Otovo | Q4 2021 report

Otovo installation in Bourgogne-Franche-Comté, France

CEO message | Stepped up in 2021, all set for more in 2022

Dear Shareholder,

A tsunami of projects. The energy price crisis in Europe has fueled consumer interest in alternatives to traditional grid energy. Solar power and batteries are taking a main role in responding to that demand. Otovo has successfully converted the massive influx of customer interest to sales during the last quarter of the year, and we start 2022 with an unprecedented book of projects - 7.2 times bigger than the pipeline a year back - to be installed in the first half of the year ahead.
This tsunami of projects is roughly equivalent to *all of 2021* revenues combined.

Record sales and installations. Having sold 2,066 projects and installed 1,209 projects in Q4, we again set new records during the quarter. We exit the year at a run rate of ~8,000 sales and ~5,000 installations per year, even at a seasonally difficult time of the year. My confidence in our ability to deliver sales growth and convert that to a vast number of installations through our unique marketplace of solar installer companies is strengthened. In combination with the very strong pipeline this means the outlook for growth in 2022 is revised upward well beyond the 100% CAGR path that we promised when listing on Euronext.

Fighting chaos. While this report is the best ever, and our outlook is more confident than before, the macro trends remain mixed. Policy and subsidy signals are massively positive, but the continuous effects of geopolitics and covid on supply chains, shipping costs and delivery times, installers' sick days etc remain a challenge that blurs our visibility with regards to installation times. We have proven in 2021 that we are able to fight chaos and sail fast in unstable and strong tailwinds, plan to clear the pipeline in the first half of 2022 and in addition be able to install sales done in that period.

Leasing to the center. This quarter Otovo increased its ownership from 18.75% to 88.43% of EDEA, and thus placed the subscription and leasing business model in the center of the company. Solar systems and batteries that are paid for on a monthly basis rather than purchased directly are an essential product in improving adoption of distributed energy. For consumers it removes the need for cash at the time of purchase and eliminates the doubts and hassles of ownership. For Otovo, each customer who chooses a subscription or lease product represents a bolstering of contracted revenues: They pay more over the lifetime of the agreement than direct customers. And even after discounting that commited cash flow and assuring maintenance of the system for two decades, Otovo retains 3-4x the profits from such customers. Obviously, this is a category we want to develop.

Strong confidence in launch capabilities. Otovo Germany was launched in early December 2021. It is our seventh country and the third one added in the space of a year. Germany is also our fastest and most successful launch to date. The internal target of 1,000 sales in 2022 seems set too low when seeing where Christian Rahn, GM, and his team are performing after only a few weeks in operation. For Otovo Germany the focus is now to expand the fledgling network of installers we have on the ground during the first half of the year and keep the pace of progress set initially. Our confidence in being able to launch markets is strengthened. That bodes well for our entry to remaining European markets, as promised when listing Otovo.

Adding storage to the growth. Our battery attachment rate starts high in Germany, and is progressing steadily in Italy and Spain. The opportunities in energy storage, both for consumers and Otovo as a business, have impressed us in 2021, and we are eager to offer batteries to Swedish, French and Polish customers during the first quarter. This will boost the perceived value of solar and improve our ticket size.

Sunny times ahead!

Andreas E. Thorsheim, CEO and founder

Fourth quarter and preliminary results 2021 | Summary

Quarterly highlights

- **Accelerating sales volume:** 2,066 sold projects in Q4, up 223% YoY, an annual run-rate of ~8,000 projects
- **Pipeline value at end of quarter:** The order book value going into 2022 is NOK 280m, up 7.2X from the same period last year, driven by NOK 230m in Q4 sales
- **Record installations volume:** 1,209 installations in Q4 up 96% YoY, an annual run-rate of ~5,000 projects
- **Revenue generated up 173%** YoY to NOK 109m, pro-forma assuming EDEA was fully owned for the whole of Q4 21
- **Revenue generated per sold project up 22%** QoQ to NOK ~111,000, driven by leasing, batteries, larger systems and higher prices
- **Gross profit generated up 195%** YoY to NOK 21.5m (19.9% profit margin), pro-forma assuming EDEA was fully owned for the whole of Q4 21
- **Leasing share** of booked installations in the quarter 21% (NOK 18.6m deployed)
- **Cash position** of NOK 224m out of Q4 21, up to NOK 207m in Q3 21
- **Batteries at 12% attachment rate** of sales for the group in Q4, driven by Italy, Germany and Spain.
- **Germany** with the fastest and best country launch ever

"Germany is also our fastest and most successful launch to date. The internal target of 1,000 sales in 2022 seems set too low when seeing where Christian Rahn, GM, and his team are performing after only a few weeks in operation"

Andreas Thorsheim, CEO

Fourth quarter 2021 | Key metrics and Financial summary

Key financial metrics

(NOK 000')	Q4 2021	Q4 2020	Change
Revenue generated	108,942	39,987	68,956
Gross profit generated	21,653	7,338	14,315
Gross margin generated %	19.9 %	18.4 %	1.5 pp
EBITDA generated	(48,998)	(22,113)	(26,885)

Key performance figures

(Units)	Q4 2021	Q4 2020	Change	FY 2021	FY 2020	Change
Unit sales	2066	640	223%	5500	2247	145 %
Completed projects/installations	1209	617	96%	3759	2019	86 %
Project pipeline	2515	805	212%			
Installers with active cost models	505	294	72%			

