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3rd QUARTER 2023 REPORT

PROFITABILITY.
REVENUE SHARE AGREEMENTS.
OPERATIONAL IMPROVEMENTS.





Xplora team presenting today



Sten Kirkbak
CEO

25 years experience from telecom, consumer and technology industry. Honored multiple patents and awards within the wearable industry, including the first certified and commercially launched kids smartwatch product in EU/US.



Knut Stålen
CFO

30 years experience from global scale-ups within the software and technology industry. Degree in finance and marketing from BI, and has served as CFO in several publicly listed technology companies.



Kjetil Fennefoss
COO

MSc. in Business Administration from University of Mannheim, Germany. Ex. MBA from LSE, London UK. 25+ yrs. in international telco. business before Xplora (Telenor, VEON, Millicom), incl. C-level positions from sales, distribution and customer operations



Jason Pyne
Executive Vice President
Kids division

30 years experience working in media, digital marketing, and technology, including some of the largest news media organisations worldwide.



Q3 23 at a glance

Group revenues

NOK 190 m
+37% y/y

Recurring services

NOK 56 m
+30% y/y

Subscriptions

226 K (194+32K)
+54% y/y

Gross earnings

NOK 86 m
+45% y/y

Reported EBITDA

NOK 8 m
+NOK 24 m y/y

Cash balance

NOK 117 m



YTD 23 at a glance

Group revenues

NOK 477 m
+48% y/y

Recurring services

NOK 150 m
+35% y/y

Subscriptions

226 K (194+32K)
+39% y/y

Gross earnings

NOK 233 m
+40% y/y

Reported EBITDA

NOK 22 m
+NOK 35 m y/y

Cash balance

NOK 117 m



Focus 2023

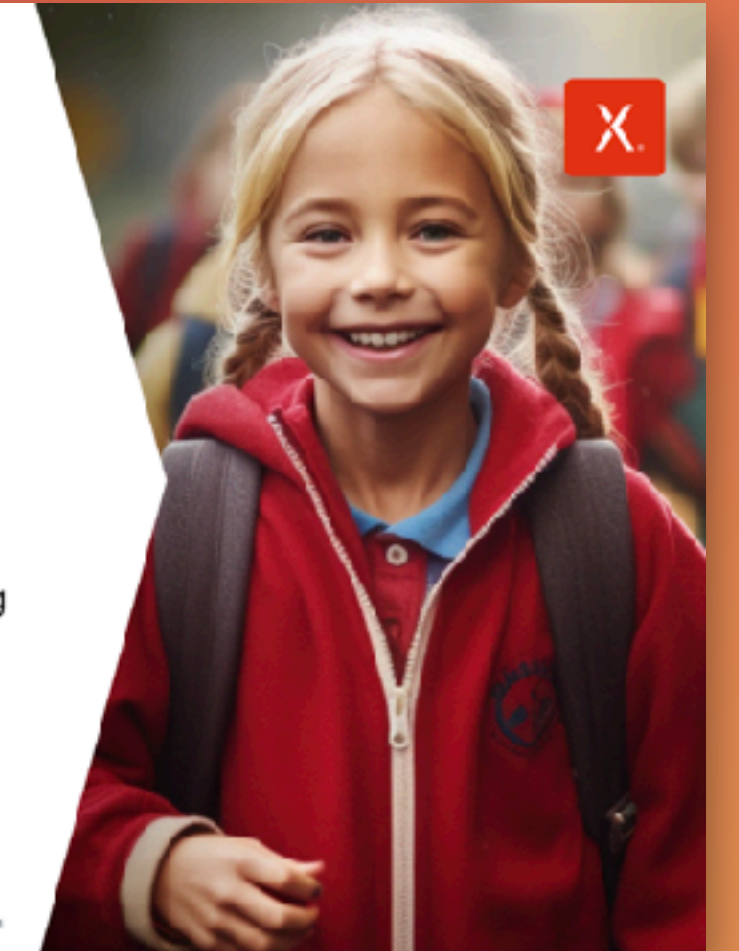
Key Success factors and deliveries for 2023:

- ✓ **Profitability** (turn-around from neg. NOK 33m 2022)
- ✓ Still showcase **growth** (Market expected 15% CAGR)
- ✓ Focus on **ARR** from SIM and VAS (175K subs)
- ✓ Reduce **costs** (OPEX and CAPEX target)
- ✓ Laser **focus** (9-3-2 strategy)

Outlook

- Category expected to grow 15% CAGR* which we find reasonable to assume
- Increased confident to deliver a minimum of 175K subscribers
- We are in line with plan to reduce OPEX (interval) based on initial cost reduction initiatives streamlining processes and embrace new technology
- Remain very focused on profitability in 2023
- Explore options for future family IOT growth

Prudent Market Insights
Mar. March 15, 2023, 10:00 AM (GMT+1)



From our CMD in April



- Revised **distribution strategy** (working capital)
- Significantly **less CAPEX** in 2023



- **Increased RRP** with our new product line-up
- From 4 to 9 SIM markets **to increase ARPU**



- 10-20% **OPEX reduction**
- Improved **vendor and logistic deals**





Some key takeaways from Q3 report



- ✓ Break through with 3 **Revenue sharing** deals with telcos
- ✓ **48% Growth** in a declining end consumer tech market
- ✓ 13%-points **reduction in Marketing & other OPEX** (% of revenues)
- ✓ **Increased HW margin** (realized price increase to end consumer)
- ✓ **ARR** Annualized Recurring Revenue of: **NOK 222m**



Restructuring
& efficiency
impl.



