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Arendals Fossekompagni Q3 update

Q3 2023

10 November 2023

Disclaimer

This Presentation includes and is based on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ from the projected results. These statements and this Presentation are based on current expectations, estimates and projections about global economic conditions and the economic conditions of the regions and industries that compose major markets for the businesses of Arendals Fossekompagni ASA and its subsidiaries and affiliates (the "AFK Group"). These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions.

Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the businesses of the AFK Group, energy prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time in the Presentation. Although the AFK Group believes that its expectations and the Presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the Presentation.

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Arendals Fossekompani in brief

- Long term industrial investment company
- Invest in B2B, energy and/or technology
- Active ownership

Main investments
9 (2 listed)

Employees
2,578

Countries
25

Listed on the Oslo Stock Exchange
1913

Head Office
Arendal, Norway



Dots on map reflect approximate locations

10 November 2023

Portfolio aligned with global megatrends

Digitalization & Big Data Analytics

volue

AFK ownership
60%

Head office
Oslo, Norway

Market cap (30.09)
3,129 MNOK

Listed at
Oslo Børs

NSSLGlobal

AFK ownership
80%

Head office
London, UK

alytic

AFK ownership
95%

Head office
Arendal, Norway

Electrification & Materials

TEKNA

AFK ownership
71%

Head office
Sherbrooke, Canada

Market cap (30.09)
1,002 MNOK

Listed at
Oslo Børs

ENRX

AFK ownership
95%

Head office
Skien, Norway

Green Energy

VANNKRAFT

AFK ownership
100%

Head office
Arendal, Norway

ampwell

AFK ownership
100%

Head office
Arendal, Norway

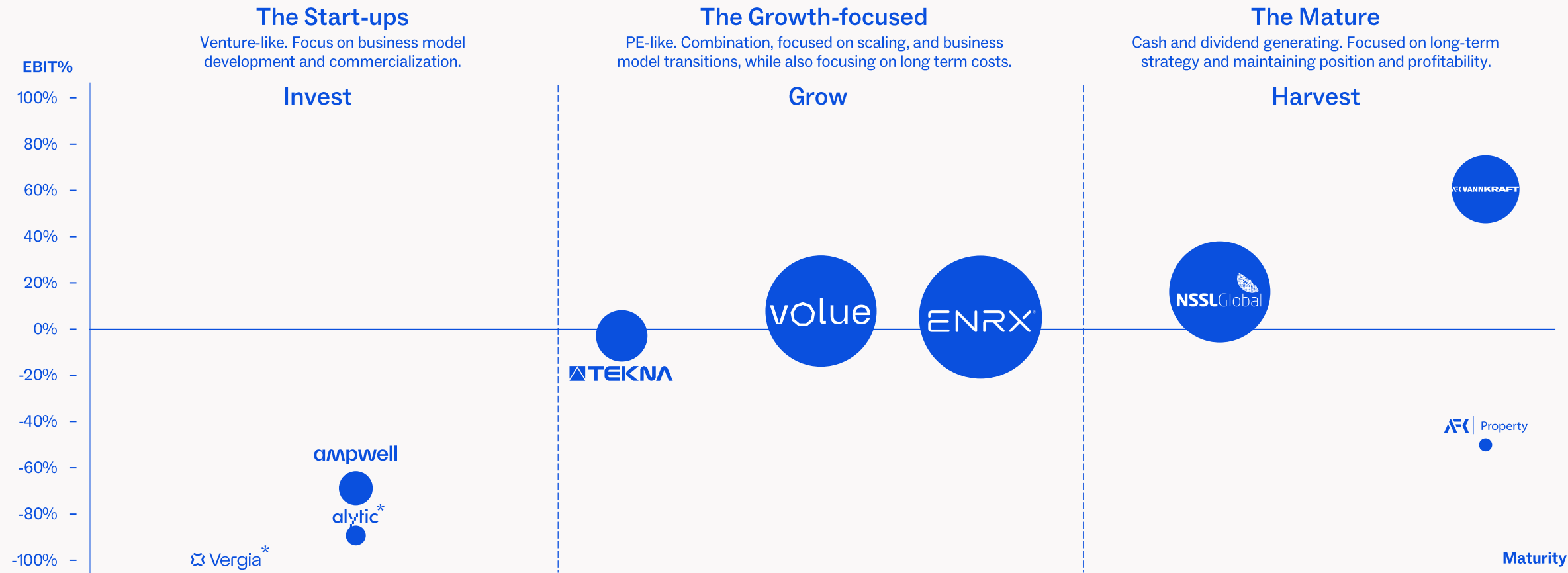
Vergia

AFK ownership
100%

Head office
Arendal, Norway

Diversified portfolio ensuring both stable cash flow and attractive growth prospects

Our portfolio spans across the business life cycle



*YTD Q3 2023 EBIT% for Vergia was -1,350% (NOK -5 million operating profit, NOK 0 million revenue). YTD Q3 2023 EBIT% for Alytic was -178% (NOK --60 million operating profit, NOK 34 million revenue). Bubble size indicate revenue. All numbers reflect YTD Q3 2023.

