



Q3

2023 Report

CEO Message

Built to bounce back

This quarter is as defined by what isn't visible in the reported numbers as what is. Management spent considerable time getting to the finish line on a deal that was announced on 6 October, a week after this quarter closed, but that will mark the company and alluded to its future opportunities as much as anything that happened in the quarter.

Subscription portfolio sale

In 2020 Otovo established the structure for creating subscription assets in residential solar in Europe. There were doubts about whether this product would be attractive to European consumers. There were doubts about whether banks would finance the portfolio. And there were doubts about whether the portfolio would be valuable at the end of the day.

Three years later we have proved that consumers like the convenience of a zero-money-up-front product and built a portfolio of several thousand residential projects across Europe. We have created an infrastructure that falls within power regulations, financial regulations and consumer regulations in 11 markets. We have gotten high pedigree banks on board and gradually increased both the debt-equity ratio and the absolute debt financing. And then finally, as announced, we have shown that it is possible to monetize the portfolio even in a turbulent macro environment.



This shows the path for the company going forward. We have visibility on the portfolio, and will keep building both euro and other currency assets. The superior value creation in subscriptions also means we can dedicate more value to the consumer we recruit, which is all but certain to help us improve our market share.

Softer market

2023 has however proved tenacious in its softness. Since energy markets started to return to pre-crisis levels in September of 2022, green home improvements have seen weaker demand and Otovo has suffered in that transition.

There is however a lot of hope in the market forces at play this quarter, with cost levels of hardware reaching record lows and installation costs continuing to drop. The business case for consumers is improving fast, and the outlook for further improvement during the winter looks much stronger than it has in several quarters. Also, several governments are preparing packages to encourage consumers to return to solar and other green home improvements, like Germany's new three-in-one subsidy or Austria's recent VAT removal.

Otovo is setting itself up to take advantage of this. We have kept moving activity to Spain, and the opex-per-project improvements in this will make themselves apparent as volumes increase again. We believe we have further cost improvements to make, and will keep making them in order to be stronger and more profitable.

For Otovo it is now all about increasing volume of sales, adding value to each sale, reducing the total cost on the platform and getting to continuous sales of subscription portfolios. That is our path to profitability and what we are working on every day in order to bounce back bigger and better.

Andreas E. Thorsheim,
Founder and CEO



Summary | Third quarter 2023 highlights

Quarterly highlights

- **Strong annual growth, despite market taking a breath after spur in 2022**
 - 2,629 installations versus 1,970 same quarter last year, up 33%
 - 2,073 unit sales versus 2,740 same quarter last year, down 24%
 - IFRS Revenues of NOK 235m, up 35% versus last year
 - IFRS reported margins back above 21%, up 1.5%p versus last year
- **Proving that portfolios can turn to cash**
 - Completed Europe's first solar portfolio sale, with Swiss Life Asset Managers
 - NOK 94m Subscription SPV Capex, versus NOK 46m Q3 last year, up 2x
 - Significant increase in IRR, at 13.5% for projects installed this quarter v.s. 9.6% same quarter last year, up 4.1%p
- **Increasing share of projects handled from Madrid**
 - A full 24% of projects installed in Q3 were handled, at least in part, from the Shared Service Center in Madrid, up from 0% one year ago, and 8% last quarter
 - This leads to higher efficiency, and lower cost per project