Distribution
MVNO/VAS
and results



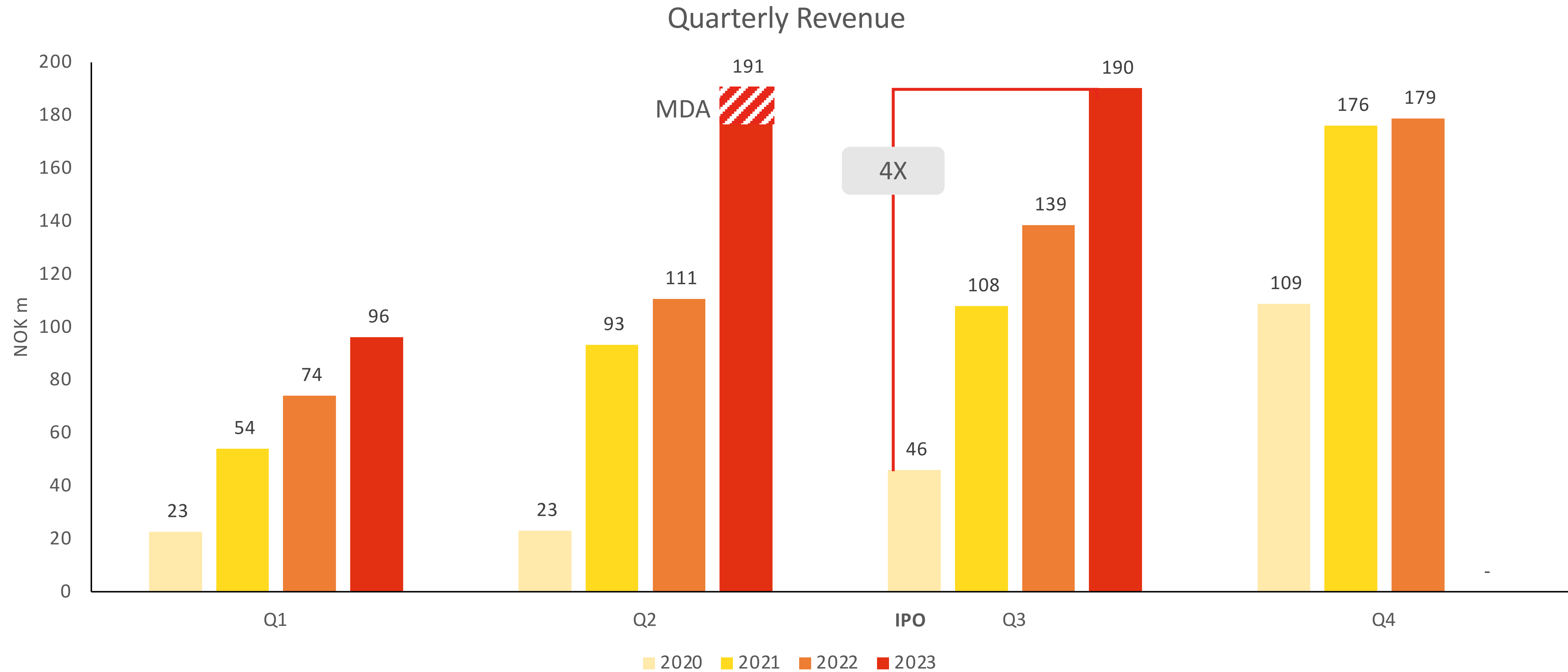
Financial Update

Knut Stålen

CFO



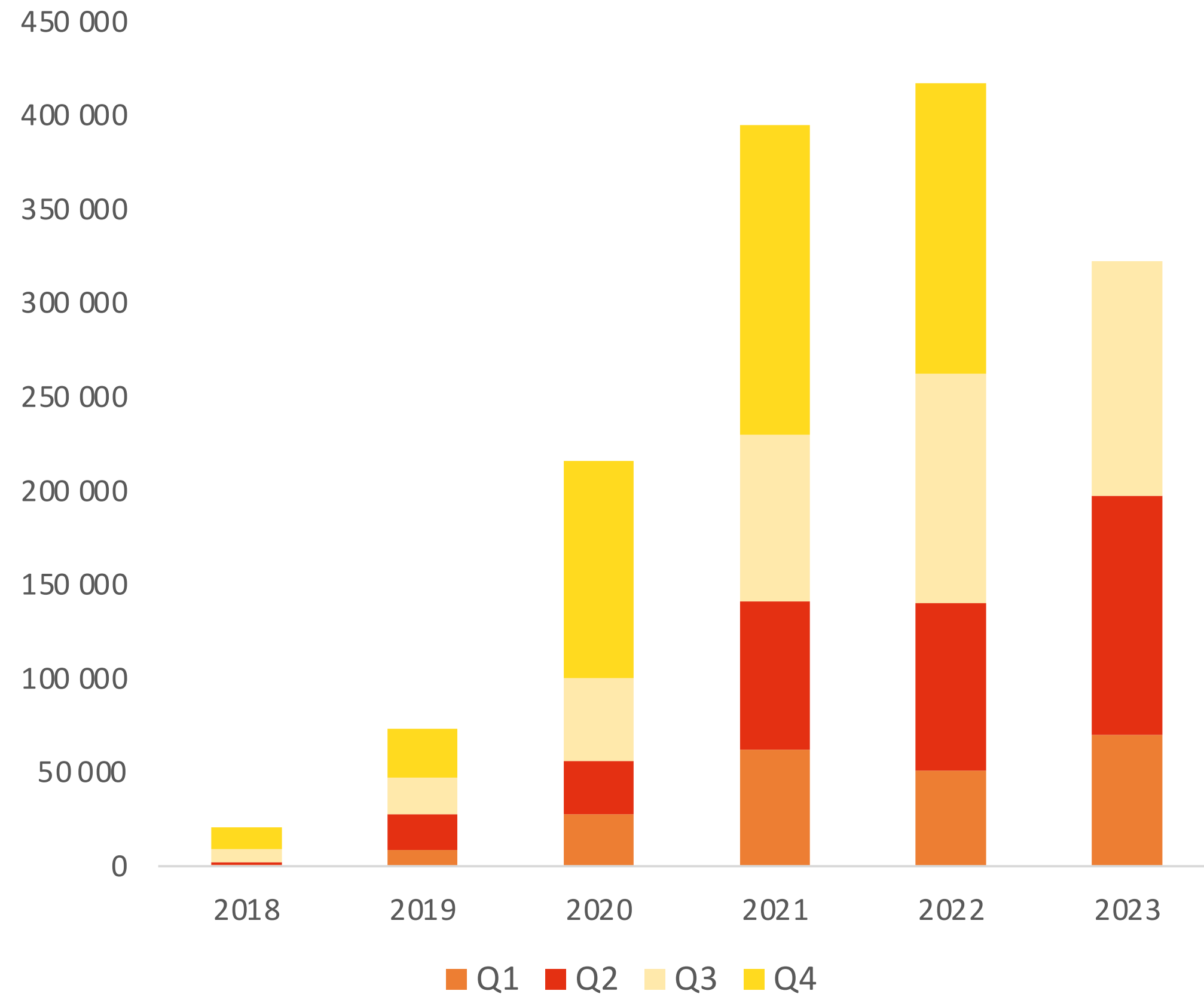
YTD revenue growth of 48%



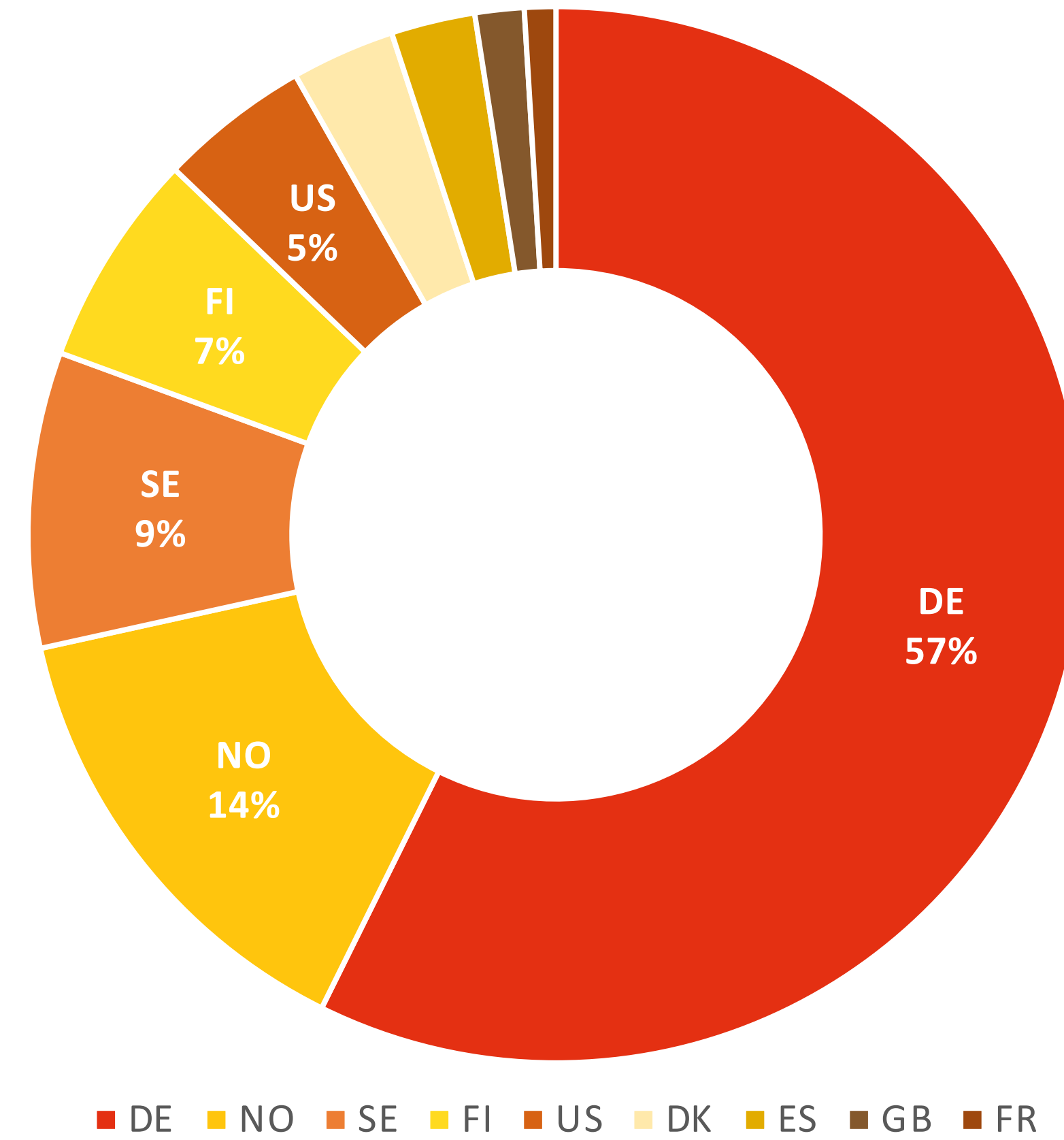


23% YTD unit growth

Device sales in units



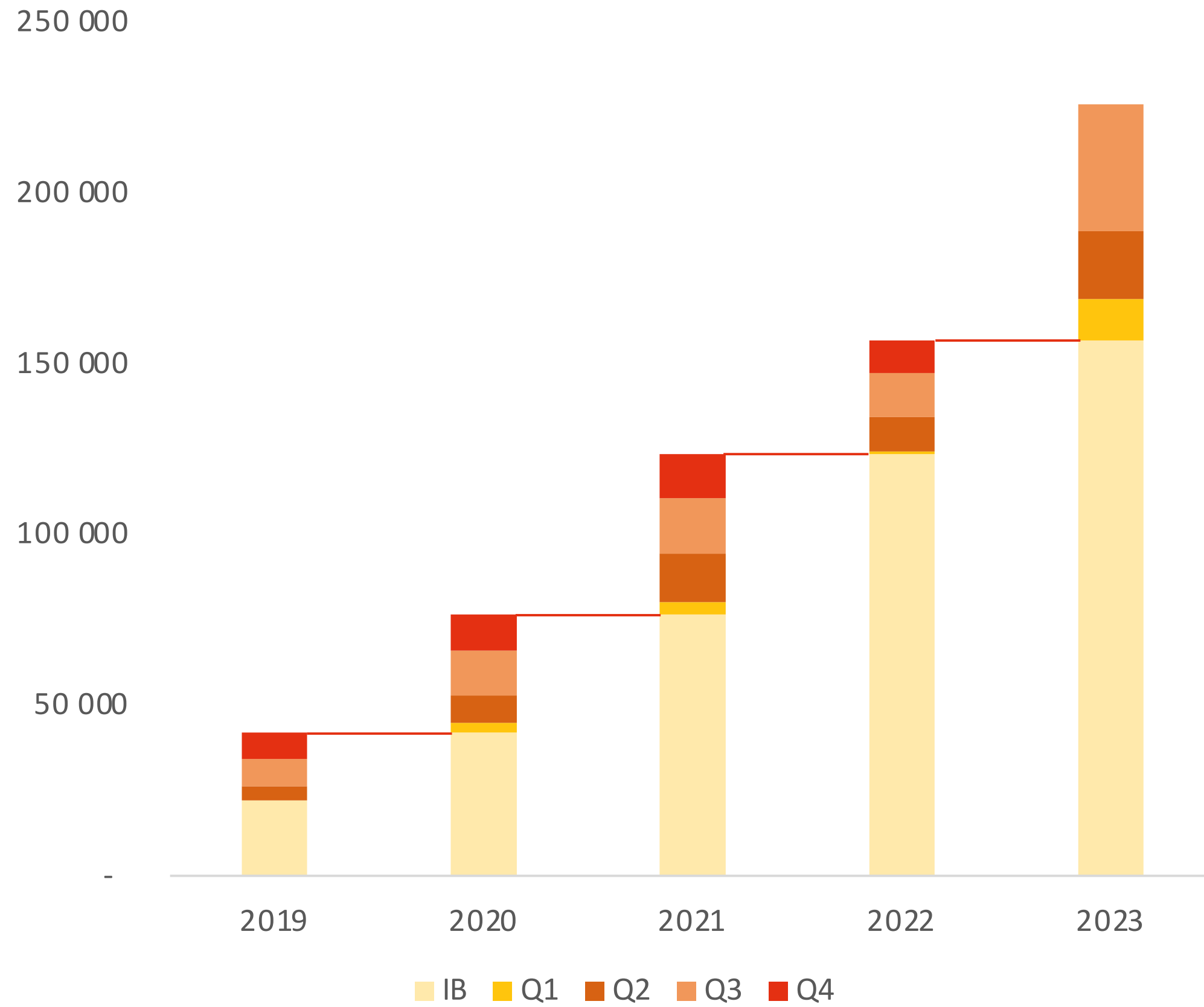
Device activations per country in Q3 2023



