



Q2 2021

Xplora®

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About Xplora



Xplora was founded with the mission of giving children a safe onboarding to digital life and encouraging a better balance between screen time and physical activity.

Xplora's broad portfolio of connected products and services allows people to connect their loved ones, and children to experience how their everyday activities can make a positive change in the world. Xplora's critically-acclaimed products are trusted by kids worldwide, and the Goplay Services are made available for millions of kids through third parties and partners. Recently, the company collaborated with Sony Interactive Entertainment to get kids playing outdoors more via integration with the Goplay Services. Headquartered in Oslo, Xplora has offices in Norway, UK, Germany, and Spain, and is expanding into new markets in the US and Europe. Our London-based engineering team is expanding rapidly. Xplora has several major innovations in the child smartwatch category, including the launch of the world's first eSIM product for children in August 2020 and its Goplay activity platform and logic converting steps to awards. Following a major development roadmap Xplora will release a number of new value added services from H2 21 into 2022.

Our vision is to enable children around the world to experience how their everyday activities can make a positive change to the world.

FAST FACTS

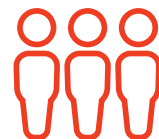
**450,000
smartwatches sold**



**Rapid international
expansion**



77 employees



Scalable business model



The Quarter at a Glance

MESSAGE FROM THE CEO

For Xplora Q2 21 continued where Q1 21 left off, with strong organic sales growth, major investments in the organization, closing of the acquisition of Xplora Mobile Holding and the integration of the new team, several key wins and delivering on the most ambitious development program in the company's history. Financially, we are proud to report revenues up 4x and gross earnings up 12x from the year-earlier period with positive EBITDA in Q2 21.

2021 is a year of significant transition for Xplora. Up through Q1 21 the key driver of Xplora's revenues has been device revenues through the rapid growth in sales of smartwatches for kids. From Q2 21 service revenues make up a significant share of group revenues from mobile subscription in the Nordics. Q2 21 marks many milestone deliveries on Xplora's service and connectivity platforms, made ready for commercial deployment from Q3 21 into 2022. Xplora is building a comprehensive offering where service revenues are significant sales drivers on top of continued growth in device sales, driving further scalability.

Xplora has become the market leader for children's smartwatches with a leading portfolio of connected products and activity trackers. Combined with our broad service offering Xplora is extending this value proposition by jointly delivering the first mobile subscription, digital ecosystem and payment/savings/banking service. Our aim is to create an ecosystem so attractive that we can grow with our customers and extend the target audience beyond our current focus.

Sten Kirkbak



HIGHLIGHTS

- Q2 21 group revenue up 285% y/y to NOK 93.4m on strong organic growth and consolidation of Xplora Mobile Holding.
- 79k smartwatches sold in Q2 21, +180% y/y. Xplora exited Q2 21 with 94k mobile subscribers, +79% y/y and +18% q/q.
- Service revenue NOK 24.2m in the quarter, representing 26% of group revenue.
- Gross margins 43% with adjusted EBITDA at NOK 3.5m.
- Strong balance sheet with NOK 144m in cash balances and 73% equity ratio at end of Q2 21
- We secured our first major B2B/B2B2C platform contract and completed the development of new value added services Goplay Arcade, Xplora Pay and Xplora Connect, set for deployment in H2 21 and a number of new partner wins, setting the stage for a sharp ramp-up in H2 21.

Q2 Revenues

↑ **285%**

Q2 Unit Sales

↑ **180%**

Q2 Gross Margin

43%

KEY FIGURES

Amounts in NOK millions	Q1 21	Q2 21	H1 21	Q1 20	Q2 20	H1 20
Device sales (k units)	62.0	79.3	141.3	24.0	28.3	52.3
Mobile subscribers (k) ¹⁾	80.2	94.4	94.4	44.9	52.9	52.9
Device revenues	51.3	68.5	119.8	20.1	22.6	42.7
Service/other revenues	2.6	24.8	27.4	1.3	1.6	2.9
Total revenues	53.9	93.4	147.4	21.5	24.2	45.7
Gross margin	35.4%	42.6%	38.0%	19.9%	13.1%	16.3%
EBITDA	-10.9	1.4	-9.5	-7.2	-8.3	-15.5
EBITDA adjusted ²⁾	-4.1	3.5	-0.6	-6.6	-8.1	-14.8
Shares outstanding (m) ³⁾	36.4	39.8	39.8	20.1	25.2	25.2
Share price (NOK)	43.0	40.2	40.2	11.0	7.0	7.0
Market capitalization	1 565	1 599	1 599	221	176	176

