Elliptic Labs

Investor Presentation

October 12, 2020

AI software empowering the next billion of devices

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Summary of Risk Factors

SUMMARY OF RISK FACTORS

Investing in the Company involves inherent risks. Prospective investors should carefully consider, among other things, the risk factors set out below before making an investment decision. The below risk factors are only a summary of certain risks applicable to the Company and the Group and not intended to be exhaustive. An investment in securities of the Company is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Additional risks and uncertainties that the Company currently believes are immaterial, or that are currently not known to the Company, may also have a material adverse effect on its business, financial condition, results of operations and cash flow.

Below follows a summary of risk factors. For a complete description of risk factors see page 41-46.

<u>Risks associated with the Group and its operations</u>

- If the market for the Group's technology does not evolve as the Group anticipates this could have a material adverse effect on the Group’s business, prospects, financial position and results of operations.
- The Group's market is highly competitive, and the Group expects to continue to experience competition from competitors, many of which are better established and have greater resources.
- The Group’s future success depends on its ability to develop new products and technologies that address the increasingly sophisticated and varied needs of prospective customers
- Introduction of products based on new technology could gain wide market adoption and displace the Group’s products
- The Group may not be able to successfully commercialize its new products which could have a material adverse effect on the Group’s business, prospects, financial position and results of operations
- The Group's business depends on revenues from new technology, the commercial success of which is unproven
- The Group's success will depend on its ability to employ and retain skilled personnel
- The Group's ability to compete effectively depends on its ability to obtain, maintain, and protect proprietary information and other intellectual property rights.
- The outbreak of the COVID-19 pandemic could have a material adverse effect on the Group as most of its customers are located in China
- To date, the Group has experienced negative cash flow from operations and has not achieved profitability
- Delayed payment from customers may have an adverse effect on the Group's liquidity in the short term
- To execute the Group’s growth strategy, the Group may require additional capital in the future which may not be available
- Future debt levels could limit the Group’s flexibility to obtain additional financing and pursue other business opportunities
- The Group is subject to covenants under its current financial arrangements and breach of any such covenants could have a material adverse effect on the Group's operations
- Interest rate fluctuations could affect the Group’s cash flow and financial condition
- The Group operates internationally and is exposed to changes in foreign currency exchange rates

<u>Risks related to the Shares</u>

- The Company will incur increased costs as a result of being a publicly traded company
- The price of the Shares may fluctuate significantly in response to a number of factors beyond the Company's control
- There is no existing market for the Shares, and a trading market that provides adequate liquidity may not develop
- Future issuances of shares or other securities in the Company may dilute the holdings of shareholders and could materially affect the price of the Shares
- Investors may not be able to exercise their voting rights for Shares registered in a nominee account
- Investors may have difficulty enforcing any judgment obtained in the United States against the Company or its directors or officers in Norway
- The transfer of the Shares is subject to restrictions under the securities laws of the United States and other jurisdictions
- Shareholders outside Norway are subject to exchange risk
- The Company's ability to pay dividends in the future is dependent on the availability of distributable reserves, and the Company may be unable to pay any dividends in the future

Agenda

Introduction and transaction summary

Company overview

Financials

Appendix / Risk Factors

Brief transaction highlights (term sheet)

Key highlights from term sheet

Issuer:	Elliptic Laboratories AS, a Norwegian private limited liability company with business registration number 989 750 186 ("**Elliptic Labs**")
Offering:	Private placement of new ordinary shares in the Company (the "**Offer Shares**") raising gross proceeds of up to approximately NOK 125 million (the "**Private Placement**")
Pre-money capitalization:	• **Outstanding shares:** 8,751,258 shares, each with a par value of NOK 0.10 • **Outstanding options/warrants:** 347,392 options/warrants • **Pre-money valuation:** Approximately NOK 1,365 million on a fully diluted basis (based on Offer Price)
Cornerstone investors:	Three cornerstone investors have undertaken to acquire and will be allocated Offer Shares for a total amount of NOK 65m • Handelsbanken Fonder AB: NOK 25m • Aktia Asset Management: NOK 20m • Danske Capital: NOK 20m
Pre-Commitments:	Existing shareholders including Passesta AS (Tore Engebretsen), Alden AS, MP Pensjon have indicated to participate with minimum NOK 20 million in the transaction
Listing:	The Company will apply for its shares to be admitted to trading on Merkur Market, a multilateral trading facility operated by Oslo Stock Exchange, in connection with the Private Placement. The Offer Shares are expected to commence trading on Merkur Market medio October 2020

