Q4 report 2023

FOURTH QUARTER AND PRELIMINARY RESULTS 2023

HIGHLIGHTS Q4 2023

- Revenues of USD 67.7 million (Q4 22: USD 42.8 million)
- Operating profit of USD 3.9 million (Q4 22: USD 2.5 million)
- Adjusted EBIT of USD 5.0 million (Q4 22: USD 3.5 million)
- Net cash of USD 17.2 million (Q3 23: USD 14.9 million)
- Proposing semi-annual dividend of NOK 0.4 per share in H1 2024

HIGHLIGHTS FULL YEAR 2023

- Revenue of USD 251.2 million (2022: USD 167.9 million)
- Operating profit of USD 16.5 million (2022: USD 12.5 million)
- Adjusted EBIT of USD 20.8 million (2022: USD 15.3 million)
- Total dividend of NOK 0.7 per share paid during 2023
- Completed acquisition of AGR and DWP

Reuben Segal, CEO of ABL Group ASA (“ABL Group” or the “Company”) commented:
“Ending the year with record high operational cash flows, 2023 represents another step change in the development of ABL Group. The acquisition of AGR accounted for a large element of our annual growth of 50%, but we also demonstrated organic growth in all existing parts of the business, led by in renewables consultancy OWC. We continue our investment in OWC, despite lower utilisation in the quarter, as this is a longer term play on building a leading renewables consultancy capability.

Our outlook for ABL Group for 2024 is upbeat. A larger share of global oil & gas expenditure is expected to go into offshore execution, where ABL Group’s core capacity lies. The offshore wind industry sentiment is improving ahead of what will be the busiest year of auctions ever in the sector. Finally, activity in the maritime sector remains high and stable, providing a robust base for our more cyclical operations.”

KEY FIGURES

USD thousands (except shares, backlog, employees)	Q4 2023	Q4 2022	FY 2023	FY 2022
FINANCIALS				
Total revenue	67,716	42,788	251,233	167,897
EBITDA(1)	5,489	3,348	21,831	15,856
Adjusted EBITDA(1)	6,233	4,215	24,872	18,175
Operating profit (loss) (EBIT)(1)	3,913	2,512	16,530	12,514
Adjusted EBIT(1)	5,010	3,521	20,750	15,262
Profit (loss) after taxes(1)	543	(1,166)	8,677	6,253
Adjusted profit (loss) after taxes(1)	1,640	(1,221)	12,897	7,113
Basic earnings per share (USD)	0.00	- 0.01	0.07	0.06
Adjusted basic earnings per share (USD)	0.01	- 0.01	0.11	0.07
Weighted average number of outstanding shares (thousands)	123,350	104,770	117,702	99,850
Cash and cash equivalents at the end of the period	28,157	30,974	28,157	30,974
OPERATIONS				
Order backlog at the end of the period (USD million)(1)	72.2	72.1	72.2	72.1
Average full-time equivalent employees during the period (2)	1,613	1,098	1,466	1,027
Average billing ratio during the period(3)	76%	77%	76%	77%

(1) Refer Alternative Performance Measures
(2) Include subcontractors on 100% utilisation basis
(3) Billing ratio for technical employees including subcontractors on 100% utilisation basis. Excludes management, business development, administrative support employees and temporary redundancies. Figure calculated as billable hours over available hours. Available hours excludes paid absence and unpaid absence.

GROUP FINANCIAL REVIEW

(Figures in brackets represent same period prior year or balance sheet date as of 30th September 2023. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period).

Group results
The acquisition of AGR AS ("AGR") was consolidated in ABL Group's consolidated accounts as of 1 April 2023. The acquisition of Delta Wind Partners ("DWP") was consolidated as of 1 September 2023. For more information about these acquisitions, please see note 8.

Total operating revenues increased by 58% to USD 67.7 million in Q4 2023 (USD 42.3 million). This increase in revenues was primarily driven by the OWC segment, growing by 33% compared to Q4 2022, in addition to the acquisitions of AGR and Delta Wind Partners.

The total operating revenues were USD 251.2 million in 2023 (USD 167.9 million).

Staff costs increased by 40% to USD 33.0 million in Q4 2023 (USD 23.6 million). Other operating expenses increased by 85% to USD 29.2 million in Q4 2023 (USD 15.8 million). Depreciation, amortisation and impairments increased by 89% to USD 1.6 million in Q4 2023 (USD 0.8 million).

Total operating expenses were USD 234.7 million in 2023 (USD 155.4 million). The increase in operating expenses is primarily attributed to the acquisition AGR.

Operating profit (EBIT) amounted to USD 3.9 million in Q4 2023 (USD 2.5 million). Adjusted EBIT amounted to USD 5.0 million in Q4 2023 (USD 3.5 million). The adjustments primarily relate to integration costs, amortisation of intangible assets, share-based compensation, M&A transaction costs and other extraordinary or non-cash items.

EBIT amounted to USD 16.5 million in 2023 (USD 12.5 million). Adjusted EBIT amounted to USD 20.8 million in 2023 (USD 15.3 million).