IFRS

+35%

Q3 22: 175

+45%

Q3 22: 34

Revenue

235 NOKm

Gross Profit

49 NOKm

APMs

+67%

Q3 22: 235

+94%

Q3 22: 53

+263%

Q3 22: 227

Revenue Generated

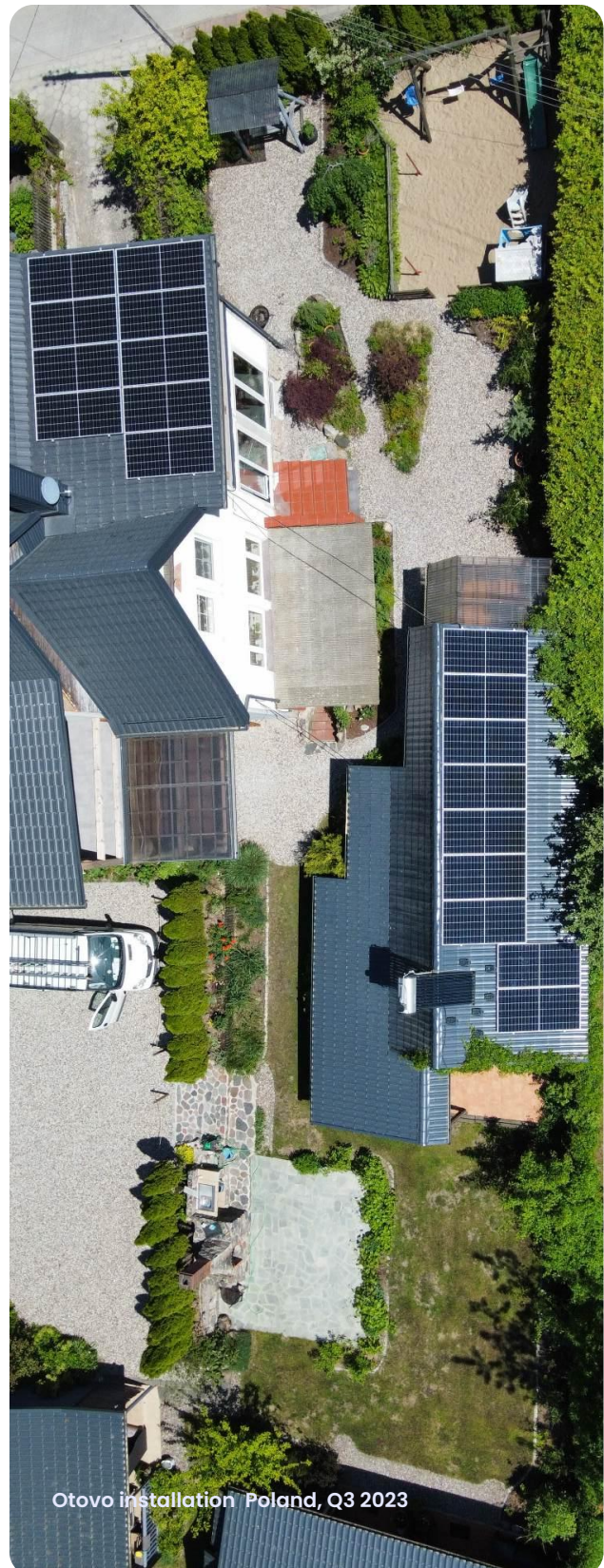
392 NOKm

Gross Profit Generated

103 NOKm

**Accumulated Contracted
Subscription Revenue**

824 NOKm



Otovo installation Poland, Q3 2023

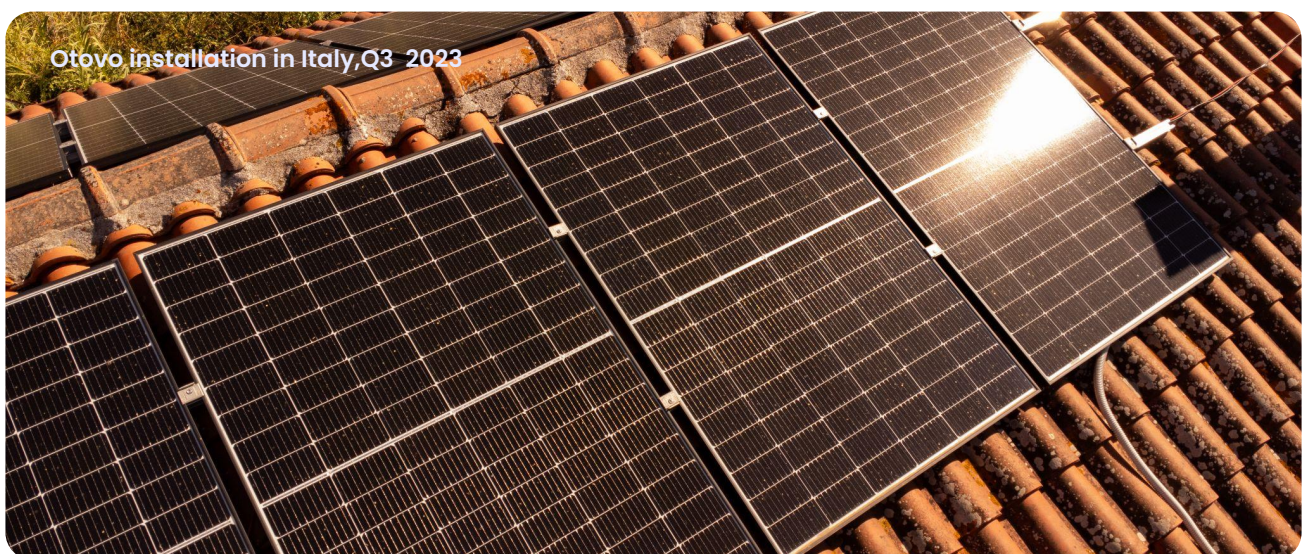
Third quarter 2023 | Financial summary

Financial summary

(NOKm)	Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	FY 2022
Revenue	235.4	174.5	35%	817.1	436.7	637.5
Gross profit	49.5	34.2	45%	163.6	80.8	114.3
Operating profit/(loss)	-93.5	-82.6		-290.4	-224.5	-317.5
Profit/(loss) after tax	-120.6	-79.0		-264.7	-215.3	-311.3

Financial summary - Comments

- Revenues were up 35% compared with Q3 2022. The increase is reflecting an increase in installations resulting from shortened waiting times and higher ticket sizes, combined with an increase in revenues from the 6 new markets that Otovo entered during 2022. The increase in revenues from new markets is softened by high subscription shares
- Gross profit is up NOK 15.5m YoY or 45% due to increasing volumes combined with higher margins
- Operating loss increased from NOK 82.6m to NOK 93.5m YoY, mainly due to increases in operating losses in the 6 new markets entered during 2022, partially offset by increased gross profit and reduced operating expenses in the more mature markets
- Compared to Q2 2023 revenues decreased with 23% while gross profit decreased with NOK 14m, down 22%. The operating loss was reduced from NOK 98.9m in Q2 2023 to NOK 93.5m in Q3 2023. The reduction is primarily explained by a reduction in payroll and depreciation, amortisation and impairment, partially offset by the reduction in gross profit.
- The weakening Norwegian Krone is contributing to the increases in revenues and expenses compared to Q3 2022. Compared to Q2 2023 the NOK has strengthened, hence parts of the reduction in revenues and expenses is currency related.



Third quarter 2023 | APMs and Key performance figures

Alternative Performance Measures

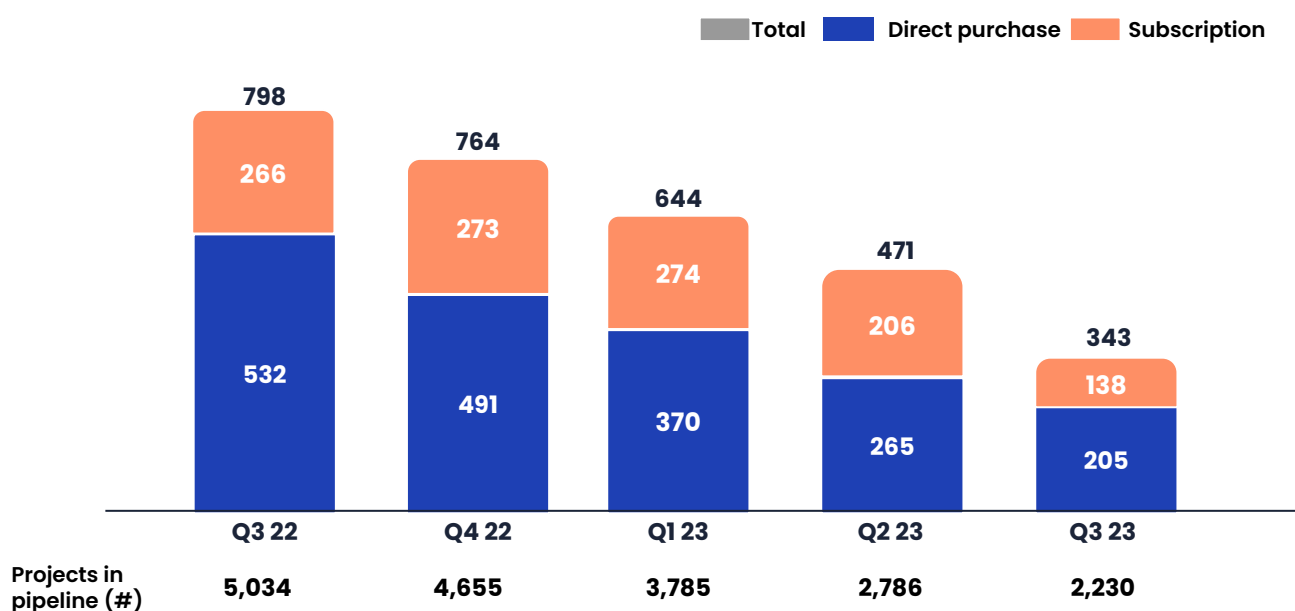
Reported financials do not reflect underlying value creation in the Subscription portfolio. This has led to the introduction of Alternative Performance Measures (APM), that blends the value creation from direct purchase projects with the value creation from subscription projects. Please refer to Alternative Performance Measures section of the report for further details.