Use of proceeds

- Strengthening of balance sheet
  - When doing business with global companies, financial background check is standard procedure to become an approved supplier. Therefore, a strong balance sheet is important
  - Strong balance sheet important to strengthen negotiation power of larger contracts
  - To continue development and maintain the patent portfolio, as well as to be in a position to defend patents as needed
- Strengthening of working capital
  - Few customers, large contracts and long sales-cycles result in big fluctuations in cash inflow
- Increased staff & product development
  - About double staff over next three years,- mostly financed by expected cash flow from operations
- Debt repayment
  - Pareto Bank loan of NOK 25m
- Transaction costs
  - To the Managers for facilitating the Private Placement and Merkur Market listing, legal-and financial advisors, and Cipriano AS for strategic consulting

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小米MIX Alpha

Elliptic Labs develops super smart software-sensors that use AI and ultrasound to sense you and your surroundings

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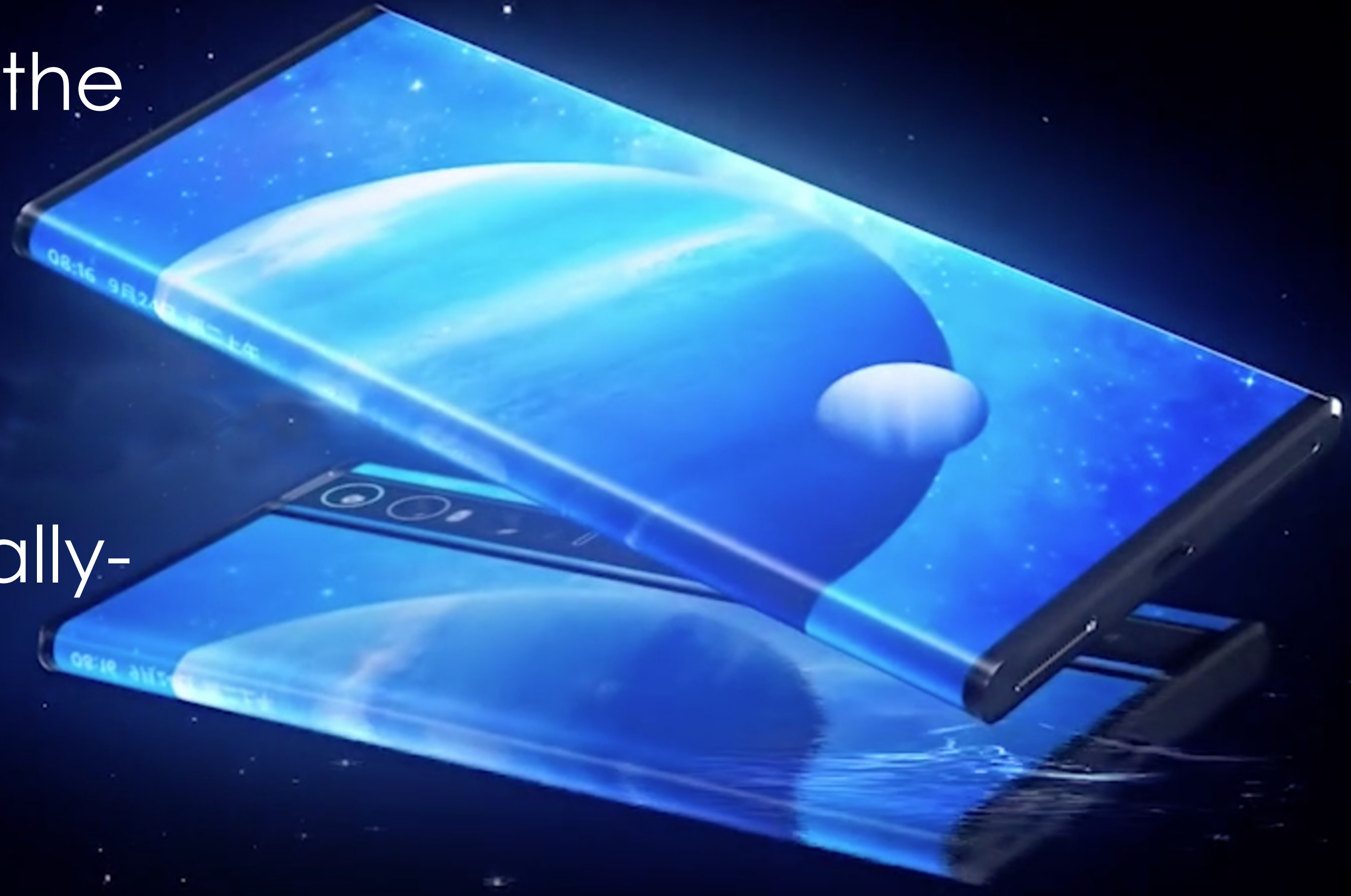
Sensors touch every aspect of life and drive the digital transformation

