

ABAX Group AS

FINANCIAL REPORT

Q1 2023



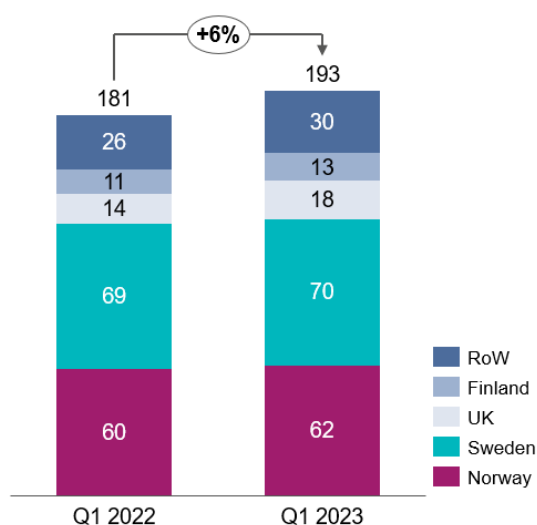
HIGHLIGHTS

A STRONG START TO THE NEW YEAR

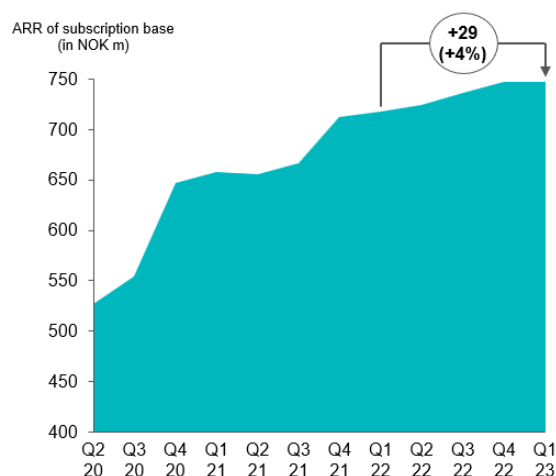
Q1 highlights

- Pro-Forma Revenue¹ of 192,8 (181,1) MNOK, 6% growth year-over-year
- Adjusted EBITDA of 77,7 (74,1) MNOK, 5% growth year-over-year
- Annualized Repeatable Revenue (ARR) reached 746 MNOK, up 4% year-over-year
- Our first quarter with full launch of our data-centric intelligence insurance offer in Norway – growing our leads funnel
- Abax core business showed resilience and ability to transform
- Adjusted Operating Free Cash Flow of 55,9 MNOK (34,3), 63% growth year-over-year and highlights the result of rightsizing the company, maintaining topline growth and keeping a strong cash management focus

Q1/YTD Pro-Forma Revenue, MNOK



Quarterly – ARR Growth, MNOK



KEY FIGURES

Amounts in NOK million	Q1	Q1	Variance %
	2023	2022	Y-on-Y
Pro-forma revenue	192,8	181,1	6 %
Adjusted EBITDA	77,7	74,1	5 %
Adjusted EBITDA margin	40%	41%	-1 %
Adjusted Operating Free Cash Flow	55,9	34,3	63 %

¹ ABAX constitutes the operating entities under ABAX Group AS. All figures in () refer to the comparable figures from previous year. The pro-forma revenue for FY2021 and FY2022 is reported under SaaS revenue recognition policy adopted starting on January 1, 2020. All figures are shown under IFRS

ABOUT ABAX

ABAX is a leading telematics IoT platform in Europe that offers connected mobility solutions for vehicle tracking, tool tracking, and equipment control. With over 500,000 tracked mobile assets, ABAX has demonstrated its expertise in translating customer needs into advanced technology solutions.

ABAX's solutions enable businesses to run smarter and more sustainably by providing insights that improve efficiency, ensure regulatory compliance, and increase profitability. By partnering with leading players in industries such as insurance and leasing, ABAX is committed to continuously delivering greater value to its customers and becoming the leading data-driven smart mobility platform in Europe.