Strong underlying performance in portfolio companies

Highlights Q3 2023

Financial

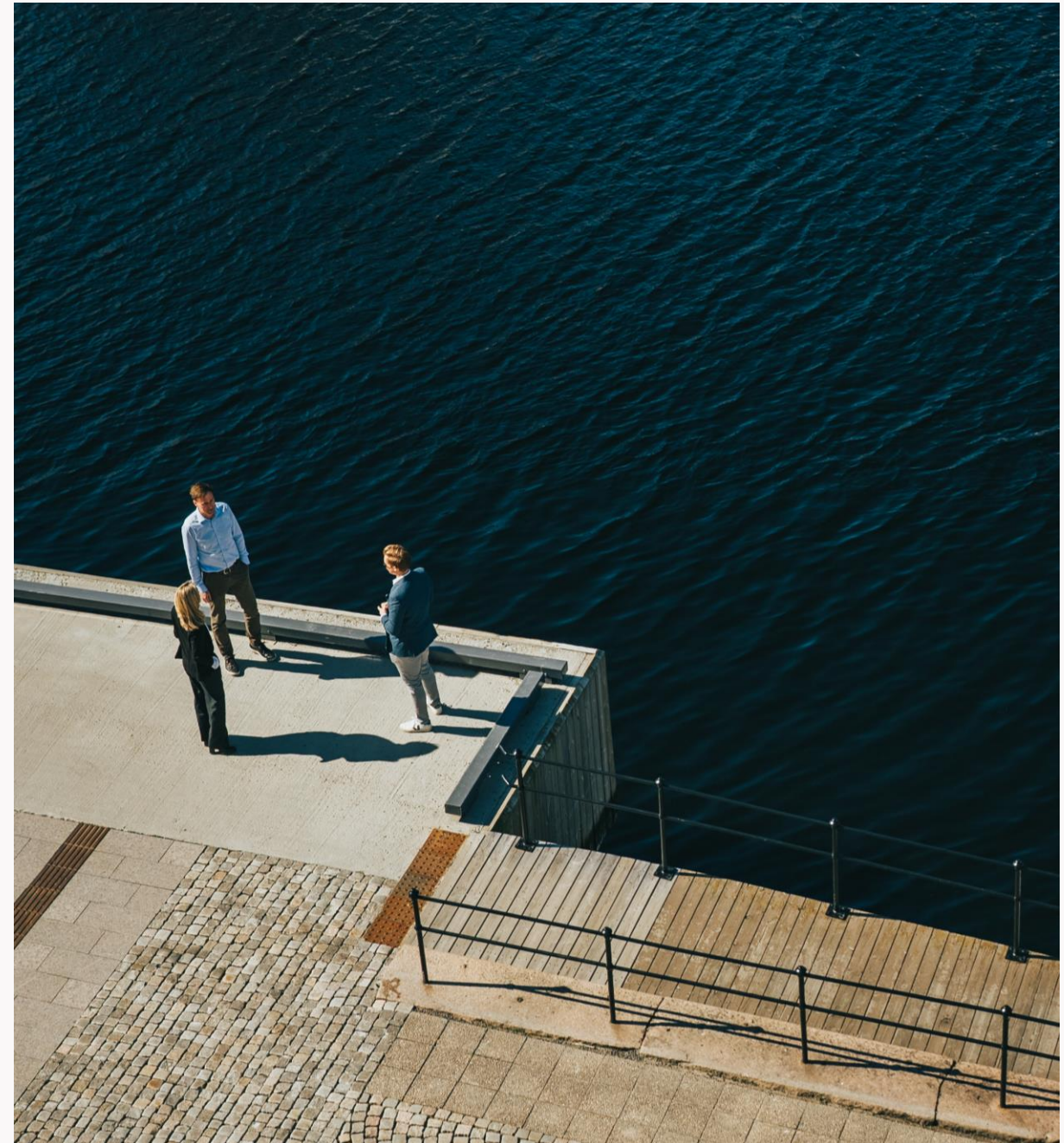
- Arendals Fossekompani Group revenues: NOK 1.2 bn. 10% growth YoY.
- Operating profit: NOK 60m (127m), negatively affected by lower electricity prices.
- Quarterly dividend: NOK 1.00 per share.