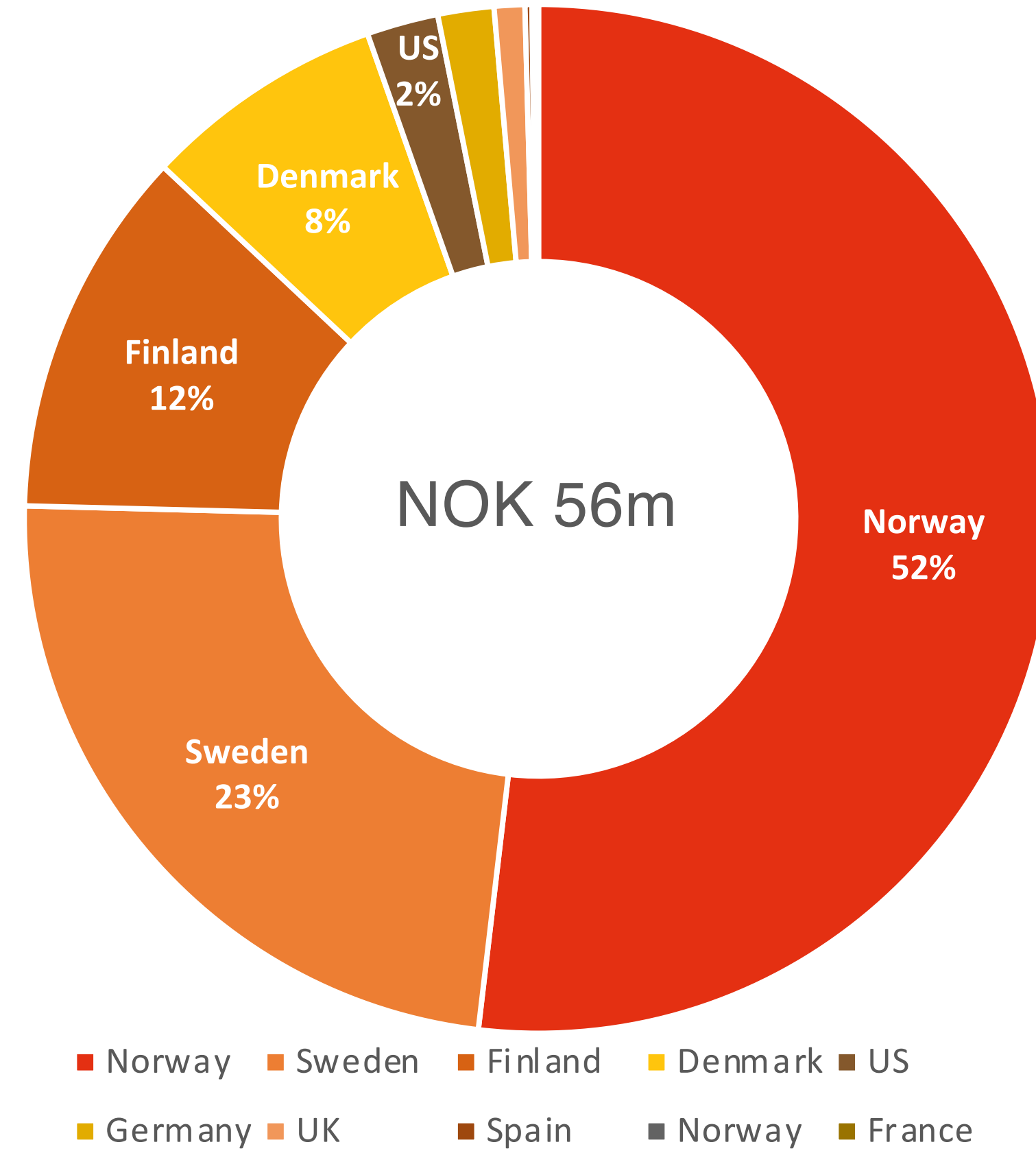


30% growth in services revenue y/y

Subscription growth



Service revenue Q3 2023





Q3 23 Profit & Loss

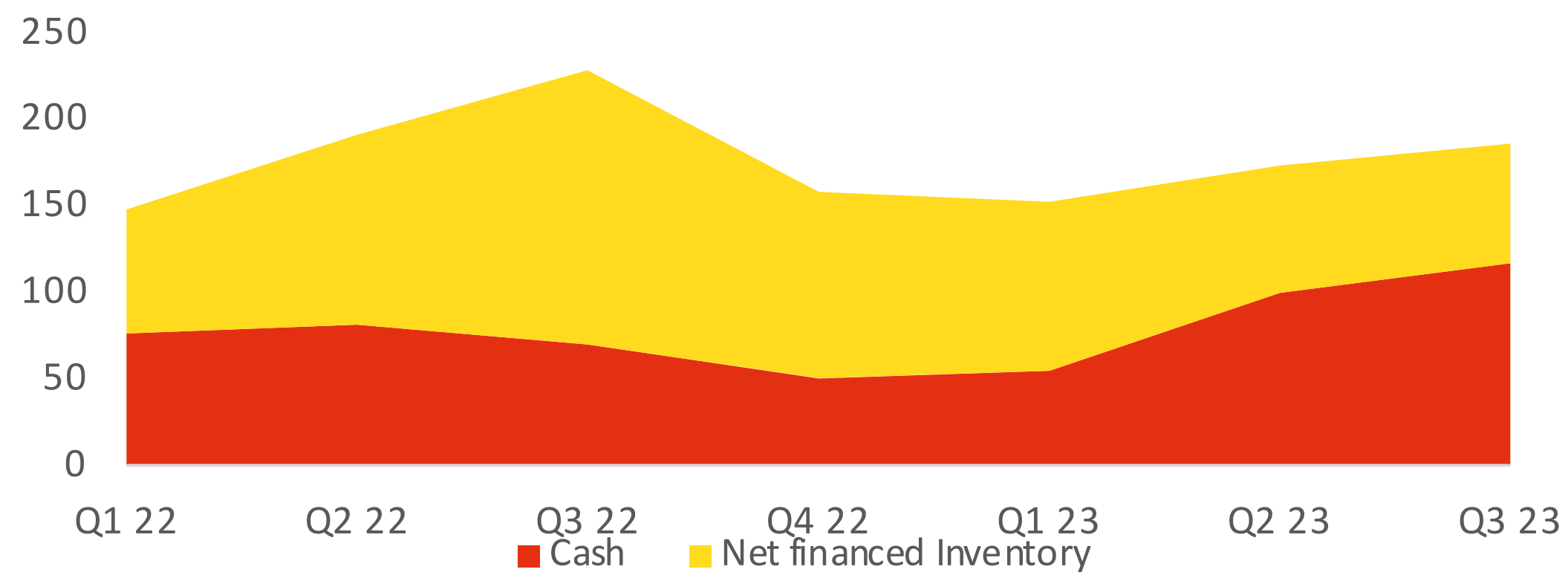
- Revenue of NOK 190m, up 37% y/y
 - Device sales of NOK 134m, up 41% y/y
 - 38% increase in average sales price per unit (ASP) y/y, from NOK 780 to NOK 1,072
 - Service sales of NOK 56m, up 30% y/y
- Gross margin of 45% in Q3-2023, 41% in Q3-2022
 - Strategic product mix
- Operational expenses as percentage of revenue down from 55% to 41%
- Payroll for the quarter was at NOK 34m
 - Includes non-cash option cost of NOK 4m, as well as bonus accrual
- Marketing was down 39% y/y, and down as a percentage of revenue from 20% to 9% y/y
- Positive EBITDA of NOK 8m, an improvement of NOK 24m over last year
- Depreciation of Xplora Mobile acquisition makes up the majority of NOK 14m in Q3 23

| Amount in NOK millions | Q3 23 | Q3 22 |
|---------------------------------|------------|------------|
| Device revenue | 134 | 95 |
| Service revenue | 56 | 43 |
| Other revenue | 1 | 0 |
| Total Revenue | 190 | 139 |
| Cost of sales | 104 | 79 |
| Gross Profit | 86 | 60 |
| Payroll expenses | 34 | 23 |
| Marketing expenses | 17 | 27 |
| Other operating expenses | 28 | 25 |
| EBITDA | 8 | -16 |
| Depreciation and amortization | 14 | 13 |
| Operating profit / EBIT | -6 | -29 |
| Other finance cost | 6 | 0 |
| Finance (income)/expenses - net | -2 | 1 |
| Profit (loss) before tax | -10 | -30 |
| Income tax | 0 | 1 |
| Net profit (loss) | -10 | -29 |



Q3 23 Balance

- NOK 6.5m increase in inventories and NOK 13.2m increase in other receivables
 - To meet anticipated seasonally higher demand in Q4 23
- Net working capital of NOK 119m**
- Exiting Q3 23 with NOK 117m in cash (increase of NOK 17m)
- Xplora opened an LC arrangement and started to utilize this instrument in December 2022
 - LC financing reduced and therefore the cash tied up in inventory enables more flexibility

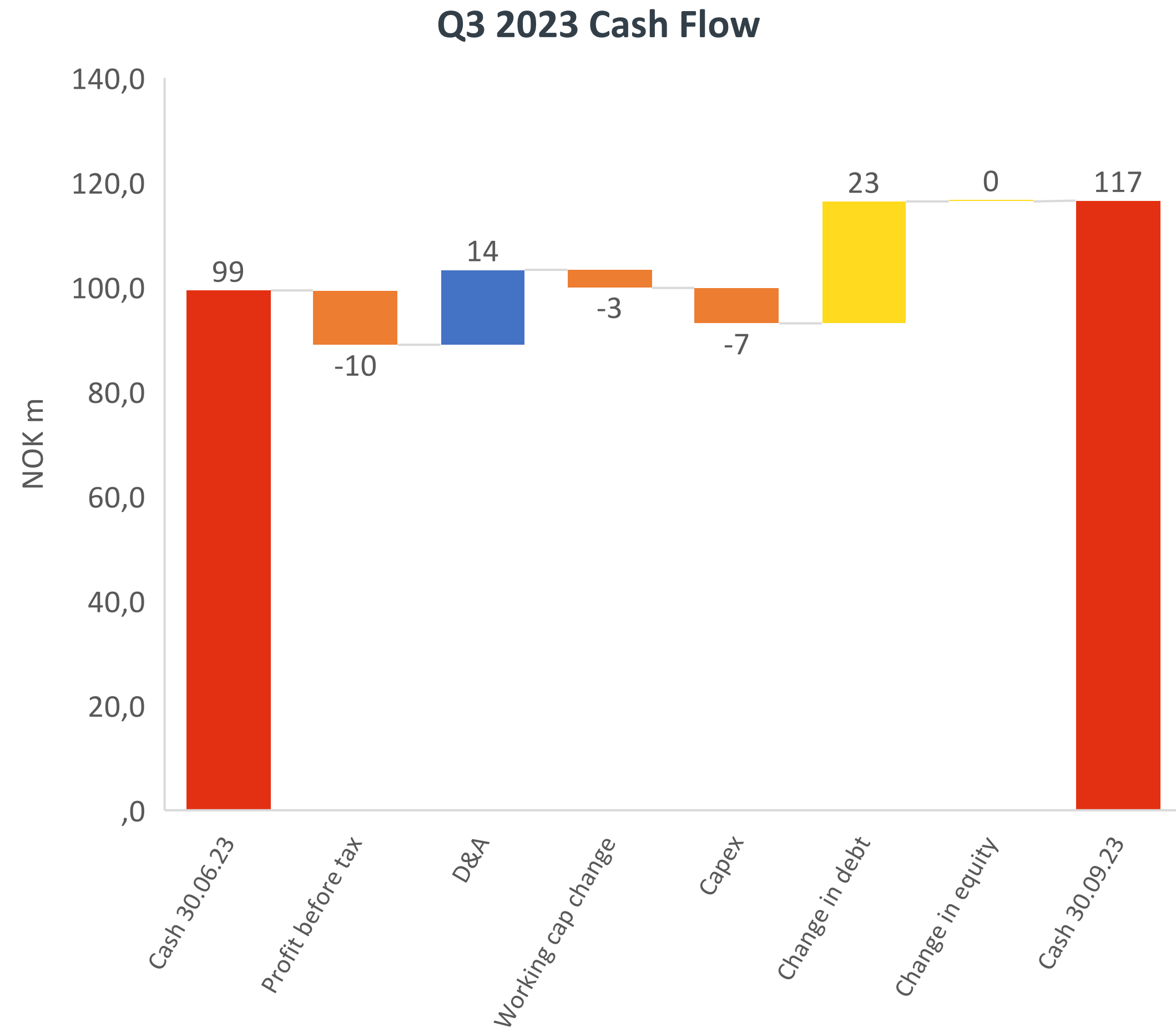


| Amount in NOK millions | Q3 2023 | Q2 2023 | Q3 2022 |
|--|------------|------------|------------|
| Fixed Assets | 2 | 2 | 2 |
| Goodwill | 144 | 148 | 159 |
| Customer Contracts | 28 | 32 | 46 |
| Intangible Assets | 46 | 44 | 37 |
| Other long-term receivables | 5 | 5 | 5 |
| Total Non-current assets | 224 | 231 | 249 |
| Accounts receivable | 33 | 36 | 57 |
| Inventories | 97 | 90 | 109 |
| Other receivables | 56 | 42 | 77 |
| Cash & equivalents | 117 | 99 | 70 |
| Total Current assets | 302 | 268 | 313 |
| Total Assets | 525 | 500 | 562 |
| Total Equity | 326 | 338 | 378 |
| Debt to credit institutions | 0 | 0 | 10 |
| Other long-term debt | 17 | 19 | 25 |
| Total long-term debt | 17 | 19 | 35 |
| Short-term debt to credit institutions | 69 | 43 | 3 |
| Accounts payable | 49 | 47 | 80 |
| Other current liabilities | 65 | 52 | 66 |
| Total Short-term debt | 182 | 143 | 149 |
| Total Equity and debt | 525 | 500 | 562 |



