, up 1.9x
  - 1,970 installations versus 1,086 same quarter last year, up 1.8x
  - NOKm 175 in revenues, versus NOKm 86 from Q3 2021, up 2x
  - Increase even stronger when accounting for contribution from subscriptions with NOKm 235 in revenues generated
  - NOKm 53 gross profit generated versus NOKm 14 same quarter last year, up 3.9x
- BREAKTHROUGH QUARTER FOR SUBSCRIPTIONS, with portfolio reaching NOKm 227, and selling more than NOKm 150 worth of subscription projects
- PAN-EUROPEAN POSITION ESTABLISHED: Otovo successfully launched in Portugal, UK and Austria, having now sold projects in 10 European countries. Netherlands, Belgium and Switzerland announced as next three markets to be added in 2022
- INFLATION: Hardware and labor costs are increasing, but Otovo is able to increase markup and margins in all countries
- EASING FRICTIONS in supply chain to have effect in Q4 and increasingly in 2023
- STRONG OUTLOOK, reiterating guiding of NOKm 500 revenue generated in second half of 2022

+103% Revenues 175 NOKm
Q3 21: 86

+154% Gross Profit 34 NOKm
IFRS Q3 21: 14

Key metrics

+170% Revenues Generated 235 NOKm
Q3 21: 86

+290% Gross Profit Generated 53 NOKm
Q3 21: 14

+230% Accumulated Contracted Subscription Revenue 227 NOKm
Q3 21: 69

Third quarter 2022 | Key metrics and Financial summary

Financial summary

(NOKm)	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change	FY 2021
Revenue	174.5	86.0	103%	436.7	187.7	133%	285.3
Gross profit	34.2	13.5	154%	80.8	29.5	174%	44.9
Operating profit/(loss)	-82.6	-35.5		-224.5	-112.9		-175.3
Profit/(loss) after tax	-79.0	-36.9		-215.3	-116.4		-153.8

Financial summary - Comments

- Revenues were up 103% (157% pre elimination of sales to Subscription SPV) compared with Q3 2021. The increase is explained by increasing demand for the Group's products, raised mark-ups, inclusion of batteries in the Otovo product offering and increasing contribution from markets which were still new in Q3 2021
- Gross profit up NOK 20.7m YoY or 154% (NOK 28.8m pre elimination of gross profit on sales to Subscription SPV) due to increasing volumes and raised margins in the Group's established markets
- Operating loss increased from NOK 35.5m to NOK 82.6m YoY, mainly due to expansion in current markets and entry into new markets, combined with the effects of consolidating EDEA (Subscription SPV) leading to reduction in reported gross profit and increase in depreciation and amortization
- Compared with Q2 2022 the revenues and gross profits increased with 14% and 18.5% accordingly, despite Q3 being the summer vacation quarter, taking out some productive weeks for installers; while the operating loss expanded from NOK 72.4m in Q2 2022 to NOK 82.6m in Q3 22, primarily due to increases in expenses related to share based payments and fair value adjustments of tax credit receivables in Italy, partly netted by the increased gross profit

Key metrics

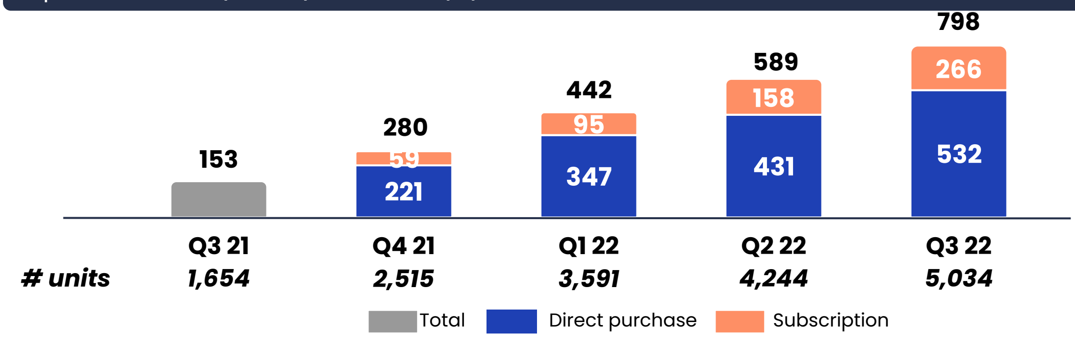
(NOKm)	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change
Revenue Generated	235.3	86.0	174%	564.4	187.7	201%
Gross Profit Generated	52.6	13.5	290%	120.9	29.5	310%
Gross Margin Generated %	22%	16%	+7%p	21%	16%	+6%p
EBITDA Generated	-51.1	-31.0		-145.0	-100.2	