(NOKm)	Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	FY 2022
Revenue Generated	392.0	235.3	67%	1,313.6	564.4	846.4
Gross Profit Generated	102.8	52.6	95%	314.4	120.9	176.7
Gross Margin Generated %	26%	22%	+4%p	24%	21%	21%
EBITDA Generated	-35.8	-51.1		-109.3	-145.0	-202.3

Key performance figures

(Units)	Q3 2023	Q3 2022	Change	YTD 2023	YTD 2022	FY 2022
Unit sales	2,073	2,740	-24%	6,250	7,679	9,505
Completed projects/installations	2,629	1,970	33%	8,675	5,174	7,379
Project pipeline	2,230	5,034	-56%	2,230	5,034	4,655

Pipeline - Value (NOKm) and Units (#)



Financial review | All time high gross margin

This quarter is as defined by what isn't visible in the reported numbers as what is. At 6 October, a week after this quarter closed, the Group announced a deal that will mark the company and alluded to its future opportunities as much as anything that happened in the quarter. Three years after the subscription product was launched Otovo has successfully entered an agreement for the sale of its Norwegian and Swedish subscription portfolios, converting Accumulated Contracted Subscription Revenue into cash. The deal is expected to close in Q4 2023

Otovo is reporting a loss after tax of NOK 120.6m in Q3 23 compared with a loss of NOK 79.0m in Q3 22 and NOK 89.0m in Q2 23.

The increase in loss compared to Q3 22 is primarily driven by net negative financial items in Q3 23, explained by increasing interest expenses on the external financing of subscription assets and currency losses on the internal loans denominated in EUR. Operating losses have increased from NOK 82.6m in Q3 22 to NOK 93.5m in Q3 23, resulting from investments done to expand the business, not fully recovered through increasing gross profit.

The change in loss after tax compared to Q2 23 is driven by net financial items, and primarily explained by currency losses on internal loans denominated in EUR, due to the strengthened NOK. The currency loss in Q3 is to a large extent reversing substantial currency gains reported in Q1 and Q2 2023. Operating losses are down from NOK 99m in Q2 23 to NOK 93.5 m.

Income statement

Revenues were up 35% compared with Q3 22. The increase is reflecting an increase in installations resulting from shortened waiting times and higher ticket sizes, combined with an increase in revenues from the 6 new markets that Otovo entered during 2022. The increase in revenues from new markets is softened by high subscription shares.

Compared with Q2 23 revenues have decreased from NOK 307.4m to NOK 235.4 (-23%). The reduction is due to a softer market for the Group's products, combined with declining hardware prices and the strengthening of NOK compared to EUR.

Gross profit increased by NOK 15.3m YoY, while it decreased by NOK 14.2m compared with Q2 23, linked with the above mentioned changes in revenues. The gross margin is continuing to rise and is up from 19.6% in Q3 22 and 20.7% in Q2 23, to 21.0% in Q3 23.

Payroll and related costs increased from NOK 59.7m in Q3 22 to NOK 76.0m in Q3 23. The increase in payroll and related costs is primarily explained by new hires, and scaling the organisation for growth, both in corporate functions, new markets and shared services. Compared with Q2 23 the expenses are down NOK 11.9m, from NOK 87.9m. The decrease is primarily explained by a reduction in bonus accrual, vacations and non-recurring restructuring cost in Q2 2023 related to the establishment of the European Operations Center in Madrid.

Expenses for share based payments were NOK 8.5m in the quarter, compared with NOK 8.7m for Q3 22, and NOK 7.8m in Q2 23.

Other operating expenses are up from NOK 45.5m in Q3 22 to NOK 63.5m in Q3 23, mainly due to higher activity and entry into new markets. Other operating expenses are stable compared to Q2 23.

The weakening Norwegian Krone is contributing to the increases in revenues and expenses compared to Q3 2022. Compared to Q2 2023 the NOK has strengthened, hence parts of the reduction in revenues and expenses is currency related.

Net financial items changed from a gain of NOK 1.7m in Q3 22 to a loss of NOK 27.8m in Q3 23, mainly due to interest expenses on the financing of new subscription assets (increase of NOK 11.1m) and currency losses.

The change in net financial items compared to Q2 23, an increase in loss of NOK 35.8m, is primarily driven by currency losses on internal loans denominated in EUR. The Norwegian Krone has strengthened compared with Q1 and Q2, reversing a significant part of the currency gain recognised in previous quarters. YTD September 2023 the Group has a net currency gain of NOK 25.6m.

Financial review | Highest ever addition to the subscription portfolio

Balance sheet

As a result of the agreement signed to dispose of Norwegian and Swedish subscription portfolios the relevant assets and liabilities have been reclassified to current assets and liabilities and presented as held for sale. The amounts are presented net of intercompany transactions eliminated at Group level.