FIRST QUARTER OPERATIONS UPDATED

During the first quarter we have improved our revenue growth rate slightly to 6% over Q1 2022, and this in a toughening macroeconomic environment. The SME customer segment across Northern Europe has one common characteristic: it is reacting more rapidly to economic cycles than larger corporates and the public sector. We have seen increasing bankruptcies and churn in our 43.000 strong customer base, but at the same time we have offset that with increased new subscription sales, so the combined impact on Q1 results, as reflected in our growth rate, indicates strong resilience in the base and our business model.

It is also worth noting that Q1 saw the launch of our data-centric intelligent insurance offering. The initial adoption has been encouraging, with over 1000 vehicles already insured with a sustainable and cost-effective insurance solution, and a growing sales funnel. More than 75% of the customer base in Norway have asked for analysis of their vehicle data for insurance purposes. We plan to expand the service to new countries in the coming quarters.

In Q4, we completed our reorganisation to be faster and more effective in the delivery of Smart Mobility solutions, and Q1 is the last quarter which includes some effects from that reorganisation. The successful launch and Q1 sales results of our partnership with Tryg indicates that this was a necessary and needed transformation for the company. The core business showed resilience and the ability to transform, and delivered the same volumes as we have had in the past but with 30 less staff in Q1 the prior year.



Morten Strand, CEO

FINANCIAL HIGHLIGHTS – Q1, 2023

Subscriptions continue to grow across the company, highlighting the company's unrelenting focus on the customer, and helping them empower and connect their own businesses.

The growing customer base results in increasing MRR (Monthly Recurring Revenue) which adds predictability to the company's revenue and cash generation, which is a key financial focus / objective of ABAX. MRR has increased by 4% since March 2022.

Revenue in the first quarter amounted to 192,8 (181,1) MNOK representing growth of 6% from Q1 2022.

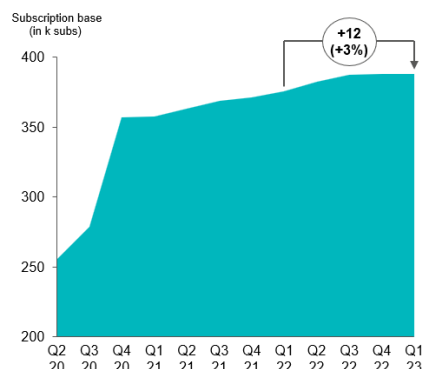
In Q1 we continue to secure the hardware availability to ensure we can meet the demands of future sales and reduce the backlog to a minimum (0,02 MNOK MRR).

Adjusted EBITDA in the first quarter increased by 5% to 77,7 (74,1) MNOK. The Adjusted EBITDA margin amounted to 40% (41%).

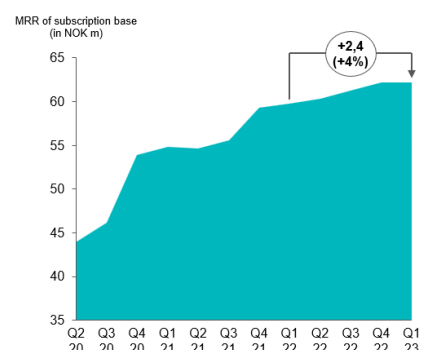
YTD (Year to date) employee related expenses and other operating expenses amounted to 90,3 (90,7) MNOK, corresponding to a decline of 0,4% despite the current inflation rate being experienced across the globe, highlighting ABAX's continuous commitment to control cost whilst scaling a growing business. The number of full-time employees stands at 258 at the end of the first quarter 2023.

YTD depreciation and amortisation amounted to 90,5 (87,4) MNOK.

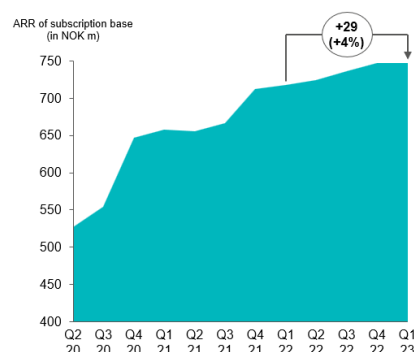
Subscriptions Growth



MRR Growth



ARR Growth



LIQUID FUNDS AND CASH CONVERSION

By the end of March 2023, ABAX's cash amounted to 177,7 MNOK. Additionally, ABAX has a revolving credit facility (RCF) of 50 MNOK of which 11 MNOK has been utilized as a guarantee related to office premises. During the second quarter 2022, ABAX purchased 233.8 M NOK (Norwegian kroner) of its own bond, which is reflected as a marketable security in the financial statements and shown as a reduction in debt.

