Otovo | Q2 2022 report

Otovo installation in Milan, Italy

CEO Message
Records set, defying friction, easing ahead

Dear Shareholder,

Records set despite heavy friction. It is with pride and a sense of disburdenment that we deliver this quarter on target and with another set of record numbers. We started April with certainty that we would do our best Q2 ever, but doubts about whether we could surpass previous records in installations and revenues. Supply chain issues have hampered access to key components, and held us back, especially at the beginning of the quarter, and certainly weighed on our operations.

Easing conditions. Those supply constraints seem to be lifting. While Q3 will be no easier than Q2, Otovo's capabilities are growing. We see no shortage of labour. We see an easing in component access within months. We are building our installer infrastructure to allow more sales and to deliver consistently more.

Smart sales. In a situation where we knew supply could be constrained, we chose to optimize our sales for quality. We sold roughly the same amount of systems in Q2 as in Q1, but increased all profitability and quality metrics in those sales: Otovo sold projects worth 315 NOKm this quarter, up 3.1x YoY, we record the highest ever margin generated on projects sold , driven by strong battery numbers, strong subscription numbers, bigger tickets and higher markups.

Profitability coming in the first markets. And what happens when profitability improves and volumes grow? This quarter Spain, Italy and Norway were EBITDA profitable. We expect the early and best markets to stabilize as EBITDA positive. At Group level that will not be visible though, as we rush to move our efficient model into more markets and invest in Germany, Portugal, UK and Austria.

Because we believe that in a market that is thirsty for more, we should continue to build what is clearly working.

A decade of solar in Europe. It has long been clear that the time for solar would be now. The maturity of the technology, the attractiveness of its economics set solar up as the main technology for the future. In Europe those strong trends got support from The European Green Deal in 2021. With global events and war on our doorstep, Europe doubled down on these policies with the Fit for 55 and RePower EU policy packages that ensure that the tailwinds the solar industry experiences in Europe now will not be transitory. More surely than ever, we see a decade of solar growth ahead for Europe.

Center stage. We now find ourselves with a pipeline of half a billion Norwegian kroner to be delivered in the second half; a strengthened organization; proof that we can withstand strong pressures and still deliver exceptional growth; and tick off country-level profitability one by one. On a European stage set for solar, Otovo is prepared to play the lead role.

Sincerely hoping for a greener and more resilient Europe, thank you for supporting Otovo in our work

Andreas E. Thorsheim
Founder and CEO

Summary |Second quarter 2022 highlights

Quarterly highlights

- STRONG QUARTER in sales, installations, revenue and margin, showing ability to shift focus to quality and more profitable sales in a high pressure environment:
    - 2,398 sales versus 1,183 same quarter last year, up 2.0x
    - 1,745 installations versus 864 same quarter last year, up 2.0x
- BUSINESS HEALTH UP, manifesting itself with all major metrics improving, and three countries with positive margins
- EUROPEAN MOMENTUM, Solar markets are booming, and Europe is set for a decade of high activity. Otovo is on track for continental leadership with ongoing scaling in Germany, Portugal, UK and Austria. Three more markets to be added in second half
- STRONG OUTLOOK, with solid pipeline and confidence in ability to deliver more than NOKm 500 in second half, and gradually easing supply chain conditions

+200% *Q2 21: 64* **Revenues generated** **194 NOKm**

+310% *Q2 21: 10* **Gross profit generated** **42 NOKm**

+300% *Q2 21: 39* **Accumulated Contracted Subscription Revenue** **157 NOKm**

Second quarter 2022 | Key metrics and Financial summary

Group metrics

(NOKm)	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
Revenue generated	193.9	64.2	202%	329.2	101.8	223%
Gross profit generated	42.0	10.3	307%	68.4	16.0	327%
Gross margin generated %	22%	16%	+6%p	21%	16%	+5%p
EBITDA generated	-46.0	-33.2		-93.9	-70.2	