Financial summary

(NOK 000')	Q4 2021	Q4 2020	Change	FY 2021	FY 2020	Change
Revenue	97,520	39,987	143.9 %	285,265	147,532	93.4 %
Gross profit	15,395	7,338	109.8 %	44,903	26,223	71.2 %
Operating profit/(loss)	(62,406)	(26,124)		(175,294)	(91,397)	
Profit/(loss) after tax	(37,349)	(28,381)		(153,760)	(92,090)	

Financial summary

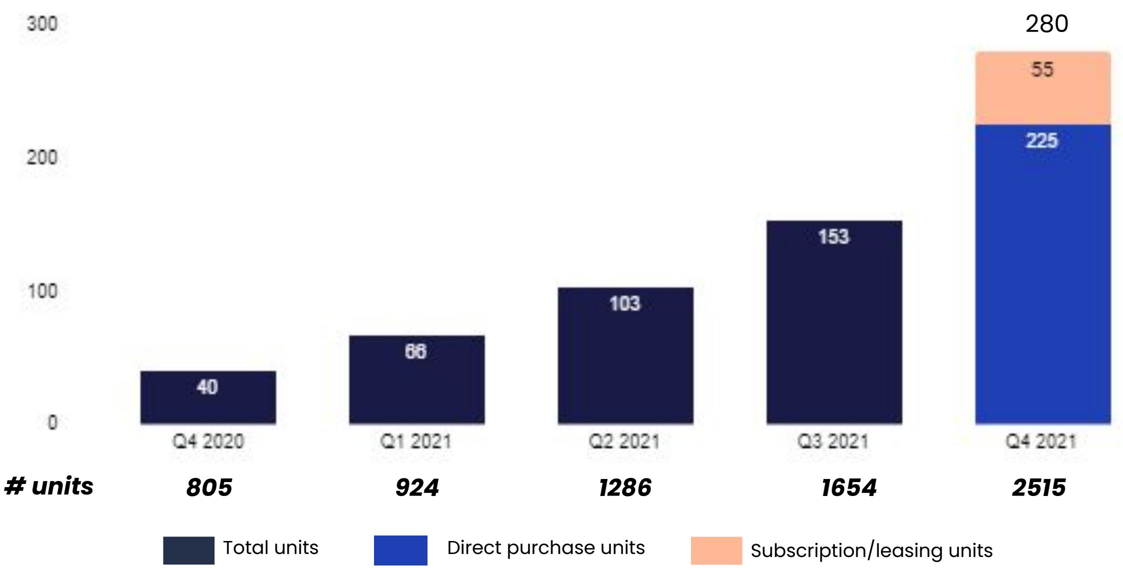
Q4

- Revenues up 143.9% (154% pre elimination of sales to EDEA that are eliminated) compared with Q4 2020 due to strong growth across all markets
- Gross profit up NOK 8.1m YoY (NOK 8.9m pre elimination of gross profit on sales to EDEA that are eliminated)
- Operating loss increased from NOK 26.1m to NOK 62.4m, mainly due to expansion in current markets and entry into new markets

Full year

- Revenues up 93.4% (96.1% pre elimination of sales to EDEA that are eliminated) compared with FY 2020 due to strong growth across all markets
- Gross profit up NOK 18.7m YoY (NOK 19.5m pre elimination of gross profit on sales to EDEA that are eliminated)
- Operating loss increased from NOK 91.4m to NOK 175.3m, mainly due to expansion in current markets and entry into new markets

Pipeline - Value (mNOK) and Units (#)



Fourth quarter 2021 | Key metrics

Details key financial metrics

NOK 000'	Note	Q4 2021*	Q4 2020**
Revenue	3	82,976	39,987
Contracted Subscription Revenue		25,967	
Revenue generated		**108,942**	**39,987**
Cost of goods sold	3	85,403	32,649
Subscription O&M cost		1,886	
Gross profit generated		**21,653**	**7,338**
Gross margin generated %		**19.9 %**	**18.4 %**
Operating profit/(loss)	3	(64,429)	(26,124)
Add back depreciation and amortisation	3	7,853	4,011
Add Contracted Subscription profit Q4		8,949	
Subtract Subscription revenue in Q4	3	(1,371)	
EBITDA generated		**(48,998)**	**(22,113)**

*) Pro forma consolidated numbers for Q4 21 and subscription value Q4 21
**) Reported Otovo numbers

Financial review | Growth across all markets

Otovo continues the growth journey and close the year and Q4 with substantial sales and revenue growth both compared with Q4 2020 and Q3 2021. New markets contribute significantly to the growth, reconfirming the platform's ability to scale and expand. The result after tax was a loss of NOK 37.3m in Q4 21 compared with a loss of NOK 28.4m in Q4 20 and NOK 36.9m in Q3 21.

During the quarter Otovo AS increased its investment in European Distributed Energy Assets Holding AS (EDEA) from 18.75% to 88.43%, a step taken to regain control over the strategically important subscription offering of Otovo and to facilitate future growth. This acquisition will significantly impact the reporting of Otovo going forward. See further details in note 3, 4 and 5.