The billing ratio for technical staff including freelancers was 76% in Q4 2023 (77%).

Finance expenses of USD 0.6 million in Q4 2023 (USD 0.7 million) mainly represents interest on the group's interest-bearing debt.

Net currency loss of USD 1.4 million in Q4 2023 (loss of USD 1.3 million in Q4 2022) and loss of USD 2.4 million in 2023 (loss of USD 2.5 million in 2022) mainly represents unrealised loss on revaluation of bank accounts.

Profit after taxes amounted to USD 0.5 million in Q4 2023 (Loss of USD 1.2 million in Q4 2022). Profit after taxes amounted to USD 8.7 million in 2023 (USD 6.3 million).

Financial position and liquidity
At 31 December 2023, cash and cash equivalents amounted to USD 28.2 million, down from USD 25.9 million at 30 September 2023. Cash flow from operations was positive at USD 7.5 million in the quarter driven primarily by operating profits and a reduction in net working capital. Net working capital ratio has improved with the acquisition of AGR and is expected to remain at a lower level, but will continue to fluctuate with the type of projects, milestone payments and the overall revenues. Cash flow from investing activities was slightly negative at USD 0.8 million. Cash flow from financing was negative at USD 5.1 million, primarily driven by dividend payments of USD 4.0 million during the quarter.

Interest bearing bank debt at 31 December 2023 was USD 10.9 million, down from USD 11.0 million at 30 September 2023. In January 2024, this debt has been fully repaid and refinanced with a new USD 30 million revolving credit facility maturing in January 2027.

Lease liabilities were USD 8.6 million at 31 December 2023, up from USD 7.8 million at 30 September 2023. The lease liabilities are related to IFRS 16 recognition of long-term lease contracts for the company's offices worldwide.

Order backlog
The order backlog at the end of Q4 2023 was USD 72.2 million, down from USD 86.2 million at the end of Q3 2023.

ABL Group's services are primarily driven by "call-out contracts" which are driven by day-to-day operational requirements. An estimate for backlog on "call-out contracts" is only included in the order backlog when reliable estimates are available.

Organisational development
ABL Group had 1,613 employees (full time equivalents, "FTEs"), including freelancers at 100% utilisation basis, on average during Q4 2023. The equivalent number was 1,098 for Q4 2022.

Health, safety, environment and quality
ABL Group's HSEQ management system provides the framework to manage all aspects of our business. The management system is designed to ensure compliance with regulatory requirements, identify and manage risks and to drive continuous improvement in HSEQ performance.

ABL Group had no lost time incidents (LTI) in 2023. Since Aqualis' incorporation in 2013, the company has had 3 LTIs in over 8 million cumulative man-hours clocked. These stats include AGR from Q2 2023.

	2021	2022	2023	All time
Man-hours (millions)	1.8	1.9	2.7	9.6
LTIs	2	0	0	3

Outlook

While overall global oil & gas capex spending is indicated to stabilise in 2024, we expect a larger share of spending to go into offshore in general, and the execution phase of investments in particular. This will benefit our greenfield and capex driven services. We have already seen significant improvements in brownfield and opex driven work during the last 24 months, and expect this market to remain strong over the next year.

The offshore wind industry, our core renewables market, has grown rapidly over the last years, and our dedicated renewables consultancy OWC delivered 35% growth also in 2023. However, in the second half of 2023, we saw some projects delayed or cancelled right before construction was due to start, as they had been entered into on low fixed offtake prices and were no longer economical given cost inflation and higher interest rates. This had a knock-on effect also on earlier stage projects, with developers taking a “wait and see” approach waiting for governments to show support at new cost levels.

Heading into 2024, we expect rapid improvement in the market. In recent months, we have seen significantly improved sentiment in industry after positive data points including:

- UK increased upper price limit for next CfD auction by 66% for fixed offshore wind and 52% for floating wind, beating industry estimates in response to cost increases; and
- In the US, states that suffered from developers pulling back from agreed offtake contracts during summer awarded multiple projects in October with much higher prices and improved inflation protection than previous contracts.

We continue to see developers aggressively invest in new strategic acreage and emerging markets in support of the long-term trend. 2024 looks set to be the busiest year for offshore wind auctions ever, with over 3x more capacity auctioned than in 2023. For ABL Group, the flexibility to work across various parts of the value chain and in support of early origination is expected to support continued high growth.

We expect to retain our strong position in our maritime markets. These markets are long term stable and move in tandem with global shipping activity, but short-term development remains largely event driven and difficult to forecast.

ABL Group’s current strategy remains unchanged being focused on widening and strengthening its global client portfolio and enhancing client loyalty to retain and obtain market leading positions across our services and geographies.

ABL Group will continue to be active in the consolidation and restructuring of our industry. ABL Group remains focused on value creation for all our stakeholders; customers, employees and shareholders. The active pursuit of strategic and value creating acquisitions allows us to make large strides in positioning the group in attractive markets, and to become the leading independent global energy and marine consultancy.