Key performance figures

(Units)	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change	FY 2021
Unit sales	2,398	1,183	103%	4,939	1,998	147%	5,534
Completed projects/installations	1,745	864	102%	3,204	1,527	110%	3,822
Project pipeline	4,244	1,286	230%	4,244	1,286	230%	2,515

Financial summary

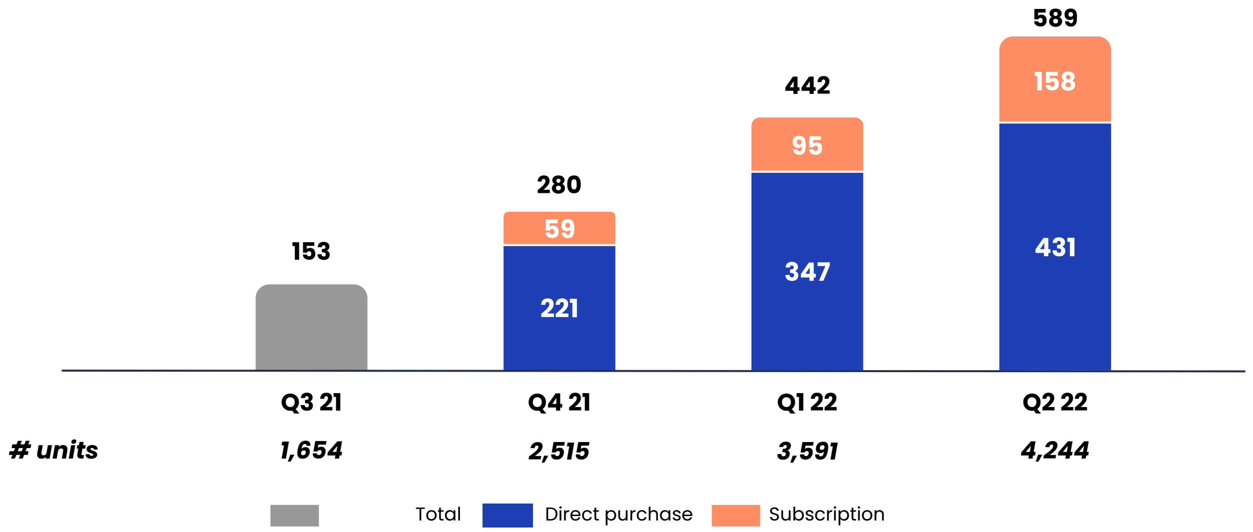
(NOKm)	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change	FY 2021
Revenue	153.0	64.2	138%	262.2	101.8	158%	285.3
Gross profit	28.8	10.3	179%	46.6	16.0	191%	44.9
Operating profit/(loss)	-72.4	-37.6		-141.9	-77.4		-175.3
Profit/(loss) after tax	-56.5	-39.9		-136.1	-79.5		-153.8

Financial summary - Comments

- Revenues were up 138% (186% pre elimination of sales to Subscription SPV) compared with Q2 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 Q2 2021
- Gross profit up NOK 18.5m YoY or 179% (NOK 24.4m pre elimination of gross profit on sales to Subscription SPV) which demonstrates the operational leverage inherent in Otovo's business model
- Operating loss increased from NOK 37.6m to NOK 72.4m 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 Q1 2022 the revenues and gross profits increased with 40% and 62.2% accordingly. While the operating loss slightly expanded from NOK 69.5m in Q1 2022 to NOK 72.4m in Q2 22, with increases in operating expenses to a large extent netted by increased gross profit

Second quarter 2022 | Key metrics and Financial summary

Pipeline - Value (NOKm) and Units (#)



Second quarter 2022 | Group metrics

Detailed group metrics

(NOKm)	Note	Q2 2022	Q2 2021	Change
Revenue		153.0	64.2	138%
Contracted subscription revenue		40.9	-	-
Revenue generated		**193.9**	**64.2**	**202%**
Cost of goods sold		149.0	53.9	176%
Subscription O&M cost		2.9	-	-
Gross profit generated		**42.0**	**10.3**	**307%**
Gross margin generated %		*21.7%*	*16.1%*	*+5.6%p*
Operating profit/(loss)		-72.4	-37.6	93%
Add back depreciation and amortisation		15.5	4.1	275%
Add contracted subscription profit		13.2	-	-
Subtract subscription revenue in the quarter		-2.3	-	-
EBITDA generated		**-46.0**	**-33.2**	**-12.8**