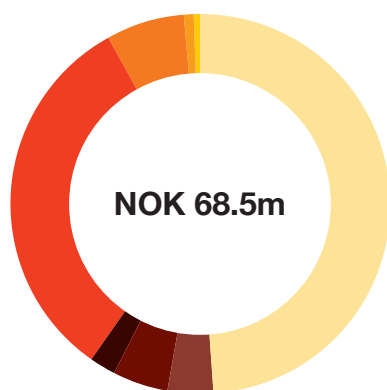
¹⁾ Mobile subscription revenues not consolidated until Q2 21

²⁾ Adjusted for one-off items and option expenses

³⁾ Q1 20 and Q2 20 shares outstanding and share price adjusted for 1:25 share split

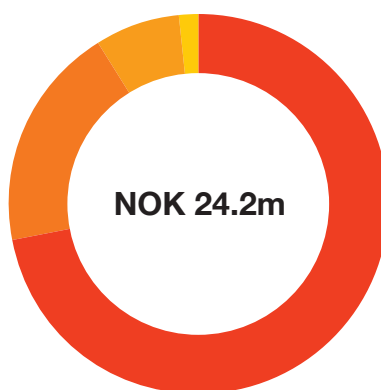
REVENUE BY COUNTRY

Devices



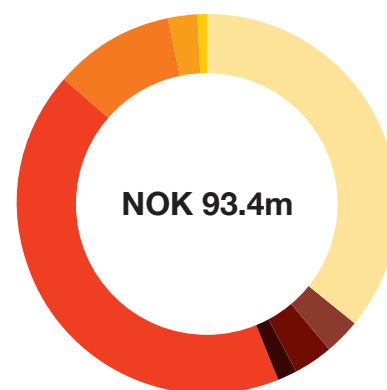
Germany
Spain
UK
US
Norway
Sweden
Finland
Denmark

Service



Norway
Sweden
Finland
Denmark

Total revenues



Germany
Spain
UK
US
Norway
Sweden
Finland
Denmark

Xplora Technologies Group Financials

Q2 21 marked a leap in group revenues for Xplora driven by an accelerating underlying sales momentum and the consolidation of Xplora Mobile Holding. Further, we reported the second quarter with positive EBITDA in the company's history. Group revenues were up 285% y/y to NOK 93.4m, driven by 203% y/y growth in smartwatch revenues, and NOK 24.2m in service sales, service sales from recurring mobile subscription revenues. Gross margins widened to 43% from 35% in the two previous quarters. The quarter has been influenced by consolidation and integration of Xplora Mobile Holding, new team additions, delivering on the company's most ambitious development program to date and securing new key wins.

