ABL

Q4 report 2022

HIGHLIGHTS Q4 2022 AND PRELIMINARY RESULTS 2022

- Revenues of USD 42.8 million (Q4 21: USD 37.8 million)
- Operating profit of USD 2.5 million (Q4 21: USD 1.9 million)
- Adjusted EBIT of USD 3.5 million (Q4 21: USD 2.5 million)
- Net cash of USD 17.6 million (Q3 22: USD 15.1 million)
- Proposing semi-annual dividend of NOK 0.35 per share in H1 2023

HIGHLIGHTS FULL YEAR 2022

- Revenue of USD 167.9 million (2021: USD 150.7 million)
- Operating profit of USD 12.5 million (2021: USD 7.4 million)
- Adjusted EBIT of USD 15.5 million (2021: USD 9.6 million)
- Total dividend of NOK 0.6 per share paid during 2022
- Completed sale of Loss Adjusting business, now trading independently as SteegeXP
- Completed acquisition of Add Energy Group, adding wells consulting and asset integrity as business areas

Reuben Segal, CEO of ABL Group ASA ("ABL Group" or the "Company") commented:
"In all aspects the fourth quarter represented strong performance as well as progression on the earlier quarters reported in 2022. This strong performance comes from our global employees' daily delivery to clients but also demonstrates the benefits of past strategic moves, where strategic rationale is now feeding through to enhanced results. We expect to continue on this path.

As a result of the strong performance, we finished 2022 with a healthy net cash position allowing the Board to recommend a further increase in the half yearly dividend, thus rewarding shareholders who have been supportive of our strategic moves.

As we look to 2023, I am pleased to see a positive outlook for ABL Group. Whilst our activity in the Maritime sector will remain relatively flat, the continued growth of offshore wind projects and the increased expenditure on oil & gas projects, both opex and now capex, provides confidence for 2023 and beyond."

KEY FIGURES

USD thousands (except shares, backlog, employees)[4]	Q4 2022	Q4 2021	FY 2022	FY 2021
FINANCIALS				
Total revenue	42 788	37 797	167 897	150 748
EBITDA[1]	3 348	2 914	15 856	11 165
Adjusted EBITDA[1]	4 215	3 414	18 175	13 078
Operating profit (loss) (EBIT)[1]	2 512	1 916	12 514	7 375
Adjusted EBIT[1]	3 521	2 505	15 262	9 645
Profit (loss) after taxes[1]	(1 166)	1 145	6 253	3 218
Adjusted profit (loss) after taxes[1]	(1 221)	1 680	7 113	5 435
Basic earnings per share (USD)	(0.01)	0.01	0.06	0.03
Adjusted basic earnings per share (USD)	(0.01)	0.02	0.07	0.06
Weighted average number of outstanding shares (thousands)	104 770	96 923	99 850	95 075
Cash and cash equivalents at the end of the period	30 974	19 815	30 974	19 815
OPERATIONS				
Order backlog at the end of the period (USD million)[1]	72.1	63.2	72.1	63.2
Average full-time equivalent employees during the period [2]	1 098	960	1 027	925
Average billing ratio during the period[3]	77%	73%	77%	75%

(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.
(4) 2021 figures excluding Add Energy

GROUP FINANCIAL REVIEW

(Figures in brackets represent same period prior year or balance sheet date as of 30th September 2022. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period).

Group results

Total operating revenues increased by 13% to USD 42.8 million in Q4 2022 (USD 37.8 million). This increase in revenues was primarily driven by the Longitude and OWC segments, growing by 18% and 15% respectively compared to Q4 2021, in addition to the acquisition of Add Energy.

The total operating revenues were USD 167.9 million in 2022 (USD 150.7 million).

Staff costs increased by 17% to USD 23.6 million in Q4 2022 (USD 20.2 million). Other operating expenses increased by 8% to USD 15.8 million in Q4 2022 (USD 14.7 million). Depreciation, amortisation and impairments were reduced by 16% to USD 0.8 million in Q4 2022 (USD 1.0 million).