Otovo has also transitioned to reporting according to IFRS during Q4, impacting both current quarter and full year numbers as well as the comparables, see further details in note 1 and 2

Income statement

Revenues were up 143.9% (154% pre elimination of sales to EDEA that are eliminated) compared with Q4 2020, from NOK 40.0m to NOK 97.5m. The increase is explained by successful launches in new markets, including batteries in the Otovo product offering and in general increasing attractiveness of solar panels and related products due to hikes in energy prices and more focus on renewable energy.

Compared with Q3 21 revenues grew from NOK 87.5m to NOK 97.5m (11.4%), despite eliminating transactions with EDEA for the last 23 days of the quarter. Gross profit is up NOK 8.1m YoY (NOK 8.9m pre elimination of gross profit on sales to EDEA that are eliminated).

Payroll and related costs increased from NOK 14.9m in Q4 20 to NOK 37.1m in Q4 21. The increase in payroll and related costs is explained by new hires due to increasing activity in existing markets and entry into new markets, as well as increases in sales commissions due to increasing sales. Expenses for employee share purchase programs are also significantly higher in Q4 21 than in Q4 20, at NOK 6m, compared to NOK 1.2m in Q4 20, driven by increasing share price . Compared with Q3 21 the expenses are up NOK 10.3m, from NOK 26.8m, primarily explained by general increase in sales and staffing to meet the demand and expand the business further, additionally, Q3 payroll expenses were low due to vacation.

Other operating expenses are up from NOK 19.8m in Q4 20 to NOK 33.2m in Q4 21 mainly due to higher activity and entry into new markets. Q4 operating expenses also include non-recurring expenses of NOK 6.5m relating to the acquisition of EDEA, IFRS transition and changes in timing of recognition of certain expenses. Compared with Q3 21 the operating expenses are up NOK 13.4m from NOK 19.9, primarily due to the mentioned non-recurring expenses, increase in media spend and growth in new markets.

Net financial items are up from a loss of NOK 2.3m in Q4 20 to a gain of NOK 24.6m in Q4 21. The Q4 21 figure is explained by acquisition gain on the EDEA transaction.

Balance sheet

Total non-current assets as of Q4 21 have increased to NOK 365m, from NOK 169m at year-end 2020 The change is mainly explained by the acquisition of EDEA, which is consolidated into Otovo Group as of 8 December 2021. Refer to note 3 for more details.

Total current assets have increased from NOK 95.7m at year end 2020 to NOK 286.7m at the end of 2021. The increase in cash and cash equivalents was driven by the capital increase of NOK 250m and cash acquired through the purchase of EDEA, and is reduced by the losses year to date. 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 December this year compared with the end of December last year.

Non-current liabilities are reduced from NOK 31.1m at year end 202 to NOK 30.4m at year-end 2021. The change is primarily explained by deferred tax liability recognised at acquisition of EDEA, netted by settlement of earn-out liability and installments in interest bearing debt.

Current liabilities are up from NOK 66.3m to NOK 100.6m. The change is generally explained by increasing activity and timing of completion during the quarter, consistent with the movement in trade receivables and other receivables and prepayments, netted by a reduction in the earnout liability, of which NOK 24.2m was converted to equity.

Cash flow

Net cash flow from operating activities was -NOK 42.8m in Q4 21. Main driver is negative operating profits due to start-up expenses in new markets and scaling the organisation for growth. Cash flow from investing activities was NOK 61.8m driven by cash balances stemming from the EDEA acquisition. Cash flow from financing activities was -NOK 0.7m,

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 , 19 January 2022

Consolidated income statement

Consolidated income statement	Unaudited	Unaudited	Unaudited	Unaudited
NOK 000'	**Q4 2021**	**Q4 2020**	**FY 2021**	**FY 2020**
Revenue	97,520	39,987	285,265	147,532
Other operating revenue	1,791	5,271	4,137	5,592
Total operating revenue	**99,311**	**45,258**	**289,402**	**153,124**
Cost of goods sold	82,125	32,649	240,362	121,309
Payroll and related costs	37,049	14,909	113,548	52,825
Depreciation, amortisation and impairment	9,301	4,011	21,649	12,154
Other operating expenses	33,241	19,813	89,137	58,232
Operating profit/(loss)	**-62,406**	**-26,124**	**-175,294**	**-91,397**
Financial Income	2,952	2,014	3,194	1,673
Financial Expense	4,310	2,125	3,556	942
Net exchange gain/(loss)	2,796	-1,130	104	-409
Share of profit (loss) of equity accounted investees, net of tax	23,162	-1,101	21,335	-1,101
Net financial items	**24,600**	**-2,342**	**21,077**	**-779**
Profit/(loss) before tax	**-37,806**	**-28,466**	**-154,217**	**-92,175**
Income tax expense/(income)	-457	-86	-457	-86
Profit/(loss) after tax	**-37,349**	**-28,381**	**-153,760**	**-92,090**
Profit is attributable to:				
- Owners of Otovo AS	-37,201	-28,197	-153,612	-91,348
- Non-controlling interests	-148	-184	-148	-742
Basic earnings per share (NOK)1)	-0.00034	-0.00039	-0.00164	-0.00137
Diluted earnings per share (NOK)1)	-0.00034	-0.00039	-0.00164	-0.00137

