
# Report for the second half and full year of 2020

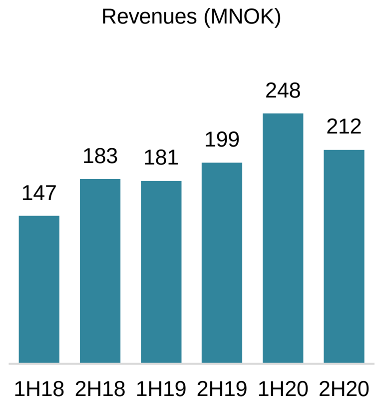
## Vow ASA

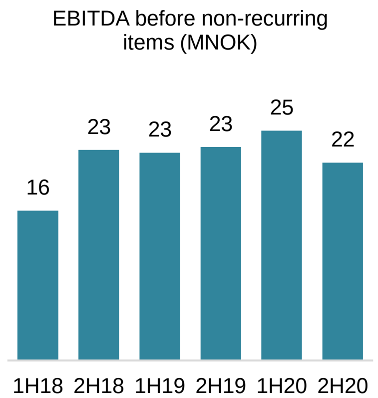
# HIGHLIGHTS

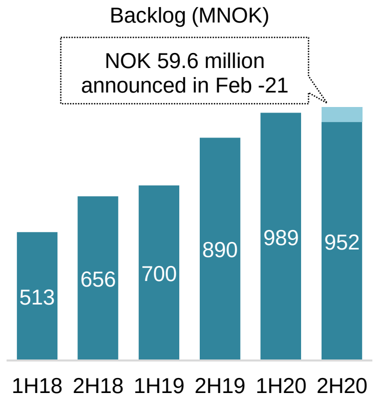
- **Fifth consecutive year of growth**, record high performance in cruise newbuild and retrofit projects and a series of transformative achievements in the landbased business.
- **Annual revenues** in 2020 were up 21 percent year-over-year to NOK 460 million. EBITDA for the year was 47 million, representing an EBITDA margin of 10 percent.
  - Continued high activity in newbuilds and retrofit projects for cruise. **Projects** delivered NOK 71 million in EBITDA in 2020, nearly twice that of 2019.
  - Activity in **Aftersales** was reduced as cruise ships were docked as a response of the pandemic. Would in a normal year have added more than NOK 20 million in EBITDA.
  - Gross margins in **Landbased** on par with Projects. EBITDA was negative and included costs related to expansion and growth.
- **Profit before tax** in 2020 was NOK 28 million, compared with a NOK 7.3 million loss in 2019
- **Order backlog** remains high, NOK 1.5 billion including options at the end of 2020, providing good visibility and revenues well into 2024/25.
- For the **second half of 2020**, revenues were NOK 212.0 million. EBITDA before non-recurring items came in at NOK 22.1 million, a margin of 10.4 per cent
- In February 2021, the company announced it is contemplating a spin-off and likely listing of a new company, **Vow Green Metals**, which will build, own and operate plants built with Vow technology, and producing high-value biocarbon and $CO_2$ neutral gas for metal industries.

## Consolidated key figures

| *Amounts in million NOK (except percentages)* | **Second half year** | | **Full year** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Revenues | 212.0 | 199.4 | 459.8 | 380.8 |
| EBITDA before non-recurring items | 22.1 | 23.2 | 46.6 | 45.8 |
| *EBITDA before non-recurring items margin %* | *10.4%* | *11.6%* | *10.1%* | *12.0%* |
| EBITDA | 14.2 | 4.6 | 38.4 | 26.6 |
| *EBITDA margin %* | 6.7% | 2.3% | 8.4% | 7.0% |
| Result before tax | -6.7 | -29.3 | 28.1 | -7.3 |
| Project backlog | 952 | 890 | 952 | 890 |
| Total assets | 710 | 602 | 710 | 602 |
| Total equity | 321 | 232 | 321 | 232 |



# FINANCIAL REVIEW

Vow ASA reports its operations in three segments; Projects Cruise, Aftersales and Landbased (ETIA, and certain operations in Norway).

The ETIA Ecotechnologies (ETIA) transaction was completed on 15 October 2019, and ETIA was consolidated into the accounts from this date.

## Financial results

### Profit and loss

**Revenues** for Vow ASA amounted to NOK 212.0 million for the second half of 2020, an increase of 6.3 per cent from the NOK 199.4 million recorded for the second half of 2019. ETIA was included in the consolidated accounts from 15 October 2019 with NOK 19.1 million in revenue.

As expected, revenues from the Aftersales segment are negatively affected by the Covid-19 pandemic, and declined by 79.4 per cent from the second half of 2019.

For the full year of 2020, Vow recorded revenues of NOK 459.8 million, an increase of 20.7 per cent from 2019.

Further comments are provided under each of the business segments.

**The gross margin** for Vow was recorded at 39.1 per cent for the second half of 2020, up from 34.4 per cent for the same period of 2019. The increase is related to higher margin per cent levels both for Projects and Aftersales.

For the full year, the gross margin came in at 35.7 per cent compared with 31.9 per cent for 2019.

**EBITDA before non-recurring items** amounted to NOK 22.1 million for the second half of 2020, representing a margin of 10.4 per cent, compared with NOK 23.2 million and a margin of 11.6 per cent for the same period of 2019. The margin decline was a result of increased costs related to development of the Landbased segment, as well as lower revenue and gross profit from the Aftersales segment.

For the full year, EBITDA before non-recurring items came in at NOK 46.6 million, up from NOK 45.8 million for 2019.

Vow had non-recurring costs of NOK 7.9 million for the second half of 2020. These are costs incurred for the standardisation and industrialisation of the ETIA systems, and to ensure a scalable delivery model similar to the Scanship cruise model. These costs recorded through the P&L facilitates the significant expansion planned through Vow Industries and the investment in these new operations.

In the second half of 2019, Vow had non-recurring costs related to the ETIA transaction of NOK 18.6 million. This included acquisition cost, costs related to the integration process and cost related to evaluation of new business opportunities for ETIA and the landbased segment.