Our mission is to make sensors smarter, safer, and more environmentally-friendly at scale



Elliptic Labs has taken ultrasound technology into new markets and deployed it in over 100 million devices

We are now the world leader in ultrasound technology for the consumer mass market

100M+ Elliptic Labs-powered devices in the market today

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Who Global AI software company founded in 2006, delivering Virtual Smart Sensors with presence in Norway, China, South Korea, Japan and USA

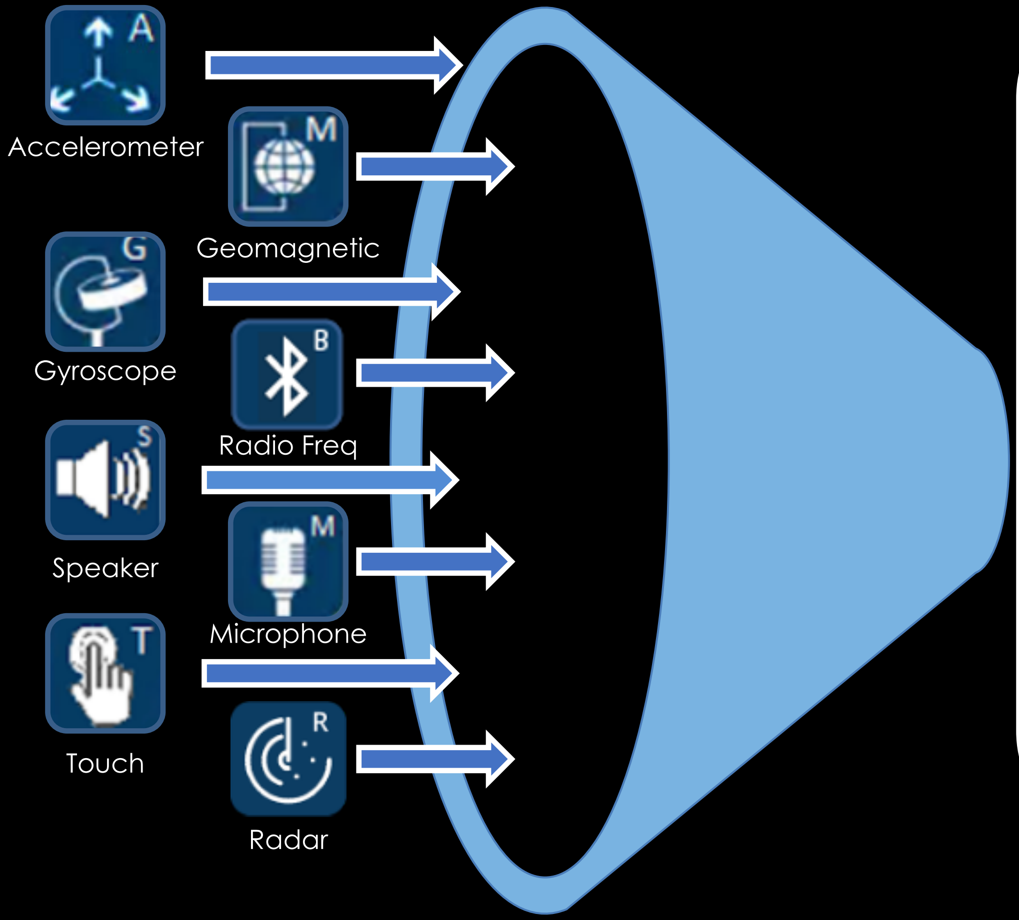
What A Virtual Smart Sensor Platform delivers touchless 3D, proximity, presence, heartbeat, and breathing detection for the smartphone, laptop, IoT and automotive markets

How Well-invested and -developed technology proven at scale with multiple customers and cost-efficient machine learning software platform/hub

Business model Software-only business model with opportunity for >50% EBITDA margin

Revenue NOK 53m in 2019 revenue and target NOK 500m within the next three years

We create a software-based *Virtual Smart Sensor Platform* that outperforms hardware sensors more cost-efficiently



Hardware single function sensors

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Virtual Smart Sensor

Platform

Aggregate data output from single functioning hardware sensors. Use our patented algorithms, proprietary Machine Learning (ML) tools and sensor fusion to create Virtual Smart Sensors

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Virtual Smart Sensor™

- Virtual Proximity Sensor
- Virtual Gesture Sensor
- Virtual Presence Sensor
- Virtual Position Sensor