Key performance figures

(Units)	Q3 2022	Q3 2021	Change	YTD 2022	YTD 2021	Change	FY 2021
Unit sales	2,740	1,470	86%	7,679	3,468	121%	5,534
Completed projects/installations	1,970	1,086	81%	5,174	2,613	98%	3,822
Project pipeline	5,034	1,654	204%	5,034	1,654	204%	2,515

Third quarter 2022 | Key metrics and Financial summary

Pipeline - Value (NOKm) and Units (#)



Key metrics

Reported financials do not reflect underlying value creation in the Subscription portfolio, this has led to the introduction of Key metrics, which are defined and calculated as follows:

	Direct purchase (~65% of customers today)	**Subscription** (~35% of customers today)	**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%

Detailed Key metrics

(NOKm)	Note	Q3 2022	Q3 2021	Change
Revenue according to the Income Statement	2	174.5	86.0	103%
Contracted subscription revenue (calculated)		60.7	-	-
Revenue Generated		**235.3**	**86.0**	**174%**
Cost of goods sold according to the Income Statement	2	140.4	72.5	94%
Investment in subscription assets	2	37.9		
Subscription O&M cost (calculated)		4.4	-	-
Gross Profit Generated		**52.6**	**13.5**	**290%**
Gross Margin Generated %		*22.4%*	*15.7%*	*+6.7%p*
Operating profit/(loss)	2	-82.6	-35.5	133%
Add back depreciation and amortisation	2	16.3	4.5	261%
Add contracted subscription profit (calculated)		18.4	-	-
Subtract subscription revenue in the quarter	2	-3.2	-	-
EBITDA Generated		**-51.1**	**-31.0**	**-20.1**

**) Actuals for Q3 2021, pre EDEA consolidation and implementation of new Group metrics.*

Financial review | Continued growth amid challenging macro environment

Otovo continues the growth journey in the third quarter of the year: Sales, installations, ticket sizes, subscription shares and margins are all increasing, with underlying increases in more or less all of the Groups markets, also compared with Q2 22, despite Q3 being impacted by summer vacation, additional to the supply constraints that continues to impact the operations of the Group.

Subscription shares are increasing, both in terms of sold and installed projects, with the latter being the only yet reflected in the income statement of the Group. This is a result of the acquisition of EDEA in December 2021, and increased focus on the more profitable subscription product. The cash flows from these projects are received and recognised in the income statement over 20 years, and are in total more profitable for the Group than projects sold on the direct purchase model. For this purpose Otovo has developed separe reporting metrics to reflect the value that is generated at completion of projects on the subscription model.

The result after tax was a loss of NOK79m in Q3 22 compared with a loss of NOK 36.9m in Q3 21 and NOK 56.6m in Q2 22. The increase in loss compared with Q3 21 is primarily explained by expansion of the business, changes in timing of revenue recognition for transactions relating to subscription customers after the EDEA acquisition, as well as an increase in deprecations stemming from the excess values from the EDEA acquisition. Change from Q2 22 is explained by reduction in foreign exchange gain and increases in payroll and other operating expenses, primarily due to expenses on share based payments programs, and fair value adjustment of Italian tax credit receivables, partly netted by improved gross profit.

This continued growth is despite a challenging macroeconomic environment with increased interest rates, continued high inflation, high energy costs and reduced geopolitical stability. We see that residential solar in general and especially our subscription segment is resistant to the current turmoil.