Oslo, 21 February 2024

The Board of Directors of
ABL Group ASA

Condensed interim consolidated financial statements Q4 2023

USD thousands

Consolidated income statement	Q4 2023	Q4 2022	FY 2023	FY 2022
Revenue	67,716	42,788	251,233	167,897
Total revenue	**67,716**	**42,788**	**251,233**	**167,897**
Staff costs	(33,000)	(23,619)	(125,373)	(88,126)
Other operating expenses	(29,227)	(15,821)	(104,028)	(63,915)
Depreciation, amortisation and impairment	(1,576)	(836)	(5,301)	(3,342)
Operating profit (loss) (EBIT)	**3,913**	**2,512**	**16,530**	**12,514**
Gain on bargain purchase / disposal of subsidiaries	-	1,064	-	1,889
Finance income	220	45	423	169
Finance expenses	(632)	(701)	(1,666)	(1,411)
Net foreign exchange gain (loss)	(1,422)	(1,290)	(2,843)	(2,507)
Profit (loss) before income tax	**2,079**	**1,629**	**12,445**	**10,654**
Income tax expenses	(1,536)	(2,796)	(3,768)	(4,401)
Profit (loss) after tax	**543**	**(1,166)**	**8,677**	**6,253**

Consolidated statement of other comprehensive income	Q4 2023	Q4 2022	FY 2023	FY 2022
Profit (loss) after tax	**543**	**(1,166)**	**8,677**	**6,253**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Currency translation differences	3,523	1,706	2,115	(2,777)
Income tax effect	(793)	(729)	(793)	(729)
Other comprehensive income for the period, net of tax	**2,730**	**976**	**1,322**	**(3,506)**
Total comprehensive income for the period	**3,273**	**(190)**	**9,999**	**2,746**
Total comprehensive income for the period is attributable to:				
Equity holders of the parent company	3,220	(235)	9,722	2,689
Non-controlling interests	53	45	277	58
	3,273	**(190)**	**9,999**	**2,746**
Earnings per share (USD): basic	**0.00**	**(0.01)**	**0.07**	**0.06**

Condensed interim consolidated financial statements Q4 2023

USD thousands

Consolidated balance sheet	31 December 2023	31 December 2022
ASSETS		
Non-current assets		
Property, plant and equipment	2,464	2,101
Right-of-use assets	8,149	7,904
Goodwill and intangible assets	56,828	29,382
Investment in associates	32	29
Deferred tax assets	5,308	1,744
Total non-current assets	**72,781**	**41,160**
Current assets		
Trade and other receivables	57,392	41,400
Contract assets	22,185	13,394
Cash and cash equivalents	28,157	30,974
Total current assets	**107,734**	**85,769**
Total assets	**180,515**	**126,928**
EQUITY AND LIABILITIES		
Equity		
Share capital	1,580	1,402
Share premium	84,109	63,349
Consideration shares	1,236	1,236
Share-based compensation reserve	5,208	3,769
Retained earnings	23,152	14,752
Foreign currency translation reserve	(14,490)	(15,812)
Total	**100,796**	**68,697**
Non-controlling interests	263	(269)
Total equity	**101,059**	**68,427**
Non-current liabilities		
Deferred tax liabilities	4,687	2,516
Lease liabilities	6,801	6,922
Provisions and other payables	7,466	5,993
Total non-current liabilities	**18,955**	**15,432**
Current liabilities		
Trade and other payables	44,830	25,890
Contract liabilities	1,978	1,535
Short term borrowings	10,946	13,337
Lease liabilities	1,818	1,869
Income tax payable	930	439
Total current liabilities	**60,501**	**43,069**
Total liabilities	**79,456**	**58,501**
Total equity and liabilities	**180,515**	**126,928**

Condensed interim consolidated financial statements Q4 2023

USD thousands

Consolidated statement of cash flows	Q4 2023	Q4 2022	FY 2023	FY 2022
Cash flow from operating activities				
Profit (loss) before taxes	2,079	1,629	12,445	10,654
Non-cash adjustment to reconcile profit before tax to cash flow:				
Depreciation, amortisation and impairment	1,576	836	5,301	3,342
Non-cash employee benefits expense – share-based payments	208	371	1,439	1,396
Gain on bargain purchase / disposal of subsidiaries	-	(1,064)	-	(1,889)
Changes in working capital:				
Changes in trade and other receivables	1,801	7,475	(10,887)	12,558
Changes in trade and other payables	560	(1,903)	4,632	(2,853)
Interest costs - net	166	612	887	1,115
Proceeds on realisation of customer contract	-	-	-	-
Income taxes paid	(407)	(935)	(1,790)	(2,894)
Net exchange differences	1,559	(104)	(476)	(2,144)
Cash flow from (used in) operating activities	**7,542**	**6,917**	**11,553**	**19,285**
Cash flow from investing activities				
Payments for property, plant and equipment	(857)	(461)	(2,422)	(1,862)
Interest received	71	47	167	81
Net cash acquired (paid) on acquisition of subsidiaries	-	(819)	2,008	(583)
Cash flow from (used in) investing activities	**(786)**	**(1,233)**	**(247)**	**(2,364)**
Cash flow from financing activities				
Dividends paid to company's shareholders	(4,026)	(3,019)	(8,073)	(5,936)
Principal elements of lease payments	(921)	(543)	(2,808)	(1,765)
Proceeds from loans and borrowings	-	-	-	5,000
Repayment of borrowings	(19)	(833)	(2,391)	(3,333)
Proceeds from issuance of shares capital	(7)	13	(7)	1,746
Interest paid	(167)	(211)	(721)	(650)
Cash flow from (used in) financing activities	**(5,140)**	**(4,593)**	**(13,999)**	**(4,939)**
Net change in cash and cash equivalents	1,616	1,092	(2,693)	11,982
Cash and cash equivalents at the beginning of the period	25,890	29,267	30,974	19,815
Effect of movements in exchange rates	651	615	(123)	(823)
Cash and cash equivalents at the end of the period	**28,157**	**30,974**	**28,157**	**30,974**