Total operating expenses were USD 155.4 million in 2022 (USD 143.4 million).

Operating profit (EBIT) amounted to USD 2.5 million in Q4 2022 (USD 1.9 million). Adjusted EBIT amounted to USD 3.5 million in Q4 2022 (USD 2.5 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 12.5 million in 2022 (USD 7.4 million). Adjusted EBIT amounted to USD 15.3 million in 2022 (USD 9.6 million).

The billing ratio for technical staff including freelancers was 77% in Q4 2022 (73%).

Finance expenses of USD 0.7 million in Q4 2022 (USD 0.2 million) mainly represents interest on the group's interest-bearing debt.

Net currency loss of USD 1.3 million in Q4 2022 (gain of USD 0.6 million in Q4 2021) and loss of USD 2.5 million in 2022 (loss of USD 0.6 million in 2021) mainly represents unrealised loss on revaluation of bank accounts.

Profit after taxes amounted to negative USD 1.2 million (loss) in Q4 2022 (USD 1.1 million profit in Q4 2021). Profit after taxes amounted to USD 6.3 million in 2022 (USD 3.2 million).

Financial position and liquidity

At 31 December 2022, cash and cash equivalents amounted to USD 31.0 million, up from USD 29.3 million at 30 September 2022. Cash flow from operations was positive at USD 6.7 million in the quarter driven by significant working capital improvements, while cash flow from investing and financing was negative at USD 5.6 million, primarily driven by dividends and debt repayment. The net working capital will fluctuate during the year with the type of projects, milestone payments and the overall revenues.

Interest bearing bank debt at 31 December 2022 was USD 13.3 million, down from USD 14.2 million at 30 September 2022.

Lease liabilities were USD 8.8 million at 31 December 2022, down from USD 8.9 million at 30 September 2022. The lease liabilities are related to IFRS 16 recognition of long-term lease contracts for the company's offices worldwide.

The Board of Directors proposes a dividend to be paid during H1 2023 equal to 0.35 NOK per share, and for dividends to remain on a semi-annual schedule.

Order backlog

The order backlog at the end of Q4 2022 was USD 72.1 million, up from USD 68.1 million at the end of Q3 2022.

There is no backlog included for the legacy AqualisBraemar Marine business stream, as these services are primarily driven by incidents rather than long term contracts.

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 1,098 employees (full time equivalents, "FTEs"), including freelancers at 100% utilisation basis, on average during Q4 2022. The equivalent number was 1,095 for Q3 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 2022. Since Aqualis' incorporation in 2013, the company has had 3 LTIs in nearly 7 million cumulative man-hours clocked.

	2020	2021	2022	All time
Man-hours (millions)	0.9	1.8	1.9	6.9
LTIs	0	2	0	3

Outlook

Improving markets is expected to be a key driver for top line growth and improved profitability in ABL Group in 2023.

The offshore wind industry, our core renewables market, is expected to continue to grow rapidly. We have seen progress towards opening new global markets to offshore wind, and with an increasing number of developers, new investors and new geographies, the consultancy market is expected to grow significantly in the short and long term. The early development work which represents OWC's core business continues to grow at pace, and the offshore installation activity which drives our offshore wind marine warranty survey work is expected to return to growth in 2023.

In our oil and gas market we have seen significant improvements in brownfield and opex driven work during 2022, and expect this to improve further in 2023. Greenfield and capex driven services have been slower to pick up, but we expect significant improvements through 2023 and towards a very active 2024.