Income statement

Revenues were up 103% (157% pre elimination of sales to Subscription SPV) compared with Q3 2021, from NOK 86m to NOK 174.5m (NOK 220.6m pre elimination of sales to Subscription SPV), reflecting a significant growth across all of Otovo's markets. The growth is explained by including batteries in the Otovo product offering, increasing mark-ups and in general increasing demand for the Group's products, combined with successful launches in new markets. Compared with Q2 22 revenues grew from NOK 153m to NOK 174.5m (14%), despite Q3 containing summer vacation of installers and customers.

Gross profit expanded with NOK 20.7m YoY (NOK 28.8m pre elimination of gross profit on sales to Subscription SPV that are eliminated), while it is up NOK 5.3m compared with Q2 22. The gross margin is up from 15.7% in Q3 21 to 19.6% in Q3 22.

Payroll and related costs increased from NOK 26.8m in Q3 21 to NOK 59.7m in Q3 22. The increase in payroll and related costs is explained by new hires, increases in sales commissions due to stronger sales and scaling the organisation for growth, both in corporate functions and new markets. Compared with Q2 22 the expenses are up NOK 12.4m, from NOK 47.3m, whereof NOK 6.7m is explained by increases in expenses relating to share based payments. The remaining increase is primarily explained by general increase in sales and staffing to meet the demand and expand the business, as well as expenses for a company event for all employees held in July.

Expenses for share based payments were NOK 8.7m in the quarter, compared with NOK 5.5m for Q3 21, and NOK 2m in Q2 22.

Other operating expenses are up from NOK 19.5m in Q3 21 to NOK 45.5m in Q3 22, mainly due to higher activity and entry into new markets. Compared with Q2 22 the operating expenses are up NOK 4.0m from NOK 41.5m.

The increase is primarily due to a fair value adjustment of the Italian tax credit receivable, partly netted by lower expenses for consultancy and other external services.

Net financial items improved from a loss of NOK 1.4m in Q3 21 to a gain of NOK 1.7m in Q3 22, mainly due to currency gains/losses, partly netted by an increase in loss from the investment Otovo holds in associated companies. The main item impacting currency gains/losses is EUR loans to subsidiaries.

Financial review | Continued growth amid challenging macro environment

Balance sheet

Total non-current assets as of Q3 22 have increased to NOK 439m, from NOK 365m at year-end 2021. The increase is mainly driven by additions of assets with capitalization of PV 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 297m at year end 2021 to NOK 514m at the end of Q3 22. The increase in cash and cash equivalents was driven by a capital increase of NOK 300m in Q1 22, partially netted by the negative cash flows from operations, and inflow due to new non-current liabilities of NOK 72.4m, used to finance the subscription assets. Trade receivables and other receivables and prepayments, the latter primarily related to projects completed not yet invoiced, has increased due to increased activity and significantly more installations completed in the end of September compared with the end of December last year. The current assets have also increased as a result of measures taken to reduce the supply chain risk and cost, and due to the tax credit receivable in Italy growing as projects are completed. The tax credit receivable is pending to be sold to financial institutions in Italy.

Non-current liabilities have increased from NOK 30m at year end 2021 to NOK 98m at the end of Q3 22. The increase is primarily explained by draws on the credit facility with Nordea of NOK 24.2m in 1H and additional draws of NOK 48.2m in Q3

Current liabilities are up from NOK 110.8m to NOK 234.9m. This is generally explained by increasing activity and timing of completions during the quarter, and is consistent with the movement in trade receivables and other receivables and prepayments.

The increase in current assets is however higher than the increase in current liabilities, primarily due to the above mentioned tax credit receivable and increase in cash.