Key developments in portfolio

- Strong performance from key portfolio companies Volue, ENRX and Tekna.
- Still strong results from NSSLGlobal, but margins are returning to more normal levels, as anticipated.
- Lower electricity prices had negative effects on revenue and operating profit, compared Q3 last year.



Figures in parentheses refer to the same period the previous year



volue

AFK ownership
60%

Head office
Oslo, Norway

Market cap (30.09)
3,129 MNOK

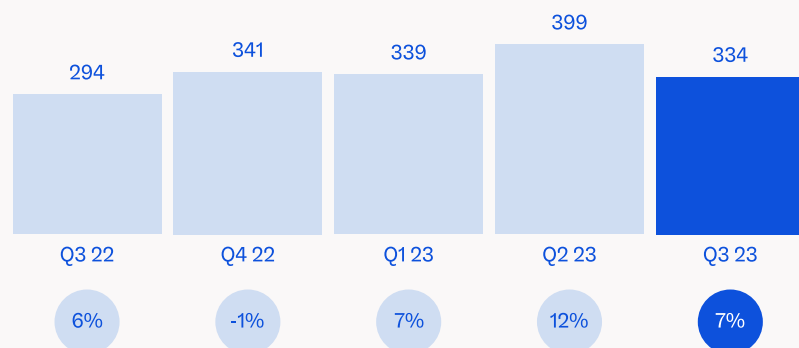
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Oslo Børs

Q3 update

Recurring revenue growth and margin expansion

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



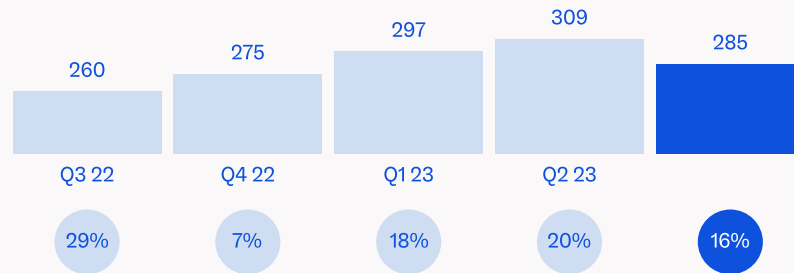
- Revenues: NOK 334 million (294 million).
- Adjusted EBITDA: NOK 63 million (50 million).
- **Adjusted EBITDA-margin: 19%** (17%).
- **Recurring revenue:** NOK 254 million, an increase of 40% compared to the third quarter of 2022, representing 76% of total revenues in the quarter.
- **SaaS revenues:** NOK 105 million, an increase of 50% compared to the third quarter of 2022, representing 31% of total revenues in the quarter.
- Large ongoing changes in end markets, like increased price and production volatility, as well as overall market complexity, are driving growth and further business opportunities for the company.

Q3 update

Profits are stabilizing and pipeline is strong

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



- Revenues: GBP 21.4 million (GBP 22.1 million).
- EBIT: GBP 3.5 million (GBP 6.5 million).
- **Lower operating profit in Q3** compared to unusually high profit in Q3 2022, largely driven by less high-profit government airtime revenues and some foreign exchange losses.
- Margins have come down to a normalized level, a development that has been anticipated for some time.
- **Continued strong underlying performance**, supported by a strong pipeline, solid customer base, competitive technology and service driven organization.
- During the third quarter, NSSLGlobal won **GBP 10.0 million of new business**.



AFK ownership
71%

Head office
Sherbrooke, Canada

Market cap (30.09)
1,002 MNOK

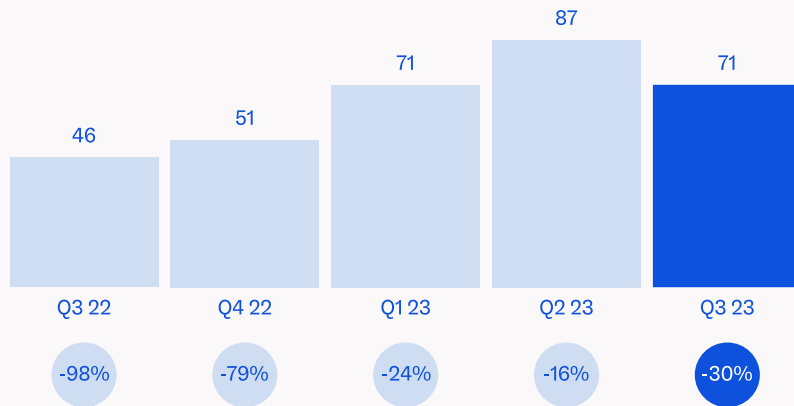
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Oslo Børs