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, 27 February 2023

The Board of Directors of
ABL Group ASA

Condensed interim consolidated financial statements Q4 2022

USD thousands

Consolidated income statement	Q4 2022	Q4 2021	FY 2022	FY 2021
Revenue	42,788	37,797	167,897	150,748
Total revenue	**42,788**	**37,797**	**167,897**	**150,748**
Staff costs	(23,619)	(20,225)	(88,126)	(81,978)
Other operating expenses	(15,821)	(14,658)	(63,915)	(57,605)
Depreciation, amortisation and impairment	(836)	(998)	(3,342)	(3,790)
Operating profit (loss) (EBIT)	**2,512**	**1,916**	**12,514**	**7,375**
Gain on bargain purchase / disposal of subsidiaries	1,064	54	1,889	54
Finance income	45	48	169	112
Finance expenses	(701)	(196)	(1,411)	(765)
Net foreign exchange gain (loss)	(1,290)	585	(2,507)	(592)
Profit (loss) before income tax	**1,629**	**2,408**	**10,654**	**6,184**
Income tax expenses	(2,796)	(1,263)	(4,401)	(2,965)
Profit (loss) after tax	**(1,166)**	**1,145**	**6,253**	**3,218**

Consolidated statement of other comprehensive income	Q4 2022	Q4 2021	FY 2022	FY 2021
Profit (loss) after tax	**(1,166)**	**1,145**	**6,253**	**3,218**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Currency translation differences	976	(1,551)	(3,506)	(475)
Income tax effect	(729)	(343)	(729)	(343)
Other comprehensive income for the period, net of tax	**247**	**(1,894)**	**(4,236)**	**(818)**
Total comprehensive income for the period	**(919)**	**(749)**	**2,017**	**2,400**
Total comprehensive income for the period is attributable to:				
Equity holders of the parent company	(964)	(705)	1,959	2,325
Non-controlling interests	45	(44)	58	75
	(919)	**(749)**	**2,017**	**2,400**

Condensed interim consolidated financial statements
Q4 2022

USD thousands

Consolidated balance sheet	31 December 2022	31 December 2021
ASSETS		
Non-current assets		
Property, plant and equipment	2,101	1,137
Right-of-use assets	7,904	3,629
Investment in associates	29	-
Goodwill and intangible assets	29,382	27,465
Deferred tax assets	1,744	1,708
Total non-current assets	**41,160**	**33,939**
Current assets		
Trade and other receivables	41,400	43,235
Contract assets	13,394	18,101
Cash and cash equivalents	30,974	19,815
Total current assets	**85,769**	**81,151**
Total assets	**126,928**	**115,090**
EQUITY AND LIABILITIES		
Equity		
Share capital	1,402	1,323
Share premium	63,349	64,913
Consideration shares	1,236	1,890
Share-based compensation reserve	3,769	2,373
Retained earnings	14,752	8,557
Foreign currency translation reserve	(15,812)	(12,306)
Total	**68,697**	**66,751**
Non-controlling interests	(269)	114
Total equity	**68,427**	**66,865**
Non-current liabilities		
Deferred tax liabilities	2,516	1,259
Long term borrowings	-	3,328
Lease liabilities	6,922	2,481
Provisions and other payables	5,993	5,661
Total non-current liabilities	**15,432**	**12,729**
Current liabilities		
Trade and other payables	25,890	24,467
Contract liabilities	1,535	949
Short term borrowings	13,337	8,333
Lease liabilities	1,869	1,349
Income tax payable	439	398
Provisions	-	-
Total current liabilities	**43,069**	**35,496**
Total liabilities	**58,501**	**48,225**
Total equity and liabilities	**126,928**	**115,090**