1) Earnings per share is updated to reflect split of 10 completed at listing on Euronext Growth in February 2021

Consolidated statement of comprehensive income	Unaudited	Unaudited	Unaudited	Unaudited
NOK 000'	**Q4 2021**	**Q4 2020**	**FY 2021**	**FY 2020**
Profit/(loss) after tax for the period	-37,349	-28,381	-153,760	-92,090
Other comprehensive income not to be reclassified to profit and loss				
Foreign currency translation differences	-1,007	-4,226	-3,509	6,721
Total comprehensive income for the period	-38,356	-32,606	-157,269	-85,368
Total comprehensive income is attributable to:				
- Owners of Otovo AS	-152	-211	-151	-688
- Non-controlling interests	-38,204	-32,395	-157,118	-84,681

Consolidated balance sheet

	Unaudited	Unaudited
Consolidated statement of financial position		
	2021	**2020**
NOK 000'	**31 Dec**	**31 Dec**
ASSETS		
Intangible assets	124,409	32,427
Goodwill	153,637	92,091
Deferred tax assets	-	-
Investments in associated companies	3,360	27,615
Property, plant and equipment	73,099	4,205
Right of use asset	8,524	11,793
Other assets	2,236	914
Total non-current assets	**365,265**	**169,046**
Trade receivables	22,170	9,967
Other receivables and prepayments	40,366	12,074
Cash and cash equivalents	224,187	73,677
Total current assets	**286,723**	**95,718**
Total assets	**651,989**	**264,764**

EQUITY AND LIABILITIES		
	2021	**2020**
NOK 000'	**31 Dec**	**31 Dec**
Equity		
Share capital	571	443
Share premium	824,236	355,102
Other paid-in equity	12,380	2,130
Retained earnings	-347,442	-190,321
Non-controlling interests	31,303	-
Total equity	**521,048**	**167,355**
Liabilities		
Deferred tax liability	17,388	-
Non-current interest bearing liabilities	6,809	7,769
Lease liabilities non-current	6,165	8,661
Other non-current provisions	-	2,819
Other non-current liabilities	29	11,829
Total non-current liabilities	**30,391**	**31,077**
Lease liabilities current	2,674	3,199
Trade payable	29,889	12,494
Other current liabilities	67,987	50,639
Total current liabilities	**100,550**	**66,332**
Total equity and liabilities	**651,989**	**264,764**

Consolidated statement of changes in equity

Consolidated statement of changes in equity						
NOK 000'	Share capital	Premium reserve	Other paid-in equity	Other equity	Non-controlling interest	Total equity
Equity as of 01.01.2021	443	355,102	2,130	(190,321)	-	167,355
Result for the period	-	-	-	(153,612)	(148)	(153,760)
Share capital increase	63	249,938	-	-	-	250,000
Transaction cost	-	(13,434)	-	-	-	(13,434)
EDEA acquisition	38	189,377	-	-	31,451	220,866
Share based payments	22	19,044	10,249	-	-	29,315
Debt conversion	6	24,210	-	-	-	24,216
Not yet registered capital increase	-	-	-	-	-	-
Translation differences	-	-	-	(3,509)	-	(3,509)
Equity as of 31.12.2021	**571**	**824,236**	**12,380**	**-347,442**	**31,303**	**521,049**

	Share capital	Premium reserve	Other paid-in equity	Other equity	Non-controlling interest	Total equity
Equity as of 01.01.2020	424	328,108	-	(88,678)	-	239,854
Transition effects IFRS	-	-	-	(17,015)	-	(17,015)
Result for the period	-	-	-	(91,348)	(742)	(92,090)
Transaction cost	-	(73)	-	-	-	(73)
Share based payments	7	3,053	2,130	-	-	5,190
Debt conversion	12	22,946	-	-	-	22,958
Not yet registered capital increase	-	1,069	-	-	-	1,069
Minority's purchase of share in EDEA	-	-	-	-	742	742
Translation differences	-	-	-	6,720	-	6,720
Equity as of 31.12.2020	**443**	**355,102**	**2,130**	**-190,321**	**-**	**167,355**

Consolidated statement of cash flows

	Unaudited	Unaudited	Unaudited	Unaudited
Consolidated statement of cash flows				
NOK 000'				
Cash flow from operating activities	**Q4 2021**	**Q4 2020**	**FY 2021**	**FY2020**
Profit/(loss) before tax	-37,806	-28,466	-154,217	-92,175
Depreciation, amortisation and impairment	9,301	4,011	21,649	12,154
Expensed share-based payments	2,347	627	10,248	2,130
Share of profit (loss) of equity accounted investees	-23,162	-4,112	-21,335	-4,112
Other expenses related to associated companies	-	309	-	309
Change in accounts receivables and accounts payables	15,497	1,655	-308	6,372
Change in other balance sheet items	-8,979	7,217	7,946	1,040
Net cash flow from operating activities	**-42,802**	**-18,760**	**-136,017**	**-74,282**
Cash flow from investing activities				
Investment in other companies	-3,758	-2,237	-5,478	-2,237
Disposal of subsidiary (EDEA)/shares in EDEA	-	-50,155	-	-25,095
Cash balance from EDEA acquisition	78,602	-	78,602	-
Investments in intangible assets	-9,437	-4,176	-28,774	-18,312
Investments in tangible assets	-3,609	-	-4,713	-851
Net cash flow from investing activities	**61,799**	**-56,568**	**39,638**	**-46,495**
Cash flow from financing activities				
Proceeds from issuance of ordinary shares	1,000	1,069	255,634	4,056
Payment of lease liabilities	-990	-635	-3,924	-1,525
Inflow due to new non-current liabilities	-	1,286		1,286
Outflow due to downpayment of non-current liabilities	-747	-444	-4,622	-2,399
Net cash flow from financing activities	**-737**	**1,276**	**247,088**	**1,418**
Net cash flow during the period	18,259	-74,051	150,708	-119,359
Cash and cash equivalents at the beginning of the period	206,752	145,182	73,677	193,036
Exchange rate difference on cash and cash equivalents	-824	2,546	-198	-
Cash and cash equivalents at the end of the period	**224,187**	**73,677**	**224,187**	**73,677**