**) Actuals for Q2 2021, pre EDEA consolidation and implementation of new Group metrics*

Financial review | Profitability coming in the first markets

The first half year of 2022 has been a juggle, Otovo has dealt with an incredible increase in demand for the Group's products and services, while on the other hand being faced with supply constraints. Ticket sizes, subscription shares and margins are increasing, especially in the more established and best markets, though at Group level this is less apparent, as we rush to move our efficient model into more markets and invest in Germany, Portugal, UK and Austria

The result after tax was a loss of NOK 56.6m in Q2 22 compared with a loss of NOK 39.9m in Q2 21 and NOK 79.6m in Q1 22. The increase in loss compared with Q2 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 Q1 22 is explained by improved gross profit and foreign exchange gain, partially offset by increase in payroll and other operating expenses from the ongoing business expansion.

Income statement

Revenues were up 138% (186% pre elimination of sales to Subscription SPV) compared with Q2 2021, from NOK 64.2m to NOK 153m (NOK 184m pre elimination of sales to Subscription SPV). All markets show significant growth, and most of the Group's more mature markets have more than 100% growth compared with the same period last year. 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 Q1 22 revenues grew from NOK 109m to NOK 153m (40%).

Gross profit expanded with NOK 18.5m YoY (NOK 24.4m pre elimination of gross profit on sales to Subscription SPV that are eliminated), while it is up NOK 11.1m compared with Q1 22. The gross margin is up from 16.1% in Q2 21 to 18.9% in Q2 22.

Payroll and related costs increased from NOK 22.5m in Q2 21 to NOK 47.3m in Q2 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 Q1 22 the expenses are up NOK 5.8m, from NOK 41.5m, primarily explained by general increase in sales and staffing to meet the demand and expand the business. Expenses relating to share based payments were NOK 2m in the quarter, in line with the expense for Q2 21, though down from NOK 4.1m in Q1 22.

Other operating expenses are up from NOK 21.4m in Q2 21 to NOK 41.5m in Q2 22, mainly due to higher activity and entry into new markets. Compared with Q1 22 the operating expenses are up NOK 7.5m from NOK 34m. The increase is primarily due to increasing activity related to new market launches, combined with expenses that increase as a result of a higher activity level in the most recently established markets in the Group.

Net financial items improved from a loss of NOK 2.3m in Q2 21 to a gain of NOK 13.8m in Q2 22, due to currency gains/losses. The main item impacting currency gains/losses are EUR loans to subsidiaries.

Financial review | Profitability coming in the first markets

Balance sheet

Total non-current assets as of Q2 22 have increased to NOK 397m, from NOK 365m at year-end 2021. The change is mainly explained by additions of assets 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 523m at the end of Q2 22. The increase in cash and cash equivalents was driven by a capital increase of NOK 300m in Q1 22. Trade receivables and other receivables and prepayments, the latter primarily related to projects completed not yet invoiced, has increased due to increasing activity and significantly more installations completed in the end of June compared with the end of December last year. Additionally the current assets have 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 a third party.

Non-current liabilities have increased from NOK 30m at year end 2021 to NOK 49m at the end of Q2 22. The change is primarily explained by draw done on the credit facility with Nordea of NOK 24.2m

Current liabilities are up from NOK 110.8m to NOK 176.5m. The change is generally explained by increasing activity and timing of completions during the quarter, 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.