ABAX's cash conversion is driven by the payment frequencies of subscription fees, ranging from monthly/quarterly and yearly in advance, off-set by investments in capital expenditures and capitalised R&D.

LEVERAGE

At the end of the fourth quarter the leverage amounted to 2,0 x LTM Mar-22 EBITDA. The leverage is calculated according to the table on the right-hand side. This calculation is in line with the definitions agreed in the existing bond terms.

Leverage calculation, NOK million

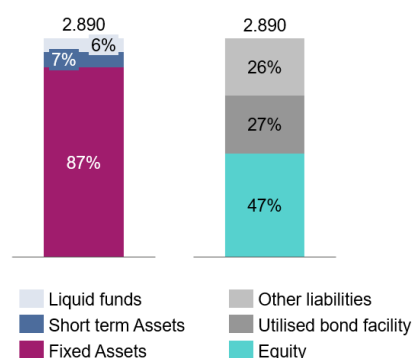
Utilised bond facility	766
Cash	-178
Net debt	589
LTM Adjusted EBITDA	301
Leverage (Net debt/Adjusted EBITDA)	2,0x

BALANCE SHEET

ABAX's fixed assets amount to 87% of total assets, of which 88% refer to intangible assets subject to impairment tests. Management believes that these assets provide a solid foundation to drive future profitability and growth.

The external interest-bearing loans amounted to 876,3 MNOK of which 766,3 MNOK refer to utilised bond facility and 110,0 MNOK refer to financial lease liability under IFRS 16.

Balance sheet, MNOK



PRODUCTS AND TECHNOLOGY

In Q1 2023 ABAX continued to focus further on growing our UBI (usage-based-insurance) solution, powered by our Smart Mobility Platform. We expanded the number of customers in our base taking part in this initiative, giving these customers full access to new ways to manage their fleet. Our analysis helps customers understand their data, recognise trends, uncover value, and take timely action. Connected to that is the option to switch to an intuitive insurance product, matched to the customers actual usage-based behaviour.

With Sustainability being one of the key focuses for ABAX, as well as one of our core values, we were pleased to implement in Q1 a new Return Handling process. This process is aimed at encouraging our customers to return their old devices to ABAX, where we will either restore and redeploy them, or dispose of them in a responsible way. We believe strongly that investing in sustainability is a responsibility which all companies in our position must deliver on.

ABAX Help Centre was also released to customers in Q1, allowing customers to do more online themselves without the need of contacting ABAX Customer Service. We believe that the more we can empower our customers, the better experience they will have of using ABAX to drive their business.

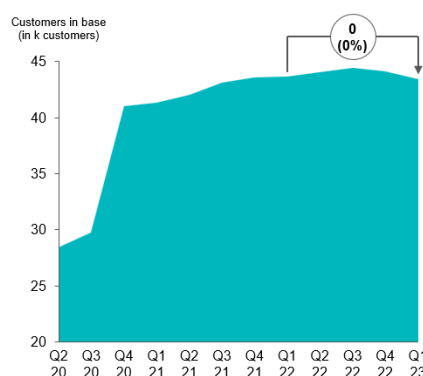
We continue to focus on strengthening our core business to serve our large existing customer base to the highest level, bringing efficiencies to our value and supply chains and stepping into the future with our Data Science & Business Intelligence investments.

CUSTOMERS

ABAX's diversified customer base mainly consists of small and medium-sized enterprises (SME) with the potential for multiple new services like UBI (usage-based-insurance) solution. The SME customers are loyal, with an average lifetime of approximately 8 years for that segment. Customer numbers are stable compared to Q1-2022. Number of subscriptions have increased 3,2% over the same period, meaning the average customer size has slightly increased.

There is also a significant mid-level segment, with 20-80 vehicles each contracted to ABAX but with an upsell potential of as many, if not more, machines and other assets. The base also includes key accounts, often using more than one service. In Norway and Sweden in particular, these key accounts include significant market leaders.