Notes to the interim consolidated financial statements

Note 1 – General information and basis for preparation

Otovo AS (the Company or Parent) and its subsidiaries (together the Group) operates an online marketplace for solar installations. Otovo AS 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 fourth quarter ended 31 December 2021 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 Group's annual consolidated financial statments for 2021 will be the Group's first set of consolidated financial statements in compliance with IFRS.

This is the Group's first interim financial statements in compliance with IFRS. The consolidated financial statements have been converted to IFRS with effect from 1 January 2020. Transition to IFRS has resulted in changes for leases, goodwill and deferred tax. The effects of the change and new principles are presented in the transition note. In addition, the principle for revenues has also been changed in accordance with IFRS 15, however, the transition to IFRS 15 has not resulted in any effects for the financial statements. Revenue is recognised when the Group satisfies a performance obligation by transferring control of the goods or service to the customers.

The consolidated financial statements have been prepared based on the historical cost principle, except of options granted under share-based payments programme, which are measured at fair value.

The interim financial information for the quarters ended 31 December 2021 and 31 December 2020 are unaudited. The 2020 audited financial statements were approved by the Board of Directors on 16 February 2021.

In relation with the transition to IFRS the Group has reviewed the presentation in the consolidated income statement and have made the following reclassifications to better reflect the Group's performance. The reclassifications have been made both in Q4 and in the full year numbers, and have no net impact on profit/(loss) after tax. The following adjustments are made:

1) Reclassification of "Share of profit (loss) of equity accounted investees, net of tax" from Other operating revenue to a separate line item included in Net financial items

2) Separate "Net exchange gain/(loss)" from other financial income and financial expense

3) Reclassification of fair value adjustment of non-cash consideration (settlement with tax credit asset in Italy)

4) Reclassification of certain non-project related revenues from Revenue to Other operating revenue

See table below for effects of the reclassifications:

Reclassifications – Q4 2021

(NOK 000')	(1)	(2)	(3)	(4)	Total change
Revenue			(1,404)		(1,404)
Other operating revenue	1,485				1,485
Total operating revenue	**1,485**	**0**	**(1,404)**	**0**	**81**
Other operating expenses			(1,404)		(1,404)
Operating profit/(loss)	**1,485**	**0**	**0**	**0**	**1,485**
Financial Income					0
Financial Expense					0
Net exchange gain/(loss)					0
Share of profit (loss) of equity accounted investees, net of tax	(1,485)				(1,485)
Net financial items	**(1,485)**	**0**	**0**	**0**	**(1,485)**
Profit/(loss) before tax	**0**	**0**	**0**	**0**	**0**

Reclassifications – Q3 2021 YTD

(NOK 000')	(1)	(2)	(3)	(4)	Total change
Revenue			(408)	(1,528)	(1,936)
Other operating revenue	1,827			1,528	3,355
Total operating revenue	**1,827**	**0**	**(408)**	**0**	**1,419**
Other operating expenses			(408)		(408)
Operating profit/(loss)	**1,827**	**0**	**0**	**0**	**1,827**
Financial Income		(527)			(527)
Financial Expense		(1,712)			(1,712)
Net exchange gain/(loss)		(1,185)			(1,185)
Share of profit (loss) of equity accounted investees, net of tax	(1,827)				(1,827)
Net financial items	**(1,827)**	**(0)**	**0**	**0**	**(1,827)**
Profit/(loss) before tax	**0**	**(0)**	**0**	**0**	**(0)**

Note 2 – Transition to IFRS

FIRST TIME ADOPTION OF IFRS

Q4 2021 is the first period for which the Group has prepared consolidated interim financial statements in accordance with IFRS.

Accordingly, the Group has prepared interim financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period data for the quarter and financial year ended 31 December 2020. In preparing the interim consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2020 (the Group's date of transition to IFRS). This note explains the main effects of the transition from NGAAP to IFRS on the financial positions on 1 January 2020 and 31 December 2020 and the consolidated income statement for Q4 and full year 2020, in accordance with IFRS 1.

Business combinations

IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries or interests in associates that are considered businesses under IFRS that occurred before 1 January 2020. Use of this exemption in IFRS 1 means that the NGAAP carrying amounts of assets and liabilities, that are required to be recognised according to IFRS 1, are their deemed cost at the date of the acquisition.

IFRS 1 also requires that the NGAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position. In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognised on goodwill at 1 January 2020.