Cash flow

Net cash flow from operating activities was -NOK 87m in Q2 22. Main driver is negative operating profits due to start-up expenses in new markets and scaling the organisation for growth, combined with an increase in the tax credit receivable in Italy. Cash flow from investing activities was - NOK 39m 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 0.7m, the cash inflow is primarily proceeds from 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 , 13 July 2022

Responsibility Statement

We confirm, to the best of our knowledge, that the Condensed Interim Consolidated Financial Information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that arose during the first six months of the financial year 2022, and their impact on the Condensed Interim Consolidated Financial Information, and accounts properly for the principal risks and uncertainties for the remaining six months of the financial year 2022, as well as major related parties transactions.

Board of Directors, Otovo AS , 13 July 2022

Consolidated income statement

Consolidated income statement

(NOK 000')	Unaudited Q2 2022	Unaudited Q2 2021	Unaudited 1st Half 2022	Unaudited 1st Half 2021	Audited Full year 2021
Revenue	152,978	64,229	262,195	101,782	285,265
Other operating revenue	3,024	215	5,987	564	4,137
Total operating revenue	**156,002**	**64,444**	**268,182**	**102,345**	**289,402**
Cost of goods sold	124,134	53,894	215,563	85,761	240,362
Payroll and related costs	47,264	22,535	88,751	49,730	113,548
Depreciation, amortisation and impairment	15,520	4,140	30,231	7,846	21,649
Other operating expenses	41,483	21,436	75,503	36,426	89,137
Operating profit/(loss)	**-72,399**	**-37,561**	**-141,866**	**-77,418**	**-175,294**
Financial Income	976	143	1,056	151	3,194
Financial Expense	441	241	576	512	1,000
Net exchange gain/(loss)	15,244	-1,488	5,978	-691	-2,452
Gains/(losses) on disposal/acquisition of subsidiary	-	-	-	-	24,647
Share of profit/(loss) of equity accounted investees, net of tax	-1,977	-729	-4,710	-1,048	-3,312
Net financial items	**13,802**	**-2,315**	**1,748**	**-2,100**	**21,077**
Profit/(loss) before tax	**-58,597**	**-39,876**	**-140,118**	**-79,518**	**-154,217**
Income tax expense/(income)	-1,959	-	-3,833	-	-457
Profit/(loss) after tax	**-56,638**	**-39,876**	**-136,285**	**-79,518**	**-153,760**
Profit is attributable to:					
- Owners of Otovo AS	-56,500	-39,876	-134,517	-79,518	-153,612
- Non-controlling interests	-138	-	-1,768	-	-148
Basic earnings per share (NOK)	-0.42	-0.38	-1.07	-0.22	-1.64
Diluted earnings per share (NOK)	-0.42	-0.38	-1.07	-0.22	-1.64

Consolidated statement of comprehensive income

(NOK 000')	Unaudited Q2 2022	Unaudited Q2 2021	Unaudited 1st Half 2022	Unaudited 1st Half 2021	Audited Full year 2021
Profit/(loss) after tax for the period	-56,638	-39,876	-136,285	-79,518	-153,760
Other comprehensive income not to be reclassified to profit and loss					
Foreign currency translation differences	3,855	1,747	1,199	-2,433	-3,509
Total comprehensive income for the period	**-52,783**	**-38,129**	**-135,086**	**-81,950**	**-157,269**
Total comprehensive income is attributable to:					
- Non-controlling interests	-128	-	-1,752	-	-151
- Owners of Otovo AS	-52,655	-38,129	-133,334	-81,950	-157,118

Consolidated balance sheet

Consolidated statement of financial position

(NOK 000')	Unaudited 2022 30 Jun	Unaudited 2021 30 Jun	Audited 2021 31 Dec
ASSETS			
Intangible assets	113,432	40,205	124,409
Goodwill	156,661	89,465	153,637
Investments in associated companies	5,141	28,270	3,360
Property, plant and equipment	109,907	4,688	73,099
Right of use asset	8,680	10,529	8,524
Other assets	2,967	1,947	2,236
Total non-current assets	**396,788**	**175,104**	**365,265**
Trade receivables	49,898	20,879	22,170
Other receivables and prepayments	132,443	15,239	50,643
Inventory	9,905	-	-
Cash and cash equivalents	330,734	255,723	224,187
Total current assets	**522,980**	**291,841**	**297,000**
Total assets	**919,768**	**466,945**	**662,267**