Condensed interim consolidated financial statements Q4 2022

USD thousands

Consolidated statement of cash flows	Q4 2022	Q4 2021	FY 2022	FY 2021
Cash flow from operating activities				
Profit (loss) before taxes	1,629	2,408	10,654	6,184
Non-cash adjustment to reconcile profit before tax to cash flow:				
Depreciation, amortisation and impairment	836	998	3,342	3,790
Non-cash employee benefits expense – share-based payments	371	484	1,396	1,475
Interest costs - net	612	110	1,115	488
Gain on bargain purchase / disposal of subsidiaries	(1,064)	(54)	(1,889)	(54)
Changes in working capital:				
Changes in trade and other receivables	7,475	9,052	12,558	(6,923)
Changes in trade and other payables	(1,903)	(9,112)	(2,853)	(252)
Income taxes paid	(935)	(1,270)	(2,894)	(3,194)
Net exchange differences	(315)	(1,006)	(2,795)	(1,700)
Cash flow from (used in) operating activities	**6,706**	**1,611**	**18,634**	**(187)**
Cash flow from investing activities				
Payments for property, plant and equipment	(461)	(184)	(1,862)	(534)
Interest received	47	22	81	54
Net cash acquired (paid) on acquisition of subsidiaries	(819)	(556)	(583)	(554)
Cash flow from (used in) investing activities	**(1,233)**	**(717)**	**(2,364)**	**(1,035)**
Cash flow from financing activities				
Dividends paid to company's shareholders	(3,019)	(2,668)	(5,936)	(5,476)
Principal elements of lease payments	(543)	(547)	(1,765)	(2,601)
Proceeds from loans and borrowings	-	-	5,000	-
Repayment of borrowings	(833)	(1,087)	(3,333)	(3,422)
Proceeds from issuance of shares capital	13	-	1,746	2,301
Cash flow from (used in) financing activities	**(4,382)**	**(4,302)**	**(4,288)**	**(9,198)**
Net change in cash and cash equivalents	1,092	(3,408)	11,982	(10,419)
Cash and cash equivalents at the beginning of the period	29,267	23,212	19,815	30,642
Effect of movements in exchange rates	615	11	(823)	(407)
Cash and cash equivalents at the end of the period	**30,974**	**19,815**	**30,974**	**19,815**

Condensed interim consolidated financial statements Q4 2022

USD thousands

Consolidated statement of changes in equity	Share capital	Treasury shares	Share premium	Consideration shares	Share-based compensation reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
At 1 January 2021	1,276	(41)	67,080	1,459	897	5,413	(11,487)	64,598	721	65,319
Other comprehensive income	-	-	-	-	-	3,144	(818)	2,325	75	2,400
Cash-settled capital increase (net of transaction costs)	41	-	2,260	-	-	-	-	2,301	-	2,301
Shares to be issued as part of the consideration on a acquisition of subsidiary	-	-	-	431	-	-	-	431	-	431
Shares issued as consideration for business combination	6	-	1,048	-	-	-	-	1,054	-	1,054
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-	(609)	(609)
Dividends paid	-	-	(5,476)	-	-	-	-	(5,476)	(73)	(5,548)
Share-based payment expenses	-	-	-	-	1,475	-	-	1,475	-	1,475
Employee share program issue	-	41	-	-	-	-	-	41	-	41
At 31 December 2021	**1,323**	**-**	**64,912**	**1,890**	**2,372**	**8,557**	**(12,306)**	**66,751**	**114**	**66,865**
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	2,746
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)**	**68,699**	**(269)**	**68,429**

Condensed interim consolidated financial statements Q4 2022

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 62 offices located across 5 continents in 38 countries.

For all periods up to and including the period ended 31 December 2022, 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 2022 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 2021.

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 2021.

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
The Group's businesses are managed by four geographical regions aside from "OWC", "Longitude" and "Add Energy", performance of which are monitored separately. This is the basis for the seven reportable segments of the Group. The internal management reports provided by management to the Group's Board of Directors, which is the groups decision maker, is in accordance with this structure. These segments comprise of entities within the geographical regions, OWC, Longitude and Add Energy and forms the basis for the segment reporting presented below.

The following is summary of revenues and operating profit (loss) (EBIT) for entities in four geographical regions, OWC, Longitude and Add Energy. Eliminations reflects the eliminations of intra-group revenue to the extent that these arise between the regions, OWC, Longitude and Add Energy.