Estimates

The estimates at 1 January 2020 and 31 December 2020 are consistent with those made for the same dates in accordance with NGAAP (after adjustments to reflect any differences in accounting policies).

Below is an overview of the main effects on equity, income statement and financial position of implementation of IFRS

Group reconciliation of equity at 31 December 2020 and 1 January 2020	Notes	31 December 2020	1 January 2020
(NOK 000')			
Equity NGAAP		**174,486**	**239,854**
Right-of-use assets and lease liabilities IFRS 16	a	(67)	-
Goodwill amortization	b	9,956	-
Deferred tax	c	(17,020)	(17,015)
Total equity effect from implementation of IFRS		**(7,131)**	**(17,015)**
Equity IFRS		**167,355**	**222,838**

a) Right-of-use assets and lease liabilities IFRS 16

Under NGAAP, all lease contracts were classified as operational leases, with the related lease expenses recognised on a straight-line-basis over the period of the lease. At transition to IFRS, the present value of remaining future lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2020, are recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The effect for the 2020 consolidated statement of income is a reduction in the lease expense and an increase in depreciation of the right-of-use assets and in interest expenses. Right-of-use assets are depreciated on a straight-line basis from the time of recognition to the first of either end of useful life or end of lease term. Extension options, which are assessed as reasonably certain to be exercised, are included in the lease term. Lease payments are split into payment of principal and interest. Interest on lease liabilities in each accounting period during the lease period will be the amount which presents a constant periodic interest for the lease liabilities outstanding balance. Right-of-use assets are presented separately in the consolidated statement of financial position, and lease liabilities are classified as either current or non-current.In the statement of cash flows, payments on lease principal is included in financing activities and interest is operating activities. The transaction of entering into new lease agreements has no cash flow effect.

The Group has utilised the practical expedient for lease of low value assets and lease agreements with lease periods of up to one year, by recognising the lease payments for these leases as an expense on a straight-line basis over the lease term.

b) Goodwill amortization

Under IFRS, goodwill is not subjected to amortization. The goodwill identified when acquiring the subsidiary in France has historically been amortized under NGAAP. The carrying amount of goodwill in the opening IFRS statement as of 1 January 2020 is the carrying amount in accordance with previous GAAP at the date of transition to IFRS. Historical amortization before the transition is therefore not reversed. The effect for the 2020 consolidated statement of income is a reversal of amortization and increased book value of goodwill.

c) Deferred tax

In connection with the adoption of IFRS, Otovo reassessed the deferred tax asset (DTA) previously capitalized under NGAAP.

Under IFRS a deferred tax asset is recognised in respect of deductible temporary differences only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences can be utilised. All group entities have been loss making since inception and as a result a deferred tax asset is recognised only to the extent that the entity has sufficient taxable temporary differences.

Group reconciliation of total comprehensive income for the year ended 31 December 2020	Notes	NGAAP FY 2020	Adjustments	IFRS FY 2020
(NOK 000')				
Revenue		147,532	-	147,532
Other operating revenue		4,490	-	4,490
Total operating revenue		**152,022**	**-**	**152,022**
Cost of goods sold		(121,309)	-	(121,309)
Payroll and related costs		(52,825)	-	(52,825)
Depreciation, amortisation and impairment	a,b	(20,762)	8,608	(12,154)
Other operating expenses	a	(59,919)	1,687	(58,232)
Operating profit/(loss)		**(102,793)**	**10,295**	**(92,498)**
Net financial items	a	**485**	**(162)**	**323**
Profit/(loss) for the period		**(102,222)**	**10,133**	**(92,090)**
Other comprehensive income				
Items which is or may be reclassified to profit and loss				
Translation difference		6,969	(248)	6,721
Other comprehensive income for the period, net of tax		**6,969**	**(248)**	**6,721**
Total comprehensive income for the period		**(95,254)**	**9,885**	**(85,368)**

Group reconciliation of total comprehensive income for the quarter ended 31 December 2020	Notes	NGAAP Q4 2020	Adjustments	IFRS Q4 2020
(NOK 000')				
Revenue		39,987	-	39,987
Other operating revenue		4,169	-	4,169
Total operating revenue		**44,156**	**-**	**44,156**
Cost of goods sold		(32,649)	-	(32,649)
Payroll and related costs		(14,909)	-	(14,909)
Depreciation, amortisation and impairment	a,b	(5,893)	1,882	(4,011)
Other operating expenses	a	(20,544)	731	(19,813)
Operating profit/(loss)		**(29,839)**	**2,613**	**(27,226)**
Net financial items	a	**(1,144)**	**(97)**	**(1,241)**
Profit/(loss) for the period		**(30,983)**	**2,517**	**(28,466)**
Other comprehensive income				
Items which is or may be reclassified to profit and loss				
Translation difference		(3,983)	(243)	(4,226)
Other comprehensive income for the period, net of tax		**(3,983)**	**(243)**	**(4,226)**
Total comprehensive income for the period		**(34,966)**	**2,274**	**(32,692)**