Q3 23 Cash balance

- Started the quarter with NOK 99m in cash
- Working capital change
 - Increased inventory of NOK 7m and other receivables of NOK 13m
 - Offset by an increase in deferred income of NOK 7m and other short-term debt
- Capex of NOK -7m (-18m YTD), in line with guided NOK 20-25m forecast
- Change in debt due to LC financing of paid goods not received
- Exiting **Q3 23 with NOK 117m in cash**
- Cash flow from operating activities at NOK 37m YTD





Operational Update

Kjetil Fennefoss

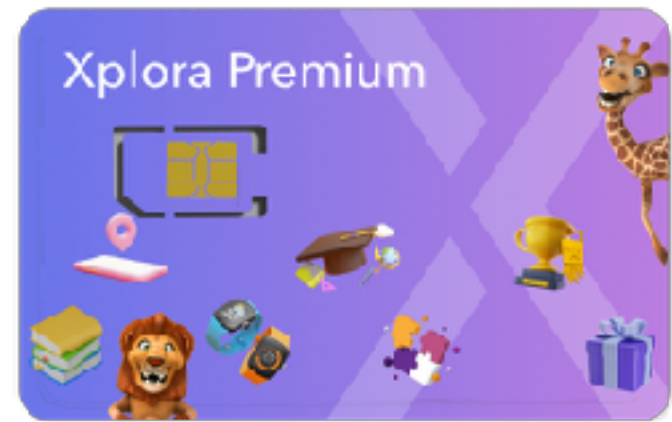
COO



Operational success factors for 2023



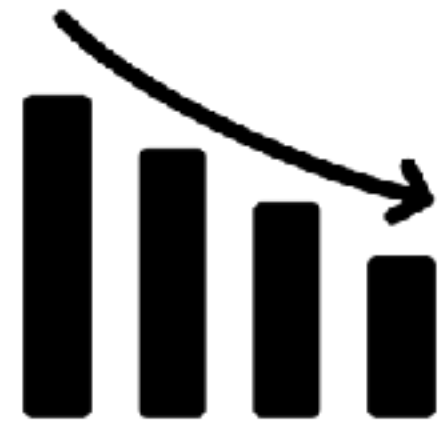
✓ 2022: Set up 5 new **MVNOs** >> 2023: Launch and monetize



✓ 2022: Piloting **Activity platform** >> 2023: Launch and monetize



✓ Explore **Telco revenue share** model



✓ Manage **OPEX reduction** in % of revenue

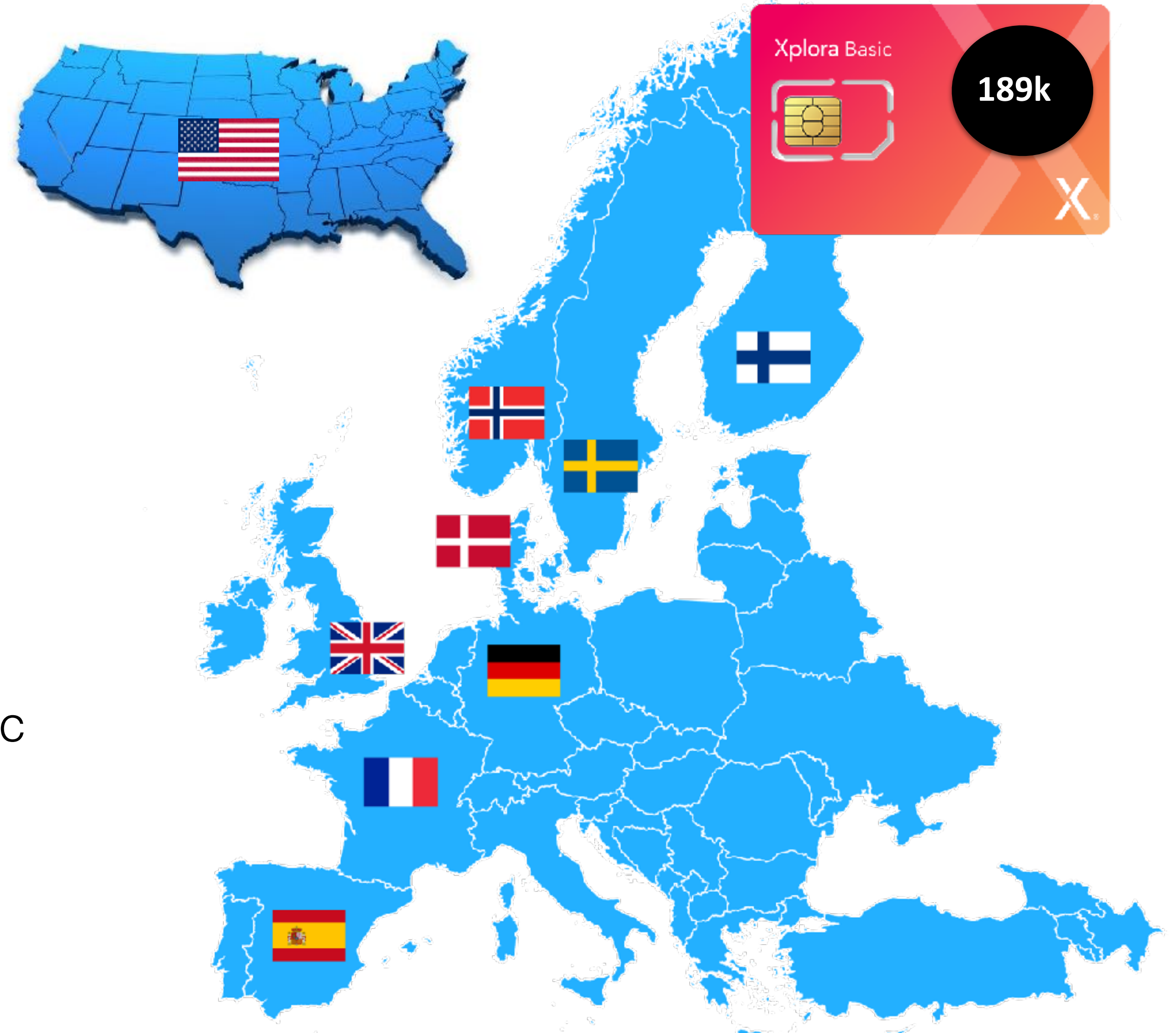


Our Mobile services footprint

- **2022:** Expanded from 4 to 9 markets
- Partnering with the best telco networks:



- **2023:** Scaling up sales:
- Q3 '23: 189,000 mobile subscriptions
 - 42,000 net growth Q3'23 y/y
 - 21,000 subscriptions outside of Nordic
- NOK 56m recurring service revenue
 - 30% growth Q3'23 y/y
- 82% gross margin



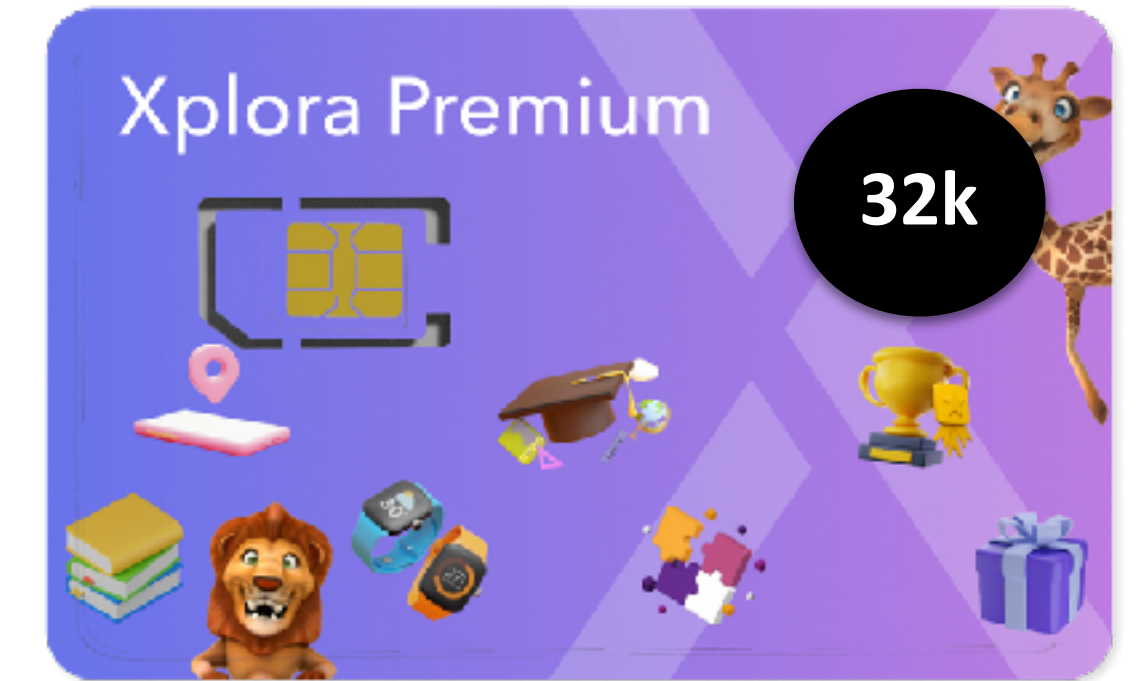
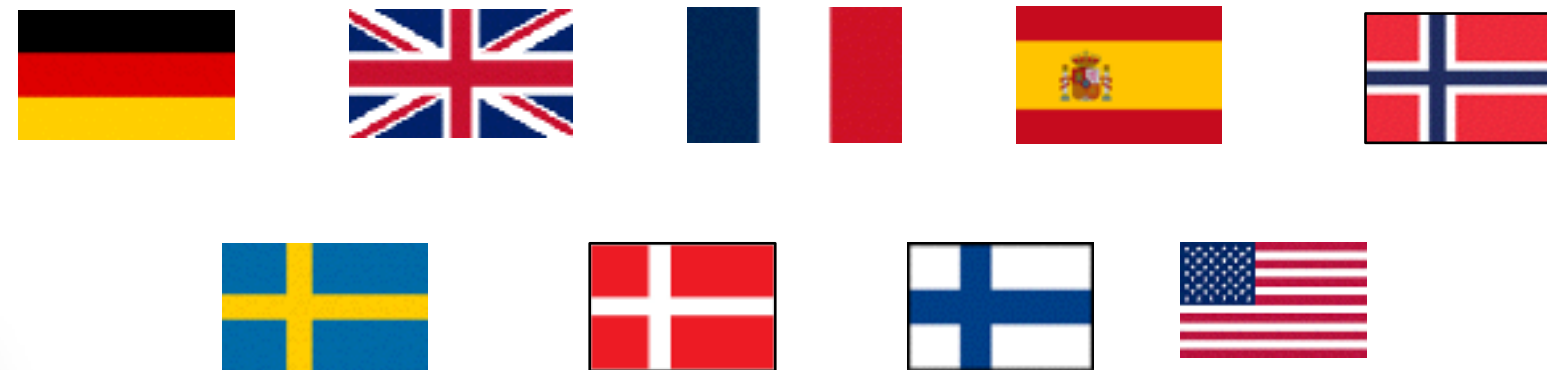