PROFIT & LOSS

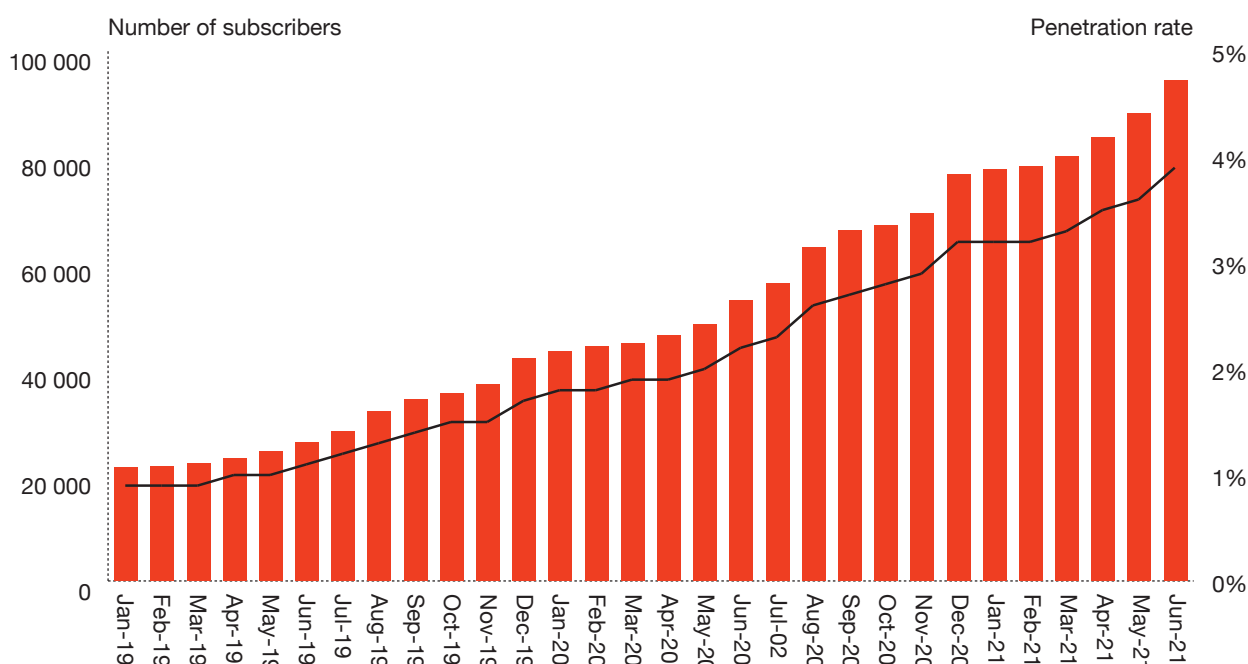
Q2 21 marks the first quarter including the consolidation of Xplora Mobile Holding. Q2 21 group revenues were NOK 93.4m, up 285% from NOK 24.3m in Q2 20. Key growth drivers in the quarter were 180% y/y unit growth in device sales with device revenues up 203% to NOK 68.5m. Xplora sold a total of 79k smartwatches in Q2 21, up from 28k in Q2 20. The telco segment continues to be our largest and key driver of volumes. Online sales across all platforms remained strong. Q2 21 saw many regions in Europe unlocking some of their Covid-19 restrictions with stores beginning to open. In Spain we ran a successful digital media and TV advertising campaign in Q2 21 resulting in strong sales through our online channels. Recurring service revenues leaped to NOK 24.2m in Q2 21 on the consolidation of Xplora Mobile Holding, representing 26% of group revenues. Xplora

entered the quarter with 80k mobile subscribers and grew its subscriber base by 18% to 94k subscribers during the quarter. Subscriber growth was strong in all markets.

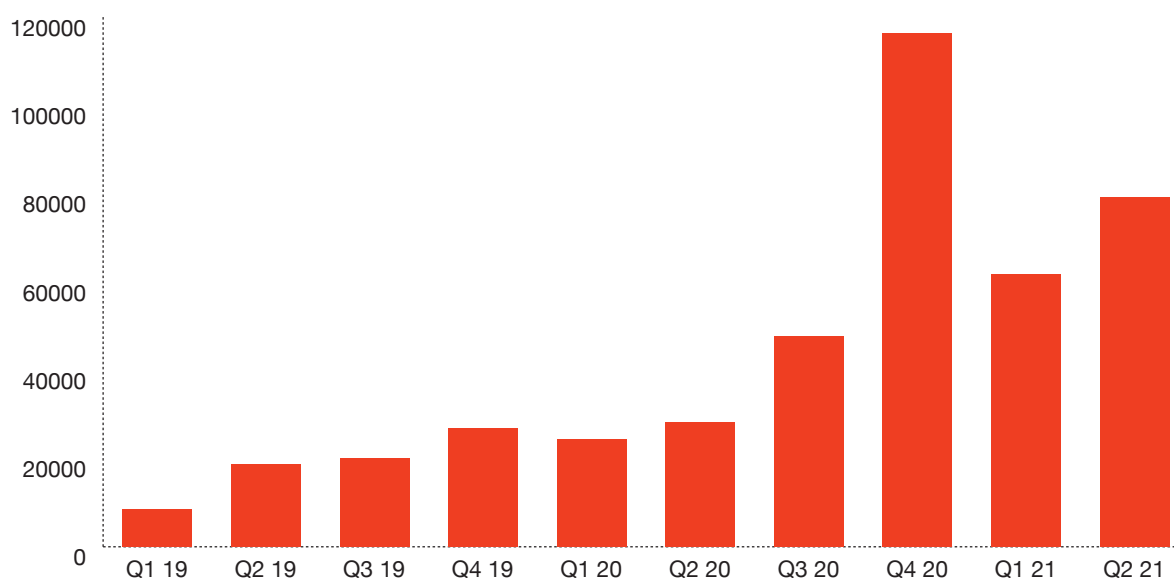
On a geographic basis Norway represents our largest market in Q2 21, comprising 43% of group revenues including both service and device revenues. Germany is our second largest market in the quarter with a share of 36% of group revenues, followed by Sweden with 10%.