Q3 update

Strong revenue growth and improved margins

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



- **Revenue growth** of 54% and adjusted **EBITDA improved** by CAD 2.2 million compared to Q3 2022.
- Year-on-year revenue and profitability growth is driven by increased customer demand, as well as successful implementation of capacity and productivity improvement programs.
- **Seasonality** (summer vacations) in Tekna's main markets affected the company's revenues, resulting in a 18% lower revenues in Q3 compared to Q2.
- **Total order backlog** of CAD 23.7 million, a 58% increase from third quarter last year, supporting revenue growth for 2023 compared to 2022.

ENRX[®]

AFK ownership
95%

Head office
Skien, Norway

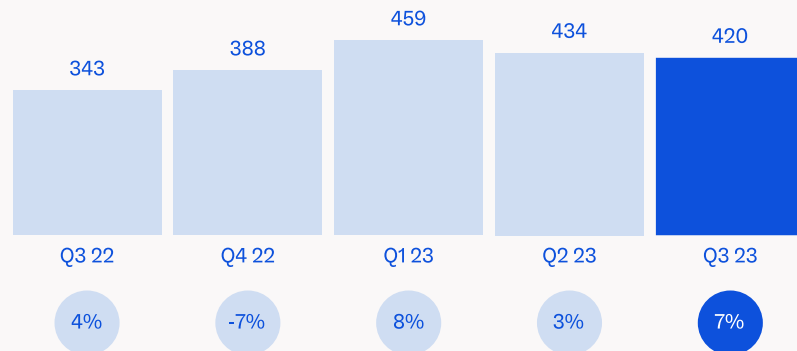
ECO & ENERGY
FRIENDLY

Q3 update

Heat still performing well, developing charge segment

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



- **Revenues increased by 8%** year-over-year to EUR 36.8 million in the quarter, primarily driven by a higher activity level within the Heat division.
- **Solid revenue growth in Europe.** Some sliding project deliveries in Asia and North America are pushing revenues into Q4.
- Operating profit was EUR 2.6 million (7% margin) in Q3, up from EUR 1.2 million during the same period last year (4% margin).
- **Order intake remains strong.** Total order intake EUR 38.1 million, compared to EUR 36.7 million in Q3 last year.
- A total order backlog of EUR 171.5 million, creating a **solid foundation** for continued profitable growth for the remainder of the year and also into 2024.

ampwell

AFK ownership
100%

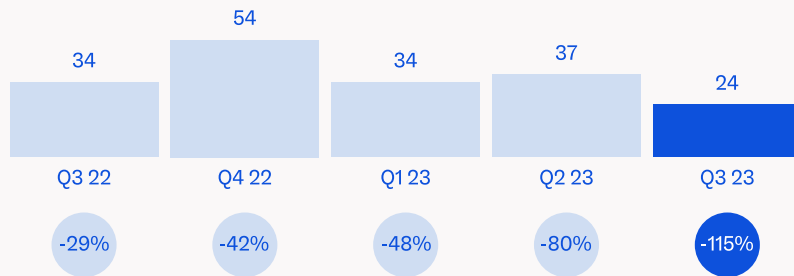
Head office
Arendal, Norway

Q3 update

Ramping up to meet growing demand

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



- **Revenues in Q3 were EUR 2.0 million**, compared to EUR 3.4 million in Q3 2022.
- Fluctuating revenues and profits are expected as the company is in early-stage development. In addition, lower revenues are partly driven by a German temporary general price cap on electricity prices, delaying investments in new storage.
- **Operating profit was EUR -1.8 million**. Operational ramp-ups in both Commeo and Collect, as well as Ampwell parent company, contributed to negative margins.
- The first part of Commeo's **new production facilities** is estimated to be finalized in second half of 2024 and will over time enable above 1 GWh production capacity.
- Following the launch of an important pilot project with Volkswagen charging company Elli in July, Collect is now targeting several companies with utility scale portfolios of storage assets that need to be managed.