**EBITDA** after non-recurring items came in at NOK 14.2 million for the second half of 2020, compared with NOK 4.6 million for the same period last year.

For the full year, EBITDA came in at NOK 38.4 million, up from NOK 26.6 million for 2019.

**Depreciation and amortisation** amounted to NOK 11.7 million for the second half of 2020, compared with NOK 7.4 million for the same period of 2019. The increase is primarily a result of the inclusion of ETIA and the full year effect of the amortisation of intanglible assets and fixed assets related to the ETIA acquisition.

For the full year, depreciation and amortisation came in at NOK 21.8 million, up from NOK 10.9 million in 2019.

**Net financial items** for the full year 2020 were recorded with a net financial income of NOK 11.5 million, compared to a net financial cost of NOK 23.0 million in 2019. The fair value adjustment of the conversion rights on the convertible loan related to the ETIA transaction was recorded with a financial income of NOK 25.0 million in 2020 and a financial cost of NOK 20.3 million in 2019. These fair value adjustments do not have any cash effects for the Vow ASA Group. The convertible loan was converted to new share capital and equity in the second half of 2020, further strengthening the equity ratio for the group.

Besides the fair value adjustments, the other net financial cost of NOK 13,5 million for the full year 2020 is affected by a currency disagio of NOK 3.9 million related to the convertible loan, and a calculatory interest cost of NOK 1.2 million related to the same loan. So, excluding these items, the other net financial cost in 2020 is NOK 8.4 million compared to NOK 2.7 million for 2019. The increase in 2020 is related to full year effect of loan interest cost and certain currency effects.

For the second half of 2020, the net financial items were recorded with a net cost of NOK 9.2 million, compared to a net cost of NOK 26.4 million for the second half of 2019. The differences between the first half and the second half of 2020 is related to the effects of the convertible loan and unrealised currency effects.

**The result before tax** came in at NOK -6.7 million for the second half of 2020, compared with NOK –29.3 million for the same period in 2019. For the full year of 2020, the result before tax came in at NOK 28.1 million, compared with NOK -7.3 million in 2019.

## Cash flow

**Operating activities** generated a cash flow of NOK 17.7 million for the second half of 2020, compared with NOK -1.8 million for the same period of 2019. The cash flow for the period is affected by the incurred non-recurring costs of NOK 7.9 million. Net cash flow from operations excluding non-recurring costs was NOK 25.6 million for the second half of 2020.

For the full year of 2020, operating cash flow ended at NOK -8.6 million, compared with NOK-16.9 million for 2019. The significant growth in activity and revenue in cruise newbuilding projects in 2020 compared to 2019 increases the contracts in progress and other net working capital items related to cruise projects, which will convert to cash flow in 2021.Compared to cruise newbuilding the Aftersales business segment also requires significantly less net working capital.

**Investing activities** is primarily the investments made within R&D and intangible assets to strengthen and develop the Landbased segment. For the full year 2020 the investments amounted to NOK 64.4 million, of which NOK 23.6 million in the second half of 2020. The investments in 2020 includes an investment of NOK 13 million in the first half of 2020 made in an R&D plant in France to further develop and commercialize the patented pyrolysis technology towards converting plastic waste into energy.

**Financing activities** in the second half of 2020 generated a negative cash flow of NOK – 17.6 million, which relates to the group having reduced the drawn amount on the bank overdraft facility and also having made instalments on the long-term debt.

For the full year 2020, cash flow from financing activities was positive with NOK 15.1 million, primarily related to certain new loan financing obtained for the plastic waste to energy investments.

Both the cash flow from investing activities and financing activities in 2019 are significantly affected by the ETIA acquisition transaction.

## Financial position

As of 31 December 2020, Vow had total assets of NOK 710 million, compared with NOK 696 million at 30 June 2020 and NOK 602 million at the end of 2019. The main reasons for the increase in the total assets and balance sheet of the group are both the increased project activity in cruise and the continual investments made within R&D to lay the foundation for further growth. The investments made within R&D and intangible assets are primarily towards the Landbased segment, to significantly strengthen and further delvelop this business segment. The increase in project activities will increase both the contracts in progress balance sheet items and the trade receivables and trade creditors.

The convertible loan, including the fair value of the conversion rights, was converted to new shares in Vow ASA on the 17th. July 2020.

At the end of 2020, Vow had a total equity of NOK 321 million, representing an equity share of 45.2 per cent, up from NOK 232 million at the end of 2019, representing an equity share of 38.5 per cent. The increase in book value of equity is attributable to both the result for the year and the convertible loan being converted to new equity.

# OPERATIONAL REVIEW

Vow ASA develops and delivers world leading technology and solutions that bring an end to waste and that are required in a truly sustainable circular economy.

Vow solutions purify wastewater and convert waste into valuable resources and clean energy for customers in cruise, aquaculture and a wide range of land-based industries and utilities. Vow solutions are scalable, standardised, patented and the company's delivery model is well proven.

The Vow group's key markets for waste valorisation, prevention of pollution and decarbonization include cruise, biogas, metallurgical, minerals, plastic to energy, end-of-life tires, power to heat, waste management, agricultural, aquaculture and food processing.

## Key events

In July 2020, Innovation Norway, the government's instrument for innovation and development of Norwegian enterprises and industry, awarded grants and loans to Scanship AS, a subsidiary of Vow ASA, to further commercialize the application of its patented pyrolysis technology for chemical recycling of plastic waste. The loans and grants, a total of NOK 19.4 million will be used to build a plant in Norway to demonstrate the conversion of plastic waste into energy.

In October Vow entered into a strategic partnership agreement with Repsol to explore multiple applications and solutions to produce clean and renewable energy for CO2 emission reduction. Repsol, headquartered in Spain, is a global multienergy provider and . It is one of the first energy companies to make a net zero emissions commitment by 2050 aligned with the climate objectives set out by the Paris Agreement and the UN Sustainable Goals.

In December 2020, Vow and Bellona announced that they will join forces to solve one of the major environmental challenges by utiziling Vow's pyrolysis technology which converts sludge, organic waste, and other types of biomass into biocarbon and biogas.