- Virtual Heartbeat Sensor
- Virtual Breathing Sensor

Most devices have what is needed to run our Virtual Smart Sensors

The speaker transmits an ultrasound wave

The microphone receives the ultrasound wave

Our virtual smart sensor platform translates the ultrasound waves into experiences

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We enable critical user experiences for the smartphone, laptop, IoT & automotive markets







Virtual Smart Sensor Platform
Making Sensors More Intelligent

Proximity | Presence | Gesture | Positioning | Connection | Breathing | Heartbeat

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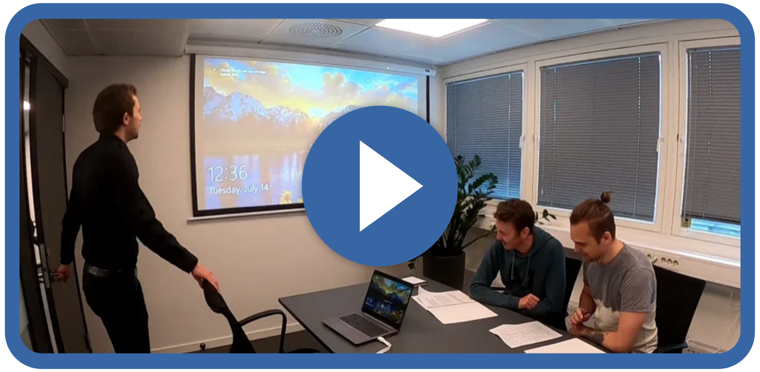
Videos of our features requested by the market

Virtual Gesture Sensor on a Laptop:
Swipe

Virtual Gesture Sensor on a Laptop:
Double Tap

Virtual Presence Sensor on a Laptop



Virtual Smart Sensors for 3D Gestures,
Dynamic Positioning, and Device Connection

We enable ESG in several ways

Replacing hardware sensors with software and turning off devices when not in use

1. The IoT market is projected to reach 50 billion units in 2030, consuming 150 TWh of energy annually
2. Elliptic Labs' virtual sensors turn off devices or switch to low-power mode when no one is around
3. We expect a 50–70% total energy saving per device
4. This results in an annual CO_2 reduction of 1–1.4 million metric tons with only 2% market share
5. Presence sensing and touchless gestures improves cyber security and benefits public health

Agenda

Internationally oriented management team

Laila Danielsen – CEO

- CEO since 2013
- Serial entrepreneur and experienced tech executive with experience from both Silicon Valley start-ups and blue-chip corporations

Brian Daly – Sr. VP Sales & Business Development

- Responsible for sales, partnership development and business strategy
- 25+ years of VP experience from in the wireless communications industry

Guenael Strutt – EVP Product

- 6 years of experience in Elliptic Labs
- 16 years of experience in product development, system integration and user experience design from startups and Fortune 500 companies

Thor Andre Talhaug– IR/CFO

- Has served as interim CFO and and board member for several technology companies since 2007
- State Authorized Public Accountant Financial Analyst

Espen Klovning – EVP of Engineering

- 16+ years of experience from engineering proficiency
- Experience includes executive positions in leading technology companies

Bente Hognes – Finance Director

- Head of Accounting at Elopak prior to joining Elliptic Labs. Previous experience includes the IPO of Trolltech ASA

Management team with broad experience in both start-ups and blue-chip companies with technical expertise and international network

Platform established for rapid expansion in current and new verticals

Research & Development

Spin-off from Oslo University
IP development
Ultrasound validation
Prototyping

Manual Deployment

Automation 20%: Labor intensive @20 FTE per smartphone model

Manual tuning of products
Introduction of full screen smartphones

Automated/Machine Learning Deployment

Automation 90%:
Automation reduces manual labor to 0.2 FTE per smartphone model

Built machine learning platform to increase automation

Support more models and verticals

Expansion

Platform as a Service

Support for all time-series sensors through sensor fusion

Generic virtual sensors marketed to new verticals

Virtual Smart Sensor Hub comes pre-loaded on chipsets

2006 … 2013 2014 2015 2016 2017 2018 2019 2020 2021 and onward

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Elliptic Labs' first-mover position as the world leader in Ultrasound and Virtual Smart Sensors is protected by a strong portfolio