alytic

AFK ownership
95%

Head office
Arendal, Norway

Portfolio
KONTALI

veyt

Utel

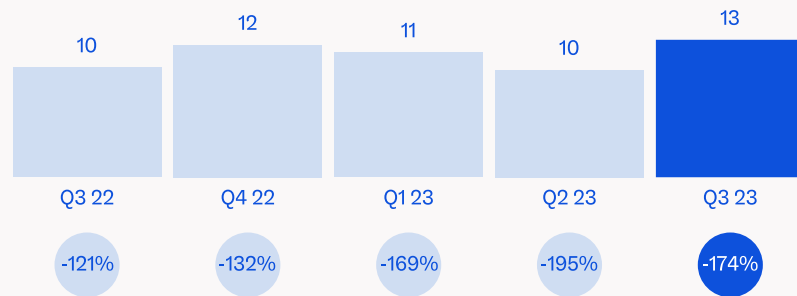
Factlines.

Q3 update

Growing ARR and introducing new products

Development last 5 quarters

Revenue and other income (MNOK) and operating margin



The annual recurring revenues (ARR) for the portfolio grew to NOK 39 million, representing an 8% increase compared to the previous quarter and 52% YTD.

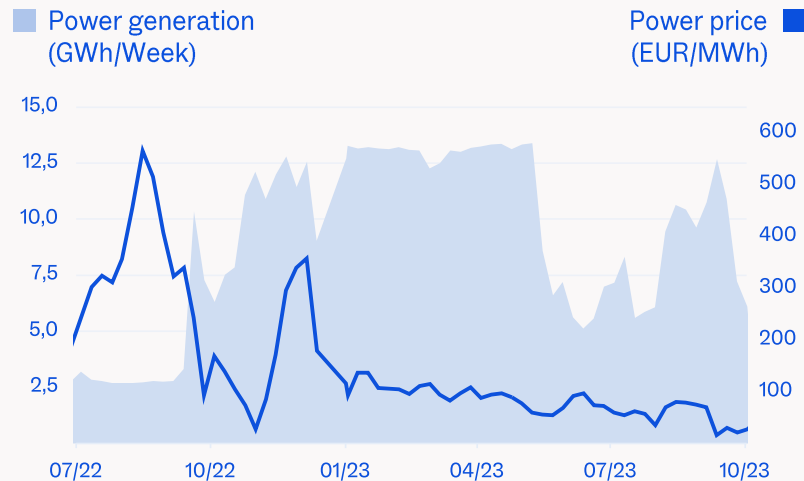
ARR growth was driven by underlying strong demand and customer growth, introduction on new products and upselling to existing customers

- **Kontali** grew ARR by 14% compared to previous quarter.
- **Veyt** grew ARR by 38% compared to the previous quarter.
- **Factlines:** ARR growth of 5% compared to the previous quarter.
- **Utel** has a strong emphasis on outbound sales. The company's sales pipeline is strong and ARR movement in the coming quarters is expected.

Q3 update

Lower electricity prices, higher production

Price and power generation*



- Average electricity price in the NO2 price area during Q3 was **57 EUR/MWh**, 84% reduction compared to Q3 2022 (352 EUR/MWh)
- Hydropower production amounted to **115 GWh** (42GWh) in Q3.
- The primary cause of the lower price level compared last year was higher precipitation than normal, lifting the hydro reservoir levels Norway. Also, last year's unusually strong electricity prices were partly driven by high prices for gas due to uncertain gas supply in Europe.








Financials

Profitability is still strong, but affected by lower electricity prices compared to Q3 last year

- Profitability improvement in portfolio companies Volue, ENRX and Tekna.
- NSSLGlobal: Profitability still strong, but lower compared to high levels previous year.
- Reduced profit from hydropower due to considerably lower electricity prices.