Group reconciliation of financial position at 31 December 2020	Notes	NGAAP 31.12.20	Adjustments	IFRS 31.12.20
(NOK 000')				
Assets				
Intangible assets		32,427	-	32,427
Goodwill	b	82,135	9,956	92,091
Deferred tax assets	c	17,020	(17,020)	-
Investments in associated companies		27,615	-	27,615
Property, plant and equipment		4,205	-	4,205
Right-of-use assets	a		11,793	11,793
Other assets		914	-	914
Total non-current assets		**164,317**	**4,729**	**169,046**
Trade receivables		9,967	-	9,967
Other receivables and prepayments		12,074	-	12,074
Cash and cash equivalents		73,677	-	73,677
Total current assets		**95,718**	**-**	**95,718**
TOTAL ASSETS		**260,035**	**4,729**	**264,764**
Equity				
Paid in capital		357,676		357,676
Retained earnings		(183,190)	(7,131)	(190,321)
Total equity		**174,486**	**(7,131)**	**167,355**
Interest-bearing liabilities		7,769	-	7,769
Lease liabilities non-current	a	-	8,661	8,661
Other non-current provisions		11,829	-	11,829
Other liabilities		2,819	-	2,819
Total non-current liabilities		**22,416**	**8,661**	**31,077**
Lease liabilities current	a	-	3,199	3,199
Trade payables		12,494	-	12,494
Other current liabilities		50,639	-	50,639
Total current liabilities		**63,133**	**3,199**	**66,332**
TOTAL EQUITY AND LIABILITIES		**260,035**	**4,729**	**264,764**

Group reconciliation of financial position at 1 January 2020 (date of transition to IFRS)	Notes	NGAAP 01.01.20	Adjustments	IFRS 01.01.20
(NOK 000')				
Assets				
Intangible assets		23,192	-	23,192
Goodwill		86,736	-	86,736
Deferred tax assets	c	17,015	(17,015)	-
Property, plant and equipment		4,555	-	4,555
Right-of-use assets	a	-	2,271	2,271
Other assets		811	-	811
Total non-current assets		**132,308**	**(14,744)**	**117,564**
Trade receivables		13,701	-	13,701
Other receivables and prepayments		17,154	-	17,154
Cash and cash equivalents		193,036	-	193,036
Total current assets		**223,890**	**-**	**223,890**
TOTAL ASSETS		**356,199**	**(14,744)**	**341,454**
Equity				
Paid in capital		328,980	-	328,980
Retained earnings		(89,127)	(17,015)	(106,142)
Total equity		**239,854**	**(17,015)**	**222,838**
Interest-bearing liabilities		10,000	-	10,000
Lease liabilities non-current	a	-	1,355	1,355
Other non-current provisions		64,035	-	64,035
Total non-current liabilities		**74,035**	**1,355**	**75,391**
Lease liabilities current	a	-	915	915
Trade payables		9,856	-	9,856
Income tax payable		32,454	-	32,454
Other current liabilities		42,310	915	43,225
Total current liabilities				
		356,199	(14,744)	341,454
TOTAL EQUITY AND LIABILITIES		**313,889**	**(15,660)**	**298,229**

Note 3 - Business Combinations

Otovo Group has a clear growth strategy, both through organic growth and through acquisitions. During the quarter Otovo AS increased its investment in European Distributed Energy Assets Holding AS (EDEA) from 18.75% to 88.43% and gained control of the company, a step taken to regain control over the strategically important subscription offering of Otovo and to facilitate future growth. EDEA was founded by Otovo in 2020, during 2020 Otovo's ownership interest was reduced from 100% to 18.75%. From the establishment of EDEA the two companies have cooperated closely, and had exclusivity when it comes to offering solar subscription to customers in Otovo's markets.

EDEA has been consolidated into the group accounts as of the acquisition date, and is reported as a separate operating segment starting from Q4, see Note 4 for further details. Ahead of this date the investment in EDEA was accounted for under the equity method. Net consideration for the EDEA shares was NOK 189.414.860, this was settled with Otovo shares. If control was gained from 1.1.2021, the consolidated Total operating revenue of Otovo Group would have been NOK 234m with consolidated losses for the period of NOK 198m. Consolidated loss for the period is calculated before tax and including full year amortization of fair value assets acquired and excluding the acquisition cost. Proforma consolidated income statement is specified further below.

Acquisition cost expensed in Q4 2021 is NOK 2.4m.

Due to relatively low capital intensity in acquisitions other than the value of customer contracts and intellectual property, acquisitions within this sector will typically result in a relatively large goodwill balance. This goodwill balance represents the surplus of the purchase price compared with the accounting value of the net fixed and intangible assets of the acquired company. Goodwill can be explained by the value associated with the skills and know-how of acquired company’s employees, new customers and potential extensions of existing relationships. The goodwill represents expected synergies both on revenue and expenses and increased market share, and it is not tax deductible.