Patent Strengths

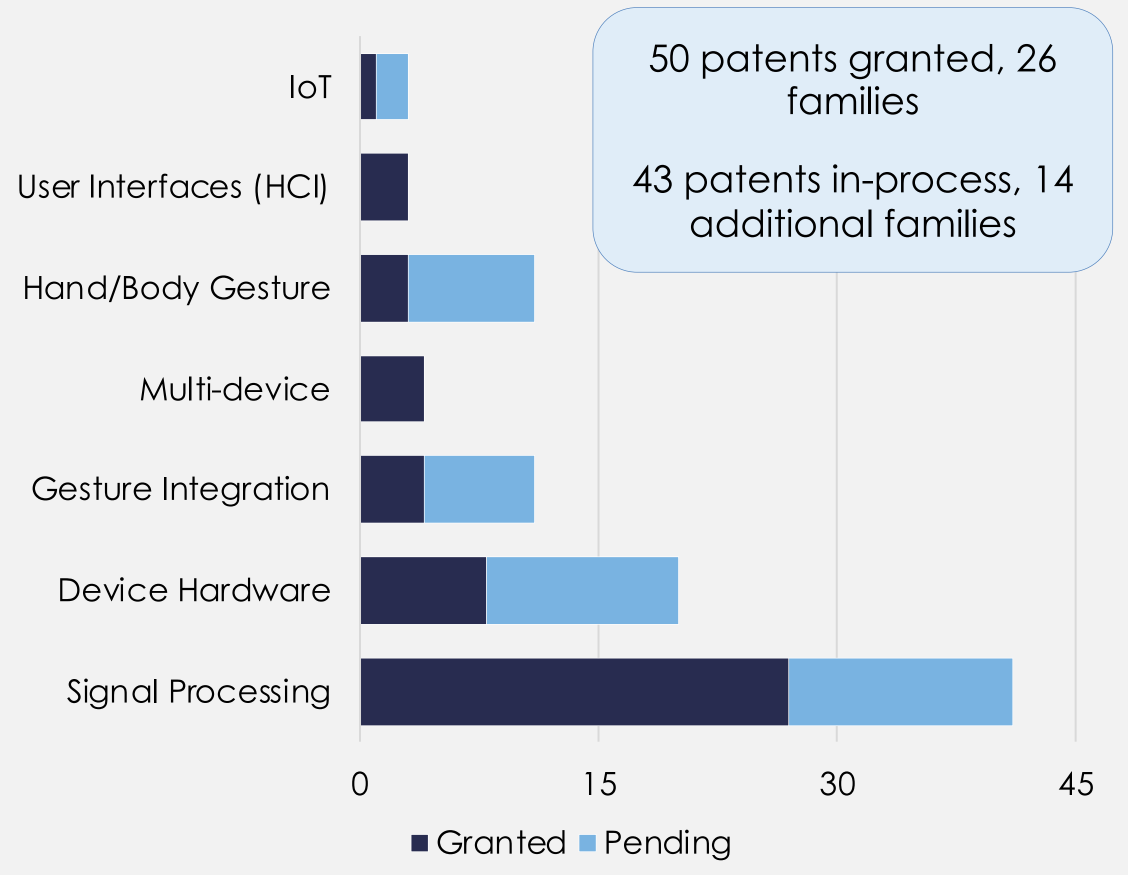
- Elliptic Labs' technology is well covered in target markets (touchless 3D gestures, proximity detection etc.)
- Difficult for potential competitors to get into the market without conflicting with our existing patents

Patent Strategy

Elliptic Labs pursues an active patent strategy by:

- Carefully monitoring the market and actively evaluating new avenues for filing with IP agency
- Create a "patent minefield": identifying necessary system integration techniques (e.g. component housing, interference avoidance)

Patent Portfolio



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Strong partner ecosystem developed through years of networking and collaboration

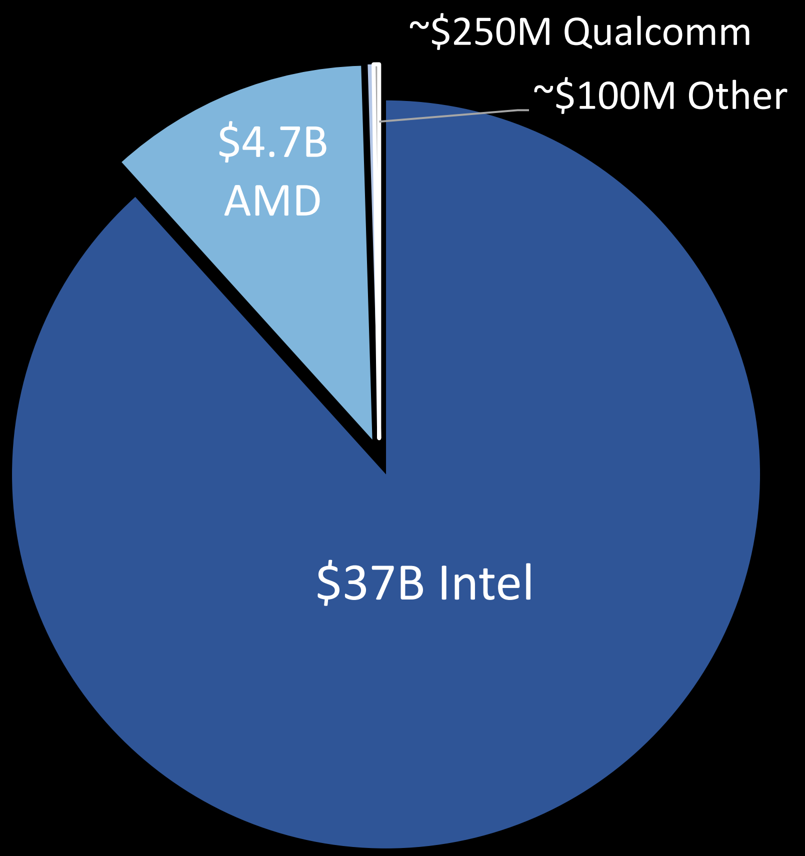
Platform	Components	Software
intel, Samsung, Knowles, MediaTek, Qualcomm, Cirrus Logic	Infineon, AAC Technologies, Knowles, Texas Instruments, Cirrus Logic	Google, Microsoft