Also in December, Vow decided to establish a new subsidiary, Vow Industries, an incubator which will accelerate the green shift in the industry. Vow Industries' first goal is to build a factory to produce biocarbon for the metallurgical industry, CO2-neutral gas for district heating and biofuel for the petrochemical industry.

Towards the end of the year, it was announced that Vow will join forces with a world leading manufacturing company, later announced to be the world's leading steel and mining company Arcelor Mittal, to build a biogas production plant to reduce CO2 emissions from metallurgical processes. The two companies will cooperate on engineering, business modelling and financing of a dedicated biogas plant for an industrial facility in continental Europe, with the aim to have the plant operational in 2022.

## Order backlog

During 2020, Vow has secured a number of new contracts, despite the challenging market conditions in cruise caused by the Covid-19 pandemic.

This proves that Vow's business model is robust and that the demand for the company's technology continues to benefit from the growing concern for climate and the environment.

Vow had a total order backlog of NOK 951.6 million as per 31 December 2020, up from NOK NOK 890.4 million at the end of 2019. Of the total backlog, NOK 924.0 million relates to the Projects segment, while the remaining NOK 27.6 million relate to the Landbased segment.

On top of the firm backlog, Vow ASA had secured option agreements to a total value of 583.9 million as at 31.12.2020.

After the close of the year, Vow was awarded a contract with a major European shipyard for the delivery of two advanced wastewater purification systems. The firm value of this contract is NOK 59.6 million. The agreement also includes options for system deliveries to two additional vessels worth another NOK 59.6 million.

# Segments

Vow ASA is organized in three operating segments; Projects Cruise, Aftersales and Landbased. Projects Cruise and Aftersales are the same as the two previously reported segments and based on the business of Scanship, while Landbased includes the ETIA operations as well as certain land-based operations in Norway.

The segment Projects Cruise includes sales of systems to shipyards and the aquaculture industry for newbuild constructions or to ships in operations as retrofits, while Aftersales are related to sale of spares and consumables, as well as service on delivered systems.

## Projects Cruise

| | Second half year | | Full year | |
|---|---|---|---|---|
| ***NOK million*** | **2020** | **2019** | **2020** | **2019** |
| Revenues | 149.1 | 114.4 | 309.2 | 236.0 |
| EBITDA | 35.9 | 20.8 | 70.8 | 37.0 |
| *EBITDA margin (%)* | *24.1%* | *18.2%* | *22.9%* | *15.7%* |
| Backlog | 924.0 | 812.5 | 924.0 | 812.5 |

**Revenues** from the Projects Cruise segment amounted to NOK 149.1 million for the second half of 2020, compared with NOK 114.4 million for the same period of 2019, an increase of 30.3 per cent. The order intake and increase in the backlog level drives the growth in Revenues.

For the full year, the segment recorded revenues of NOK 309.2 million, corresponding to an increase of 31.0 per cent from NOK 236.0 million in 2019.

**EBITDA** for the segment came in at a record-high NOK 35.9 million for the period, representing an EBITDA margin of 24.1 per cent, up from NOK 20.8 million for the corresponding period of 2019, equivalent to a margin of 18.2 per cent. The positive margin development results from improvements in operational efficiency, combined with the increase in revenue and gross margin level.

**Order backlog** for the segment was NOK 924.0 million at 31 December 2020. During 2020 the segment announced five contract awards, representing system deliveries to eight cruise newbuildings and one retrofit contract. The total order intake for the segment in 2020 was NOK 306 million.

In August 2020, Vow was awarded a contract with Fincantieri for delivery of a total cleantech system to four cruiseships for MSC Cruises. The contract included options for system deliveries to two additional vessels.

In September 2020, Scanship was awarded a retrofit contract with Carnival Cruise Line to deliver an advanced wastewater purification system to Carnival Magic.

Total order intake for the last six months of 2020 for the segment was NOK 176 million.

**Operational activity** for the Scanship subsidiary continued to increase in the second half of 2020. The company had high delivery activity towards a number of cruise newbuilds and one retrofit project. In addition, Scanship commissioned four newbuild projects in the second half of 2020, for a total of seven commissioning completed during 2020.

## Aftersales

| NOK million | Second half year 2020 | Second half year 2019 | Full year 2020 | Full year 2019 |
|---|---|---|---|---|
| Revenues | 13.6 | 65.9 | 53.3 | 125.7 |
| EBITDA | -5.0 | 10.4 | -0.2 | 22.5 |
| *EBITDA margin (%)* | *-* | *15.7%* | *-* | *17.9%* |

**Revenues** for the Aftersales segment came in at NOK 13.6 million for the period, down from NOK 65.9 million in the second half of 2019. For 2020, revenues for the segment amounted to a total of NOK 53.3 million, down from NOK 125.7 million for 2019.

As expected, and communicated in the operational update for the first half of 2020, the Aftersales segment has been increasingly affected by the Covid-19 pandemic. The majority of cruise ships have been docked since March and measures to control the spread of the pandemic have restricted travel and access to the ships. Some cruise ships have gradually resumed operations, while the majority of cruise ships are still docked.

**EBITDA** for the segment was NOK -5.0 million for the second half of the year. For the comparable period of 2019, EBITDA was NOK 10.4 million, equivalent to an EBITDA margin of 15.7 per cent. The margin decline is a result of the lower revenue and gross profit level for the period.

## Landbased

| NOK million | Second half year 2020 | Second half year 2019 | Full year 2020 | Full year 2019 |
|---|---|---|---|---|
| Revenues | 49.2 | 19.1 | 97.2 | 19.1 |
| EBITDA* | -3.1 | -1.5 | -10.2 | -1.5 |
| *EBITDA* margin (%)* | *-6.2%* | *-7.8%* | *-10.4%* | *-7.8%* |
| Backlog | 27.6 | 77.9 | 27.6 | 77.9 |

**Before non-recurring items*

**Revenues** for the Landbased segment amounted to NOK 49.2 million for the second half of 2020 and NOK 97.2 million for the full year 2020. The revenue and EBITDA level for 2019 only relates to the fourth quarter in 2019, as the ETIA operations were acquired with accounting effect from 1 October 2019.