Total non-current assets as of Q3 23 have increased to NOK 567m, from NOK 478m at year end 2022. The increase is mainly driven by an increase in property, plant and equipment due to capitalization of solar energy systems in the subscription business and investments in Otovo Cloud. The increase is netted by Swedish and Norwegian subscription assets that are reclassified to current assets, as well as depreciation of subscription assets and amortisation of Otovo Cloud and intangible assets from the acquisition of EDEA..

Total current assets have increased from NOK 459m at year end 2022 to NOK 655m at the end of Q3 23. The increase is mainly driven by the reclassification of assets held for sale from non-current to current assets, partially netted by a decrease in Other receivables and prepayments, related to sales of tax credits in Italy.

Non-current liabilities have increased from NOK 141m at year end 2022 to NOK 423m as of Q3 23. The increase is primarily relating to the financing of subscription assets.

Current liabilities have remained steady with NOK 265m per Q3 23 compared to NOK 264m at year end 2022.

Cash flow

Net cash flow from operating activities was -NOK 54m in Q3 23. The main driver continues to be negative operating profits as a result of start-up expenses in new markets and scaling the organisation for growth. Sale of Italian tax credits is a significant contributor to the improvement in cash flows compared to prior quarters. Refer to note 7 of the report for more information.

Cash flow from investing activities in Q3 23 was -NOK 98m mainly driven by investments in assets used in the subscription business in addition to investments in Otovo Cloud.

Cash flow from financing activities was NOK 85m in Q3 23. This is primarily explained by the Group's draws on the revolving credit facility held with DNB Bank ASA and Sparebank 1 SR-bank ASA to finance its subscription assets. Total draws in the quarter was EUR 7.5m.

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 ASA , 25 October 2023



Otovo installation in Italy Q3 2023

Consolidated income statement

Consolidated income statement

(NOK 000')	Notes	Unaudited Q3 2023	Unaudited Q3 2022	Unaudited YTD 2023	Unaudited YTD 2022	Audited FY 2022
Revenue	2	235,435	174,548	817,142	436,743	637,501
Other operating income	2	13,472	4,583	30,357	10,570	14,763
Total operating income		248,907	179,131	847,499	447,313	652,264
Cost of goods sold	2	185,940	140,356	653,522	355,919	523,152
Payroll and related costs	2,6	75,979	59,665	239,099	148,416	219,117
Depreciation, amortisation and impairment	2	16,956	16,266	57,399	46,497	64,333
Other operating expenses	2,3	63,487	45,485	187,837	120,988	163,197
Operating profit/(loss)		-93,455	-82,641	-290,358	-224,507	-317,534
Financial Income		279	328	1,733	1,384	1,806
Financial Expense		11,227	116	19,978	692	4,080
Net exchange gain/(loss)		-16,832	4,210	25,608	10,188	10,625
Gains on disposal of investment in associated company		-	-	13,791	-	-
Share of profit/(loss) of equity accounted investees, net of tax		-	-2,763	-	-7,473	-9,864
Net financial items		-27,780	1,659	21,154	3,407	-1,513
Profit/(loss) before tax		-121,235	-80,982	-269,204	-221,100	-319,047
Income tax expense/(income)		-626	-2,003	-4,528	-5,836	-7,781
Profit/(loss) after tax		-120,609	-78,979	-264,676	-215,264	-311,266
Profit is attributable to:						
- Owners of Otovo AS		-120,609	-78,979	-264,676	-213,496	-309,498
- Non-controlling interests		-	-	-	-1,768	-1,768
Basic earnings per share (NOK)		-0.81	-0.58	-1.86	-1.72	-2.47
Diluted earnings per share (NOK)		-0.81	-0.58	-1.86	-1.72	-2.47

Consolidated statement of comprehensive income

(NOK 000')	Unaudited Q3 2023	Unaudited Q3 2022	Unaudited YTD 2023	Unaudited YTD 2022	Audited FY 2022
Profit/(loss) after tax for the period	-120,609	-78,979	-264,676	-215,264	-311,266
Other comprehensive income which may be reclassified to profit and loss					
Foreign currency translation differences	1,611	-4,576	2,321	-3,377	-3,138
Total comprehensive income for the period	-118,998	-83,555	-262,355	-218,641	-314,404
Total comprehensive income is attributable to:					
- Non-controlling interests	-	-	-	-1,795	-1,802
- Owners of Otovo AS	-118,998	-83,555	-262,355	-216,846	-312,602

Consolidated balance sheet

Consolidated statement of financial position

(NOK 000')	Notes	Unaudited	Unaudited	Audited
		2023	2022	2022
		30 Sep	30 Sep	31 Dec
ASSETS				
Intangible assets		88,313	107,689	102,803
Goodwill		165,219	158,314	158,181
Investments in associated companies		-	8,090	-
Property, plant and equipment		298,248	149,234	200,491
Right of use asset		11,611	12,382	14,317
Other assets		3,753	2,943	2,648
Total non-current assets		567,144	438,652	478,440
Trade receivables		59,076	61,186	44,054
Other receivables and prepayments	7	133,912	145,712	200,395
Assets classified as held for sale	8	223,988	-	9,748
Inventory		1,302	16,358	10,761
Cash and cash equivalents		236,900	291,055	193,868
Total current assets		655,178	514,311	458,826
Total assets		1,222,322	952,964	937,266
EQUITY				
Share capital		1,488	1,362	1,362
Share premium reserve		1,397,860	1,156,329	1,156,329
Other paid-in equity		60,440	30,056	37,331
Foreign currency translation reserve		2,589	29	268
Retained earnings		-928,469	-567,790	-663,793
Non-controlling interests		-	-	-
Total equity		533,908	619,986	531,497
LIABILITIES				
Deferred tax liability		4,073	11,552	9,607
Non-current interest bearing liabilities	4	413,516	79,305	125,672
Lease liabilities non-current		5,379	7,078	6,130
Other non-current liabilities		-	107	-
Total non-current liabilities		422,968	98,043	141,409
Lease liabilities current		6,895	5,750	8,747
Trade payable		83,313	71,713	71,473
Other current liabilities	4	173,827	157,471	184,139
Liabilities classified as held for sale	8	1,411	-	-
Total current liabilities		265,446	234,934	264,359
Total equity and liabilities		1,222,322	952,964	937,266