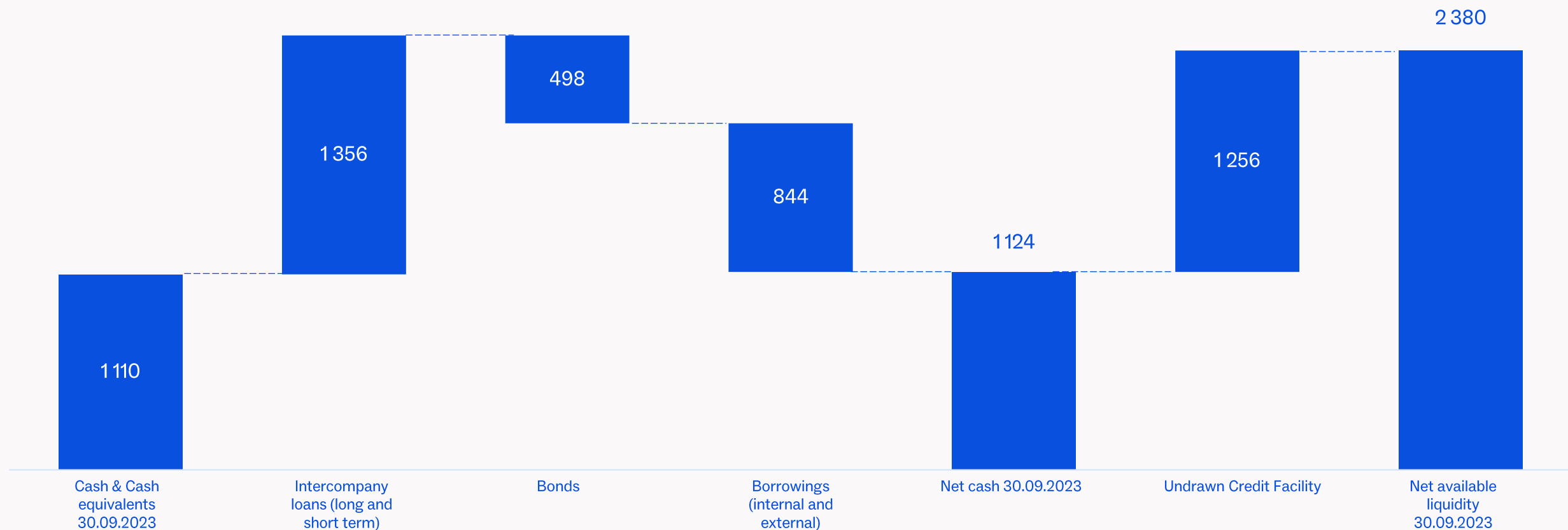
- **Outlook:**
AFK expects both revenues and operating profit for the Group to be higher in 2023 compared to 2022.

The Group expects continued revenue growth in 2024, whilst operating profit is expected to be in line with 2023.

Operating Profit (MNOK)	Q3 2023	Q3 2022	Difference
volue	25	19	+6
 NSSLGlobal	47	76	-29
 TEKNA	-22	-45	+23
ENRX	29	12	+17
 VANNKRAFT	34	90	-56
ampwell	-27	-10	-17
alytic	-22	-12	-10
 Vergia	-2	-2	-
 AFK Property	-3	-2	+1
Arendals Fossekompani Consolidated	60	127	-67

Total available liquidity in AFK Parent 30.09.23 (NOK million)

NOK 1.1bn in cash, 2.4bn in available liquidity



Guiding

Following high activity levels in all portfolio companies, 2023 revenue and operating profit for AFK Group as a whole is expected to be higher than in 2022.

The Group expects 2024 revenue to be higher than in 2023. Operating profit for 2024 is expected to be in line with 2023.

- **Value** guides on long term organic growth of 15% as well as improvements in adjusted EBITDA and cash conversion for both 2023 and 2024.
- **Tekna** expects revenues to be higher and operating profit to improve in 2024 compared to 2023.
- **ENRX** expects revenues and operating profit to be higher in 2024 compared to 2023.
- **NSSLGlobal** expects 2024 revenues to be in line with 2023. Operating profit is expected to be lower next year, largely due to lower airtime revenues.





Outlook and Closing Summary

Outlook

- **Energy transition, electrification and digitization** will continue to drive growth in portfolio companies.
- **Capital to be carefully allocated** toward accelerating most promising growth opportunities.
- **Short to medium term focus** on realizing full value potential in existing portfolio.
- **We do not expect significant new investments** on AFK level in short to medium term, and limited capital market activity, however M&A agenda in portfolio companies.



Closing summary

- **Strong underlying results** with positive outlook, but profitability this quarter is affected by lower electricity prices compared to last year.
- **Focused business development** on-going in all portfolio companies driving growth in long term NAV.
- **Diversified and well positioned portfolio** ensuring both stable cash flow and attractive growth opportunities
- **Balance sheet** supports both continued cash dividend and fuelling growth.





ENRX[®]



Company Deep Dive

Bjørn E. Petersen, Chief Executive Officer of ENRX

ENRX[®]

The right energy can take you anywhere

A silhouette of a person's head and shoulders in profile, looking towards the right. The background is a dark, blurred cityscape at night with various colored lights (yellow, red, green) creating a bokeh effect.