Condensed interim consolidated financial statements Q4 2023

USD thousands

Consolidated statement of changes in equity	Share capital	Share premium	Consideration shares	Share-based compensation reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
At 1 January 2022	1,323	64,912	1,890	2,372	8,557	(12,306)	66,751	114	66,865
Other comprehensive income	-	-	-	-	6,195	(3,506)	2,689	58	2,747
Cash-settled capital increase (net of transaction costs)	53	1,694	-	-	-	-	1,746	-	1,746
Shares issued as consideration for business combination	26	2,680	(654)	-	-	-	2,052	-	2,052
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	(441)	(441)
Dividends paid	-	(5,936)	-	-	-	-	(5,936)	-	(5,936)
Share-based payment expenses	-	-	-	1,397	-	-	1,397	-	1,397
At 31 December 2022	**1,402**	**63,349**	**1,236**	**3,769**	**14,752**	**(15,812)**	**68,697**	**(269)**	**68,428**
At 1 January 2023	1,402	63,349	1,236	3,769	14,752	(15,812)	68,697	(269)	68,428
Other comprehensive income	-	-	-	-	8,399	1,322	9,721	277	9,998
Shares issued as consideration for business combination	178	28,833	-	-	-	-	29,011	-	29,011
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	255	255
Dividends paid	-	(8,073)	-	-	-	-	(8,073)	-	(8,073)
Share-based payment expenses	-	-	-	1,439	-	-	1,439	-	1,439
At 31 December 2023	**1,580**	**84,109**	**1,236**	**5,208**	**23,152**	**(14,490)**	**100,796**	**263**	**101,060**

Condensed interim consolidated financial statements Q4 2023

Notes to the interim consolidated financial statements

1. Corporate information

ABL Group ASA ("the Company") is a limited liability company incorporated on 13 June 2014 and domiciled in Norway with its registered office at Haakon VIIs gate 6, 0161 Oslo, Norway. The Company is listed on Oslo Stock Exchange.

The principal activity of the Company and its subsidiaries (collectively the "ABL Group" or the "Group") is to offer adjusting, marine, offshore and renewables consultancy services to the energy, shipping and insurance industries globally. The group employs specialist engineers, naval architects, master mariners, loss adjusters and technical consultants in 65 offices located across 5 continents in 39 countries.

For all periods up to and including the period ended 31 December 2023, the consolidated financial statements of the Group are a continuation of the group values transferred from Weifa ASA in the spin-off of the marine and offshore business wherein all the shares in subsidiaries were transferred to Aqualis ASA on 24 July 2014. The ownership of the subsidiaries and the related excess values from the acquisitions are consequently continued in the consolidated financial statements of the Group.

2. Basis of preparations and changes to the accounting policies

This condensed consolidated interim financial report for the period ended 31 December 2023 has been prepared in accordance with Accounting Standard 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 accordingly this report should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

The accounting policies adopted in the preparation of this condensed consolidated financial statements are consistent with those followed in the preparation of the last annual consolidated financial statements for the year ended 31 December 2022.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These condensed consolidated financial statements are presented in US Dollars (USD). All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the condensed consolidated financial statements may not add up to the total of that row or column.

3. Critical accounting estimates and judgements in terms of accounting policies

In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements including estimation of fair values of contingent purchase consideration in a business combination.

4. Segment information

As of 1st July 2023, the ABL Group is managed by four distinct business lines under the brands ABL ("The Energy and Marine Consultants"), OWC ("The Renewable Energy Consultants"), Longitude ("The Engineering Consultants") and AGR ("The Energy and Software Consultants"). The internal restructuring was carried out to simplify the group structure and to improve clarity around service offerings. These business lines will also form the basis for the four reportable segments of the Group. The internal management reports provided by management to the Group's Board of Directors, which is the group's decision maker, is in accordance with this structure.

Note that the AGR segment includes the AGR business acquired in Q2 2023, as well as certain Add Energy entities acquired in Q3 2022, which now form part of the AGR segment. Financials for the AGR segment prior to Q2 2023 relates solely to these Add Energy entities.