Vow has invested significantly in the ETIA operations and the Landbased segment in 2020, both through operating expenses and R&D investments. This to further develop the revenue base and profitability of this business segment.

**EBITDA before non-recurring items** came in at NOK -3.1 million for the second half of 2020, compared to NOK – 1.5 million for the second half of 2019. The 2019 figures only relates to the fourth quarter, as noted above.

The business segment had non-recurring cost of 7.9 million in the second half of 2020, incurred for the standardisation and industrialisation of the ETIA systems and through this also to ensure a scalable delivery model similar to the Scanship cruise model. The corresponding period in 2019 included non-recurring items of NOK 18.6 million related to the acquisition of ETIA.

**EBITDA** for the segment came in at NOK – 10.9 million for the second half of 2020, compared with NOK -20.1 million for the corresponding period of 2019.

**Order backlog** for the Landbased segment amounted to NOK 27.6 million at year-end 2020. The segment had a significant order intake during the first half of 2020, and has during the second half of 2020 developed a significant pipeline of potential new orders. The ETIA operations was in November awarded a contract with Dilmah, the third largest tea brand in the world, for the delivery of its technology SAFESTERIL® to sterilize and debacterize spices.

## Administration cost

Administration costs are costs that are not allocated to the segments, as the costs are more related to headquarter and to listing of the Group rather than to a specific segment. The costs for this segment amounted to NOK 5.8 million for the second half of 2020, compared to NOK – 6.8 million for the second half of 2019.

# ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

Vow's business is built on the fundamental belief that we need to take better care of the world. Vow provides technology and solutions that enable our customers to manage their waste and energy challenges in a sustainable manner.

In 2020, Vow ASA joined the UN Global Compact. This demonstrates our commitment to accelerate the integration of the UN Sustainable Development Goals (SDGs) into the business and to make the UN Global Compact and its ten principles an integral part of Vow's strategy, culture and day-to-day operations.

By participating in the UN Global Compact, Vow has committed to submitting a Communication of Progress (CoP) annually describing the company's efforts to implement the ten principles in the areas of human rights, labour, environment and anti-corruption.

Vow is also actively preparing to apply the EU Taxonomy framework to our operations with the ambition of becoming even more sustainable and demonstrate the relevance of our technology and solutions to investors and industry customers who are racing to reduce use of fossil fuels, decarbonize their processes and find ways to become net-zero. This includes developing methodologies to define our environmental performance within the Taxonomy criteria relevant for our own industry.

Specifically, this will describe the proportion of Vow's turnover, capital expenditure and operating expenditure associated with Taxonomy-defined sustainable economic activities.

# SHARE INFORMATION

Vow ASA is listed at the Oslo Børs, which is a full stock exchange listing that complies with all EU requirements, under the symbol VOW.

In July 2020, 2 336 303 new shares were issued following the conversion of vendor notes which were issued as part of the settlement of the purchase price for the acquisition of ETIA Ecotechnologies.

In September 2020, another 360 001 new shares were issued in connection with the exercise of employee stock options. Following share issuances made in 2020, the share capital of Vow ASA was NOK 10 925 987 as of 31 December 2020, divided into 109 259 870 shares.

As of 31 December 2020, the company had 6 533 shareholders. The 20 largest shareholders held a total of 79 per cent of the shares.

During the second half of 2020, the Vow share traded between NOK 19.14 and NOK 41.70 per share, with a closing price of NOK 37.95 per share at 30 December 2020, representing an increase of 72.5 per cent from the closing price of the first half of 2020 of NOK 22.00.

A total of 88.0 million shares were traded during the second half of 2020, representing 80.6 per cent of the total number of shares outstanding. The average volume traded daily was approximately 682 315 shares, compared with an average of 574 500 shares per day in the previous reporting period.

**Termination of market-making**

On 30 April, Vow announced the termination of its market-making agreement with SpareBank1 Markets, effective from 1 July 2020. The termination followed the positive development and increased liquidity in the share.

# RISKS AND UNCERTAINTIES

The Vow group is subject to a number of risks, including operational and financial risks. The board and executive management is continuously monitoring the group's risk exposure and the group constantly strives to improve its internal control processes. The key risk for the next reporting period is the continued effect of covid-19 on the global economy and the cruise industry, as further described below. For a more detailed description of the risk factors, please see an overview in the annual report for 2019.

Covid-19 has created disruption to the global economy. Vow's business has continued mostly as planned in the second half of 2020, without significant changes in delivery schedules to the cruise industry. However, the company's

Aftersales segment has been and will continue to be affected until the world's cruise fleet is back in operation. In addition, it could be that some delivery schedules to cruise newbuilding schedules could be delayed going forward as a result of the pandemic. It remains uncertain when the market situation will normalise. A prolonged period of downturn thus represents a risk to the company's revenues and cash flow.

## RECENT EVENTS

In January 2021, Vow announced that a strategic memorandum of understanding had been signed with ArcelorMittal, the world's leading steel and mining company, to work on a project to build a biogas production plant that will reduce CO2 emissions produced during the steelmaking process. The two companies will cooperate on engineering, business models and financing, and aim to have the Rodange biogas plant operational in 2022. Vow first announced this MoU in a statement to the stock market on 18 December 2020 without naming the client at that time.

In February 2021, Vow and Elkem, one of the world's leading suppliers of silicon-based advanced materials, signed a Letter of Intent (LoI) to join forces with the aim of reducing fossil CO2-emissions from the production of silicon and ferrosilicon products for the global market. The two companies will join competence and technology solutions to develop and manufacture biocarbon and other products for Elkem's production processes at Vow's planned plant at Follum, outside Oslo in Norway.