(NOK 000')	2022 30 Jun	2021 30 Jun	2021 31 Dec
EQUITY			
Share capital	1,358	531	571
Share premium reserve	1,153,438	633,864	824,236
Other paid-in equity	23,635	7,628	12,380
Foreign currency translation reserve	4,605	4,482	3,406
Retained earnings	-488,811	-276,754	-350,848
Non-controlling interests	-	-	31,303
Total equity	**694,225**	**369,750**	**521,049**
LIABILITIES			
Deferred tax liability	13,364	-	17,388
Non-current interest bearing liabilities	30,349	7,392	6,809
Lease liabilities non-current	5,213	7,181	6,165
Other non-current liabilities	105	8,810	29
Total non-current liabilities	**49,031**	**23,382**	**30,391**
Lease liabilities current	3,831	3,510	2,674
Trade payable	48,426	19,263	29,889
Other current liabilities	124,254	51,040	78,264
Total current liabilities	**176,511**	**73,813**	**110,827**
Total equity and liabilities	**919,768**	**466,945**	**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	-	-	-		-134,517	-134,517	-1,768	-136,285
Other comprehensive income for the period, net of tax	-	-	-	1,199	-	1,199	-	1,199
Total comprehensive income in the period	-	-	-	1,199	-134,517	-133,318	-1,768	-135,086
Issuance of shares	94	299,906	-	-	-	300,000	-	300,000
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	8	7,000	1,270	-	-	8,277	-	8,277
Share-based payments accrual	-	-	9,984	-	-	9,984	-	9,984
Equity as of 30.06.2022	**1,359**	**1,153,438**	**23,635**	**4,605**	**-488,811**	**694,225**	**-**	**694,225**

	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	-	-	-	-	-79,518	-79,518	-	-79,518
Other comprehensive income for the period, net of tax	-	-	-	-2,433	-	-2,433	-	-2,433
Total comprehensive income in the period	-	-	-	-2,433	-79,518	-81,950	-	-81,950
Issuance of shares	69	274,148	-	-	-	274,217	-	274,217
Transaction costs on equity issues	-	-13,434	-	-	-	-13,434	-	-13,434
Share-based payments, exercised	19	18,048	-	-	-	18,067	-	18,067
Share-based payments accrual	-	-	5,497	-	-	5,497	-	5,497
Equity as of 30.06.2021	**531**	**633,864**	**7,628**	**4,482**	**-276,754**	**369,750**	**-**	**369,750**