OUR MISSION

Speeding up the journey
to a sustainable world
by smart energy transfer

ENRX[®]



70+ years

One of the global market leaders in induction heating for advanced manufacturing.



25+ years

A global innovator within wireless inductive charging and contactless power transmission.

Top3

player in selected induction heating markets

ENRX®

1 100+

Number of employees

The global leader within induction technology

€132 m

Revenue 2022

22%

Revenue Growth YTD 2023

11%

EBITDA YTD 2023

ENRX®

Global trends and shifts



Electrification in most industries strongly favour induction technology



Increasing the adoption of electric vehicles and autonomous mobility



Product development based on Industry 4.0 standards trigger renewal of customer equipment range, while enhancing recurring service revenue potential

Induction heating works virtually everywhere

Heating systems from ENRX can be used in almost every industrial application imaginable. We create value by combining induction expertise and materials know-how with experience of production processes worldwide.



Induction game changer #9
Consistent, eco-friendly production


Induction heating gives the same result again and again. Higher quality. Less waste.

25,000 +

Induction systems installations in many of the world's most demanding industries.

80 +

Countries.




Induction game changer #3
Improved energy-efficiency

Induction heat is generated exactly where it is needed in a workpiece. No energy wasted.

Wireless systems paves the way for the future

Wireless energy transfer is underway to change the way in which we work and live our lives – how we extract raw materials, manufacture products, organise transports and build cities.



Induction game changer #2
Autonomous mobility

Wireless energy transfer means no cable connections, simplifying the shift to driverless.

25+
million km driven
on wireless charging.

100+
km of industrial tracks
worldwide.