Customer Growth



SUSTAINABILITY

ABAX was born along the south-western coastal city of Larvik, Norway where we still have our headquarters. Surrounded by unique fjords and forests, it is no wonder we believe that businesses have a part to play in protecting the environment in which they operate. Our approach is linked to helping Norway reach its sustainability goals as well as being a sustainable viable business in our own right.

In Q4, we continued to map out our supply chain separating our corporate carbon footprint and our product carbon footprint. This allows us to make decisions in different parts of our supply chain and organisation with a measured approach.

Our corporate giving theme, Rewilding, had us donating funds to worthy rewilding causes in all the regions where we operate. 100,000 NOK was donated.

The 2022 Sustainability Report for ABAX is issued at [ABAX.com/csr](https://abax.com/csr).

RISK

The operations of ABAX Group AS are exposed to several financial risks such as market risks (currency risk and interest risk), credit risk and liquidity risk. The group aims to minimize potential adverse effects of these risks on the group's financial results.

The group's exposure to currency risk consists primarily of transactions taking place in foreign currencies between subsidiaries of ABAX. The company does not use derivative instruments to reduce currency risks at present.

Since ABAX Group AS in June 2020 issued a senior secured bond for a total amount of 1,000 MNOK, the company is exposed to interest rate trends. The bond terms give the investors a yield of NIBOR 3M + 6.15%. To reduce that exposure ABAX Group AS has entered into an Interest Rate Hedge Transaction with SEB.

TRANSACTIONS WITH RELATED PARTIES

ABAX Group AS is the senior operating company in the group. Closely related parties consist of all subsidiaries and senior executives in the group and their closely related parties. Transactions take place on market terms. The extent and nature of transactions with related parties in the period is consistent with previous year's transactions with related parties, as described in the 2022 annual report.

This interim report has not been subject to external audit.

Larvik, 31 May 2023



Morten Strand – CEO



John Ole Moe – CFO

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Amounts in NOK thousand		Unaudited	Unaudited	Audited
		First quarter		Year
		2023	2022	2022
Operational Revenue	note 3	192 752	172 954	717 021
Total Revenue		192 752	172 954	717 021
OPERATING EXPENSES				
Cost of hardware and services		27 330	19 007	88 298
Employee benefit expenses		63 302	63 007	252 489
Other operating expenses		27 032	27 693	126 101
Impairment loss on trade and other receivables		3 389	1 401	8 081
Depreciation		17 011	14 633	62 281
Amortisation		73 538	72 730	303 340
OPERATING PROFIT(+)/LOSS(-)		(18 850)	(25 517)	(123 569)
FINANCIAL ITEMS				
Finance income		25 410	8 649	45 546
Finance expenses		(25 774)	(27 466)	(103 616)
TOTAL NET FINANCIAL ITEMS		(364)	(18 817)	(58 070)
PROFIT(+)/LOSS(-) BEFORE TAX		(19 215)	(44 334)	(181 639)
Tax income (+) / expense (-)		(0)	-	26 936
PROFIT(+)/LOSS(-) FOR THE PERIOD		(19 215)	(44 334)	(154 703)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		First quarter		Year
		2023	2022	2022
		2023	2022	2022
PROFIT(+)/LOSS(-) FOR THE PERIOD		(19 215)	(44 334)	(154 703)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
Foreign currency translation differences		39 713	(16 732)	(2 109)
TOTAL ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		39 713	(16 732)	(2 109)
OTHER COMPREHENSIVE INCOME, NET OF TAX		39 713	(16 732)	(2 109)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		20 498	(61 066)	(156 812)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousand		Unaudited 31.03.2023	Audited 31.12.2022
NON-CURRENT ASSETS			
Property, plant and equipment		235 458	219 904
Intangible assets and goodwill		2 196 793	2 212 914
Deferred tax assets		33 177	32 300
Other investments, including derivatives		23 482	26 623
Non-current interest-bearing receivables		14 734	14 634
TOTAL NON-CURRENT ASSETS		2 503 644	2 506 376
CURRENT ASSETS			
Inventories		30 637	21 566
Current tax assets		4 439	2 776
Trade and other receivables		172 981	166 904
Contract assets		760	1 523
Cash and cash equivalents		177 697	160 753
TOTAL CURRENT ASSETS		386 515	353 521
TOTAL ASSETS		2 890 159	2 859 897
EQUITY			
Share capital		42 959	42 959
Share premium		1 817 821	1 817 821
Retained earnings		(356 196)	(439 765)
Other reserves		(134 871)	(71 797)
TOTAL EQUITY		1 369 713	1 349 217
NON-CURRENT LIABILITIES			
Loans and borrowings	note 4	842 985	841 358
Deferred tax liabilities		197 353	194 391
Other non-current liabilities, not interest bearing		20 892	22 889
TOTAL NON-CURRENT LIABILITIES		1 061 230	1 058 638
CURRENT LIABILITIES			
Trade and other payables		202 929	199 235
Contract liabilities		141 311	129 167
Current tax liabilities		2 752	13 307
Loans and borrowings		112 225	110 332
TOTAL CURRENT LIABILITIES		459 217	452 042
TOTAL LIABILITIES		1 520 446	1 510 680
TOTAL EQUITY AND LIABILITIES		2 890 159	2 859 897