In February 2021, Vow and Betula Energy entered into an agreement whereby Vow will supply technology and equipment to produce biocarbon to a new plant that Betula Energy will establish in Bamble, a municipality in South-East Norway. At this location, Betula Energy, which is the new name of former entity BioGren AS, will establish bioenergy and biocarbon production from forest wood mass in the form of pellets, biocarbon and bio-oils. Vow will supply the process equipment for the biocarbon production, and orders will be placed by Betula Energy once they have secured financing planned within 2021. For Vow, this order may result in the delivery of process equipment worth up to NOK 200 million.

Also in February 2021, Vow announced plans to spin off and list a new company, Vow Green Metals. This company will produce high-value biocarbon and CO2 neutral gas for metal industries. The aforementioned planned biocarbon plant at Follum, will be the first plant built, owned and operated by Vow Green Metals. It is scheduled for completion in 2022, pending financing and final investment decision. Similar plants are being considered at other locations in the Nordic and elsewhere in Europe.

Vow Industries will remain part of Vow as an incubator for other potential spin-offs in the future.

## OUTLOOK

Vow continues to benefit from the growing concern for the climate and environment.

Supported by policies and regulations, economical and fiscal drivers combined with our ability to deliver reliable technology at a competitive price, the Board considers Vow to be well positioned to meet the global trends of replacing fossil carbon and turning waste into valuable resources.

Vow secured a number of new contracts in 2020, despite the challenging market conditions in cruise caused by the Covid-19 pandemic.

The Board and management of Vow continue to closely monitor the impact from Covid-19 on the company's main markets and industries, in order to safeguard employees, keep operations running, and maintain a solid financial posistion.

The cruise industry continues to grow as cruise liners place new orders, although some newbuild programmes could be delayed as a consequence of the current market situation. Vow is confident about the long-term market outlook for its cruise related operations, and these growth prospects are supported by increasing demand for solutions for cleaner oceans.

As long as the majority of cruise ships are docked due to Covid-19, Vow expects its Aftersales segment to continue to be negatively impacted. As an increasing share of cruise ships are delivered with Vow systems, the aftersales market is growing and Vow remains positive about the long-term market opportunities for Aftersales.

Through the acquisition of ETIA in October 2019, Vow strengthened its presence in land-based industries, including new geographies and verticals. Vow made significant investments in the Landbased segment in 2020 to support growth and profitability going forward.

The launch of the incubator Vow Industries and the new company Vow Green Metals marks a significant strategic shift for Vow. With Vow Green Metals, Vow expands its business, and launches a new company which will offer 'decarbonisation as a service', stand alone or together with partners.

Vow will design, build and deliver technology to Vow Green Metals, and to other potential spin-offs. Vow Green Metals' planned plant at Follum will convert to an order intake of NOK 200-250 million for Vow's Landbased business, when the plant is approved and the company is listed.

In 2020, Vow accelerated its ESG initativies and joined the UN Global Compact. This demonstrates the company's commitment to integrate the UN Sustainable Development Goals into the business and its day-to-day operations.

Lysaker, Norway, 24 February 2021,
The Board of Directors and CEO
Vow ASA

| | | |
|---|---|---|
| Narve Reiten<br>Chairman | Bård Brath Ingerø<br>Director | |
| Susanne Schneider<br>Director | Hanne Refsholt<br>Director | Henrik Badin<br>CEO |

# DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES NOT DEFINED BY IFRS

| | |
|---|---|
| **EBITDA before non-recurring items** | Normalised earnings before interest, tax depreciation and amortization. Non-recurring items, like for instance transaction costs and costs related to acquisitions, are not included |
| **EBITDA margin (%) before non-recurring items** | EBITDA before non-recurring items as a percentage of net sales, is a key performance indicator that the company considers relevant for understanding the profitability of the business and for making comparisons with other companies. |
| **EBITDA** | Earnings before interest, tax, depreciation and amortization. EBITDA is a key performance indicator that the company considers relevant for understanding the generation of profit before investments in fixed assets. |
| **EBIT** | Earnings before interest and tax. EBIT is a key performance indicator that the company considers relevant, as it facilitates comparisons of profitability over time independent of corporate tax rates and financing structures. Depreciations are included, however, which is a measure of resource consumption necessary for generating the result. |
| **EBIT margin (%)** | EBIT as a percentage of net sales. The EBIT margin is a key performance indicator that the company considers relevant for understanding the profitability of the business and for making comparisons with other companies. |
| **Equity ratio (%)** | Total equity in relation to total assets. The equity ratio is a key performance indicator that the company considers relevant for assessing its financial leverage. |
| **Backlog** | The group’s order backlog consists of future value of remaining revenue on ongoing projects and projects signed but not started |
| **Aftersales** | Aftersales is revenue related to life cycle services as services, support and spare parts for the equipment and systems delivered |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (NOK million) | Note | Unaudited 2H 2020 | Unaudited 2H 2019 | Unaudited 2020 | Audited 2019 |
|---|---|---|---|---|---|
| Revenue | 2 | 212.0 | 199.4 | 459.8 | 380.8 |
| **Total operating revenue** | | **212.0** | **199.4** | **459.8** | **380.8** |
| Cost of goods sold | | -129.0 | -131.0 | -295.6 | -259.3 |
| **Gross Profit** | | **82.9** | **68.5** | **164.1** | **121.5** |
| *Gross Margin* | | *39.1%* | *34.4%* | *35.7%* | *31.9%* |
| Employee expenses | | -40.7 | -29.3 | -80.2 | -47.8 |
| Other operating expenses | | -20.1 | -16.0 | -37.3 | -27.8 |
| **EBITDA before non-recurring items** | | **22.1** | **23.2** | **46.6** | **45.8** |
| *- EBITDA margin before non-recurring items* | | *10.4%* | *11.6%* | *10.1%* | *12.0%* |
| Non-recurring items | | -7.9 | -18.6 | -8.2 | -19.2 |
| **EBITDA** | | **14.2** | **4.6** | **38.4** | **26.6** |
| Depreciation, amortisation and impairment | | -11.7 | -7.4 | -21.8 | -10.9 |
| **Operating result (EBIT)** | | **2.6** | **-2.8** | **16.6** | **15.7** |
| Sum financial items | 3 | -16.0 | -6.2 | -13.5 | -2.7 |
| Fair value adjustment conversion rights | 3 | 6.8 | -20.3 | 25.0 | - 20.3 |
| **Net financial items** | | **-9.2** | **-26.4** | **11.5** | **-23.0** |
| **Result before tax** | | **-6.7** | **-29.3** | **28.1** | **-7.3** |
| Income tax revenue (+) /expense (-) | | 6.3 | -0.7 | -0.2 | -6.2 |
| **Result for the period** | | **-0.4** | **-29.9** | **27.9** | **-13.5** |
| **Other comprehensive income** | | | | | |
| *Exchange differences or trans. of foreign op.* | | 2.6 | *-3.3* | 7.2 | *-3.7* |
| ***Total comprehensive income, net of tax*** | | **2.2** | ***-33.2*** | **35.1** | ***-17.2*** |
| **Attribute to** | | | | | |
| Owners of the parent | | 2.2 | -33.3 | 35.1 | -17.2 |
| Non-controlling interest | | 0.0 | 0.0 | 0.0 | 0.0 |
| | | 2.2 | 33.2 | 35.1 | -17.2 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (NOK million) | Note | Unaudited 2020 | Audited 2019 |
|---|---|---|---|
| Property, plant and equipment | | 19.2 | 20.5 |
| Intangible assets | | 158.8 | 100.5 |
| Goodwill | | 144.5 | 136.1 |
| Right-of-use assets | | 17.9 | 21.2 |
| Deferred tax asset | | 7.2 | - |
| Long term receivables | | 0.5 | - |
| **Total non-current assets** | | **348.1** | **278.2** |
| | | | |
| Inventories | | 10.0 | 9.3 |
| Trade receivables | | 148.5 | 135.6 |
| Contracts in progress | 2 | 122.5 | 60.8 |
| Other receivables | | 53.9 | 32.6 |
| Cash and cash equivalents | | 26.6 | 85.5 |
| **Total current assets** | | **361.5** | **323.8** |
| | | | |
| **Total assets** | | **709.7** | **602.1** |
| | | | |
| Share capital | | 11.0 | 10.7 |
| Share premium | | 292.1 | 240.7 |
| Other capital reserves | | 3.7 | 1.0 |
| Translation difference | | 5.2 | -2.0 |
| Retained earnings | | 8.8 | -19.7 |
| **Total equity** | | **320.8** | **230.7** |
| | | | |
| *Attributable to owners of the parent* | | 320.0 | *230.7* |
| *Attributable to non-controlling interest* | | 0.9 | *1.0* |
| **Total equity** | | **320.8** | **231.7** |
| | | | |
| Deferred tax liabilities | | 32.3 | 25.7 |
| Long term borrowings | 4 | 110.7 | 92.7 |
| Non-current lease liability | | 14.1 | 14.9 |
| **Total non-current liabilities** | | **157.1** | **133.3** |
| | | | |
| Current borrowings | 4 | 21.6 | 16.5 |
| Trade creditors | | 108.1 | 69.2 |
| Convertible loan | | - | 65.0 |
| Contract accruals | 2 | 55.6 | 36.8 |
| Unrealised change fair value FX derivatives | | 1.9 | -0.1 |
| Income tax payable | | | 1.7 |
| Bank overdraft -/ Trade finance facility | 4 | 14.8 | 20.6 |
| Current lease liabilities | | 3.7 | 6.6 |
| Other current liabilities | | 25.9 | 20.7 |
| **Total current liabilities** | | **231.7** | **237.0** |
| | | | |
| **Total liabilities** | | **388.8** | **370.4** |
| | | | |
| **Total equity and liabilities** | | **709.7** | **602.1** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *Unaudited*<br>(NOK million) | Share<br>capital | Share<br>premium | Other cap.<br>reserves | Trans.<br>diff. | Retained<br>earnings | Total |
|---|---|---|---|---|---|---|
| **31.12.20** | | | | | | |
| Equity at 31.12.2019 | 10.7 | 240.7 | 1.0 | (2.0) | (19.1) | **231.7** |
| Result for the period | - | - | - | - | 27.9 | **27.9** |
| Other comprehensive income | - | - | - | 7.2 | - | **7.2** |
| **Total comprehensive income** | **-** | **-** | **-** | **7.2** | **27.9** | **35.1** |
| Share capital increase – vendor notes conv. Jul. 20* | 0.2 | 44.9 | - | - | - | **45.2** |
| Share capital increase – empl.share options Oct. 20** | - | 6.4 | - | - | - | **6.4** |
| Stock options | - | - | 2.7 | - | - | **2.7** |
| **Equity at end of period** | **11.0** | **292.0** | **3.7** | **5.2** | **8.8** | **320.8** |
| | | | | | | |
| *Attributable to non-controlling interest* | | | | | | 0.9 |
| *Attributable to owners of the parent* | | | | | | 320.0 |
| | | | | | | **320.8** |

* Vendor notes were converted to shares in July. See also note 3 Convertible loan and fair value adjustment of conversion rights.

** Share capital increase was made in October in connection with exercise of employee stock option program from 2019.

| *Audited*<br>(NOK million) | Share<br>capital | Share<br>premium | Other cap.<br>reserves | Trans.<br>diff. | Retained<br>earnings | Total |
|---|---|---|---|---|---|---|
| **31.12.19** | | | | | | |
| Equity at 31.12.2018 | 9.6 | 77.9 | 0.3 | 1.7 | 4.0 | **93.3** |
| Result for the period | - | - | - | - | (13.5) | **(13.5)** |
| Other comprehensive income | - | - | - | 0.1 | - | **0.1** |
| **Total comprehensive income** | **-** | **-** | **-** | **0.1** | **(13.5)** | **(13.4)** |
| Stock options | 0.1 | 1.7 | - | - | - | **1.8** |
| Share capital increase – business comb. Oct. 2019 | 0.4 | 61.0 | - | - | - | **61.4** |
| Share capital increase – private placement Nov. 2019 | 0.7 | 106.6 | - | - | - | **107.3** |
| Transaction cost – share capital increase Nov. 2019 | - | (6.4) | - | - | - | **(6.4)** |
| Business combination | - | - | - | (3.8) | - | **(3.8)** |
| Stock options | - | - | 0.7 | - | - | **0.7** |
| Dividends paid | - | - | - | - | *(9.6)* | **(9.6)** |
| **Equity at end of period** | **10.7** | **240.7** | **1.0** | **(2.0)** | **(19.1)** | **231.7** |
| | | | | | | |
| *Attributable to non-controlling interest* | | | | | | 1.0 |
| *Attributable to owners of the parent* | | | | | | 230.7 |
| | | | | | | **231.7** |