USD thousands

Revenues	Q4 2022	Q4 2021	FY 2022	FY 2021
Middle East	7,835	7,186	30,214	28,473
Asia Pacific	9,211	11,237	37,717	39,275
Europe	9,246	9,464	40,663	40,586
Americas	5,374	6,717	25,799	26,320
OWC	7,762	6,759	30,739	24,110
Longitude	2,626	2,232	11,191	8,882
Add Energy	5,101	-	10,653	-
Eliminations	(4,367)	(5,798)	(19,080)	(16,899)
Total	**42,788**	**37,797**	**167,897**	**150,748**

Operating profit (loss) (EBIT)	Q4 2022	Q4 2021	FY 2022	FY 2021
Middle East	1,244	656	4,173	2,387
Asia Pacific	1,487	1,301	5,008	3,248
Europe	1,231	269	3,872	1,727
Americas	364	96	1,145	1,518
OWC	119	9	1,850	1,216
Longitude	172	80	1,584	617
Add Energy	(756)	-	(845)	-
Corporate group costs	(1,349)	(495)	(4,272)	(3,338)
Total	**2,512**	**1,916**	**12,514**	**7,375**

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 different geographical areas, OWC, Longitude and Add Energy.

USD thousands	31 December 2022		31 December 2021	
Trade receivables and contract assets	Trade receivables	Contract assets	Trade receivables	Contract assets
Middle East	5,226	1,614	6,363	1,449
Asia Pacific	6,691	2,859	7,611	6,196
Europe	7,799	2,410	8,274	3,990
Americas	5,186	2,673	6,494	2,945
OWC	3,192	2,869	3,004	2,490
Longitude	894	1,331	1,884	1,033
Add Energy	3,964	946	-	-
Total	**32,952**	**14,702**	**33,631**	**18,101**

USD thousands

Cash and cash equivalents	31 December 2022	31 December 2021
Middle East	3,872	2,402
Asia Pacific	5,729	4,707
Europe	4,971	3,398
Americas	4,913	2,781
OWC	4,626	3,356
Longitude	803	1,139
Add Energy	1,710	-
Corporate group	4,350	2,032
Total	**30,974**	**19,815**

5. Other operating expenses

USD thousands

Other operating expenses	Q4 2022	Q4 2021	FY 2022	FY 2021
Subcontractors cost	9,522	8,953	37,765	35,372
Office lease and maintenance expenses	168	767	1,963	2,385
Insurance cost	667	733	2,637	2,688
Cost of recharged expenses	1,853	681	6,781	3,823
Transaction costs related to acquisition	-	-	357	76
General and administrative expenses	3,611	3,524	14,412	13,261
Total	**15,821**	**14,658**	**63,915**	**57,605**

6. Goodwill and intangible assets

USD thousands

Goodwill and intangible assets	Goodwill	Customer relations	Patents	Internally generated softwares	Total
Cost					
At 1 January 2022	29,806	3,561	-	-	33,367
Acquired through business combinations	-	714	1,386	337	2,438
Additions	-	-	-	121	121
Effect of movements in exchange rates	(588)	-	-	44	(588)
At 31 December 2022	**29,218**	**4,275**	**1,386**	**502**	**35,338**
Amortisation and impairment					
At 1 January 2022	5,546	356	-	-	5,902
Amortisation charge	-	384	46	66	495
Effect of movements in exchange rates	(405)	-	-	7	(405)
At 31 December 2022	**5,141**	**740**	**46**	**72**	**5,993**
Net book value at 31 December 2022	**24,077**	**3,536**	**1,340**	**430**	**29,345**
Net book value at 31 December 2021	**24,260**	**3,205**	**-**	**-**	**27,465**

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 2022	31 December 2021
Middle East	6,545	6,544
Asia Pacific	8,701	8,662
Europe	4,516	4,544
Americas	1,716	1,711
OWC	2,600	2,798
Total	**24,077**	**24,260**

Goodwill arising from the acquisitions is attributable to workforce of the acquired businesses. The goodwill amounts have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

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

The company has completed an assessment of impairment indicators and performed an impairment test for those assets and cash generating units (CGUs) where impairment indicators have been identified. 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 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 flow for year 2023 is based on the budget. The estimated cash flows in the years 2024-2025 are based on current 3-year forecasts for each CGUs. The projected cash flows are based on the expected development in the total overall market, the CGUs performance and that ABL Group over time will reach a margin level in line with what other businesses within the industry historically have achieved.