Years of dedication and networking enables Elliptic Labs to access new markets, new verticals and leverage countless opportunities

Laptop market is next large vertical

2019 PC/Laptop CPU Market Share

(Revenue)

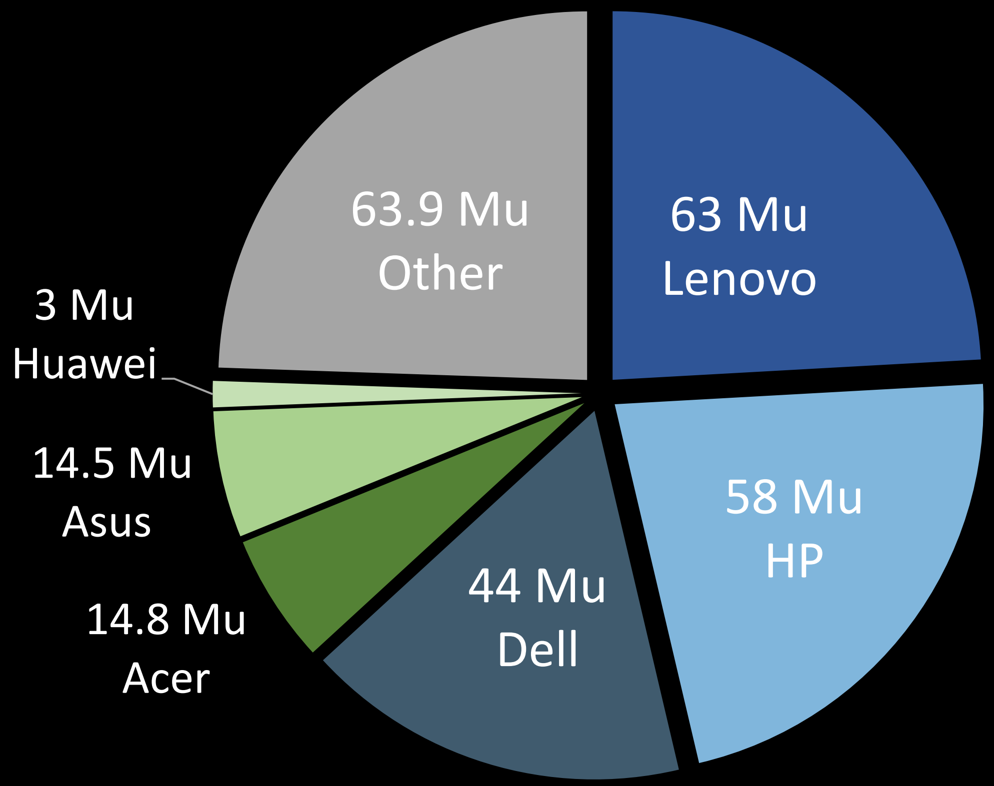


*Note that AMD does not separate revenues from its CPU and Graphics businesses

Source: AMD 2019 Financial Report, 2019 Qualcomm Analyst Day Presentation and Intel 2019 Financial Report

2019 PC/Laptop Volumes

(Millions of units - Mu)



Source: Gartner 2019 Annual WW PC Shipment Report

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We have broad market opportunities