The following is a summary of revenues and operating profit (loss) (EBIT) for entities in four different business lines. Eliminations reflects the eliminations of intra-group revenue to the extent that these arise between the business lines.

USD thousands

Revenues	Q4 2023	Q4 2022	FY 2023	FY 2022
ABL	34,488	30,803	138,786	125,357
OWC	10,327	7,762	41,615	30,739
Longitude	3,001	2,926	12,385	11,191
AGR	21,350	2,852	66,224	6,469
Eliminations	(1,450)	(1,556)	(7,777)	(5,859)
Total revenues	**67,716**	**42,788**	**251,233**	**167,897**

Operating profit (loss) (EBIT)	Q4 2023	Q4 2022	FY 2023	FY 2022
ABL	8,253	7,217	31,896	24,908
OWC	258	772	4,200	4,362
Longitude	571	393	3,014	2,530
AGR	1,218	(756)	3,119	(845)
Corporate group	(6,388)	(5,114)	(25,699)	(18,439)
Total EBIT	**3,913**	**2,512**	**16,530**	**12,514**

The following segment assets information provided to the Board of Directors for reportable segment consist primarily of trade receivables, contract assets and cash and cash equivalents for entities in the different business lines.

USD thousands	31 December 2023		31 December 2022	
Trade receivables and contract assets	Trade receivables	Contract assets	Trade receivables	Contract assets
ABL	28,290	11,402	24,902	9,719
OWC	5,904	3,645	3,192	1,931
Longitude	1,532	1,110	894	1,258
AGR	11,749	6,028	3,455	487
Total	**47,475**	**22,185**	**32,443**	**13,394**

USD thousands

Cash and cash equivalents	31 December 2023	31 December 2022
ABL	15,291	19,485
OWC	4,240	4,626
Longitude	911	803
AGR	7,129	1,710
Corporate group	585	4,350
Total	**28,157**	**30,974**

5. Other operating expenses

USD thousands

Other operating expenses	Q4 2023	Q4 2022	FY 2023	FY 2022
Subcontractors cost	20,875	9,522	72,202	37,765
Office lease and maintenance expenses	389	168	2,603	1,963
Insurance cost	910	667	3,372	2,637
Cost of recharged expenses	1,869	1,853	7,267	6,781
Transaction costs related to acquisition	-	-	720	357
General and administrative expenses	5,184	3,611	17,863	14,412
Total	**29,227**	**15,821**	**104,028**	**63,915**

6. Goodwill and intangible assets

USD thousands

Goodwill and intangible assets	Goodwill	Customer relations	Patents and brand name	Internally generated softwares	Total
Cost					
At 1 January 2023	29,218	4,275	1,386	502	35,382
Acquired through business combinations	14,764	6,736	3,284	2,478	27,262
Additions	-	-	-	1,214	1,214
Effect of movements in exchange rates	290	126	66	288	769
At 31 December 2023	**44,272**	**11,137**	**4,736**	**4,483**	**64,627**
Amortisation and impairment					
At 1 January 2023	5,141	740	46	72	5,999
Amortisation charge	-	1,087	92	782	1,961
Effect of movements in exchange rates	(155)	(6)	-	-	(161)
At 31 December 2023	**4,986**	**1,820**	**139**	**854**	**7,799**
Net book value at 31 December 2023	**39,285**	**9,317**	**4,597**	**3,629**	**56,828**
Net book value at 31 December 2022	**24,077**	**3,536**	**1,340**	**430**	**29,383**

All goodwill is allocated to cash-generating units. These cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill denominated in foreign currencies is revalued at the balance sheet date. The allocation of goodwill to cash-generating units is as follows:

USD thousands

Cash Generating Units (CGUs)	31 December 2023	31 December 2022
ABL	19,973	19,878
AGR	13,467	-
OWC	4,246	2,600
Longitude	1,599	1,599
Total	**39,285**	**24,077**

Goodwill arising from the acquisitions is attributable to the workforce of the acquired businesses. Goodwill amounts have been measured on a provisional basis. If new information is obtained within one year of the date of acquisition relating to facts and circumstances that existed on the date of acquisition which identifies material adjustments to the above amounts then the accounting for the acquisition will be revised.

Goodwill is tested for impairment at least annually, or more frequently when there are indications of impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculations requires the Directors to estimate future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The company has completed an annual assessment of impairment indicators and performed impairment tests on assets and CGUs. The following assumptions were used:

Cash flow projections and assumptions

A 3 year forecast of discounted cash flows plus a terminal value (Gordon's growth model) was used to determine net present value (NPV) of each CGU. Discounted cash flows were calculated before tax.

Estimated future cash flows for the different CGUs are estimated based on budgets and long-term estimates. The estimated cash flows for 2024is based on budget, with estimated cash flows in the years 2025-2026 being based on 2-year forecasts for each CGU. The projected cash flows are based on the current and expected market conditions and the CGU performance.