Cash flows have been used over a period of three years as management believes this reflects a reasonable time horizon for management to monitor the trends in the business. After three years a terminal growth rate has been set to 1.5% for the Oil & Gas and Maritime businesses and 1.7% for the Renewable businesses. The estimated terminal long-term growth is mainly dependent on overall market growth for demand for our services and the CGU's ability to recruit the right personnel and its ability to create revenue growth through then proper utilisation of human resources.

Discount rate
The discount rate used is the WACC (Weighted average cost of capital) using CAPM (capital asset pricing model).
The discount rate for each CGU is derived as the weighted average cost of capital (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. The cash flows were discounted using WACC of 12.3%. Key inputs in determining the WACC as follows:

- Risk free rate: 10year government yield
- Asset beta: Based on selected peer group consisting of companies with statistical data for the last 5 years (1.4)
- Capital structure: Equity ratio of 80%

Impairment test results and conclusion
Overall the test performed indicated the value in use exceeds the carrying amounts for all CGUs. As a result of the above, no impairment has been recorded during the year.

Sensitivity to impairment
Sensitivity calculations are done for all CGUs that are tested for impairment. To test the sensitivity of the results of the impairment review, the calculations have been re-performed using the following assumptions:

- An increase of discount rate of 2.0% points (after tax)
- A reduction in the EBITDA margin of 3.0% points in the terminal year
- A reduction of terminal growth rate to 0.5% point (to 1.0% growth)

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 2022	31 December 2021
Trade receivables		
Up to 3 months	25,113	25,246
3 to 6 months	2,903	3,368
6 to12 months	2,807	3,718
Over 12 months	1,619	1,300
Total trade receivables	**32,442**	**33,632**
Contract assets	13,394	18,101
Total	**45,836**	**51,733**

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 are 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

On 11 July 2022, ABL Group ASA acquired 100 percent of the shares of energy and engineering consultancy Add Energy. The acquisition broadens ABL Group's service offering, enhances recurring revenue services in the opex phase and gains entry into digital optimisation, carbon storage and energy efficiency services that are crucial to the energy transition.

The purchase consideration consists of a combination of cash consideration, shares and conditional payments summarised in table below:

USD thousands

Purchase consideration	
Cash consideration	177
Contingent cash consideration	1,205
Consideration shares	2,020
Total purchase consideration	**3,402**

The share purchase was settled through a NOK 1.75 million cash consideration to Add Energy's shareholders.

ABL Group also acquired substantially all interest-bearing debt in Add Energy from its main lender DNB. The debt purchase was settled through issuance of NOK 20 million in ABL Group ASA shares to DNB. 1,582,279 new shares were issued, with the subscription price per new share set to NOK 12.64 based on the 15-day value-weighted average price of ABL Group ASA shares as of 8 July 2022.

The Add Energy has a claim in the amount of approx. USD 1.6 million against a client which was considered doubtful. In the event, if the claim is settled by the client, the group has agreed to make payment totalling upto 75% of the claim to DNB and Add Energy's shareholders. Subsequent to the acquisition, the Company has received part settlement of the claim from a client which was paid to DNB and further expecting to receive balance amounts. This has resulted in an increase in the purchase consideration transferred.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The assets and liabilities recognised as a result of the acquisition are as follow:

USD thousands

Fair value of net assets acquired	
Property, plant and equipment	191
Intangible assets	337
Right of use assets	729
Investment in associates	29
Deferred tax	283
Trade and other receivables	6,551
Contract assets	1,103
Cash and cash equivalents	408
Trade and other payables	(6,436)
Net identifiable assets acquired	**3,194**
Non-controlling interests	441
Goodwill	-
Net assets acquired	**3,635**

USD thousands

Excess value	
Fair value of identifiable net assets acquired	3,635
Less: purchase consideration	(3,402)
Excess value	**(233)**

USD thousands

Excess value allocated to:	
Patents	1,386
Customer relations	678
Deferred tax	(408)
Gain on bargain purchase	(1,889)
Total	**(233)**

The Company identified USD 2.1 million in value which can be allocated to the patents and customer relations, offset by deferred tax of USD 0.4 million. 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.