Gross margins widened to 43% in Q2 21. Key driver is the consolidation of Xplora Mobile Holding with accretive gross margins from recurring service revenues. The company's gross earnings were up 1,151% y/y to NOK 39.8m in Q2 21 from NOK 3.2m in Q2 20.

Mobile subscribers and penetration rate Nordic



Quarterly smartwatch volumes



Total operating costs were NOK 38.4m in Q2 21 vs NOK 30.0m in Q1 21 and NOK 11.4m in the year-earlier period. Operating costs were up q/q on the consolidation of Xplora Mobile Holding and an increased headcount. Payroll expenses amounted to NOK 13.7m in the quarter (NOK 5.2m), and other operating costs NOK 24.7m (6.3m) of which NOK 12.2m in marketing costs. Xplora exited Q2 21 with 77 employees, up from 51 at end Q1 21 and 40 at year-end 2020.

Xplora generated positive EBITDA of NOK 1.4m in Q2 21 vs a loss of NOK 8.3m in Q2 20. This marks the 2nd quarter in the company's history with positive EBITDA. Adjusted for one-off items and option expenses the adjusted EBITDA was NOK 3.5m (NOK -8.1m) in Q2 21.

Depreciation and amortization amounted to NOK 14.3m (NOK 0.8m in Q2 20 and NOK 0.7m in Q1 21). The increase is driven by amortization of goodwill and customer contracts stemming from the acquisition of Xplora Mobile Holding. Reported operating profit/EBIT was NOK -12.9m in Q2 21. This compares to an EBIT of NOK -9.1m in Q2 20. Net financial items were NOK 0.2m. Profit before tax ended at NOK -12.8m in Q2 21 vs a loss of NOK 10.6m in Q2 20.

Year to date group revenues reached NOK 147.4m, up 222% y/y from the NOK 45.8m group

revenues reported in H1 20. Xplora sold a total of 141k smartwatches in H1 21 driving total device revenue to NOK 119.9m, an increase of 180% from the NOK 42.8m device revenues in H1 20. Service revenues were NOK 26.6m in H1 21, representing 18% of group sales. In H1 20 service revenues were NOK 3.0m. Gross earnings ended at NOK 58.8m in H1 21 for a gross margin of 40%. Reported EBITDA came in at NOK -9.5m in H1 21, an improvement from NOK -15.5m in H1 20. Operating profit in H1 21 amounted to NOK -24.5m (-16.7m), with profit before tax at NOK -26.4m (-19.0m).

BALANCE SHEET

Xplora has a solid balance sheet with a high equity ratio and a significant cash balance. Total assets increased from NOK 333.5m at the end of Q1 21 to NOK 534.6m at the end of Q2 21. The increase is largely due to the consolidation of Xplora Mobile Holding. Intangible assets including goodwill and customer contracts from the acquisition of Xplora Mobile Holding amounted to NOK 243.8m at Q2 21 of total financial fixed assets of NOK 260.8m. This compares to intangible assets of NOK 7.6m at Q1 21, largely capitalized development. Cash and equivalents at Q2 21 were NOK 144.0m, down from NOK 245.4m at Q1 21. The reduction in cash balances is largely explained by the cash payment of the Xplora Mobile Holding acquisition. Accounts receivable were NOK 66.0m at the end of Q2 21,

up from NOK 11.7m, driven by higher volume shipments late in the quarter to prepare channel partners for back-to-school sales campaigns in Q3 and consolidation of Xplora Mobile Holding. Inventories increased to NOK 40.9m at Q2 21 on the account of Xplora Mobile holding consolidation and preparation for a seasonally stronger quarter ahead while other receivables fell to NOK 22.9m from NOK 40.8m at Q1 21.