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited	Unaudited	Audited
Amounts in NOK thousand	Q1 2023	Q1 2022	Year 2022
CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT(+)/LOSS(-) FOR THE PERIOD	(19 215)	(44 334)	(154 703)
Adjustments for:			
- Depreciation	17 011	14 633	62 281
- Amortisation	73 538	72 730	303 340
- Write down n inventory		3 600	-
- Net finance costs	364	18 817	58 070
- Tax income (-) / expense (+)	0	-	(26 936)
Cash flow before changes in working capital, interest and tax	71 699	65 446	242 052
Changes in:			
- Inventories	(9 071)	6 208	5 047
- Trade and other receivables	(14 000)	6 196	(5 200)
- Trade and other payables	12 400	(17 196)	1 100
- Contract assets/liabilities	12 424	8 102	15 239
- Other movements	5 215	(6 209)	5 675
Cash flow before interest and tax	78 666	62 547	263 912
Income taxes paid	(6 553)	(1 370)	(2 876)
CASH FLOW FROM OPERATING ACTIVITIES	72 113	61 177	261 036
CASH FLOW FROM INVESTING ACTIVITIES			
Aquisition of property plant and equipment, and intangible assets	(26 812)	(36 915)	(60 286)
Aquisition of intangible assets	(1 874)		(90 410)
Proceeds to/from loans from related companies	-	-	(10 000)
Earn-out RAM	-	-	(10 335)
CASH FLOW FROM INVESTING ACTIVITIES	(28 686)	(36 915)	(171 031)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid	(24 796)	(18 609)	(81 156)
Interest received	5 470	-	14 398
Repayment of borrowings	-		(233 800)
Payment of lease liabilities	(7 157)	(6 624)	(26 183)
CASH FLOW FROM FINANCING ACTIVITIES	(26 483)	(25 233)	(326 741)
NET INCREASE (+)/DECREASE (-) IN CASH AND CASH-EQUIVALENTS	16 945	(970)	(236 736)
Cash and cash-equivalents beginning of period	160 753	397 489	397 489
CASH AND CASH-EQUIVALENTS END OF PERIOD	177 698	396 519	160 753

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2022	Attributable to shareholders of ABAX Group AS					
	Share capital	Share premium	Total paid-in capital	Retained earnings	Translation reserve	Total equity
Amounts in NOK thousand						
Ingoing balance 1 January 2022	42 959	1 817 821	1 860 780	(284 917)	(69 688)	1 506 174
Total comprehensive income for the period 01.01.22 - 31.12.22						
Loss for the period				(154 703)		(154 703)
Other comprehensive income for the period					(2 109)	(2 109)
				(154 703)	(2 109)	(156 812)
Transactions with owners of the Company						
Group contribution Abax Midco				(45)		(45)
Group contribution Abax Invest				(100)		(100)
Balance as of 31 December 2022	42 959	1 817 821	1 860 780	(439 765)	(71 797)	1 349 217