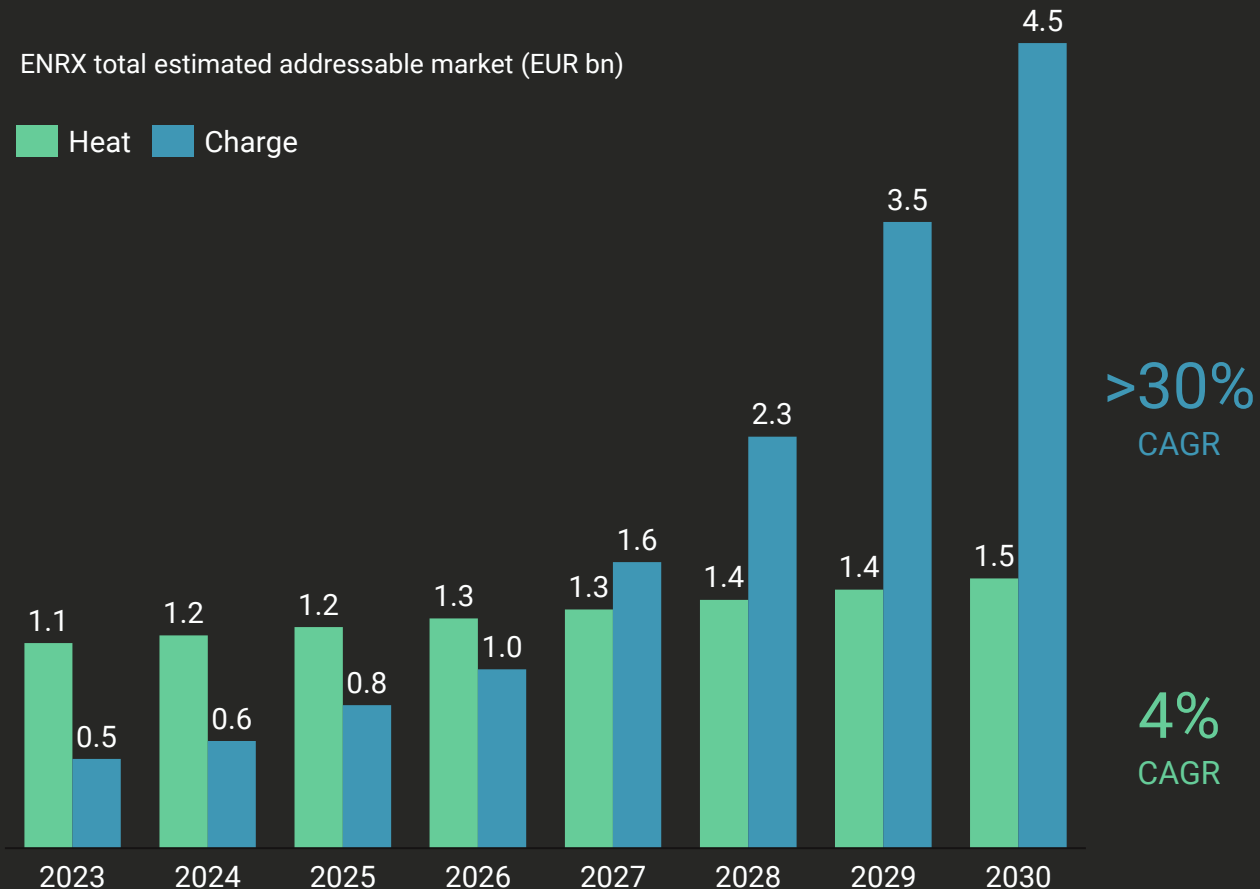


Induction game changer #10
Carbon-free driving

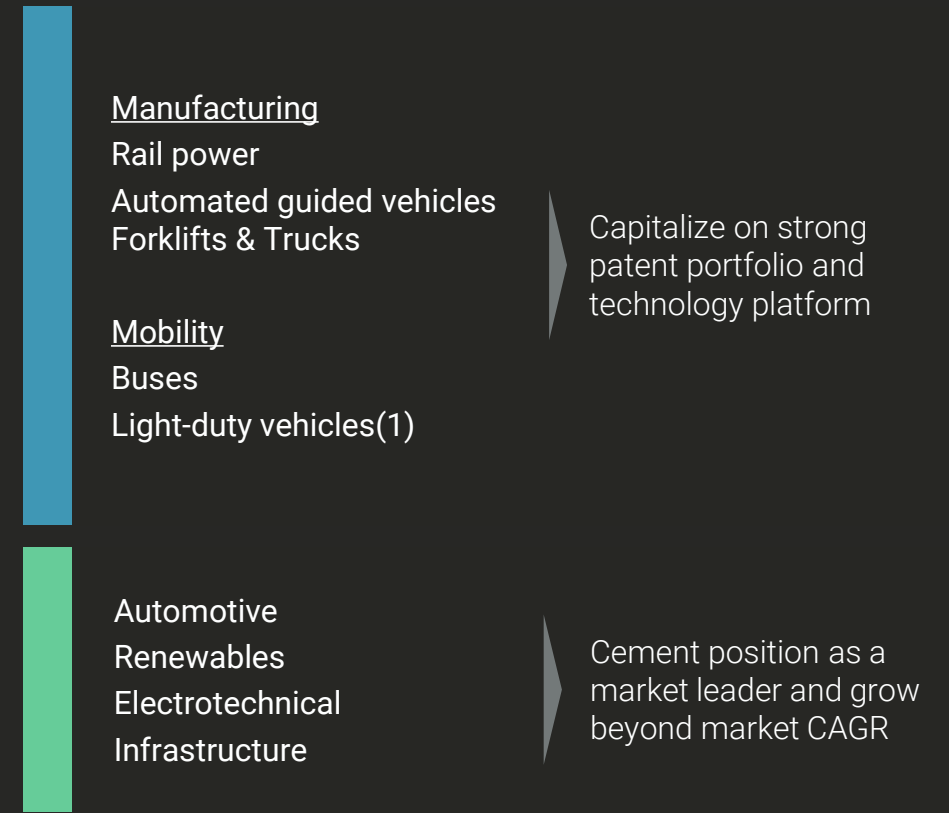
Wireless inductive charging through the roadway enables unlimited carbon-free driving.

Large and growing markets

Driven by increasing electrification and automation



ENRX segment focus and strategy towards 2030



Source: Market research conducted by third party consultant, Company estimates
(1) Not part of market sizing due to uncertainty of mass market adoption

Well-defined growth and profitability targets

ENRX outlook for 2030

The induction technology champion

Leveraging leading position within heating into emerging charging segments on the back of IP protected technology platform

Capital-light growth strategy boosted by green transition

Moderate organic growth and market share gains in heating complemented with strong growth potential within charging

Revenue growth

Strong CAGR throughout decade excluding additional growth from potential M&A targeted to strengthen product and technology offering

Margin expansion

Economies of scale, boosting margins and further strengthening free cash flow generation and return on capital employed

A scenic landscape featuring a winding road that curves along a steep, rocky cliffside. To the left of the road is a calm lake, and in the background, there are snow-dusted mountains and dense evergreen forests. A yellow and black bus is driving along the road, moving away from the viewer. The overall scene is captured in a cool, blue-toned color palette.

OUR VISION

When people look back,
they will find that
we were years ahead

ENRX

Thank you!

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