Equity increased from NOK 261.3m at end of Q1 21 to NOK 388.6m at end Q2 21 for an equity ratio of 73% at end of Q2 21. Key driver is the NOK 138.8m issue of shares as part payment of Xplora Mobile Holding. Xplora has interest bearing debt of NOK 36.2m at the end of Q2 21, of which NOK 25.0m long term debt at Innovasjon Norge. Xplora Mobile Holding has a debt facility at Pareto Bank of which NOK 6.2m in long term debt. Other short-term liabilities increased from NOK 22.2m end Q1 21 to NOK 64.7m end Q2 21 on consolidation of Xplora Mobile Holding and higher device orders for H2 21 delivery. Q2 21 includes NOK 20m in provision for earnout in reference to the Xplora Mobile Holding acquisition as short term liabilities.

CASH FLOW

Cash flow from operations in Q2 21 was NOK -18.4m. Cash earnings of NOK 1.6m were offset by a NOK 20.0m increase in working capital items including accounts receivable and inventories, offset by a reduction in other receivables. Cash from investments of NOK -80.3m consist of the net cash element of the Xplora Mobile Holding acquisition NOK 76.9m in addition to capitalized development of NOK 3.4m. Debt was down by NOK 2.8m during Q2 21 for a total cash flow from financing of NOK -2.6m. Net change in cash during Q2 21 was NOK 101.4m for a cash balance of NOK 144.0m at end of Q2 21.

SHAREHOLDERS

The number of outstanding shares in Xplora at the end of Q2 21 was 39,783,848, up from 36,385,208 shares at the end of Q1 21. During the quarter the company issued 3,025,871 shares for the share-based payment of Xplora Mobile Holding, and issued 372,769 shares for conversion of a media to equity deal in Germany. Xplora had 1,292 shareholders at Q2 21. The 10 largest shareholders held 51.6% of outstanding shares. 6.9% of the shares were held by shareholders outside Norway, up marginally from 6.5% at the end of Q1 21.

Top 10 shareholders

Shareholder	Shares	Percent
Passesta AS	5 333 342	13.4%
Evado Filip AS	3 276 325	8.2%
Eden AS	2 240 125	5.6%
MP Pensjon PK	1 822 165	4.6%
Verdipapirfondet DNB SMB	1 716 789	4.3%
S. Munkhaugen AS	1 714 325	4.3%
Harmonium Invest AS	1 667 075	4.2%
Commerzbank Aktiengesellschaft	1 056 219	2.7%
Thunderstorm Invest AS	871 493	2.2%
Arepo AS	840 000	2.1%
Total top 10	20 537 858	51.6%
Others	19 245 990	48.4%
Total outstanding	39 783 848	100.0%

Source: Euronext VPS as of 18 August 2021

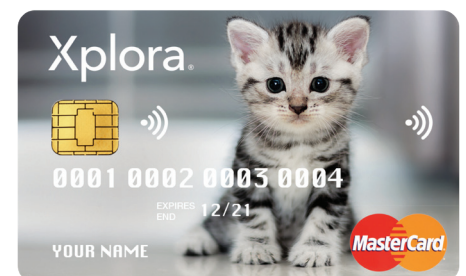
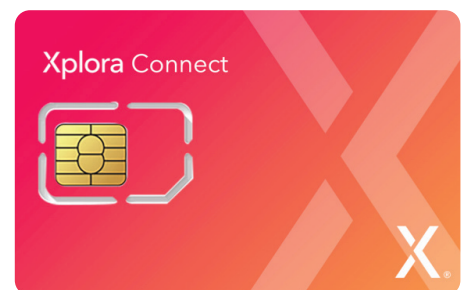
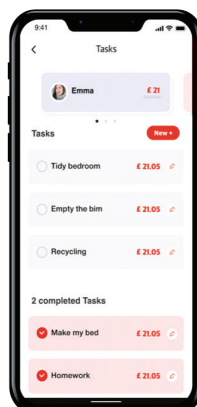
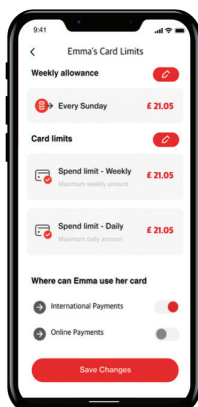
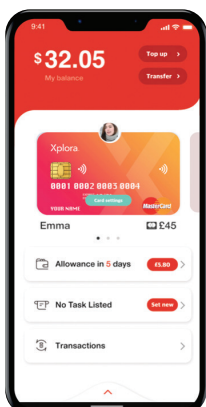
POST QUARTER EVENTS