Otovo installation in Poland, 2023



Consolidated statement of changes in equity

Consolidated statement of changes in equity

(NOK 000')	Attributable to the owners of Otovo ASA						Non controlling interest	Total equity
	Share capital	Share premium reserve	Other paid-in equity	Foreign currency translation reserve	Retained earnings	Total		
Equity at 1 January 2023	1,362	1,156,328	37,331	268	-663,792	531,497	-	531,497
Net profit for the period	-	-	-	-	-264,676	-264,676	-	-264,676
Other comprehensive income for the period, net of tax	-	-	-	2,321	-	2,321	-	2,321
Total comprehensive income in the period	-	-	-	2,321	-264,676	-262,355	-	-262,355
Issuance of shares	126	249,874	-	-	-	250,000	-	250,000
Change in nominal value	-	-	-	-	-	-	-	-
Transaction costs on equity issues	-	-8,343	-	-	-	-8,343	-	-8,343
Purchase of non-controlling interest	-	-	-	-	-	-	-	-
Share-based payments, exercised	-	-	-	-	-	-	-	-
Share-based payments accrual	-	-	23,109	-	-	23,109	-	23,109
Equity as of 30.09.2023	1,488	1,397,860	60,441	2,589	-928,469	533,909	-	533,909

(NOK 000')	Attributable to the owners of Otovo ASA						Non controlling interest	Total equity
	Share capital	Share premium reserve	Other paid-in equity	Foreign currency translation reserve	Retained earnings	Total		
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	-	-	-	8,277	-	8,277
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	619,985	-	619,985



Consolidated statement of cash flows

Consolidated statement of cash flows

<i>(NOK 000')</i>	Notes	Unaudited Q3 2023	Unaudited Q3 2022	Unaudited YTD 2023	Unaudited YTD 2022	Audited FY 2022
Cash flow from operating activities						
Profit/(loss) before tax		-121,238	-80,982	-269,207	-221,100	-319,047
Depreciation, amortisation and impairment		16,956	16,266	57,399	46,497	64,333
Expensed share-based payments	6	8,982	7,689	23,109	17,673	24,950
Net interest income and interest expenses		7,976	-191	11,066	177	2,775
Share of profit/(loss) of equity accounted investees/Gain on disposal of associated company	8	-	2,763	-13,791	7,473	9,864
Currency (gains)/losses not related to operating activities		15,679	-1,142	-23,495	-6,099	-7,415
Changes in trade receivables		2,735	-9,527	-13,486	-37,255	-21,884
Changes in trade payables		-17,392	19,201	7,065	37,738	41,584
Change in other assets and other liabilities		40,152	12,552	79,345	-33,818	-59,461
Cash generated from operating activities		-46,150	-33,370	-141,995	-188,715	-264,301
Received interest		237	304	1,627	610	1,017
Paid interest		-8,212	-115	-12,693	-789	-3,791
Net cash flow from operating activities		-54,125	-33,181	-153,061	-188,894	-267,075
Cash flow from investing activities						
Investment in other companies		-	-4,542	-	-11,259	-15,411
Disposal of associated company		-	-	23,539	-	-
Investments in intangible assets		-10,106	-7,250	-26,466	-21,389	-29,870
Investments in tangible assets		-91,556	-38,505	-310,072	-79,718	-133,620
Disposals of tangible assets		4,058	-	7,967	-	-
Net cash flow from investing activities		-97,604	-50,298	-305,032	-112,366	-178,900
Cash flow from financing activities						
Proceeds from issuance of ordinary shares		-	1,625	250,000	299,902	299,902
Transaction cost capital increase		-	-	-8,343	-	-
Payment of lease liabilities		-680	-1,223	-4,743	-3,333	-5,722
Inflow due to new non-current liabilities	4	85,624	48,224	423,293	72,376	125,629
Outflow due to downpayment of non-current liabilities		-408	-399	-160,209	-2,512	-3,159
Net cash flow from financing activities		84,536	48,227	499,998	366,433	416,650
Net cash flow during the period		-67,193	-35,252	41,905	65,174	-29,326
Cash and cash equivalents at the beginning of the period		312,537	330,734	193,868	224,187	224,187
Exchange rate difference on cash and cash equivalents		-8,445	-4,427	1,126	1,694	-991
Cash and cash equivalents at the end of the period		236,900	291,055	236,900	291,055	193,868

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 for the third quarter ended 30 September 2023, have been prepared in accordance with IAS 34 Interim Financial Reporting.

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 2022. The annual consolidated financial statements for 2022 are available at the company's website (<https://investor.otovo.com/>). The 2022 audited financial statements were approved by the Board of Directors on 22 March 2023.

The interim financial information for the quarters ended 30 September 2023 and 30 September 2022, are unaudited.



Otovo installation in Italy, Q3 2023

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". 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.

Segment Reporting – Q3 2023

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	329,627	9	-94,201	235,435
Other operating income	2,329	13,107	-1,965	13,472
Total operating income	331,956	13,116	-96,166	248,907
Cost of goods sold	278,563	-	-92,623	185,940
Payroll and related costs	76,623	-	-644	75,979
Depreciation, amortisation and impairment	6,019	7,207	3,730	16,956
Other operating expenses	57,812	6,740	-1,065	63,487
Operating profit/(loss)	-87,061	-831	-5,564	-93,455

Segment Reporting – Q3 2022

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	220,601	-	-46,053	174,548
Other operating income	2,119	3,150	-686	4,583
Total operating income	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

Notes to the interim consolidated financial statements

Note 2 – Segment reporting continued

Segment Reporting – YTD 2023

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	1,139,856	-1	-322,713	817,142
Other operating income	6,956	27,676	-4,275	30,357
Total operating income	1,146,812	27,675	-326,988	847,499
Cost of goods sold	963,594	-	-310,072	653,522
Payroll and related costs	239,660	-	-561	239,099
Depreciation, amortisation and impairment	17,014	16,640	23,745	57,399
Other operating expenses	180,063	13,704	-5,930	187,837
Operating profit/(loss)	-253,519	-2,669	-34,170	-290,358

Segment Reporting – YTD 2022

(NOK 000')	Direct purchase	Subscription	Elimination	Otovo Group
Revenue	532,530	-	-95,787	436,743
Other operating income	5,227	7,110	-1,767	10,570
Total operating income	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 – Other Operating Expenses

Other Operating Expenses					
(NOK 000')	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Other expenses related to buildings and short-term/low value rent of equipment	4,436	1,991	11,480	4,372	5,769
External personnel and consultancy fees 1)	17,471	21,905	52,309	52,533	72,856
Media spend, advertising and partnerships	31,592	12,187	85,996	36,501	52,450
System and software	4,370	3,549	14,839	9,593	13,758
Other operating expenses	5,618	5,853	23,213	17,989	18,364
Total other operating expenses	63,487	45,485	187,837	120,988	163,197

1) Including audit fee.