As the purchase consideration was lower than the fair value of the acquired net assets, the purchase price allocation resulted in gain from bargain purchase of USD 1.9 million recognised in the consolidated income statement. The acquisition of a consulting business primarily involved the acquisition of human capital with special skills and expected synergies to be achieved from integrating with the Group's existing business.

The purchase consideration was lower than the fair value of the acquired net assets as measured by accounting standards, of the acquired net assets. Add Energy had been loss making prior to the acquisition which constituted large parts of its equity capital. Add Energy was not able to achieve a sufficient return on its' equity capital. The purchase consideration was lower than the fair value of the acquired net assets, as measured by accounting standards, mainly due to low return on equity capital achieved by Add Energy.

USD thousands

Net cash flow on acquisition of subsidiaries	
Cash acquired	408
Cash paid	(991)
Net cash outflow - investing activities	**(583)**

Impact of acquisitions on the results of the group:

Add Energy was consolidated as of 11 July 2022. The Group incurred acquisition-related costs of USD 0.3 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 2022	Q4 2021	FY 2022	FY 2021
Operating profit (loss) (EBIT)	2,512	1,916	12,514	7,375
Depreciation, amortisation and impairment	836	998	3,342	3,790
Restructuring and integration costs	170	14	189	362
Other special items (incl. share-based expenses)	603	485	1,773	1,475
Transaction costs related to M&A	94	-	357	76
Adjusted EBITDA	**4,215**	**3,414**	**18,175**	**13,078**

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 2022	Q4 2021	FY 2022	FY 2021
Operating profit (loss) (EBIT)	2,512	1,916	12,514	7,375
Amortisation and impairment	142	89	430	356
Restructuring and integration costs	170	14	189	362
Other special items (incl. share-based expenses)	603	485	1,773	1,475
Transaction costs related to M&A	94	-	357	76
Adjusted EBIT	**3,521**	**2,505**	**15,262**	**9,645**

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 2022	Q4 2021	FY 2022	FY 2021
Profit (loss) after taxes	(1,166)	1,145	6,253	3,218
Amortisation and impairment	142	89	430	356
Restructuring and integration costs	170	14	189	362
Other special items (incl. share-based expenses)	603	485	1,773	1,475
Transaction costs related to M&A	94	-	357	76
Gain on bargain purchase / disposal of subsidiaries	(1,064)	(54)	(1,889)	(54)
Adjusted profit (loss) after taxes	**(1,221)**	**1,680**	**7,113**	**5,435**

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 2022	Q4 2021	FY 2022	FY 2021
Adjusted profit (loss) after taxes	(1,221)	1,680	7,113	5,435
Average total equity	70,287	67,695	67,646	66,092
ROE	**-1.7%**	**2.5%**	**10.5%**	**8.2%**

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 2022	Q4 2021	FY 2022	FY 2021
Adjusted EBIT	3,521	2,505	15,262	9,645
Total assets	126,928	115,090	126,928	115,090
Less: Non-interest bearing current liabilities	(27,863)	(25,814)	(27,863)	(25,814)
Capital employed	**99,065**	**89,276**	**99,065**	**89,276**
Average capital employed	**100,670**	**89,767**	**94,170**	**90,200**
ROCE	**3.5%**	**2.8%**	**16.2%**	**10.7%**

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 2022	FY 2021
Working capital		
Trade and other receivables	41,400	43,235
Contract assets	13,394	18,101
Trade and other payables	(25,890)	(24,467)
Contract liabilities	(1,535)	(949)
Income tax payable	(439)	(398)
Net working capital	**26,931**	**35,523**
Average revenue for last 2 quarters	43,444	37,892
Working capital ratio	**62%**	**94%**

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