On 9 August 2021 Xplora announced that it had reached a mobile subscriber base of 100,000 in the Nordic market. Starting in Q3 21 Xplora will expand its subscription services to its smartwatch customers across Europe and North America. Xplora has successfully launched its XGO2 smartwatch with ICA Maxi in Sweden in the back-to-school campaign period, and is expanding into new channels in several markets through the course of the quarter.

OUTLOOK

Xplora is experiencing increased awareness and interest for its products and service offering, and continues to have a positive market outlook. Telecom operators, offering the largest and most developed sales platform for our products and services, have generally shown increased interest in Xplora's comprehensive offering and the market segment Xplora targets in recent quarters. Strengthened sales momentum through Q1 21 and Q2 21 combined with a broad partner base continues to give strong support to our 0.5m

volume target for 2021. With 26% share of group revenues from recurring service revenues in Q2 21 and the launch of new connectivity solutions, value-added subscription services and licensing solutions in H2 21, Xplora is very well positioned to build further scalability and operating leverage in its business model. The Covid-19 pandemic has given support to Xplora's value proposition and product offering in many markets, driving accelerated growth and penetration. At the same time Xplora has experienced some delayed decisions from new potential customers in selected markets in wake of Covid-19 and intermittent lock-downs, in addition to supply chain challenges, component shortages, logistical challenges, longer lead times creating uncertainty and pressure on our organization and ability to deliver, although we have been successful in handling these uncertainties so far. Some of these challenges are according to various market sources anticipated to continue well into 2022, possibly longer. Xplora seeks to mitigate some of these risks through a broader supply base, continued investments in our operational team and a strong focus on service sales.



Xplora Technologies Group

PROFIT & LOSS

Amounts in NOK	Q2 2021	H1 2021	Q2 2020	H1 2020
Revenue - sales of watches	68 537 601	119 870 747	22 634 766	42 771 320
Revenue - service fees	24 201 620	26 603 350	1 618 077	2 977 115
Revenue - other	623 163	891 855	28 612	45 066
Total Revenue	93 362 384	147 365 952	24 281 454	45 793 502
Cost of sales	53 606 149	88 517 569	21 102 818	38 329 868
Gross Profit	39 756 236	58 848 384	3 178 636	7 463 634
Payroll Expenses	13 708 225	29 047 039	5 158 823	10 221 462
Other Operating expenses	24 659 800	39 283 056	6 281 552	12 728 066
EBITDA	1 388 210	-9 481 712	-8 261 739	-15 485 894
Depreciation and amortisation	14 309 545	15 004 144	788 339	1 236 549
Operating profit / EBIT	-12 921 335	-24 485 856	-9 050 078	-16 722 443
Finance (income)/expenses - net	-383 643	1 482 150	-498 013	201 885
Other finance cost	214 351	410 800	2 059 868	2 059 868
Profit (loss) before tax	-12 752 043	-26 378 806	-10 611 933	-18 984 197
Income tax	-	-	-	-
Net profit (loss)	-12 752 043	-26 378 806	-10 611 933	-18 984 197

Figures are unaudited. Xplora Mobile Holding is fully consolidated from Q2 21.