Note 4 – Subscription SPV bank facility

The Subscription SPV has a revolving credit facility ("RCF" or "facility") with DNB Bank ASA and Sparebank 1 SR-bank ASA. The facility is priced based on a floating interest rate, with EURIBOR, NIBOR, STIBOR, or other relevant IBOR as the reference rate based on the the loan currency, and a margin of 350 bps. The tenor of the facility is 2+1 years. At the end of the quarter the Subscription SPV had drawn EUR 36.3m on the RCF. The Subscription SPV was in compliance with financial covenants at the time of covenant reporting.

As a result of the agreement entered on 6 October 2023 to sell Swedish and Norwegian subscription portfolios, the Group will use parts of the consideration to settle the related part of the RCF, in accordance with the loan agreement. At the agreement date the debt to be repaid was NOK 153 million. Refer to note 8 and note 9 for more information about the transaction.

Note 5 – Contracted future payments

Subscription customers enter 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 1.3b 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.

The Contracted Customer Payments were impacted by changes in foreign exchange rates during the quarter, decreasing the reported amounts as the NOK strengthened against the EUR, SEK and PLN.

On 6 October the Company, through its fully owned subsidiary EDEA MidCo AS, signed an agreement to dispose of Swedish and Norwegian subscription portfolios. Contracted Customers Payments relating to these portfolios are included in the contracted customer payments below. Ref to note 8 for more information.

Contracted Customer Payments					
(NOKm)	NPV	2023	2024-2025	2026-2030	2031-2043
Non-discounted contracted customer payments*		15	123	329	848
NPV @5%	824				

*) Assuming 2% annual inflation

Notes to the interim consolidated financial statements

Note 6 – Share based payments

Otovo has granted share options to management and key personnel. As of 30.09.2023 there are 9,544,333 outstanding options with a weighted average strike price of 18.95 kroner per share. Further, Otovo has two employee share purchase programmes. There are 1,088,197 retention shares outstanding under these programmes.

Expense in Q3 2023 for both share programmes was NOK 8.5m. Expense in Q3 2022 was NOK 8.7m.

Note 7 – Tax credits

As of 30 September the carrying amount of the tax credit assets was NOK 21m compared with NOK 57m at the end of Q2 23 and NOK 102m as of 31 December 2022. The reduction is explained by tax credit sales, partly netted by tax credits from projects installed. The tax credits were received as part of the settlement from customers for projects sold ahead of changes in legislation, where the Italian government discontinued the possibility for consumers to resell tax credits issued under the Ecobonus scheme.

The tax credit balance remaining at the end of Q3 23 is explained by delays in installation of the last projects sold with tax credits, combined with documentation pending from customers for already installed projects. Otovo expects the tax credit balance to be further reduced during Q4.

Note 8 – Assets and liabilities classified as held for sale

Description of the transaction

On 6 October 2023, Otovo announced that its fully owned subsidiary EDEA MidCo AS entered into a share purchase agreement with Forte PV S.à.r.l part of a collective investment scheme managed by Swiss Life Asset Managers for the sale of its Norwegian and Swedish subscription portfolios. The deal is expected to be completed during Q4 2023.

The transaction involves 100% of the shares held by EDEA MidCo AS in its Norwegian and Swedish subsidiaries European Distributed Energy Assets AS and European Distributed Energy Assets AB. This comprises all subscription assets originated by Otovo in Norway and Sweden up until end of August 2023 and the cash flows pursuant to these assets. In addition, Otovo continues to enter into new subscription agreements on behalf of the portfolio companies sold. Otovo has also agreed to sell all solar rooftop projects originating in Scandinavia to the buyer until end of 2024 on the same terms, with a possible extension to September 2025 in case of delays in installations.

Notes to the interim consolidated financial statements

Assets and liabilities held for sale

The disposal consist primarily of subscription assets in Norway and Sweden, and related subscription contracts and receivables, as well as excess values directly allocated to the Norwegian and Swedish subscription business stemming from the acquisition of EDEA in December 2021. The subscription business in Norway and Sweden has been reported as part of the subscription segment. Refer to note 2 for more information.

The relevant assets and liabilities have been reclassified to current assets and liabilities and presented as held for sale in accordance with IFRS 5. The amounts are presented net of intercompany transactions eliminated at Group level. Eliminated intercompany transactions consist primarily of sale of subscription assets from Otovo to EDEA, and related current asset and liabilities as well as internal loans from EDEA Midco AS. Net assets as of 30 september, that will be disposed as part of the transaction, are amounting to NOK 19 million, pre elimination of internal balances and inclusions of excess values.

Excess values related to the exclusivity agreement between Otovo and EDEA are fully amortised at the end date of the current agreement 23 October 2023.

The Group has not identified any impairment losses or reversals related to the disposal

The profit (loss) of the disposal groups

The sum of the post-tax loss of the discontinued operation has not been presented as a single amount on the face of the statement of comprehensive income as it is not regarded as a separate major line of business.

Consideration and estimated gain

The calculated consideration is NOK 230 million based on the values at the agreement date, and includes settlement of external non-current liabilities of NOK 153 million. Ref to note 4 for more information about the subscription SPV bank facility.

Estimated gain on the transaction, based on the values at the agreement date, is in the range of NOK 60 to 70 million.