Cash flows have been used over a period of three years as management believes this reflects a horizon for management to monitor the trends in the business. After three years long-term growth rates of 1.5% for Oil & Gas and Maritime businesses and 1.7% for the Renewable businesses have been applied.
This is somewhat below OECD market forecasts for growth in energy demand and markets until 2040. While Oil & Gas activities are not assumed to have infinite lives, ABL Group's core competence is applicable across multiple energy markets, and it is expected that in the long-term Oil & Gas clients will be replaced by customers with similar demands from energy transition activities and other industries. The estimated terminal long-term growth is mainly

dependent on overall market growth for demand for our services and the CGUs ability to recruit the right personnel and its ability to create revenue growth through the proper utilization of human resources.

Discount rate
The discount rate used is the weighted average cost of capital (WACC) calculated using capital asset pricing model (CAPM) with discount rates for each CGU derived as the WACC for a similar business in the same business environment. The input data is gathered from representative sources, and this is used for management's best estimate of WACCs. All parameters were set to reflect the long-term period of the assets and time horizon of the forecast period of the cash flows.

Key inputs in determining the WACC:
• Risk free interest rate: 10-year government yield
• Asset beta: Based on selected peer group consisting of companies with statistical data for the last 5 years (2023: 0.94; 2022: 1.04)
• Capital structure: Debt: Equity ratio of 20%: 80% (2022: 20%: 80%)
The cash flows were discounted using WACC of 9%-11.6% (2022: 12.3%)

Impairment test results and conclusion:
The test performed indicated the value in use exceeds the carrying amounts for all CGUs. Consequently, no impairment charges have been recorded during the year.

Sensitivity to impairment
Sensitivity calculations are done for all impairment tests. To test the sensitivity of the results of the impairment review, the calculations have been re-performed using the following assumptions:
• An increase in discount rate of 2.0% points
• A reduction in the EBITDA margin of 3.0% points in the terminal year
• A reduction in terminal growth rate to 0.5% points
The results indicated that a combined change in all the three assumptions in the sensitivity analysis would result in a value in use exceeds the carrying amounts for all CGUs.

7. Trade receivables and contract assets

The ageing profile of trade receivables and contract assets balance at the reporting date is as follows:

USD thousands

Trade receivables and contract assets	31 December 2023	31 December 2022
Trade receivables		
Up to 3 months	40,043	25,113
3 to 6 months	4,716	2,903
6 to12 months	1,867	2,807
Over 12 months	849	1,619
Total trade receivables	**47,475**	**32,442**
Contract assets	22,185	13,394
Total	**69,660**	**45,836**

Contract assets comprises of payment for services that are not due from the customers until the services are complete and therefore contract assets are recognised over the period in which the services are performed representing the Group’s right to consideration for the services performed to date. Revenue from such services is recognised as a performance obligation satisfied over time when services are performed and delivered and measured based on the consideration specified in a contract with customers.

8. Business combinations

Acquisition of AGR AS
On 18 April 2023, ABL Group ASA acquired 100 percent of the shares in multi-disciplinary engineering consultancy and software company AGR AS (“AGR”). The acquisition will bolster ABL Group’s offering within well and reservoir

consultancy, enhances the group's position supporting operators' digitalisation and decarbonisation plans, and expand its opex-driven offshore energy exposure.

Details of the preliminary purchase consideration, the provisional net assets acquired and goodwill are as follows:

The following table summarises fair value of purchase consideration:

USD thousands

Purchase consideration	
Cash consideration	509
Consideration shares	28,456
Total purchase consideration	**28,965**

The purchase price consideration consists of a combination of cash consideration and consideration shares in the Company as follows:

- NOK 5.3 million (USD 0.5 million) (the "Cash Consideration"), settled in cash on completion
- NOK 272.5 million settled through issuance of 18,166,667 ordinary ABL Group shares (the "Consideration Shares"), representing 14.8% of outstanding shares post-issue. The fair value of the consideration shares of USD 28.5 million, is based on the share price of the Company on 18 April 2023 of NOK 16.4 per share, which was the closing share price on the completion day of the acquisition.

The following table summarises the provisional fair value of net assets acquired:

USD thousands

Fair value of net assets acquired	USD
Property, plant and equipment	246
Right of use assets	1,157
Intangible assets - internally generated softwares	2,478
Intangible assets - brand and customer relations	10,020
Deferred tax assets	3,595
Trade and other receivables	9,352
Contract assets	5,143
Cash and cash equivalents	3,593
Trade and other payables	(15,581)
Deferred tax liabilities	(2,410)
Long term liabilities	(1,601)
Net identifiable assets acquired	**15,991**
Non-controlling interests	(255)
Goodwill	13,229
Net assets acquired	**28,965**

The Company identified USD 10.0 million in value which can be allocated to the brand name and customer relations, offset by deferred tax of USD 2.1 million.

The fair value of the "AGR" brand was calculated by using a relief from royalty method. The estimated royalty payment that are expected to be avoided are calculated using royalty rate of 0.5% and discounted at 10.8% over a period of ten years. After ten years a terminal growth rate has been set to 2%.