Our Premium Service roll-out

- **Monetize VAS** (value added services)
- **NOK 25 ARPU** incremental per subscription
- Sales **bundled with mobile subscription** plans
- **20 - 30% conversion rate** (mobile subscriptions)
- Sell through the Xplora app



Activity Platform Premium Content



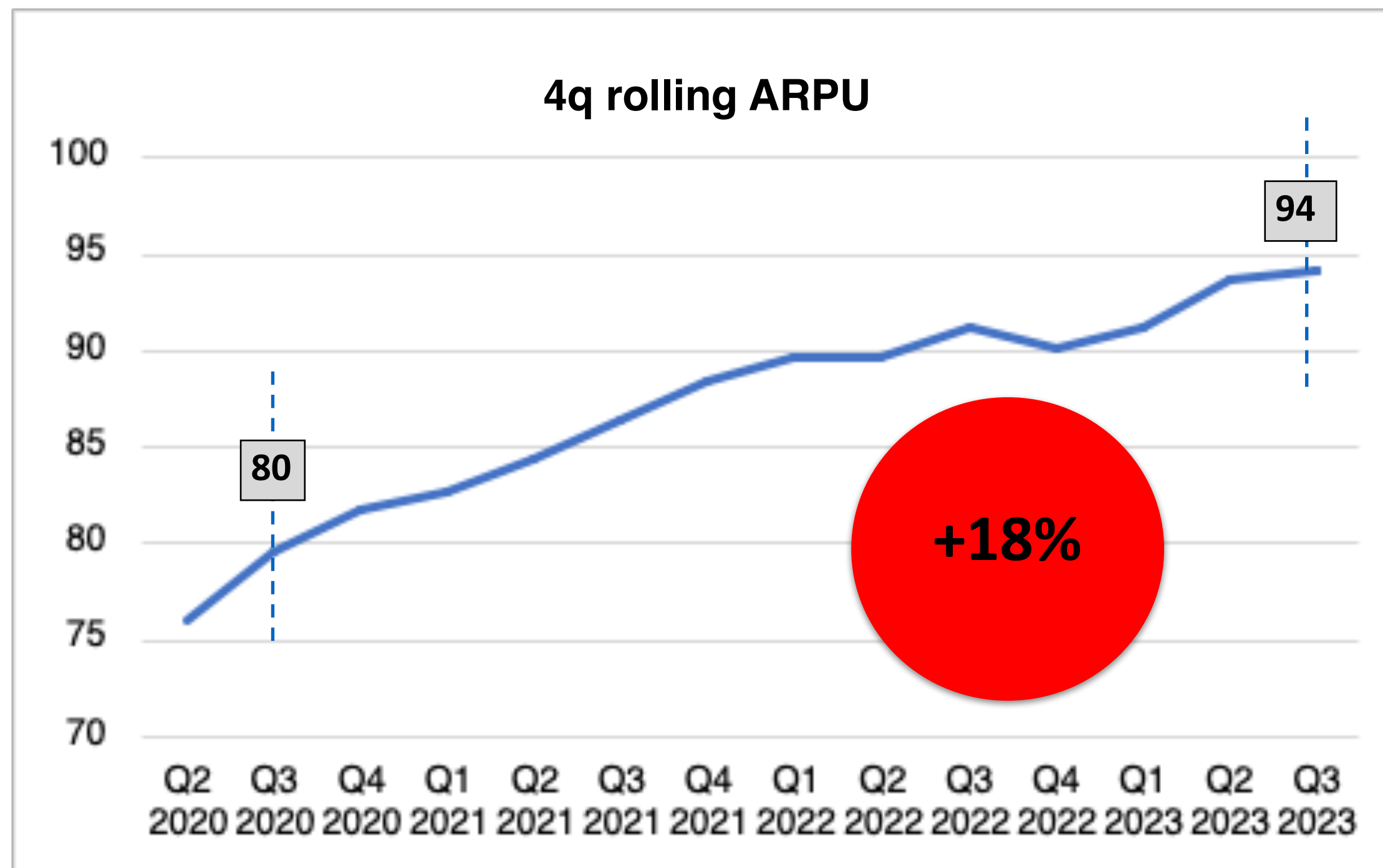
HALLOWEEN-ERBJUDANDE



ARPU growth over time

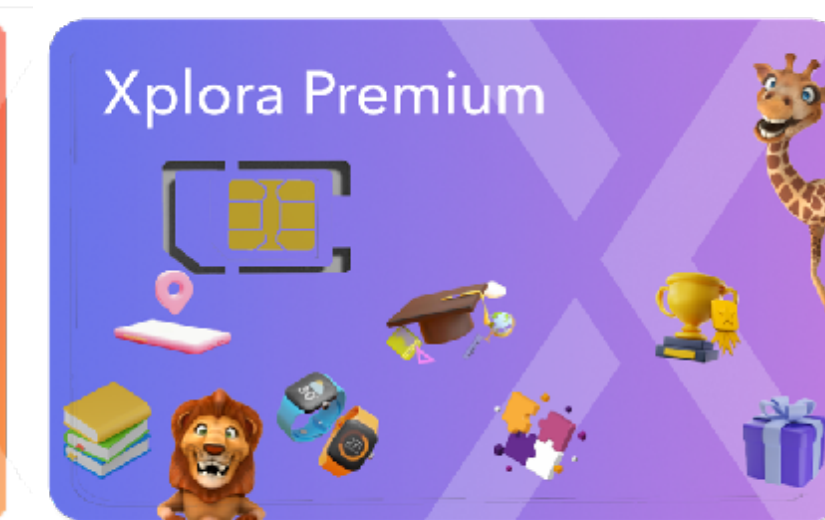
- Monetizing Premium service and price optimization

ARPU development Q3 2020 – Q3 2023:



ARPU growth over time +18% (Q3 '20 - Q3 '23)

- 'Smart' price plans with Basic and Premium option
- Premium service introduced from Q1/Q2 2023
- Country specific price adjustments
- Telcos in general show flat or declining ARPU, Xplora's ARPU increases

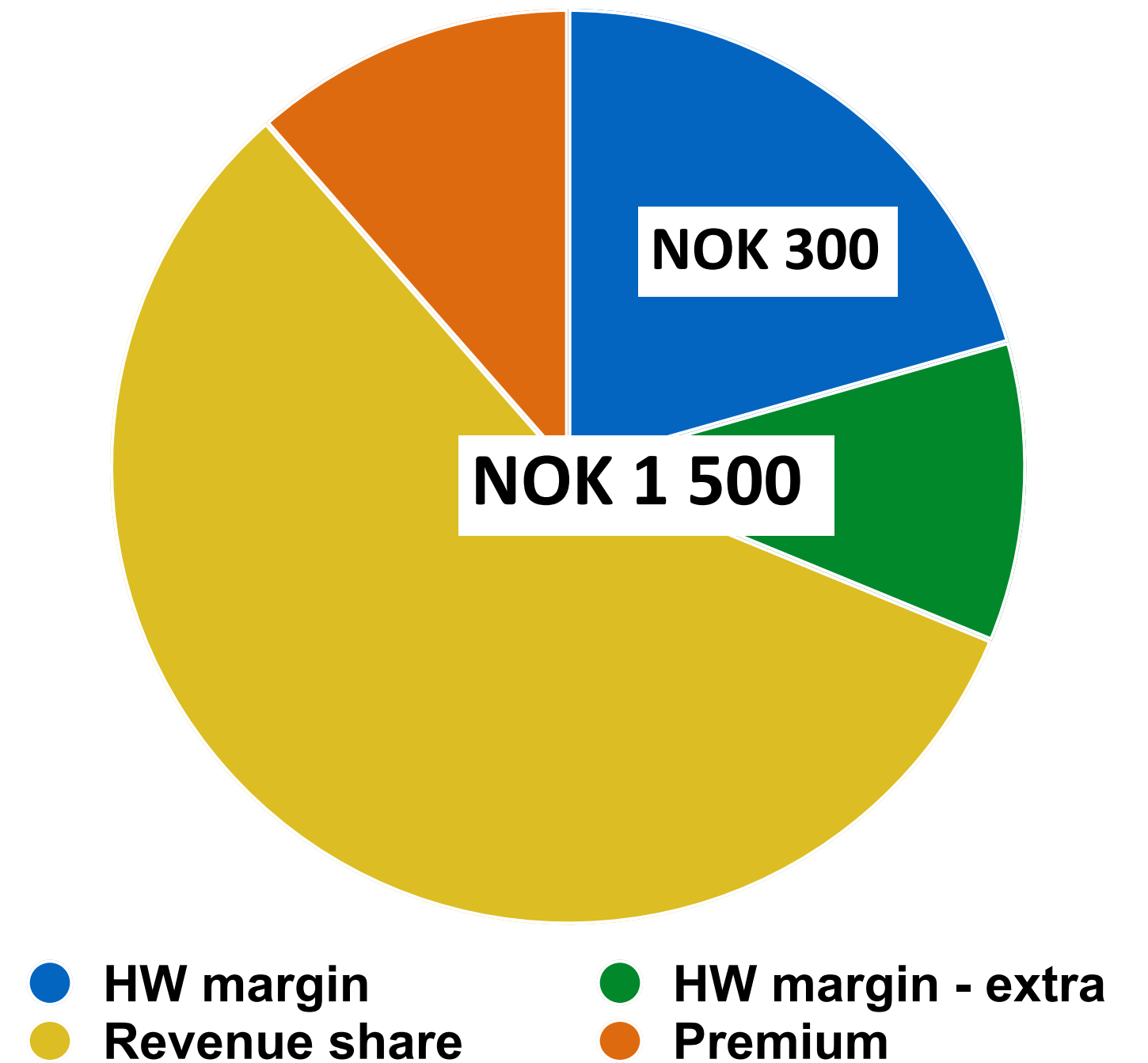
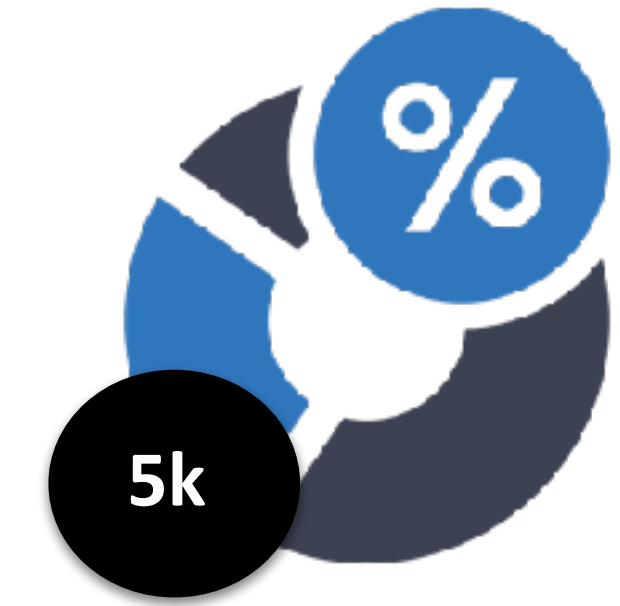