Proforma consolidated income statement Q4 2021	**Otovo**	**EDEA**	**Elimination**	**Total**
(NOK 000')				
Revenue	101,594		(18,619)	82,976
Other operating revenue	1,368	1,371	(170)	2,569
Cost of goods sold	85,403	0	(15,131)	70,272
Payroll and Other operating expenses	69,524	2,495	(170)	71,849
Depreciation, amortisation and impairment	7,142	711	0	7,853
Operating profit/(loss)	**(59,107)**	**(1,835)**	**(3,488)**	**(64,429)**
Net financial items	650	(506)	33	177
Profit/(loss) before tax	**(58,457)**	**(2,342)**	**(3,454)**	**(64,253)**

Proforma consolidated income statement FY 2021	**Otovo**	**EDEA**	**Elimination**	**Total**
(NOK 000')				
Revenue	289,339		(60,716)	228,623
Other operating revenue	3,714	3,200	(410)	6,504
Cost of goods sold	243,640	0	(49,988)	193,652
Payroll and Other operating expenses	201,918	7,004	(410)	208,512
Depreciation, amortisation and impairment	19,490	1,720	0	21,210
Operating profit/(loss)	**(171,995)**	**(5,524)**	**(10,728)**	**(188,247)**
Net financial items	(2,873)	(1,068)	1,008	(2,932)
Profit/(loss) before tax	**(174,868)**	**(6,592)**	**(9,719)**	**(191,179)**

Assets identified includes present value of customer contracts, present value of future customer payments less operation & maintenance costs, upfront system COGS, tax and future SG&A for systems already sold or installed. The exclusivity agreement between Otovo and EDEA valid until 2023 has been valued with the abovementioned approached, based on the expected future customer contracts to be originated and delivered under the exclusivity agreement in 2022 and 2023.

Fixed assets is the book value of systems installed as of closing of the transaction.

Allocation of purchase price

Transaction details	
(NOK 000')	
Acquiring company	**Otovo AS**
Acquisition date	8.12.2021
Country	Norway
Currency	NOK
Voting rights / ownership interest before acquistion	18.75%
Voting rights / ownership interest after acquistion	88.43%
Consideration transferred in form of Otovo shares	189,414,860
69.68% of Total identifiable net assets acquired (see table below)	143,516,711

Identified assets acquired and liabilities assumed	
(NOK 000')	
Customer contracts	21,440,000
Exclusivity agreement	59,675,000
Fixed assets	59,599,329
Trade receivables	900,052
Other short-term receivables	10,874,420
Cash and cash equivalent	78,602,411
Total assets	**231,091,212**
Deferred tax liability	17,845,000
Current liabilities	7,280,782
Total liabilities	**25,125,782**
Total identifiable net assets acquired	**205,965,430**
Consideration transferred (for 69.68% of shares)	189,414,860
Fair value of previous equity interest (18.75%)	50,969,125
Amount of non-controlling interest (11.57%)	31,451,348
Fair value 100%	**271,835,333**
Fair value of identifiable net assets (100%)	205,965,430
Goodwill	**65,869,903**
Book value of investment in EDEA before acquisition	26,322,049
Calculated value of 18.75% of shares at acquisition date	50,969,125
Acquisition gain in Otovo Group	**24,647,076**

Note 4 - 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. See further details about the acquisition in the note for Business Combinations.

The segment reporting is presented in the same manner as presented to the Executive Management.

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

Segment Reporting - Q4 2021	Direct purchase	Subscription	Elimination	Otovo Group
(NOK 000')				
Revenue	101,594		(4,074)	97,520
Other operating revenue	1,368	423		1,791
Total operating revenue	**102,962**	**423**	**(4,074)**	**99,311**
Cost of goods sold	85,403	0	(3,279)	82,124
Payroll and related costs	36,851	200		37,052
Depreciation, amortisation and impairment	7,142	82	2,076	9,300
Other operating expenses	32,672	569		33,241
Operating profit/(loss)	**(59,107)**	**(428)**	**(2,871)**	**(62,406)**

Segment Reporting - FY 2021	Direct purchase	Subscription	Elimination	Otovo Group
(NOK 000')				
Revenue	289,339		(4,074)	285,265
Other operating revenue	3,714	423		4,137
Total operating revenue	**293,053**	**423**	**(4,074)**	**289,402**
Cost of goods sold	243,640	0	(3,279)	240,361
Payroll and related costs	113,350	200		113,550
Depreciation, amortisation and impairment	19,490	82	2,076	21,648
Other operating expenses	88,568	569		89,137
Operating profit/(loss)	**(171,995)**	**(428)**	**(2,871)**	**(175,294)**

Note 5 - EDEA Contracted Future Payments

Leasing & subscription customers enters into a 20 year contract for PV systems, and 10 year contract for batteries, paying a monthly price inflation adjusted annually. EDEAs existing customers are contracted to pay EDEA NOK152.4m over the next 20 years, assuming 2% annual inflation, 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.

EDEA Contracted Customer Payments	NPV	2022	2023-2025	2026-2030	2031-2040	Total
(NOK 000')						
Non-discounted contracted customer payments*		6,710	20,946	37,798	86,986	152,441
NPV @5%	94,358					

*) Assuming 2% annual inflation

Note 6 – Share based payments

Otovo has granted share options to management and key personnel. As of 31.12.2021 there are 1,586,160 outstanding options with a weighted average strike price of 8.57 kroner per share. In addition 733,810 options were exercised in 2021, 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 507.935 performance shares and 1.624.135 retention shares outstanding under these programmes.

The extraordinary general meeting on 3 December 2021 resolved to authorise issuance of 5,160,000 options under Otovo's new share option programme.

Expense in Q4 2021 for both share programmes was NOK 6.0m. Expense in Q4 2020 was NOK 1.2m.

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)

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

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Other definitions (2/2)

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%.