## CONSOLIDATED STATEMENT OF CASH FLOW

| (NOK million) | Unaudited 2H 2020 | Audited 2H 2019 | Unaudited 2020 | Audited 2019 |
|---|---|---|---|---|
| *Result before tax* | *-6.7* | *-29.3* | *28.1* | *-7.3* |
| Net cash flow from operating activities | 17.7 | -1.8 | -8.6 | -16.9 |
| Net cash flow from investing activities | -23.6 | -103.0 | -64.4 | -95.4 |
| Net cash flow from financing activities | -17.6 | 180.7 | 15.1 | 200.4 |
| Dividends paid | - | - | - | -9.6 |
| **Net change in cash and cash equivalents** | **-23.5** | **75.9** | **-57.9** | **78.4** |
| *Effect of exchange rate changes on cash and cash equivalents* | *-4.3* | *-0.1* | *-1.0* | *0.1* |
| Cash and cash equivalents at start of period | 54.4 | 9.7 | 85.5 | 7.0 |
| **Cash and cash equivalents at end of period** | **26.6** | **85.5** | **26.6** | **85.5** |

## NOTES TO THE ACCOUNTS

### Note 1 General information

This interim financial information for the Second Half Year 2020 has been prepared pursuant to IAS 34 "interim financial reporting". The interim Financial Reporting should be read in conjunction with the annual Financial Statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS, as adopted by European Union. The accounting policies implemented are consistent with those of the annual financial statements for the year ended 31 December 2019. The Board of Directors approved this Interim report February 24, 2021.

### Note 2 Revenue, contracts in progress and segment

| (NOK million) | Unaudited 2H 2020 | Unaudited 2H 2019 | Unaudited 2020 | Audited 2019 |
|---|---|---|---|---|
| Project revenue | 149.1 | 114.4 | 309.2 | 236.0 |
| Aftersales | 13.6 | 65.9 | 53.3 | 125.7 |
| Landbased | 49.2 | 19.1 | 97.2 | 19.1 |
| **Revenue** | **212.0** | **199.4** | **459.8** | **380.8** |

Revenue from projects is recognised under IFRS 15 (Revenue from contracts with customers). The method will include estimates for the total costs on the projects, both equipment cost and internal project related work hours.

**Recognised and included in the financial statements as amount due:**

| (NOK million) | Unaudited 2H 2020 | Unaudited 2H 2019 | Unaudited 2020 | Audited 2019 |
|---|---|---|---|---|
| Contract in progress | 122.5 | 60.8 | 122.5 | 60.8 |
| Contract accruals | 55.6 | -36.8 | 55.6 | -36.8 |
| **Net work in progress** | **66.9** | **24.0** | **66.9** | **24.0** |

VOW

## Segment information:

**2H 2020**

| (NOK million) | Projects | Aftersales | Landbased | Admin. | Total |
|---|---|---|---|---|---|
| Revenue | 149.1 | 13.6 | 49.2 | - | 212.0 |
| **Total revenue** | **149.1** | **13.6** | **49.2** | **-** | **212.0** |
| Cost of sales | -94.4 | -7.8 | -26.9 | - | -129.0 |
| Employee expenses | -14.2 | -7.7 | -17.5 | -1.2 | -40.7 |
| Other Operating expenses | -4.5 | -3.2 | -7.9 | -4.5 | -20.1 |
| **EBITDA before non-recurring items** | **35.9** | **-5.0** | **-3.1** | **-5.8** | **22.1** |
| *EBITDA before non-recurring items margin* | *24.1%* | *-36.8%* | *-6.2%* | | *10.4%* |
| | | | | | |
| Non-recurring items | - | - | -7.9 | - | -7.9 |
| **EBITDA** | **35.9** | **-5.0** | **-10.9** | **-5.8** | **14.2** |
| Depreciation, amortisation and impairment | -4.7 | -0.5 | -6.4 | - | -11.7 |
| **Operating profit** | **31.3** | **-5.6** | **-17.4** | **-5.8** | **2.6** |

**2H 2019**

| (NOK million) | Projects | Aftersales | Landbased | Admin. | Total |
|---|---|---|---|---|---|
| Revenue | 114.4 | 65.9 | 19.1 | - | 199.4 |
| **Total revenue** | **114.4** | **65.9** | **19.1** | **-** | **199.4** |
| Cost of sales | -75.4 | -43.9 | -11.5 | - | -131.0 |
| Employee expenses | -11.2 | -6.9 | -7.2 | -3.7 | -29.3 |
| Other Operating expenses | -7.0 | -4.8 | -1.9 | -3.1 | -16.0 |
| **EBITDA before non-recurring items** | **20.8** | **10.4** | **-1.5** | **-6.8** | **23.2** |
| *EBITDA before non-recurring items margin* | *18.2%* | *15.7%* | *7.8%* | | *11.6%* |
| | | | | | |
| Non-recurring items | | | -18.6 | | -18.6 |
| **EBITDA** | **20.8** | **10.4** | **-20.1** | **-6.8** | **4.6** |
| Depreciation and amortisation | -4.0 | -0.8 | -2.7 | | -7.4 |
| **Operating profit** | **16.8** | **9.6** | **-22.8** | **-6.8** | **-2.8** |