Telco revenue share model

- Third Telco deal with revenue share secured in Q3 '23

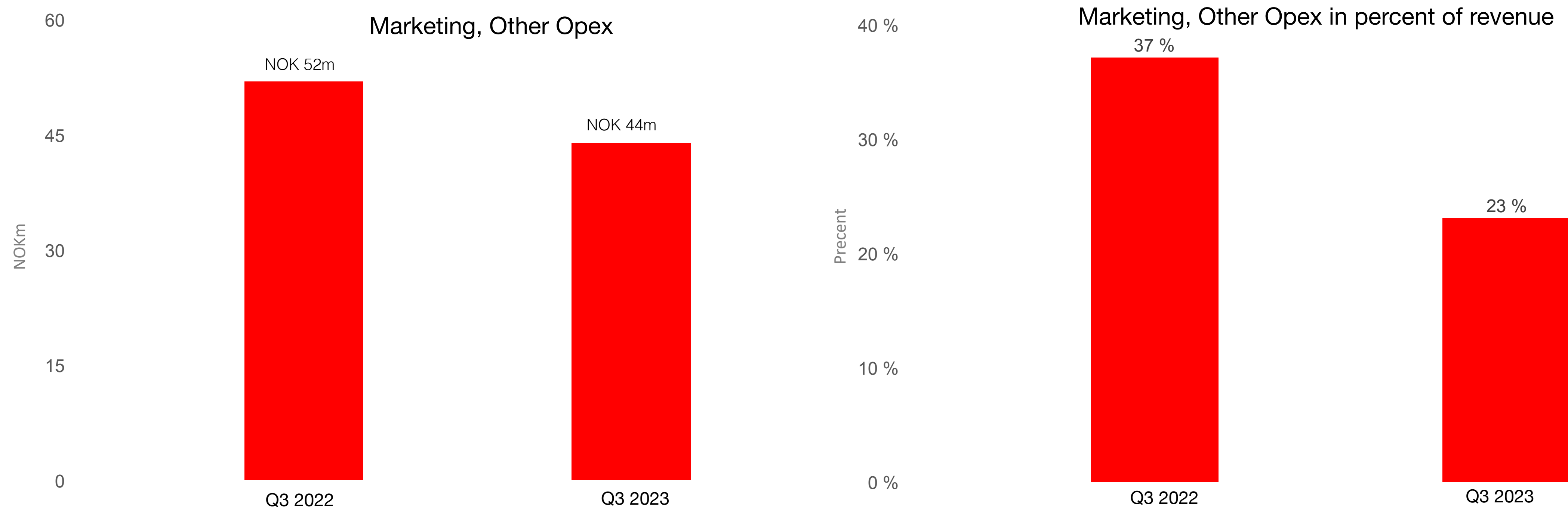
- **Previous: NOK 300** smartwatch margin on smartwatch sales to telcos
- **Now: NOK 1 500** smartwatch and recurring revenue share margin
- Other benefits: Extensive TV commercials increasing Xplora's brand position





Cost efficiency program – OPEX excl. personnel cost

- NOK 8m absolute reduction and 14%-points of revenue reduction



Marketing and Other OPEX reduction:

- NOK 8m reduction; from NOK 52m to NOK 44m
- 14%-points reduction, from 37% to 23% of revenue
- Improved marketing efficiency - NOK 9m absolute cost reduction
- 25 different cost items with annual cost reduction of each NOK 150k to NOK 3m



We deliver on our 2023 operational targets

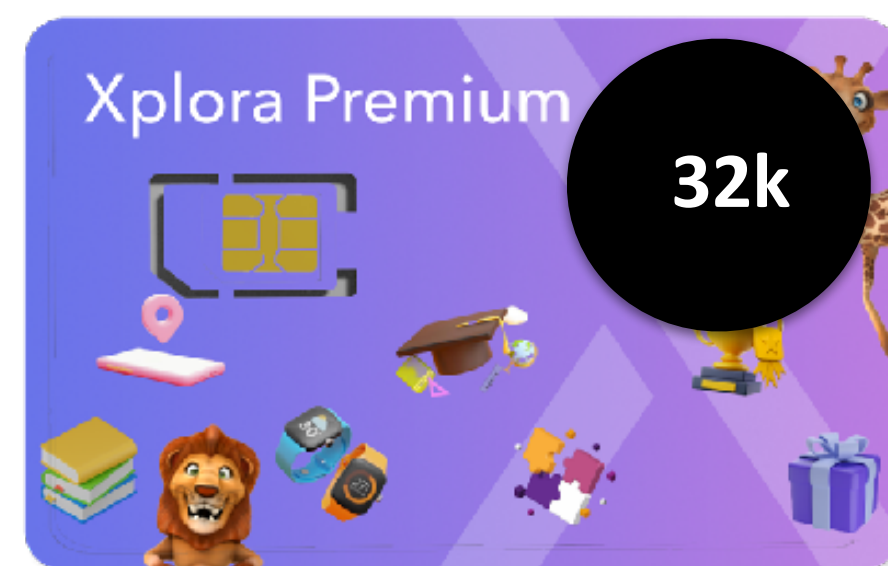
1 Telco operations in five new markets contribute to strong Q3 net subscriber growth:



2 Mobile subscriptions



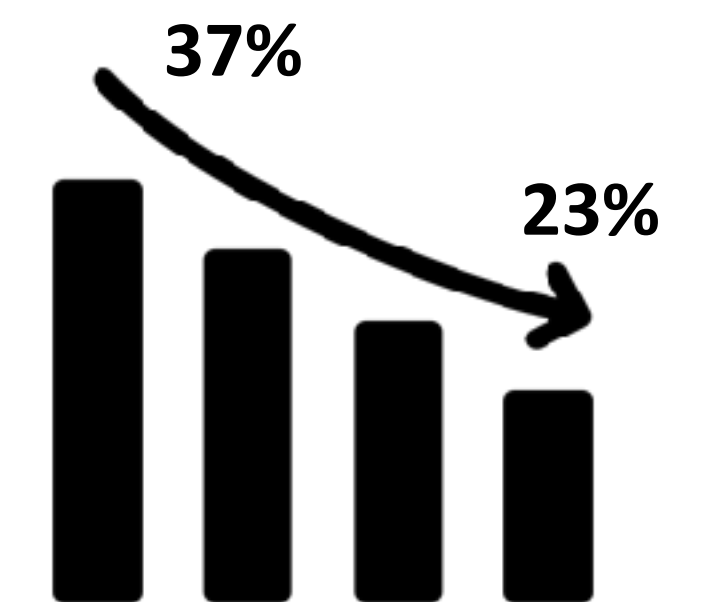
3 Value Added Service



4 Telco revenue share model



5 Opex optimization





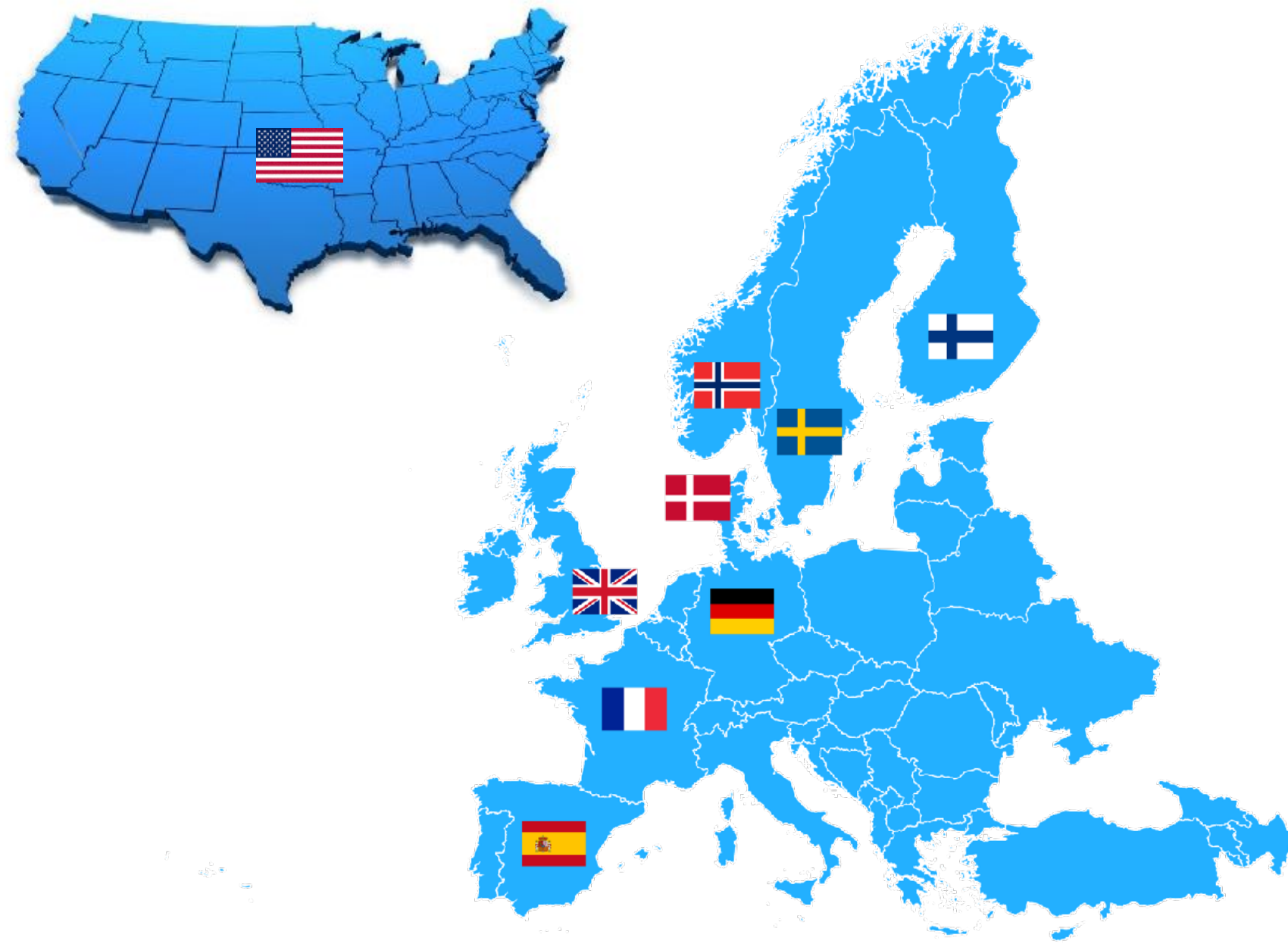
Kids Division

Jason Pyne

Executive Vice President



Key Strategies for growth in 2023



3 New products

XGO3, X6Play and X6Pro

9 Core Markets

With Mobile subscriptions

SIM w 2 price points

To increase ARPU



Sales Performance - smartwatches

Revenue:

Q3 2023 **NOK 134m** +41% y/y

Q3 2022 NOK 95m

ASP development + split (Average Selling Price)