Year 2023	Attributable to shareholders of ABAX Group AS					
	Share capital	Share premium	Total paid-in capital	Retained earnings	Translation reserve	Total equity
Amounts in NOK thousand						
Ingoing balance 1 January 2023	42 959	1 817 821	1 860 780	(439 765)	(71 797)	1 349 217
Total comprehensive income for the period 01.01.23 - 31.03.23						
Loss for the period				(19 215)		(19 215)
Other comprehensive income for the period					39 713	39 713
				(19 215)	39 713	20 498
Transactions with owners of the Company						
Balance as of 31 March 2023	42 959	1 817 821	1 860 780	(458 982)	(32 084)	1 369 713

Notes

Note 1 | General Information

ABAX Group AS ("the Company") and its subsidiaries (together "the Group") has its headquarters and registered office at Hammergata 20, 3264 Larvik, Norway.

The interim condensed consolidated financial statements for the first quarter 2023, ending 31 March 2023, were prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's 2022 annual report.

The consolidated financial statements of profit and loss is converted to NOK by using monthly average exchange rates as reported by Norges Bank

The consolidated financial statements of financial position is converted to NOK by using ending rates as reported by Norges Bank

Note 2 | Segment reporting

The group recognises only a single segment in accordance with the definition of operating segment in IFRS 8. The starting point for identifying operating segments on which separate information can be provided are the internal reports to and monitoring by the group management. The group management monitors operating income for the entire business as one operating segment.

Note 3 | Revenue

ABAX has business areas as operating segments. The operating segments correspond to the way in which the business areas report figures to the Group executive management (key decision maker). In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

Amounts in NOK thousand	January-March	
	2023	2022
Primary geographical markets		
Norw ay	62 211	57 067
Sw eden	69 515	65 916
Finland	13 200	10 680
Denmark	5 020	4 279
UK	18 129	13 941
Other	24 676	21 072
Revenue	192 752	172 954
Major products/service lines		
Trip logs	174 055	157 907
Equipment control	18 697	15 047
Revenue	192 752	172 954
Timing of revenue recognition		
Products transferred at a point in time	-	-
Products and services transferred over time	192 752	172 954
Revenue	192 752	172 954
Revenue type		
Operational revenue	192 752	717 021
Total revenue	192 752	717 021

Note 4 | ABAX Bond

The Group has during 2022 repurchased a nominal value of 233,8 MNOK in the corporate bond at an average price of 102,33 (par value = 100). In total the Group holds a nominal value of 766 MNOK in corporate bonds at year end. The difference between the carrying amount allocated to the part derecognised and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognised is recognised under financial items as loss of 8,9 MNOK.

ALTERNATIVE PERFORMANCE MEASURES

Pro-forma Revenue

Pro-forma Revenue is a metric aiming to show like-for-like revenue according to Software as a Service (SaaS) revenue recognition policy starting from 01.01.2020, with adjustments to revenue impacting until 31.12.2022.

EBITDA (Earnings before interest, tax, depreciation and amortisation)

Management has presented the performance measure EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, gains and losses from divestments, amortisation related to goodwill, intangible assets, property, plant and equipment. EBITDA is not a defined performance measure under IFRS. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Non-recurring items (NRIs)

A non-recurring item is an infrequent or abnormal gain or loss that is reported in the company's financial statements. Unlike other items reported by a company, non-recurring items do not arise from the normal company's operations. The items are generally caused by unusual and infrequent events.

Non-Recurring items relating to:	Q1 2023	Q1 2022
Amounts in NOK million		
Reorganization exceptional cost (Payroll)	2,1	1,8
Advisory and legal fees(OPEX)	0,7	2,1
UBI start up cost and data chip (COGS)	3,1	0,8
Total non-recurring items	6,0	4,6

Adjusted EBITDA

The adjusted EBITDA measure is based on EBITDA and adjusted for Pro-forma revenue and non-recurring items as described above.

Adjusted EBITDA margin

The adjusted EBITDA margin measure the profitability of operational performance and is calculated from adjusted EBITDA divided by Pro-forma Revenue.

LTM Adjusted EBITDA

Shows the last twelve months Adjusted EBITDA

Adjusted Operating Free Cash Flow

Adjusted Operating Free Cash Flow is calculated as: Adjusted EBITDA less Capitalized Expenses and adjusted for change in Net Working Capital

ABAX

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