**2020**

| (NOK million) | Projects | Aftersales | Landbased | Admin. | Total |
|---|---|---|---|---|---|
| Revenue | 309.2 | 53.3 | 97.2 | - | 459.8 |
| **Total revenue** | **309.2** | **53.3** | **97.2** | **-** | **459.8** |
| Cost of sales | -204.0 | -32.1 | -59.5 | - | -295.6 |
| Employee expenses | -27.1 | -15.0 | -33.7 | -4.4 | -80.2 |
| Other Operating expenses | -7.2 | -6.5 | -14.2 | -9.4 | -37.3 |
| **EBITDA before non-recurring items** | **70.8** | **-0.2** | **-10.2** | **-13.9** | **46.6** |
| *EBITDA before non-recurring items margin* | *22.9%* | *-0.4%* | *-10.4%* | | *10.1%* |
| | | | | | |
| Non-recurring items | - | - | -8.2 | - | -8.2 |
| **EBITDA** | **70.8** | **-0.2** | **-18.3** | **-13.9** | **38.4** |
| Depreciation and amortisation | -8.9 | -1.5 | -11.4 | - | -21.8 |
| **Operating profit** | **62.0** | **-1.8** | **-29.8** | **-13.9** | **16.6** |

**2019**

| (NOK million) | Projects | Aftersales | Landbased | Admin. | Total |
|---|---|---|---|---|---|
| Revenue | 236.0 | 125.7 | 19.1 | - | 380.8 |
| **Total revenue** | **236.0** | **125.7** | **19.1** | **-** | **380.8** |
| Cost of sales | -165.5 | -82.3 | -11.5 | - | -259.3 |
| Employee expenses | -20.6 | -13.2 | -7.2 | -6.8 | -47.8 |
| Other Operating expenses | -12.9 | -7.7 | -1.9 | -5.3 | -27.8 |
| **EBITDA before non-recurring items** | **37.0** | **22.5** | **-1.5** | **-12.2** | **45.8** |
| *EBITDA before non-recurring items margin* | *15.7%* | *17.9%* | *-7.8%* | | *12.0%* |
| | | | | | |
| Non-recurring items | | | -18.6 | -0.6 | -19.2 |
| **EBITDA** | **37.0** | **22.5** | **-20.1** | **-12.8** | **26.6** |
| Depreciation and amortisation | -6.9 | -1.3 | -2.7 | - | -10.9 |
| **Operating profit** | **30.1** | **21.2** | **-22.8** | **-12.8** | **15.7** |

## Note 3 Convertible loan and fair value adjustment of conversion rights

A part of the settlement of the purchase price for ETIA in 2019 was a sellers' credit of EUR 4.2 million (vendor notes) payable nine months after closing. The vendor notes were non-interest bearing and had an option to convert (conversion right) to Vow ASA's ordinary shares, at a conversion price of NOK 19.33 per share.

The vendor notes were recognised at fair value at the transaction date, for both the principal and the conversion right. Subsequently, the principal was measured at amortised cost and the conversion rights were measured at fair value as follows:

- The vendor notes were discounted using an applied market interest rate to reflect the net present value. When converted in July 2020, the book value of the debt was recognised as paid in equity.

- The conversion rights were measured at fair value using an option pricing model. The change in the fair value of the conversion rights has been recognised in the P&L under financial items.

The total F**air value adjustment conversion rights**, from 31 December 2019 up until the date of the conversion in July 2020 , was a financial income of NOK 25.0 million. The change in the fair value of the conversion rights has no cash effect for the Vow Group.

Related to the vendor notes, the change in the amortised cost is due to the accrued interest expense and the EUR - NOK foreign exchange adjustments. The total change in amortised cost recognised in the P&L for 2020 is an interest cost of NOK 1.2 million and an unrealised net foreign exchange loss of NOK 3.9 million. These two items are included under **Sum financial items** in the Income statement.

In July 2020, the vendor notes were converted to shares with the issuance of 2 336 303 new shares. The share issue resulted in a total increase in the share capital of NOK 233 630 and an increase of NOK 44 927 107 in share premium. The share capital was registered in the Companies' register ("Brønnøysund") on 22 July 2020 and the total number of outstanding shares following the issue was 108 899 869 shares.

## Note 4 Borrowing

### Long term borrowing:

| (NOK million) | Unaudited 31.12.2020 | Audited 31.12.2019 |
|---|---|---|
| Other long term interest-bearing debt | 101.6 | 83.3 |
| Conditional loans related to R&D (ETIA) | 9.1 | 9.4 |
| Balance 31 December | 110.7 | 92.7 |

### Short term borrowing:

| (NOK million) | Unaudited 31.12.2020 | Audited 31.12.2019 |
|---|---|---|
| Other short term interest-bearing debt | 21.6 | 16.5 |
| Balance 31 December | 21.6 | 16.5 |

The group has a loan with DNB with a balance of NOK 79.7 million which was used as financing for the cash consideration in the purchase of ETIA, which is included under borrowing above. NOK  21.2 million of this balance is classified as short-term borrowing as of 31 December 2020.

### Bank overdraft / trade finance facility:

| (NOK million) | Unaudited 31.12.2020 | Audited 31.12.2019 |
|---|---|---|
| Bank overdraft facility | 1.5 | 16.3 |
| Trade finance facility | 13.3 | 4.3 |
| Balance 31 December | 14.8 | 20.6 |

The bank overdraft facility has a limit of NOK 50 million. The trade finance facility has a limit of NOK 15 million, in total NOK 65 million.

## STATEMENT BY THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that the consolidated financial statement for the period 1 July to 31 December 2020 for Vow ASA have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the company and the group's assets, liabilities, financial position and results of operation. We also confirm, to the best of our knowledge, that the half year report includes a true and fair overview of the company's and the group's development, results and position, together with a description of the most important risks and uncertainty factors the company and the group are facing.

Lysaker, Norway, 24 February 2021,
The Board of Directors and CEO
Vow ASA

Narve Reiten
Chairman

Bård Brath Ingerø
Director

Susanne Schneider
Director

Hanne Refsholt
Director

Henrik Badin
CEO