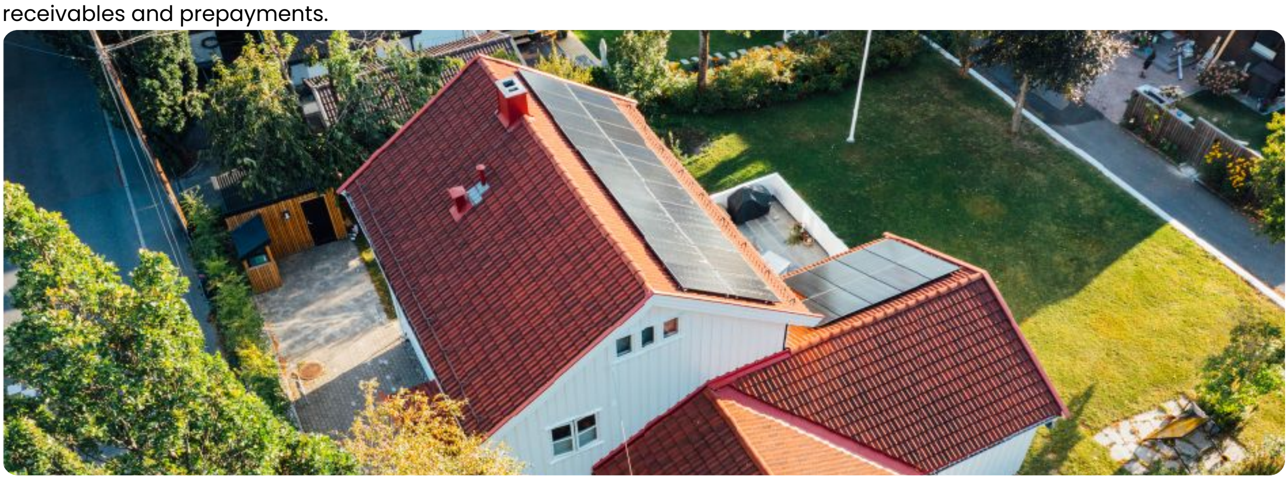
Cash flow

Net cash flow from operating activities was -NOK 33.2m in Q3 22. The main driver is negative operating profits due to start-up expenses in new markets, scaling the organisation for growth combined with an increase in the tax credit receivable in Italy, in addition to measures taken to improve working capital. Cash flow from investing activities was - NOK 50.3m driven by investments in assets used in the subscription business, in Otovo Cloud and in the associated company Holu. Cash flow from financing activities was NOK 48.2m, the cash inflow is primarily proceeds from draws on the credit facility with Nordea issuance of ordinary shares in relation with the share purchase program, netted by payment of lease liabilities and downpayment of non-current liabilities.

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 AS , 17 October 2022



Consolidated income statement

Consolidated income statement

(NOK 000')	Unaudited **Q3 2022**	Unaudited **Q3 2021**	Unaudited **YTD 2022**	Unaudited **YTD 2021**	Audited **Full year 2021**
Revenue	174,548	85,963	436,743	187,745	285,265
Other operating revenue	4,583	1,782	10,570	2,346	4,137
Total operating revenue	**179,131**	**87,746**	**447,313**	**190,091**	**289,402**
Cost of goods sold	140,356	72,476	355,919	158,237	240,362
Payroll and related costs	59,665	26,769	148,416	76,499	113,548
Depreciation, amortisation and impairment	16,266	4,502	46,497	12,348	21,649
Other operating expenses	45,485	19,470	120,988	55,896	89,137
Operating profit/(loss)	**-82,641**	**-35,471**	**-224,507**	**-112,889**	**-175,294**
Financial Income	328	92	1,384	243	3,194
Financial Expense	116	242	692	754	1,000
Net exchange gain/(loss)	4,210	-493	10,188	-1,185	-2,452
Gains/(losses) on disposal/acquisition of subsidiary	-	-	-	-	24,647
Share of profit/(loss) of equity accounted investees, net of tax	-2,763	-779	-7,473	-1,827	-3,312
Net financial items	**1,659**	**-1,423**	**3,407**	**-3,522**	**21,077**
Profit/(loss) before tax	**-80,982**	**-36,894**	**-221,100**	**-116,411**	**-154,217**
Income tax expense/(income)	-2,003	-	-5,836	-	-457
Profit/(loss) after tax	**-78,979**	**-36,894**	**-215,264**	**-116,411**	**-153,760**
Profit is attributable to:					
- Owners of Otovo AS	-78,979	-36,894	-213,496	-116,411	-153,612
- Non-controlling interests	-	-	-1,768	-	-148
Basic earnings per share (NOK)	-0.58	-0.35	-1.72	-1.30	-1.64
Diluted earnings per share (NOK)	-0.58	-0.35	-1.72	-1.30	-1.64