The fair value of the customer relations within the business units were calculated by discounting projected cash flows in the years 2023 to 2026 in case of well management and in the years 2023 to 2033 for other business units, which is based on the budgeted cash flow in 2023 and applying a normal growth rate of 2%. The churn rate for business units - well management and other business units were 33% and 10% respectively. The cash flows were discounted using weighted average cost of capital of 11.7%.

There were no other separately identifiable intangible assets or fair value adjustments recognised on the acquisition. The book value of acquired assets and liabilities has been considered the fair value.

If new information is obtained within one year from the date of acquisition concerning facts and circumstances that existed at the acquisition date which identifies material adjustments to the above amounts then the purchase price allocation will be revised. The fair value of acquired trade receivables on acquisition is USD 8.6 million. The gross contractual amount for trade receivables due is USD 8.8 million, with a loss allowance of USD 0.2 million.

Impact of acquisitions on the results of the group:

AGR was consolidated as of 18 April 2023. The Group incurred acquisition-related costs of USD 0.5 million on legal fees and due diligence. These costs have been included in other operating expenses in the consolidated income statement.

Acquisition of Delta Wind Partners (DWP)

On 23 August 2023, ABL Group ASA acquired 100 percent of the shares in the Denmark-based offshore wind consultancy DWP Group ApS and its subsidiary Delta Wind Partners ApS. The acquisition expands OWC's technical offering in wind turbines and in consultancy at the installation and O&M phases of an offshore wind project. It also provides an opportunity to further grow DWP's unique approach to WTG optimisation both globally and in the floating offshore wind market.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The following table summarises fair value of purchase consideration:

Purchase consideration

USD thousands

Purchase consideration	
Cash Consideration	1 086
Consideration shares	642
Total purchase consideration	**1 728**

The purchase price consideration consists of a combination of cash consideration and consideration shares in the Company as follows:

- DKK 7.4 million (USD 1.1 million) (the "Cash Consideration"), settled in cash on completion
- DKK 4.0 million settled through issuance of 413,838 ordinary ABL Group shares (the "Consideration Shares"), representing 0.3% of outstanding shares post-issue. The fair value of the consideration shares of USD 642 thousands, is based on the average share price of the Company on 23 August 2023 of NOK 16.5 (USD 1.6) per share, which was the closing share price on the completion day of the acquisition. The Consideration Shares are subject to a lock-up agreement and certain restrictions for 3-5 years.

The following table summarises the provisional fair value of net assets acquired:

USD thousands

Fair value of net assets acquired	
Property, plant and equipment	11
Intangible assets - internally generated softwares	22
Intangible assets - brand and customer relations	-
Financial assets (deposits)	12
Deferred tax assets	2
Trade and other receivables	399
Contract assets (WIP)	72
Cash and cash equivalents	8
Trade and other payables	(228)
Income tax payable	(105)
Deferred tax liabilities	-
Long term liabilities	-
Net identified assets acquired	**193**
Non-controlling interests	-
Goodwill	1 535
Net assets acquired	**1 728**

There have not been identified any excess value related to the Delta Wind brand name and the company's customer relations. As such, the USD 1.5 million in excess value has been fully allocated to goodwill.

There were no other separately identifiable intangible assets or fair value adjustments recognised on the acquisition. The book value of acquired assets and liabilities has been considered the fair value.

If new information is obtained within one year from the date of acquisition concerning facts and circumstances that existed at the acquisition date which identifies material adjustments to the above amounts, the purchase price allocation will be revised.

Impact of acquisitions on the results of the group:

Delta Wind Partners was consolidated as of 23 August 2023. The Group incurred acquisition-related costs of USD 0.2 million on legal fees and due diligence. These costs have been included in other operating expenses in the consolidated income statement.

9. Alternative performance measures

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. Alternative performance measures are meant to provide an enhanced insight into the operations, financing and future prospects of the company. The Company has defined and explained the purpose of the following APMs:

Adjusted EBITDA
Adjusted EBITDA which excludes depreciation, amortisation and impairments, share of net profit (loss) from associates, transaction costs related to acquisitions, restructuring and integration costs is a useful measure because it provides useful information regarding the Company's ability to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies. EBITDA may not be comparable to other similarly titled measures from other companies. A reconciliation between reported operating profit/(loss) and EBITDA is shown below.

USD thousands

Adjusted EBITDA	Q4 2023	Q4 2022	FY 2023	FY 2022
Operating profit (loss) (EBIT)	3,913	2,512	16,530	12,514
Depreciation, amortisation and impairment	1,576	836	5,301	3,342
Transaction costs related to M&A	-	94	720	357
Restructuring and integration costs	220	170	392	189
Other special items (incl. share-based expenses)	524	603	1,928	1,773
Adjusted EBITDA	**6,233**	**4,215**	**24,872**	**18,175**

Adjusted EBIT
Adjusted EBIT which excludes amortisation and impairments, share of net profit (loss) from associates, transaction costs related to acquisitions, restructuring and integration costs is a useful measure because it provides an indication of the profitability of the Company's operating activities for the period without regard to significant events and/ or decisions in the period that are expected to occur less frequently. A reconciliation between reported operating profit/(loss) and EBIT adjusted is shown below.