Q3 2023 **ASP NOK 1072** 89% new generation

Q3 2022 ASP NOK 780

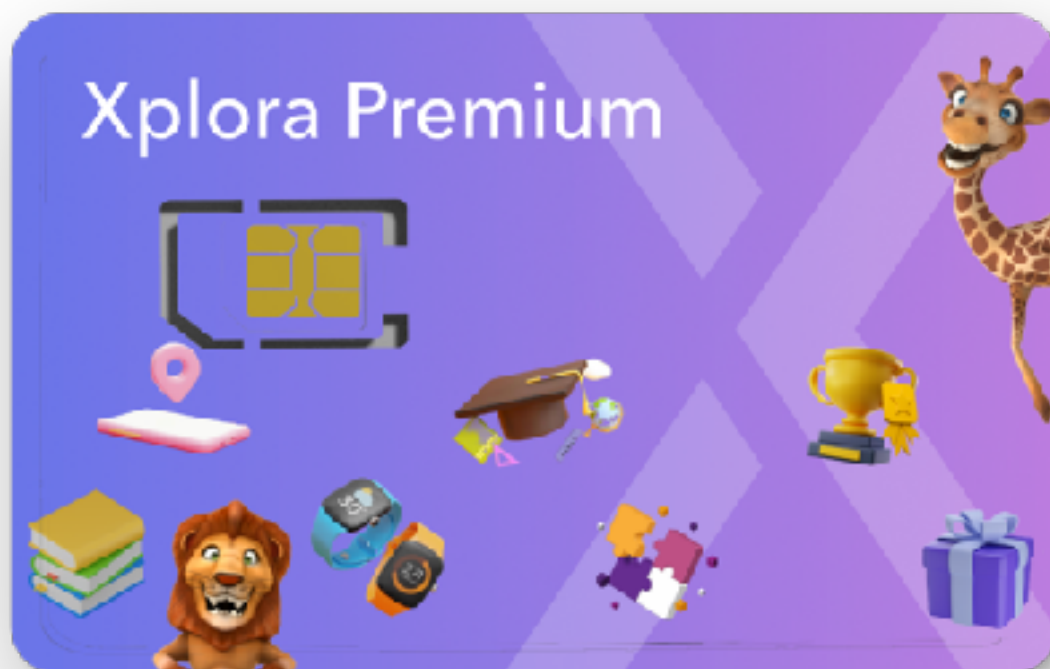
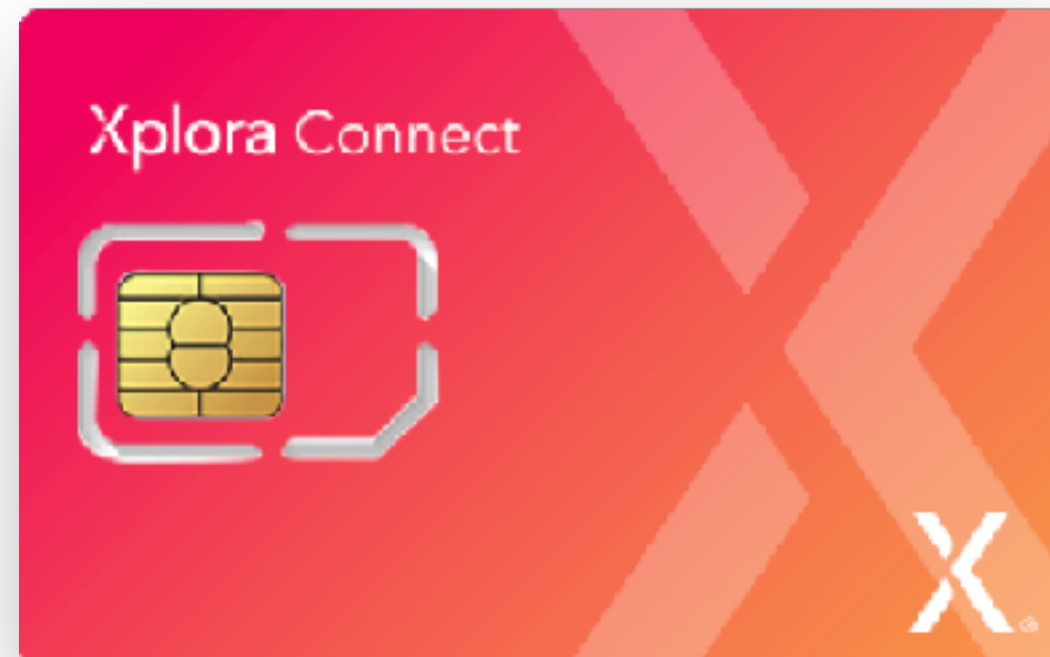


Total sales YTD
322k
23% increase



Sales Performance - services

Mobile and Service Subscriptions



2023 Target for Subscriptions 175k

Q2 2023 Reported Subscriptions 189k

New Subscription target 220k

Q3 2023 Reported Subscriptions 226k (of which 32k premium)

Annual Recurring Revenue (ARR) NOK 222m (Gross margin of 82%)