Consolidated statement of comprehensive income

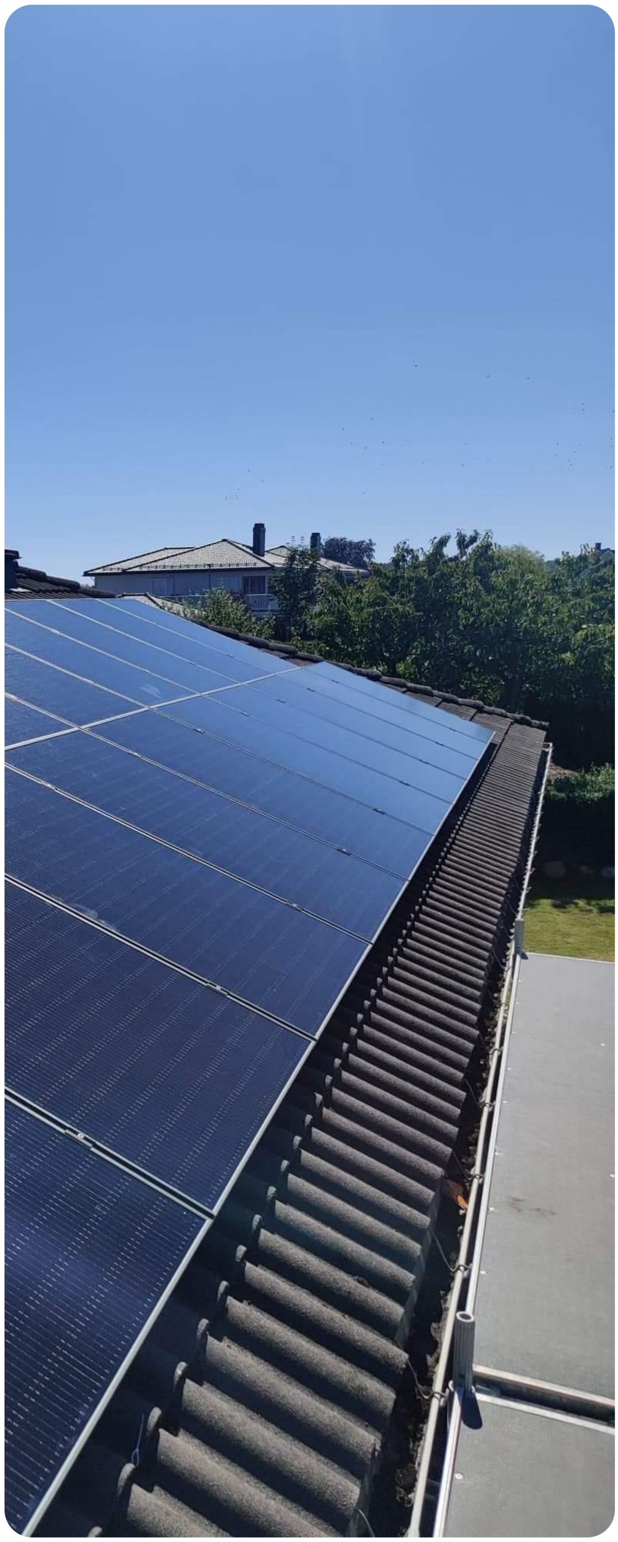
(NOK 000')	Unaudited **Q3 2022**	Unaudited **Q3 2021**	Unaudited **YTD 2022**	Unaudited **YTD 2021**	Audited **Full year 2021**
Profit/(loss) after tax for the period	-78,979	-36,894	-215,264	-116,411	-153,760
Other comprehensive income which may be reclassified to profit and loss					
Foreign currency translation differences	-4,576	1,849	-3,377	-2,331	-3,509
Total comprehensive income for the period	**-83,555**	**-35,044**	**-218,641**	**-118,742**	**-157,269**
Total comprehensive income is attributable to:					
- Non-controlling interests	-	-	-1,795	-	-151
- Owners of Otovo AS	-83,555	-35,044	-216,846	-118,742	-157,118