USD thousands

Adjusted EBIT	Q4 2023	Q4 2022	FY 2023	FY 2022
Operating profit (loss) (EBIT)	3,913	2,512	16,530	12,514
Amortisation and impairment	353	142	1,179	430
Transaction costs related to M&A	-	94	720	357
Restructuring and integration costs	220	170	392	189
Other special items (incl. share-based expenses)	524	603	1,928	1,773
Adjusted EBIT	**5,010**	**3,521**	**20,750**	**15,262**

Adjusted profit (loss) after taxes
Adjusted profit (loss) after taxes which excludes amortisation and impairments, share of net profit (loss) from associates, transaction costs related to acquisitions, restructuring and integration costs and certain finance income is a useful measure because it provides an indication of the profitability of the Company's operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. A reconciliation between adjusted profit (loss) after taxes and profit (loss) after taxes is shown below.

USD thousands

Adjusted profit (loss) after taxes	Q4 2023	Q4 2022	FY 2023	FY 2022
Profit (loss) after taxes	543	(1,166)	8,677	6,253
Amortisation and impairment	353	142	1,179	430
Transaction costs related to M&A	-	94	720	357
Restructuring and integration costs	220	170	392	189
Other special items (incl. share-based expenses)	524	603	1,928	1,773
Gain on bargain purchase / disposal of subsidiaries	-	(1,064)	-	(1,889)
Adjusted profit (loss) after taxes	**1,640**	**(1,221)**	**12,897**	**7,113**

Return on equity (ROE)

ROE is calculated as the adjusted profit (loss) for the period attributable to equity holders of the parent, divided by average total equity for the period. The adjusted profit (loss) is annualised for interim period reporting. This measure indicates the return generated by the management of the business based on the total equity. The calculation of ROE is shown below.

USD thousands

Return on equity (ROE)	Q4 2023	Q4 2022	FY 2023	FY 2022
Adjusted profit (loss) after taxes	1,640	(1,221)	12,897	7,113
Average total equity	101,335	70,287	84,743	67,646
ROE	**1.6%**	**-1.7%**	**15.2%**	**10.5%**

Return on capital employed (ROCE)
ROCE is calculated as the adjusted EBIT for the period, divided by average capital employed for the period. Capital employed is defined as total assets less non-interest bearing current liabilities. The adjusted EBIT is annualised for interim period reporting. This measure indicates the return generated by the management of the business based on the capital employed. The calculation of ROCE is shown below.

USD thousands

Return on capital employed (ROCE)	Q4 2023	Q4 2022	FY 2023	FY 2022
Adjusted EBIT	5,010	3,521	20,750	15,262
Total assets	180,515	126,928	180,515	126,928
Less: Non-interest bearing current liabilities	(47,738)	(27,863)	(47,738)	(27,863)
Capital employed	**132,777**	**99,065**	**132,777**	**99,065**
Average capital employed	**131,769**	**100,670**	**115,921**	**94,170**
ROCE	**3.8%**	**3.5%**	**17.9%**	**16.2%**

Order backlog
Order backlog is defined as the aggregate value of future work on signed customer contracts or letters of award. ABL Group's services include a significant amount of "call-out contracts" which are driven by day-to-day operational requirements. An estimate for backlog on "call-out contracts" are only included in the order backlog when reliable estimates are available. Management believes that the order backlog is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Working capital and working capital ratio
Working capital is a measure of the current capital tied up in operations. The amount of working capital will normally be dependent on the revenues earned over the past quarters. Working capital includes trade receivables, contact assets and other current assets, trade payables, current tax payable, contract liabilities and other current liabilities. Working capital may not be comparable to other similarly titled measures from other companies. Working capital ratio provides an indication of the working capital tied up relative to the average quarterly revenue over the past two quarters.

USD thousands

Working capital	FY 2023	FY 2022
Working capital		
Trade and other receivables	57,392	41,400
Contract assets	22,185	13,394
Trade and other payables	(44,830)	(25,890)
Contract liabilities	(1,978)	(1,535)
Income tax payable	(930)	(439)
Net working capital	**31,839**	**26,931**
Average revenue for last 2 quarters	69,059	43,444
Working capital ratio	**46%**	**62%**

Note 10. Events after the reporting period

Subsequent to the balance sheet date, the Company issued a total of 4,127,500 new ordinary shares to employees upon the exercise of share option as part of the company's long-term incentive plans. Of the total, 180,000 options were issued at an exercise price of NOK 3.09 and 3,947,500 options were issued at an exercise price of NOK 5.26, resulting in a total consideration of NOK 21.3 million (USD 2.1 million).

Further, Company issued 1,000,000 new ordinary shares upon the exercise of share warrants issued as part of the acquisition of Neptune Midco1 Limited, LOC Group in December 2020. These shares were issued pursuant to the terms of the acquisition agreement as a component of the consideration paid for the acquisition at an exercise price of NOK 0.10 per warrant, resulting in a total consideration of NOK 0.1 million (USD 0.01 million).

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