Notes to the interim consolidated financial statements

Note 9 – Events after the reporting period

Reference is made to Otovo's announcement on 6 October 2023. Otovo ASA announced that its fully owned subsidiary EDEA MidCo AS entered into a share purchase agreement with Forte PV S.à.r.l part of a collective investment scheme managed by Swiss Life Asset Managers for the sale. Refer to note 8 for further details.

On 6 October Otovo ASA issued another announcement regarding Otovo's subsidiary European Distributed Energy Assets AS ("EDEA") that received a letter from the Financial Supervisory Authority of Norway (the "FSA") where the FSA concludes that EDEA's subscription product does not constitute financial leasing. The conclusion makes it clear that EDEA's business is not subject to a financial licensing requirement.



Otovo installation in Spain, 2023

Alternative Performance Measures

Otovo's financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the company presents alternative performance measures (APM). In management's view, the measures aim to provide relevant supplemental information of the company's financial position and performance. The APMs are regularly reviewed by management, are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described in the table below.

	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 Y10 & 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%

APM	Definition & Description
Contracted Subscription Revenue ("CSR")	<p>Net present value of contracted cash flows from subscription installations in the reporting period, adjusted with expected CPI increases (2% annually), and discounted at 5% annual discount rate. Contracted cash flows are the sum of monthly subscription fees over the subscription contract period.</p> <p>The Company uses CSR to provide an estimate of the future cash inflows relating to the solar energy system installed during the reporting period. Subscription customers enter into a 20 year contract for solar energy systems, and a 10 year contract for batteries, paying a monthly price that is adjusted for inflation (CPI) annually. In order to terminate the contract a customer would have to either buy out the system or pay a fee, hence any buyout will have limited impact on the expected payments. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that CSR is a measure relevant to investors who want to understand the generation of future cash flows stemming from solar energy systems and batteries installed in the subscription business during the reporting period.</p>
Subscription O&M costs ("S O&M")	<p>Net present value of operation and maintenance cost relating to the fulfilment of subscription contracts over their lifetime (1% of installation cost).</p> <p>The Company uses S O&M as it provides an estimate of the future cash outflows relating to the solar energy system installations belonging to the subscription business during the reporting period. Subscription customers enter into a 20 year contract for solar energy systems, and a 10 year contract for batteries. The replacement cost is mainly related to an expected inverter change in the middle of the contract period for solar energy system subscription assets. The Company believes that CSR is a measure relevant to investors who want to understand the generation of future cash flows stemming from solar energy systems and batteries installed in the subscription business during the reporting period.</p>
Gross Subscription Profit ("GSP")	<p>Contracted Subscription Revenue (CSR) less the cost of the subscription assets at the time of installation and less the Subscription O&M costs (S O&M).</p> <p>The Company uses GSP as it provides an estimate of the net contribution relating to the solar energy systems and batteries installed in the Subscription segment during the reporting period. The acquisition cost of the subscription asset is recognised as part of property, plant and equipment in the consolidated statement of financial position and amortised over 20 years for solar energy installations and 10 years for batteries. Hence, this acquisition cost is not reflected in the consolidated income statement in the reporting period the installation has been completed (only through regular depreciation), but is included for the purpose of calculating GSP. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that GSP is a measure relevant to investors who want to understand the generation of net cash flows stemming from solar energy systems and batteries installed in the Subscription segment during the reporting period.</p>
Investment in Subscription Asset	<p>Investment in tangible fixed assets in the Subscription segment, equalling the amount the Group has paid, or is to pay, for the hardware and the installation work. The amount can be found in the elimination of cost of goods sold ("COGS") in the note for segment reporting in the Company's consolidated quarterly and annual reports.</p>

Alternative Performance Measures continued

APM	Definition & Description
Revenue Generated	<p>Revenue (as reported in the Company's consolidated income statement in line with IFRS), plus Contracted Subscription Revenue (CSR).</p> <p>The Company uses Revenue Generated as it provides an estimate of the total estimated cash inflows relating to the solar energy system installations performed during the reporting period. In accordance with the Group accounting policy, revenue from customers in the Direct Purchase segment (as defined and further described in Section 6.5.4 "Purchasing models" and Section 7.8 "Reporting segment information and revenue") is recognised in the reporting period the installation is physically completed, while for customers in the subscription segment, the revenue is recognised over the contract period which is 20 years for solar energy systems and 10 years for batteries. Revenue Generated is disregarding the timing differences which are required for revenue recognition, as reported under IFRS, between the segments, and is also reflecting that a subscription customer is more valuable to the business than a direct purchase customer. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that Revenue Generated is a measure relevant to investors who want to understand the generation of cash flows stemming from solar energy systems and batteries installed during the reporting period, independent of purchase model.</p>
Gross Profit	<p>Revenue less COGS (both as reported in the Company's consolidated income statement).</p> <p>The Company uses Gross Profit as it provides an estimate of the total contribution from the solar energy systems and batteries installed in the reporting period for the customers in the Direct Purchase segment. The recurring subscription revenues are not included in this measure. Similar APMs are common in the industry in which the Company operates, however it may be calculated differently and may not be comparable.</p>
Gross Profit Generated	<p>Gross Profit, plus Gross Subscription Profit (GSP).</p> <p>The Company uses Gross Profit Generated as it provides an estimate of the total contribution from the solar energy systems and batteries installed in the reporting period. In accordance with the Group accounting policies, revenue and COGS in the Direct Purchase Segment is recognised in the reporting period the installation is physically completed, while for customers in the subscription segment, the revenue and amortisation of the subscription assets is recognised over the contract period which is 20 years for solar energy systems and 10 years for batteries. Gross Profit Generated is eliminating the timing differences in revenue and cost recognition, as reported under IFRS, between the segments, and is also reflecting that a Subscription customer is more valuable to the business than a Direct Purchase customer. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that Gross Profit Generated is a measure relevant to investors who want to understand the generation of net contribution stemming from solar energy systems and batteries installed during the reporting period.</p>
Gross Margin Generated (%)	Gross Profit Generated divided by Revenue Generated.
Accumulated Contracted Subscription Revenue ("ACSR")	<p>Net present value of all contracted cash flows in the portfolio over the remaining contract lifetime adjusted with expected CPI increases (2% annually), and discounted at 5% annual discount rate.</p> <p>From one reporting period to the next, the development in ACSR will typically be as follows:</p> <p>Opening balance ACSR + CSR for the period - Subscription revenues (IFRS) for the period - Buyout and defaults during the reporting period +/- Foreign exchange rate effect =Closing balance ACSR</p> <p>The Company uses ACSR as it provides an estimate of the accumulated future cash inflows relating to the solar energy systems and batteries held by the subscription business. Customers in the Subscription segment enter into a 20 year contract for solar energy systems and a 10 year contract for batteries, paying a monthly fee that is adjusted for inflation (CPI) annually. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that ACSR is a measure relevant to investors who want to understand the expected future cash flows stemming from solar energy systems and batteries held by the subscription business.</p>
EBITDA Generated	<p>Operating profit/(loss), net of depreciation and amortisation and net of subscription revenues (all as reported in the Company's consolidated income statement), plus Gross Subscription Profit.</p> <p>The Company uses EBITDA Generated as it provides an estimate of the EBITDA that would be derived if the Company had sold the subscription assets and related contracts for the solar energy systems and batteries installed during the reporting period. EBITDA Generated is eliminating the timing differences in revenue and cost recognition which otherwise are accounted for under IFRS. Similar APMs are common in the industry in which Otovo operates, however it may be calculated differently and may not be comparable. The Company believes that EBITDA Generated is a measure relevant to investors who want to understand the generation of earnings before investment in fixed and intangible assets and the Company's ability to service debt.</p>