Consolidated balance sheet

Consolidated statement of financial position

(NOK 000')	Unaudited 2022 30 Sep	Unaudited 2021 30 Sep	Audited 2021 31 Dec
ASSETS			
Intangible assets	107,689	42,717	124,409
Goodwill	158,314	89,406	153,637
Investments in associated companies	8,090	27,778	3,360
Property, plant and equipment	149,234	4,531	73,099
Right of use asset	12,382	9,551	8,524
Other assets	2,943	2,297	2,236
Total non-current assets	**438,652**	**176,280**	**365,265**
Trade receivables	61,186	29,670	22,170
Other receivables and prepayments	145,712	17,185	50,643
Inventory	16,358	-	-
Cash and cash equivalents	291,055	206,752	224,187
Total current assets	**514,311**	**253,607**	**297,000**
Total assets	**952,964**	**429,886**	**662,267**

(NOK 000')	2022 30 Sep	2021 30 Sep	2021 31 Dec
EQUITY			
Share capital	1,362	533	571
Share premium reserve	1,156,329	633,862	824,236
Other paid-in equity	30,056	10,032	12,380
Foreign currency translation reserve	29	4,584	3,406
Retained earnings	-567,790	-313,647	-350,848
Non-controlling interests	-	-	31,303
Total equity	**619,986**	**335,363**	**521,049**
LIABILITIES			
Deferred tax liability	11,552	-	17,388
Non-current interest bearing liabilities	79,305	5,862	6,809
Lease liabilities non-current	7,078	6,658	6,165
Other non-current liabilities	107	4,261	29
Total non-current liabilities	**98,043**	**16,781**	**30,391**
Lease liabilities current	5,750	3,090	2,674
Trade payable	71,713	16,391	29,889
Other current liabilities	157,471	58,260	78,264
Total current liabilities	**234,935**	**77,742**	**110,827**
Total equity and liabilities	**952,964**	**429,886**	**662,267**



Consolidated statement of changes in equity

Consolidated statement of changes in equity

	Attributable to the owners of Otovo ASA							
(NOK 000')	**Share capital**	**Share premium reserve**	**Other paid-in equity**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non controlling interest**	**Total equity**
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	-	-	-		-213,496	-213,496	-1,768	-215,264
Other comprehensive income for the period, net of tax	-	-	-	-3,377	-	-3,377	-	-3,377
Total comprehensive income in the period	-	-	-	-3,377	-213,496	-216,873	-1,768	-218,641
Issuance of shares	94	300,103	-	-	-	300,197	-	300,197
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	11	9,694		-	-	9,705	-	9,705
Share-based payments accrual	-	-	17,673	-	-	17,673	-	17,673
Equity as of 30.09.2022	**1,362**	**1,156,329**	**30,056**	**29**	**-567,790**	**619,986**	**-**	**619,986**

	Attributable to the owners of Otovo ASA							
(NOK 000')	**Share capital**	**Share premium reserve**	**Other paid-in equity**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non controlling interest**	**Total equity**
Equity at 1 January 2021	443	355,102	2,130	6,915	-197,236	167,354	-	167,354
Net profit for the period	-	-	-	-	-116,411	-116,411	-	-116,411
Other comprehensive income for the period, net of tax	-	-	-	-2,331	-	-2,331	-	-2,331
Total comprehensive income in the period	-	-	-	-2,331	-116,411	-118,742	-	-118,742
Issuance of shares	69	274,147	-	-	-	274,216	-	274,216
Transaction costs on equity issues	-	-13,434	-	-	-	-13,434	-	-13,434
Share-based payments, exercised	21	18,046	-	-	-	18,067	-	18,067
Share-based payments accrual	-	-	7,901	-	-	7,901	-	7,901
Equity as of 30.09.2021	**533**	**633,861**	**10,032**	**4,584**	**-313,647**	**335,363**	**-**	**335,363**