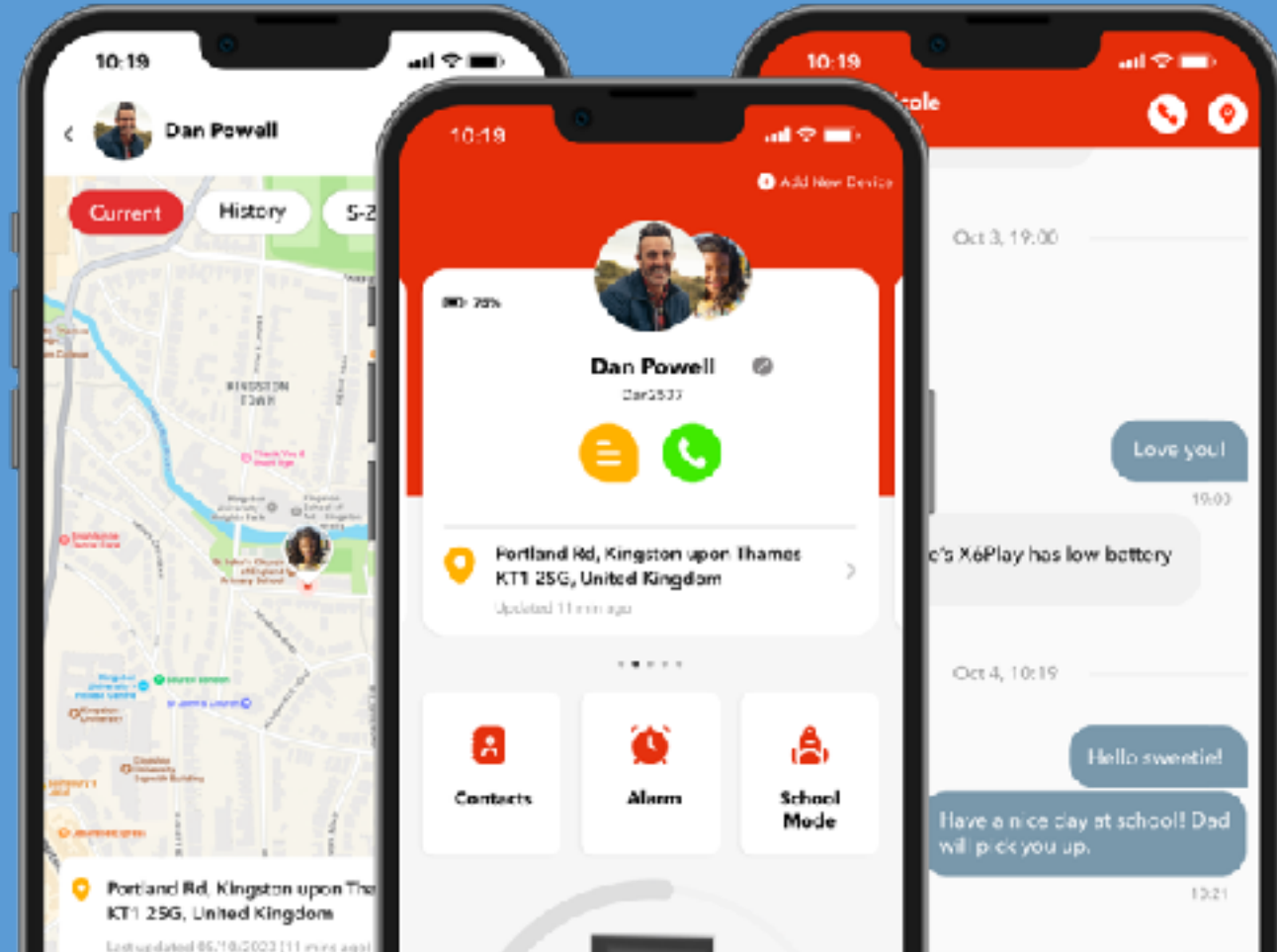
2022 ARR comparison NOK 172m



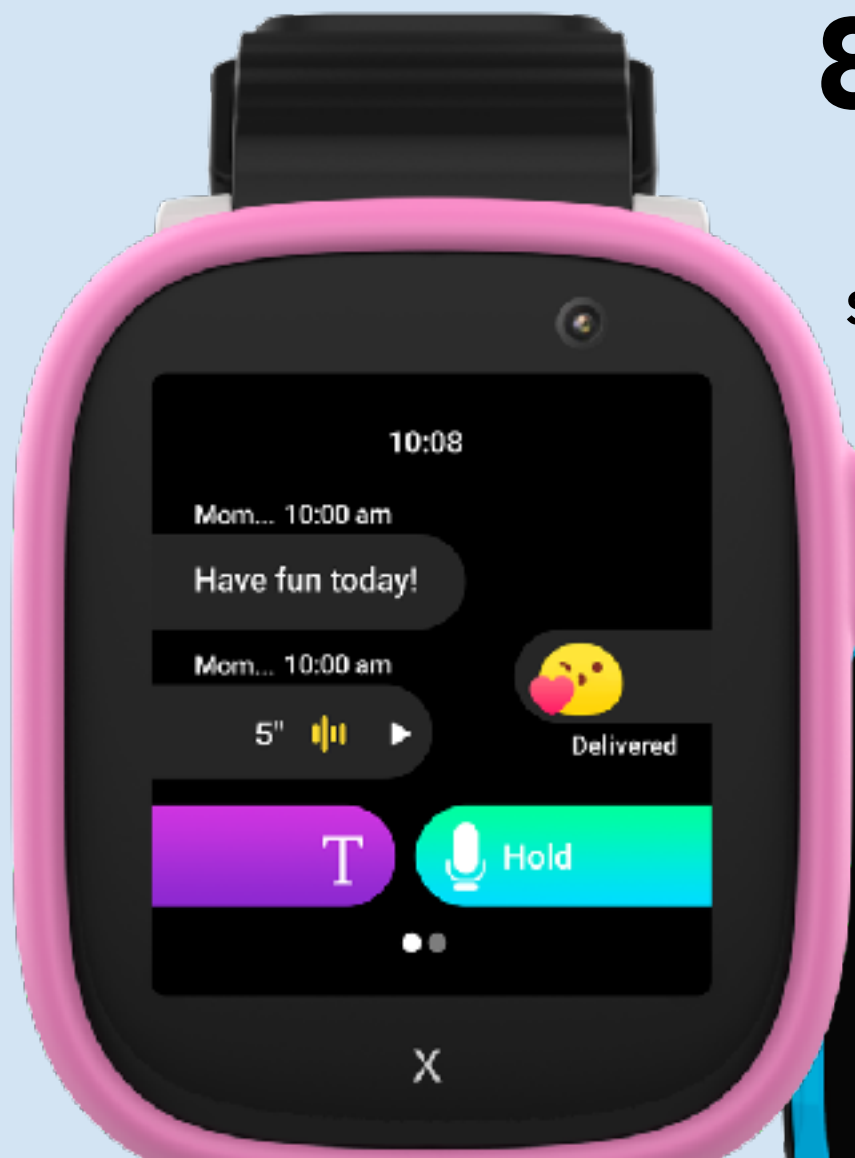
1.2 Million watches sold

575K kids use the watch monthly! September 2023

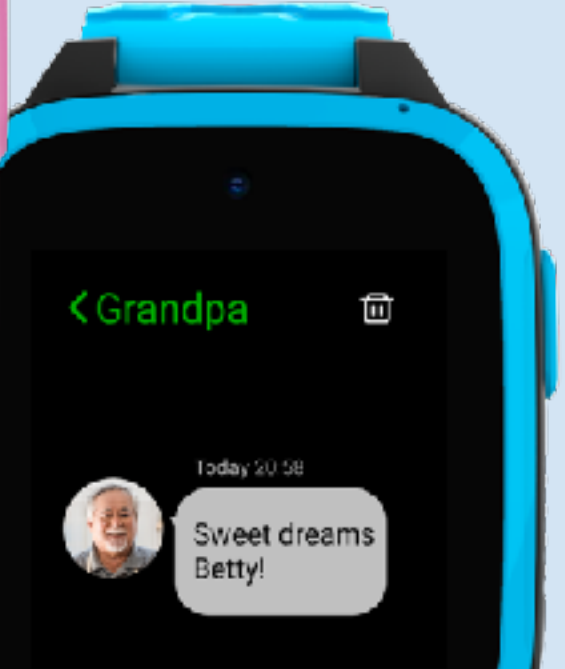
1.8 Million app accounts



68 Billion steps walked by kids in September 2023



8,637,550 Chat messages sent in September



Xplora Premium kids walk 5,938 steps more than those without Premium every day!* Xplora Premium Today 5:05 PM Sweet dreams Betty!

*Statistics from Xplora smartwatches with a Premium subscription, compared to those with a Basic subscription. Data retrieved in May 2023.



The road ahead

Sten Kirkbak

CEO

Status Quo



Cash

NOK 117 m in the bank
+ inventory net value
of NOK 69m

ARR

Annualized Recurring
Revenue of NOK 222m
with 82% margin

EBITDA

Major EBITDA turnaround
from negative NOK 13m
positive NOK 22m YTD

Growth

Outperforming the market
with YTD 48% growth
in revenue.

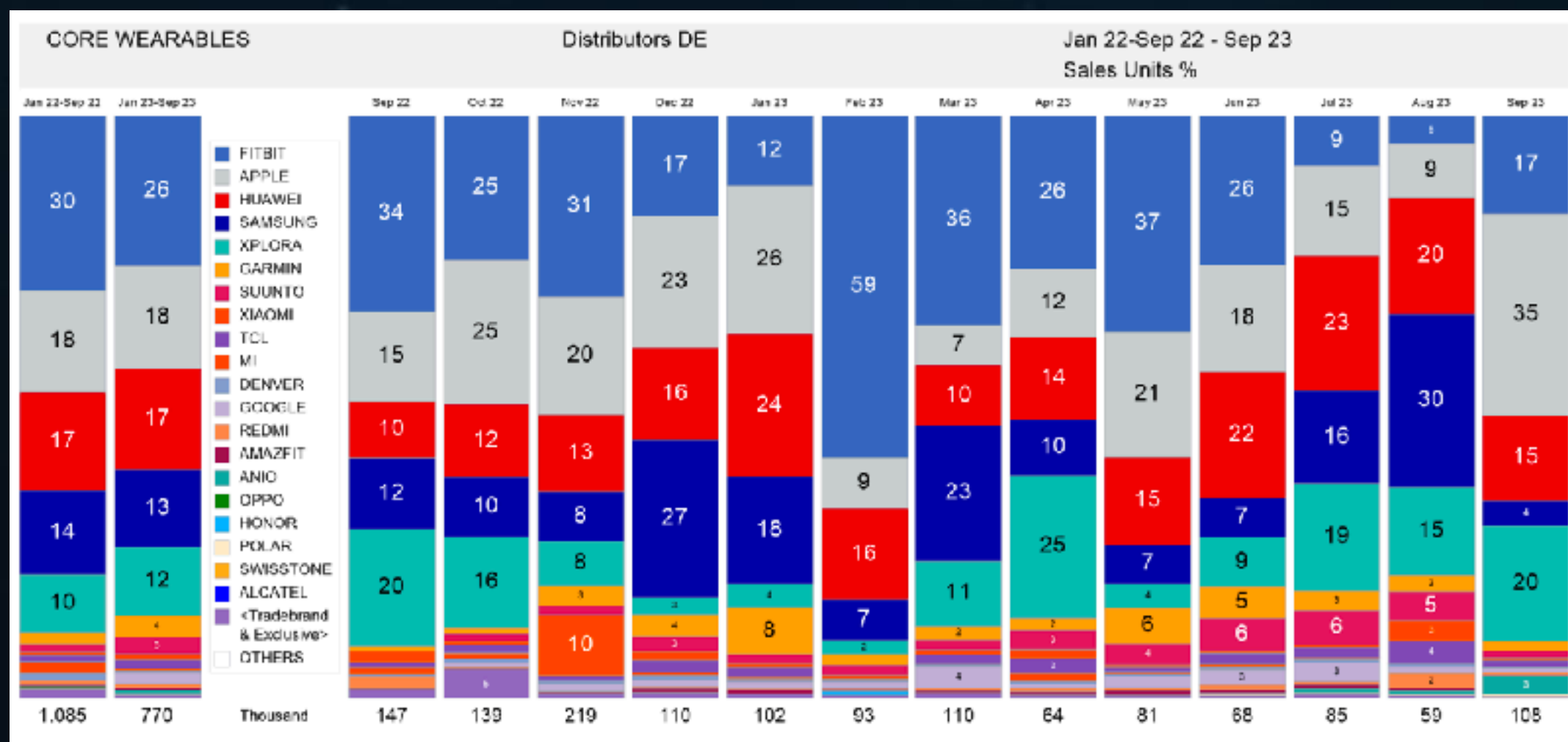




Performing strong in wearable category

- Xplora was **top 2!!! of all wearables** in Germany in September. (From being #5 in March)
- X6Play **number one selling** device in Germany
- Wearables has declined 26%** . **We continue to grow**
- Kids smartwatch category still seem **more resilient**

• GfK (September 23) Germany
 • September Y/Y



| CORE WEARABLES DE Distributors | | | | Sep 23 Sales Units, Sales Value EUR, Price EUR wo. VAT | | |
|--------------------------------|---------|---------------------------------|----------------------------|--|-----------------|-------------------|
| No. | BRAND | ITEM | CATEGORY | Sales Units | Sales Value EUR | Price EUR wo. VAT |
| 1 | TOTAL | TOTAL | | 107,562 | 27,194,509 | 212 |
| 1 | XPLORA | X6 PLAY | Locations | 13,646 | 1,577,056 | 98 |
| 2 | FITBIT | CHARGE 5 | Health and Fitness Tracker | 13,301 | 1,480,378 | 93 |
| 3 | XPLORA | XG03 | Locations | 7,598 | 607,490 | 67 |
| 4 | APPLE | WATCH SERIES 9 45MM | Smartwatches no SIM | 7,001 | 3,107,300 | 373 |
| 5 | APPLE | WATCH SERIES 9 41MM | Smartwatches no SIM | 6,754 | 2,942,615 | 366 |
| 6 | APPLE | WATCH ULTRA 2 LTE | Smartwatches SIM | 5,595 | 4,634,585 | 695 |
| 7 | HUAWEI | BAND 8 | Health and Fitness Tracker | 5,120 | 244,657 | 40 |
| 8 | APPLE | WATCH SERIES SE 40MM | Smartwatches no SIM | 4,137 | 1,069,193 | 217 |
| 9 | APPLE | WATCH SERIES SE 44MM | Smartwatches no SIM | 3,429 | 975,083 | 239 |
| 10 | ANIO | ANIO5 | Locations | 2,838 | 298,747 | 88 |
| 11 | HUAWEI | WATCH GT 4 41MM | Wrist Sport Computer | 2,503 | 659,065 | 191 |
| 12 | HUAWEI | WATCH FIT 2 NO NFC | Smartwatches no SIM | 2,092 | 304,240 | 95 |
| 13 | FITBIT | VERSA 4 | Smartwatches no SIM | 2,548 | 398,192 | 131 |
| 14 | HUAWEI | WATCH GT 3 46MM | Smartwatches no SIM | 1,902 | 353,141 | 156 |
| 15 | APPLE | WATCH SERIES 9 46MM LTE | Smartwatches SIM | 1,745 | 940,537 | 453 |
| 16 | FITBIT | SENSE 2 | Smartwatches no SIM | 1,578 | 325,850 | 199 |
| 17 | SAMSUNG | GALAXY WATCH 5 61-R915 44MM LTE | Smartwatches SIM | 1,289 | 313,015 | 204 |
| 18 | APPLE | WATCH SERIES 9 41MM LTE | Smartwatches SIM | 1,254 | 611,473 | 410 |
| 19 | APPLE | WATCH SERIES SE 40MM LTE | Smartwatches SIM | 1,098 | 329,560 | 262 |
| 20 | TCL | MOVETIME MT40 | Locations | 1,073 | 92,368 | 72 |
| 21 | APPLE | WATCH SERIES 9 41MM | Smartwatches no SIM | 998 | 354,577 | 299 |
| 22 | HUAWEI | WATCH GT 3 42MM | Smartwatches no SIM | 906 | 178,006 | 165 |
| 23 | APPLE | WATCH SERIES 9E 44MM LTE | Smartwatches SIM | 623 | 268,087 | 275 |
| 24 | APPLE | WATCH SERIES 9 45MM LTE | Smartwatches SIM | 783 | 804,351 | 689 |
| 25 | APPLE | WATCH ULTRA LTE | Smartwatches SIM | 708 | 567,103 | 675 |
| 26 | SAMSUNG | GALAXY WATCH 5 61-R915 40MM | Smartwatches no SIM | 694 | 100,354 | 122 |
| 27 | GOOGLE | PIXEL WATCH | Smartwatches no SIM | 628 | 102,945 | 138 |
| 28 | APPLE | WATCH SERIES 9 41MM LTE | Smartwatches SIM | 623 | 401,290 | 541 |
| 29 | HUAWEI | WATCH FIT 9E | Smartwatches no SIM | 618 | 49,282 | 67 |
| 30 | HUAWEI | WATCH GT 3 PRO 48MM | Smartwatches no SIM | 528 | 160,020 | 258 |
| | OTHERS | OTHERS | | 12,692 | 3,136,180 | 204 |

Outlook

- Category expected to grow 15% CAGR* which we find reasonable to assume. **Objective to beat the market!**
- We have already reached **226K subscriptions** (from target 175k) and expect a net increase in Q4
- We have realized marketing and other **opex reductions of 14% points** of revenue. FTE reduction from 132 to 112. Capex aligned with budget (NOK 20-25m)
- Remain very focused on **profitability in 2023**
- Explore options for future family IOT growth. **Focusing on two specific verticals/opportunities (Senior/SaaS)**





Q&A