Alternative Performance Measures continued

Contracted subscription revenue					
(NOK 000')	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Cost of goods sold (COGS) to subscription segment	92,623	37,926	310,072	78,349	131,527
Batteries share of COGS to subscription segment	8%	8%	8%	6%	8%
Solar Energy Systems (PV) share of COGS to subscription segment	92%	92%	92%	94%	92%
			-	-	-
COGS to subscription segment - PV	85,676	34,990	285,218	73,668	120,596
Lifetime of contracts - PV	20	20	20	20	20
Average yield (first year payment to COGS)- PV	11.8%	11.0%	11.1%	11.2%	11.0%
First year subscription payment - PV	10,082	3,856	31,661	8,258	13,223
Nominal lifetime subscription payments, not inflation adjusted	201,649	77,120	633,228	165,162	264,470
Inflation adjustment	46,815	17,904	147,011	38,344	61,400
Reduction from discounting to present value	-95,783	-36,632	-300,781	-78,451	-125,622
Contracted subscription revenue - PV	151,844	58,392	477,880	125,055	200,247
			-	-	-
COGS elimination - Batteries	6,947	2,936	24,854	4,681	10,931
Lifetime of contracts - Batteries	10	10	10	10	10
Average yield (first year payment to COGS)- Batteries*	14.8%	16.9%	15.8%	16.8%	16.4%
First year subscription payment - Batteries	1,027	495	3,914	784	1,789
Nominal lifetime subscription payments, not inflation adjusted	10,266	4,949	39,143	7,841	17,892
Inflation adjustment	975	470	3,717	745	1,699
Reduction from discounting to present value	-2,630	-1,268	-10,027	-2,009	-4,583
Contracted subscription revenue - Batteries	8,611	4,151	32,766	6,577	15,008
			-	-	-
Contracted subscription revenue - Total	160,455	62,544	510,646	131,632	215,255

Revenue, Gross Profit and EBITDA Generated						
(NOKm)	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Revenue according to the Income Statement	2	235.4	174.5	817.1	436.7	637.5
Contracted subscription revenue (calculated)		156.6	60.7	496.5	127.7	208.9
Revenue Generated		392.0	235.3	1,313.6	564.4	846.4
Cost of goods sold according to the Income Statement	2	185.9	140.4	653.5	355.9	523.2
Investment in subscription assets	2	92.6	37.9	310.1	78.3	131.5
Subscription O&M cost (calculated)		10.7	4.4	35.5	9.2	15.1
Gross Profit Generated		102.8	52.6	314.5	120.9	176.7
<i>Gross Margin Generated %</i>		26.2%	22.4%	23.9%	21.4%	20.9%
Operating profit/(loss)	2	-93.5	-82.6	-290.4	-224.5	-317.5
Add back depreciation and amortisation	2	17.0	16.3	57.4	46.5	64.3
Add contracted subscription profit (calculated)		53.3	18.4	150.8	40.1	62.3
Subtract subscription revenue in the quarter	2	-13.1	-3.2	-27.7	-7.1	-11.4
EBITDA Generated		-36.3	-51.1	-109.8	-145.0	-202.3

Definitions

Project / Unit

A PV system and/or a battery

Direct sale

PV or battery systems paid for directly by the customer, including sales financed by the homeowner's loan

Subscription

Customer relationships with recurring revenue, such as leases, service agreements, etc., relating to PV or battery system

Sold projects

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

Abandoned project

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

Installed project

An installed project is a project that has been physically completed, is capable of producing electricity, and can be invoiced by Otovo

Battery attachment rate

The share of projects which include a battery

Ticket size

The total project price which the customer pays to Otovo for a direct sale

Cost per Wp

Calculated as the total project cost (i.e., ticket size) divided by the system size measured kWp.

Unit positive

A country installing projects with a positive net contribution, i.e. project gross profit less attributable sales commission and marketing spend

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

Customers

Number of customers with an installed PV and/or battery system, both from a direct sale and subscription

Churn

of subscription customers who exercised their purchase option in the period

Margin leakage

The delta in a project's gross margin from the time it's sold to installed arising from re-scoping, re-pricing or re-assigning the project to a new installer

Discount Rate

The discount rate is used to discount future cash flows in order to calculate net present value. Currently 5%

Contracted Subscription Revenue (CSR)

Net present value of contracted cash flows coming from sales or installations in the period. The cash flows are calculated over the contract lifetime, adjusted with expected CPI increases (currently assumed at 2% per year)

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 SO&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

Annual Recurring Revenue (ARR)

Annual recurring revenue from the leasing portfolio