Consolidated statement of cash flows

Consolidated statement of cash flows

(NOK 000')	Unaudited Q3 2022	Unaudited Q3 2021	Unaudited YTD 2022	Unaudited YTD 2021	Audited FY2021
Cash flow from operating activities					
Profit/(loss) before tax	-80,982	-36,894	-221,100	-116,411	-154,217
Depreciation, amortisation and impairment	16,266	4,502	46,497	12,348	21,649
Expensed share-based payments	7,689	2,404	17,673	7,902	10,248
Net interest income and interest expenses	-191	150	177	511	692
Share of profit/(loss) of equity accounted investees	2,763	779	7,473	1,827	-21,335
Currency (gains)/losses not related to operating activities	-1,142	-	-6,099	-	-
Changes in trade receivables	-9,527	-8,791	-37,255	-19,703	-13,483
Changes in trade payables	19,201	-2,871	37,738	3,897	10,995
Change in other assets and other liabilities	12,552	1,158	-33,818	16,925	10,167
Cash generated from operating activities	**-33,370**	**-39,562**	**-188,714**	**-92,705**	**-135,284**
Received interest	304	92	610	243	305
Paid interest	-115	-242	-789	-754	-1,039
Net cash flow from operating activities	**-33,181**	**-39,712**	**-188,893**	**-93,216**	**-136,018**
Cash flow from investing activities					
Investment in other companies	-4,542	-	-11,259	-1,720	-5,478
Cash balance from EDEA acquisition	-	-	-	-	78,602
Investments in intangible assets	-7,250	-5,783	-21,389	-19,337	-28,774
Investments in tangible assets	-38,505	-103	-79,718	-1,104	-4,713
Net cash flow from investing activities	**-50,298**	**-5,886**	**-112,366**	**-22,160**	**39,637**
Cash flow from financing activities					
Proceeds from issuance of ordinary shares	1,625	1	299,902	254,634	255,634
Payment of lease liabilities	-1,223	-822	-3,333	-2,201	-3,451
Inflow due to new non-current liabilities	48,224	-	72,376	-	-
Outflow due to downpayment of non-current liabilities	-399	-2,312	-2,512	-3,875	-4,622
Net cash flow from financing activities	**48,227**	**-3,134**	**366,433**	**248,558**	**247,561**
Net cash flow during the period	**-35,252**	**-48,732**	**65,174**	**133,183**	**151,180**
Cash and cash equivalents at the beginning of the period	330,734	255,723	224,187	73,677	73,677
Exchange rate difference on cash and cash equivalents	-4,427	-239	1,694	-108	-671
Cash and cash equivalents at the end of the period	**291,055**	**206,752**	**291,055**	**206,752**	**224,187**

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 (interim report) for the third quarter ended 30 September 2022 have been prepared in accordance with the International Financial Reporting Standards and in accordance with interpretations determined by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) (IFRS). 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 2021. The annual consolidated financial statements for 2021 are available at the company's website (https://investor.otovo.com/). The 2021 audited financial statements were approved by the Board of Directors on 22 March 2022.

The interim financial information for the quarters ended 30 September 2022 and 30 September 2021 are unaudited.

Otovo transitioned to reporting according to IFRS during Q4 2021. Q3 2021 and year to date 30 September 2021 numbers have been restated to IFRS, hence the Q3 2021 and year to date 2021 numbers in this report are different from those reported in the Q3 2021 quarterly report. Refer to the financial statements for 2021 for details on the transition effects.

On 26 of April The general meeting approved the conversion of the Company to a public limited liability company (ASA). Furthermore, the general meeting approved the merger plan for the merger of Otovo (as the acquiring company) and European Distributed Energy Assets Holding AS (as the transferring company), and the corresponding share capital increase in connection with the merger. Completion of the merger was registered with the Norwegian Register of Business Enterprises 16 June 2022. After the merger Otovo ASA holds 100% of the shares in European Distributed Energy Assets Holding AS.

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". Starting from the EDEA acquisition 8 December 2021 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.

Since the change was relevant for the first time in Q4 2021 comparables are not reported.