Consolidated statement of cash flows

Consolidated statement of cash flows

(NOK 000')	Unaudited Q2 2022	Unaudited Q2 2021	Unaudited 1st Half 2022	Unaudited 1st Half 2021	Audited FY2021
Cash flow from operating activities					
Profit/(loss) before tax	-58,597	-39,876	-140,118	-79,518	-154,217
Depreciation, amortisation and impairment	15,520	4,140	30,231	7,846	21,649
Expensed share-based payments	4,151	1,951	9,984	5,497	10,248
Net interest income and interest expenses	212	94	368	360	692
Share of profit/(loss) of equity accounted investees	1,977	729	4,710	1,048	-21,335
Currency (gains)/losses not related to operating activities	-14,040	-	-4,957	-	-
Changes in trade receivables	-14,567	-5,714	-27,728	-10,912	-13,483
Changes in trade payables	15,280	7,669	18,537	6,768	10,995
Change in other assets and other liabilities	-36,605	8,798	-46,370	15,767	10,167
Net cash flow from operating activities	**-86,670**	**-22,209**	**-155,344**	**-53,143**	**-135,284**
Received interest	229	147	306	151	305
Paid interest	-431	-242	-674	-512	-1,039
Net cash flow from operating activities	**-86,872**	**-22,303**	**-155,712**	**-53,503**	**-136,018**
Cash flow from investing activities					
Investment in other companies	-6,717	-897	-6,717	-1,720	-5,478
Cash balance from EDEA acquisition	-	-	-	-	78,602
Investments in intangible assets	-7,215	-6,671	-14,139	-13,553	-28,774
Investments in tangible assets	-25,135	-	-41,213	-1,001	-4,713
Net cash flow from investing activities	**-39,067**	**-7,568**	**-62,069**	**-16,274**	**39,637**
Cash flow from financing activities					
Proceeds from issuance of ordinary shares	2,862	4,637	298,277	254,633	255,634
Payment of lease liabilities	-772	-715	-2,110	-1,378	-3,451
Inflow due to new non-current liabilities	-	-	24,152	-	-
Outflow due to downpayment of non-current liabilities	-1,358	-781	-2,113	-1,563	-4,622
Net cash flow from financing activities	**732**	**3,141**	**318,206**	**251,692**	**247,561**
Net cash flow during the period	**-125,206**	**-26,731**	**100,426**	**181,914**	**151,180**
Cash and cash equivalents at the beginning of the period	445,412	284,374	224,187	73,677	73,677
Exchange rate difference on cash and cash equivalents	10,528	-1,920	6,121	132	-671
Cash and cash equivalents at the end of the period	**330,734**	**255,723**	**330,734**	**255,723**	**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 second quarter and first half year ended 30 June 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 interim financial information for the quarters and first half years ended 30 June 2022 and 30 June 2021 are unaudited. The 2021 audited financial statements were approved by the Board of Directors on 22 March 2022.

Otovo transitioned to reporting according to IFRS during Q4 2021. Q2 2021 and first half year 2021 numbers have been restated to IFRS, hence the Q1 2021 and first half year 2021 numbers in this report are different from those reported in the Q1 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 - Q2 2022

(NOK 000')	**Direct purchase**	**Subscription**	**Elimination**	**Otovo Group**
Revenue	183,670	-	-30,692	152,978
Other operating revenue	1,611	2,255	-842	3,024
Total operating revenue	**185,281**	**2,255**	**-31,534**	**156,002**
Cost of goods sold	148,984	-	-24,850	124,134
Payroll and related costs	47,235	29	-	47,264
Depreciation, amortisation and impairment	5,483	1,195	8,842	15,520
Other operating expenses	40,382	1,901	-800	41,483
Operating profit/(loss)	**-56,803**	**-870**	**-14,726**	**-72,399**

Segment Reporting - YTD 2022

(NOK 000')	**Direct purchase**	**Subscription**	**Elimination**	**Otovo Group**
Revenue	311,929	-	-49,734	262,195
Other operating revenue	3,108	3,960	-1,081	5,987
Total operating revenue	**315,037**	**3,960**	**-50,815**	**268,182**
Cost of goods sold	255,986	-	-40,423	215,563
Payroll and related costs	88,186	565	-	88,751
Depreciation, amortisation and impairment	10,433	2,114	17,684	30,231
Other operating expenses	72,701	3,841	-1,039	75,503
Operating profit/(loss)	**-112,269**	**-2,560**	**-27,037**	**-141,866**

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 EUR 5m in committed debt, out of a total indicative facility of EUR 15m. The first tranche of EUR 2.5m was drawn during Q1.

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 June 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 NOKm 256 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*		6	34	62	154
NPV @5%	157				

*) Assuming 2% annual inflation

Note 5 - Share based payments

Otovo has granted share options to management and key personnel. As of 30.06.2022 there are 4,568,333 outstanding options with a weighted average strike price of 23.42 kroner per share. In addition 809,960 options were exercised in Q1, but the capital increase and the corresponding shares have not yet been registered in the registry of business enterprises. 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 Q2 2022 for both share programmes was NOK 2m. Expense in Q2 2021 was NOK 2.2m.

Note 6 - Subsequent events

Otovo and Nordea Bank has on 13 July 2022 signed a commitment letter, whereby Nordea commits to increase the existing loan facility from NOK 50m to NOK 150m. In addition, Otovo has at the same date drawn on the next NOK 25m under the existing facility.

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%.