Elliptic Labs replaces hardware sensors with software and/or add capabilities

Markets	Smartphone	Laptop	Smart TV	IoT	Automotive
Total market size units	1.6B	300M	400M	1B++	100M
Competing hardware sensors cost per unit	Infrared Sensor $0.10-$0.25	Time of flight Sensor $1-$2	Time of flight Sensor $1-$2	Time of flight/Infrared $0.10-$2	Radar Sensor $10-$20
Elliptic Labs value proposition	Clean design, lower cost & more features	Cybersecurity & gestures	Power savings & gesture	Power savings, gesture & Wellness	Save lives, heartbeat detection
Elliptic Labs Pricing model	**Flexible pricing model:** 1 Volume based license fee per unit/device, per virtual sensor 2 Subscription fee or 3 Enterprise/annual license fee				
Market opportunity	$200-$500M	$300-$600M	$100-$400M	$100M++	$300-$600M

Elliptic Labs' solution as a standard for laptop/PC market

Unique opportunity and position for Elliptic Labs

Positioned to be world's standard provider in the laptop/PC market for presence and other detection

- On-going 3-way collaborations between the largest Platform partners, laptop customers and Elliptic Labs to deploy our products
- Customers desire uniformed detection features across all laptop models – which we are the only ones who can deliver since we are a software-only solution

Key milestones jointly with Partner

Historical milestones

- 1H/20: Definition for architecture jointly with platform partners for interim support for ultrasound PoC on current platform for interim ultrasound support. Target launch 1H/2021 - Started
- 2H/20: One 3-way POC with platform partner & OEM customer for low-power full integration and ultrasound as standard
- 2H/20: Kick-off multiple POC with laptop customers

Future milestones

- Launch with minimum one laptop/PC/tablet OEMs
- Launch with multiple OEMs
- Elliptic Labs standard on partner platforms
- Scaling of features with multiple laptop/pc/tablet OEMs

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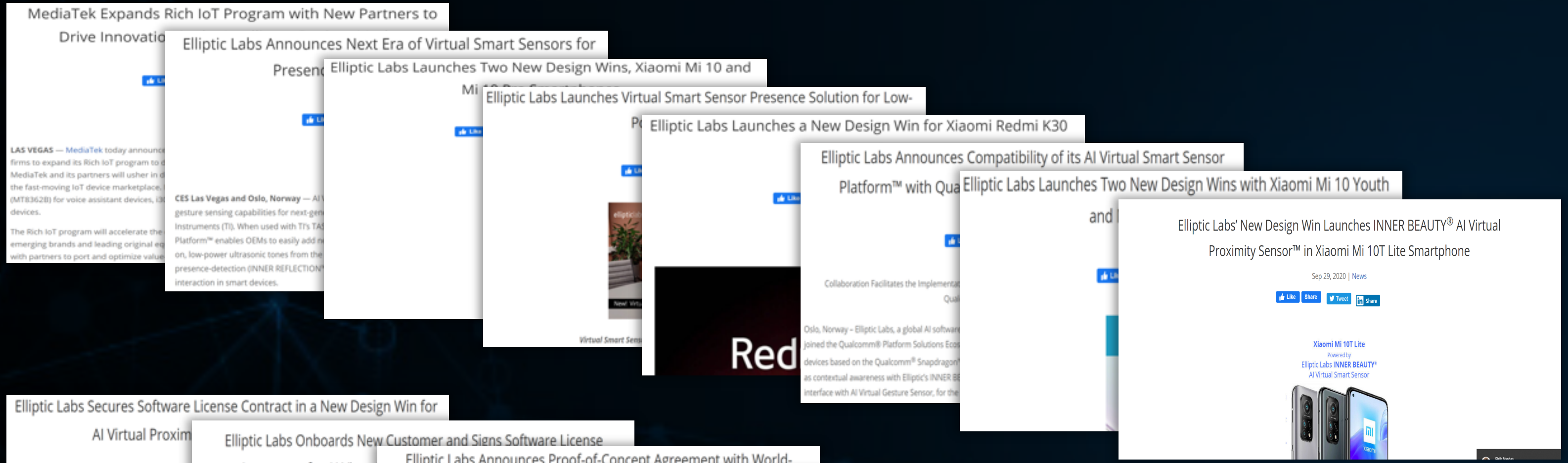
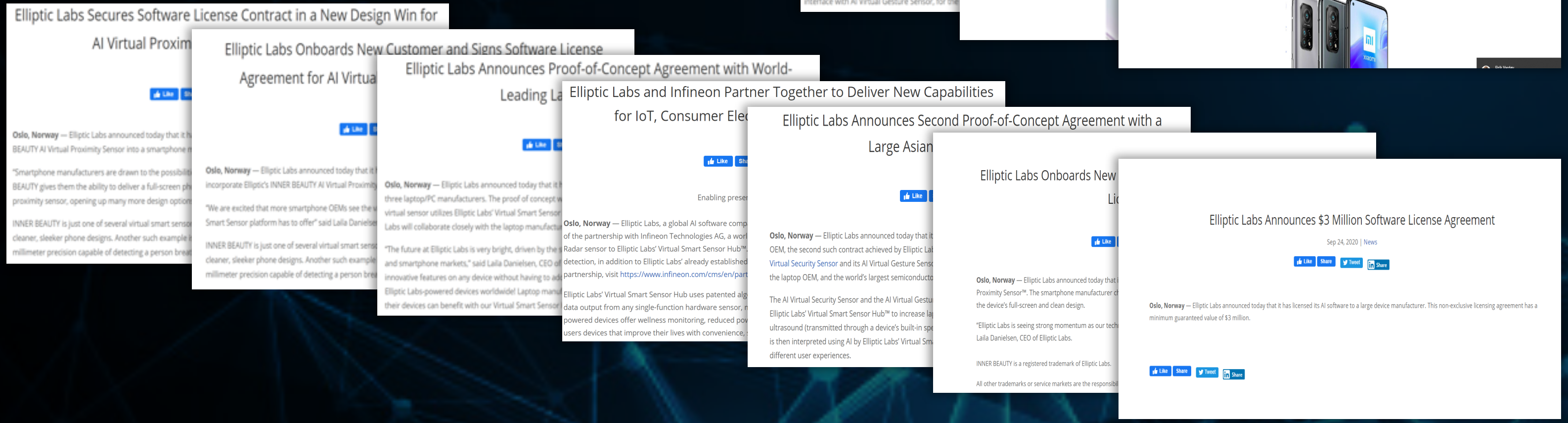
Strong news flow and growing interaction and collaboration with OEMs expected for the rest of 2020