Segment Reporting - Q3 2022

(NOK 000')	**Direct purchase**	**Subscription**	**Elimination**	**Otovo Group**
Revenue	220,601	-	-46,053	174,548
Other operating revenue	2,119	3,150	-686	4,583
Total operating revenue	**222,720**	**3,150**	**-46,739**	**179,131**
Cost of goods sold	178,282	-	-37,926	140,356
Payroll and related costs	59,665	-	-	59,665
Depreciation, amortisation and impairment	5,783	1,641	8,842	16,266
Other operating expenses	44,376	1,805	-696	45,485
Operating profit/(loss)	**-65,386**	**-296**	**-16,959**	**-82,641**

Segment Reporting - YTD 2022

(NOK 000')	**Direct purchase**	**Subscription**	**Elimination**	**Otovo Group**
Revenue	532,530	-	-95,787	436,743
Other operating revenue	5,227	7,110	-1,767	10,570
Total operating revenue	**537,757**	**7,110**	**-97,554**	**447,313**
Cost of goods sold	434,268	-	-78,349	355,919
Payroll and related costs	147,851	565	-	148,416
Depreciation, amortisation and impairment	16,216	3,755	26,526	46,497
Other operating expenses	117,077	5,646	-1,735	120,988
Operating profit/(loss)	**-177,655**	**-2,856**	**-43,996**	**-224,507**

Notes to the interim consolidated financial statements

Note 3 - Subscription SPV bank facility

Subscription SPV has an existing bank facility with Nordea to finance the subscription assets. The entity has drawn a euro amount equivalent to NOK 75m, out of a committed facility of NOK 150m The first tranche of EUR ~2.5m was drawn in Q1 2022 and the second and third tranche of EUR ~2.5m each, was drawn in Q3 2022.

The facility is priced based on a floating interest rate, with EURIBOR as the reference rate and a margin of 250 bps. The Subscription SPV was in compliance with financial covenants at 30 September 2022.

Note 4 – 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 367m 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.

Contracted Customer Payments

(NOKm)	**NPV**	**2022**	**2023-2025**	**2026-2030**	**2031-2042**
Non-discounted contracted customer payments*		4.050	50.111	90.426	222.433
NPV @5%	226.876				

*) Assuming 2% annual inflation

Note 5 - Share based payments

Otovo has granted share options to management and key personnel. As of 30.09.2022 there are 5,119,173 outstanding options with a weighted average strike price of 23.26 kroner per share. Further, Otovo has two employee share purchase programmes. There are 379.730 performance shares and 1.258.350 retention shares outstanding under these programmes.

Expense in Q3 2022 for both share programmes was NOK8.7m. Expense in Q3 2021 was NOK 5.5m.

Other definitions (1/2)

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

Cost per Wp
Otovo reports on the industry standard on cost per Watt-peak (Wp). The figure is calculated as the in hardware; non-hardware; or the sum of all project cost, divided by the size of the system measured in Watt-peak, for example a 10 panel system with 375Wp panels would have 3750Wp in the denominator of a cost per Watt-peak calculation.

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

Installed project
A installed project is a project that has been physically completed and is capable of producing electricity

Otovo business model
Otovo business model means that Otovo bills the final customer (private homeowner or asset-owner) and gets invoiced by the installer company with the winning bid. The difference between the two invoices is Otovo's gross profit. Until Q4 2020 the French business unit was using a different model, where they only billed the installer a commission (typically 10% of the project value), and the installer billed the final customer. During Q1 2021 the French business unit has gradually transitioned to the Otovo direct sales model

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

Contracted Subscription Revenue (CSR)
Net present value of contracted cash flows created in the period from subscription customers over contract lifetime adjusted with expected CPI increases

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 S O&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)

Other definitions (2/2)

Accumulated Contracted Subscription Revenue (ACSR)
The accumulated CSR in the portfolio

Subscription
Customer relationships with recurring revenue, such as leases, service agreements etc relating to distributed energy systems

Direct sale
Distributed energy systems paid for directly by the customer, including sales financed by the homeowner's loans

Annual Recurring Revenue (ARR)
Annual recurring revenue from leasing portfolio

Customers
Number of customers per segment

Project / Unit
A PV system and/or a battery

Churn
# of subscription customers who exercised their purchase option in the period

Discount Rate
Rate used to discount future cash flows in order to calculate net present value. Currently 5%.