Xplora Technologies Group

BALANCE SHEET

Amounts in NOK	Q2 2021	Q1 2021
ASSETS		
Fixed Assets	850 907	460 761
Goodwill	174 712 686	-
Customer Contracts	69 131 250	-
Intangible Assets	15 991 293	7 562 345
Other long term receivables	153 028	-
Financial fixed assets	260 839 164	8 023 106
Current assets		
Accounts receivable	65 955 198	11 659 681
Inventories	40 854 567	27 618 606
Other receivables	22 907 038	40 774 581
Cash & equivalents	144 016 466	245 439 563
Total Current assets	273 733 268	325 492 430
Total Assets	534 572 433	333 515 536
EQUITY AND DEBT		
Total Equity	388 646 933	261 282 712
Long Term IB debt	31 150 000	25 000 000
Short Term IB debt	5 038 855	-
Accounts payable	25 005 869	24 760 392
Provision for Earn Out	20 000 000	-
Other short term liabilities	64 730 776	22 472 432
Total Short term debt	114 775 500	47 232 824
Total Equity and Debt	534 572 433	333 515 536

Figures are unaudited. Xplora Mobile Holding is fully consolidated from Q2 21. Purchase price allocation (PPA) calculations are preliminary and may be subject to change.

Xplora Technologies Group

CASH FLOW

Amounts in NOK	Q2 2021	Q1 2021
Cash flow from operating activities		
Profit before tax	-12 752 043	-13 626 762
Depreciation and amortisation	14 309 545	694 599
Working capital changes	-20 001 673	-5 324 423
Net cash flow from operating activities	-18 444 170	-18 256 586
Cash flow from investing activities		
Xplora Mobile Investment	-76 920 774	-
Intangible assets	-3 427 864	-1 489 895
Net cash flow from investing activities	-80 348 638	-1 489 895
Cash flow from financing activities		
Change in debt	-2 758 320	-
Change in equity	6 874	146 769 615
Other	121 159	200 373
Net cash flow from financing activities	-2 630 287	146 969 988
Net change in cash and cash equivalent	-101 423 096	127 223 507
Cash and cash equivalents at start of period	245 439 563	118 216 055
Cash and cash equivalents at end of period	144 016 467	245 439 563

Figures are unaudited. Xplora Mobile Holding is fully consolidated from Q2 21.

Operational Highlights

The second quarter is an important quarter for full-year performance as activity during Q2 builds the foundation to deliver on the peak trading season in Q3 and Q4. Key sales activities to deliver upon in the Q2 include closing new distribution agreements, ramping volumes with existing customers and demonstrating proof of demand with newly launched retailers. These activities build momentum into the important back-to-school trading period, which again is an important momentum builder for the all-important holiday season in the final quarter of the year. Exiting Q2 21 with 1) the sales momentum we have reported 2) new distribution partners signed and 3) service delivery plan scheduled for H2 21 makes us excited and optimistic for the quarters ahead.

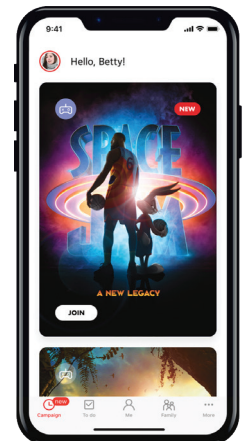
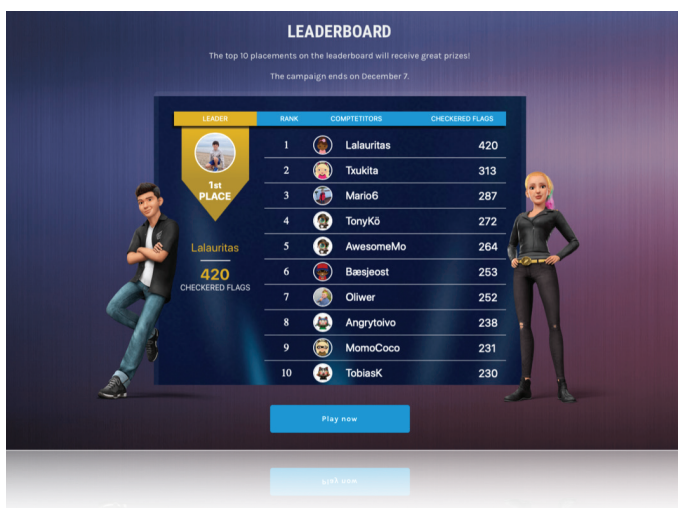
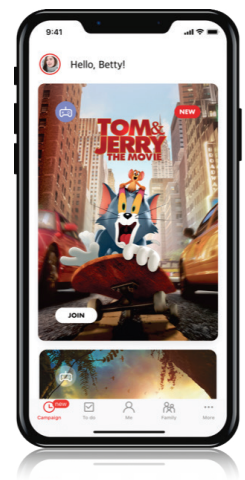
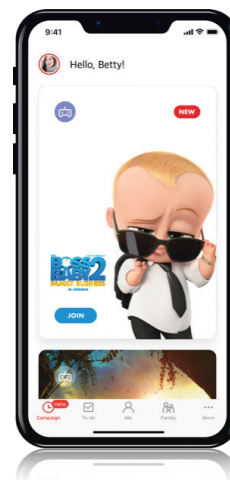
Xplora closed the acquisition of Xplora Mobile Holding early Q2 21, and a key focus during the quarter has been the successful integration of Xplora Mobile Holding and its team. The development team has delivered on its most ambitious development program in the history of the company and added a number of new resources. The operations team continues to handle both logistical, supply chain and component challenges in a volatile and uncertain market and has grown with new team additions in both Norway and Germany. Our marketing team has secured launch in a total of 19 markets now creating assets for new studio campaigns, a number of new sales campaigns both on our online sites and for our retail partners, new foto shoots and brand campaigns, in addition to design of new products and packaging.

KEY OPERATIONAL HIGHLIGHTS OF THE QUARTER

- Xplora announced partnerships with UNICEF USA to promote kids' physical activity, became an official partner of the Geneva UN Charter Center of Excellence on SDG City Transition in Trondheim, announced a partnership with Portugal's most successful football club S.L. Benfica and a milestone B2B/B2B2C platform license agreement with a major Nordic retailer.
- Xplora is now present through online sales channels and distribution partner agreements in 19 markets. In Q2 21 we have successfully launched our entry-level smartwatch XGO2 online with Tchibo in Germany and several other retailers. We have expanded our retail footprint in the UK by securing listings with new resellers including John Lewis, Currys, Studio & Box. Xplora has further agreed on a 3-year Ambassador deal with 3-times winner of both New York & London Marathons and former Marathon world record holder Paula Radcliffe MBE.
- The development team has secured completion of Xplora Pay, Xplora Arcade and Xplora Connect, made ready for commercial release in H2 21, in addition to securing enhancements to the Goplay store. The team has added new QA resources in local markets and new key UX designers.
- We have prepared our platform for greater scalability within both end consumer value proposition as well as B2B and B2B2C verticals. Furthermore, we have overcome several achievements and Due Diligence processes to get our platform «Fintech ready» which require an even higher level of security, documentation, and processes. All completed in Q2 and ready to go into quality assurance (QA) and launch in Q3.
- Xplora has reached a breakthrough point in Finland with increasing brand presence, critical customer mass, retail presence and training.
- We successfully launched our XMOVE Bluetooth connected activity tracker, offered alongside our two SIM-connected smartwatches X5Play and XGO2.
- We completed the development of our VoIP (voice of IP) solution, making it ready to push live during Q3. Having the complete product portfolio range with traditional SIM and eSIM, now being able to operate with VoIP, is a strong competitive advantage, in particular for the telco industry. We are reinforcing our position as the market leader.
- We have continued to add new strong partnerships to our Goplay platform, both new

and repeating partners. During Q2 we launched projects with MGM, a new studio partner (Tom & Jerry), repeating project with Netflix (Spy Racer 4), and Warner Bros (Space Jam).

- As result of growth in our user base and high engagement level we secured the company's first partner agreements to our ad-networking model. Third party brands provide products and services to our Goplay store in exchange for marketing distribution value on our platform. This is a traditional advertising model where partners see marketing value in our traffic and are willing to pay for exposure and distribution through product offerings.
- We have onboarded strong experience and competence within the telco/MVNO category through the acquisition of Xplora Mobile Holding. This represents a strong asset in the preparation for our global rollout in the second half of this year. Given the required resources to onboard the Xplora Mobile team and assets, we have made some adjustment on our global connectivity rollout plan; now prepared for first lanch into US and thereafter core markets in Europe.
- Based on documentation and success of a new Goplay module developed for a partner pilot late 2020, Xplora secured a new milestone win for our B2B module with a leading Nordic retailer in Q2. All key elements developed in the pilot were directly transferrable to the new module and will build basis for a highly scalable B2B and B2B2C strategy to grow our user base and add important new service revenue streams.



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