September 2020

Proof-of-Concept agreement with World-Leading Laptop/PC Manufacturer

USD3m Software License Agreement

Future news flow

3–4 updates on laptop POC with top producers, top OEM partnership, customer license contract, partnerships and much more

Elliptic Labs is currently in an exciting period where the technology is being validated by major laptop/PC players, and the expected news flow for the future is strong

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Introduction and transaction summary

Company Introduction

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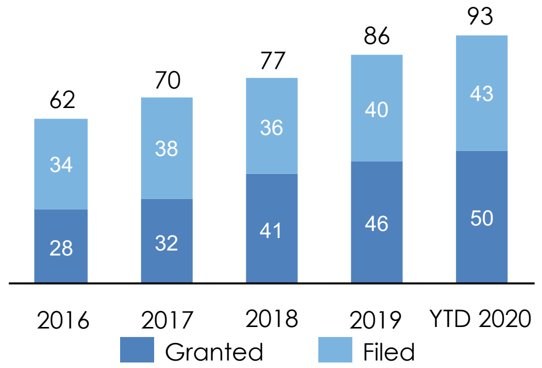
Appendix / Risk Factors

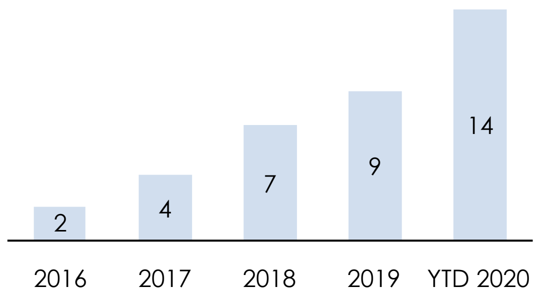
Key Elliptic Labs KPIs

 # Patents (granted and filed)

Number of granted and filed patents



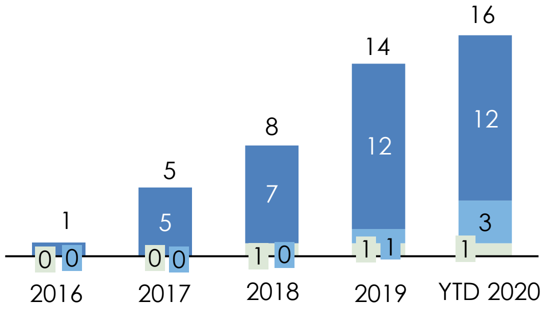
Cumulative number of partner-agreements



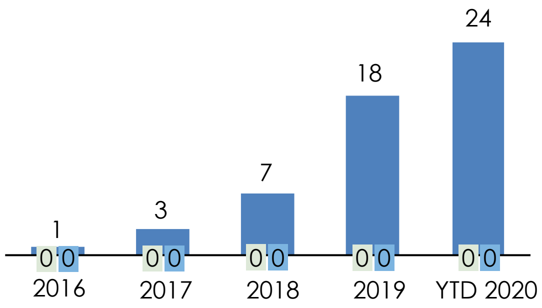
 # Of partner-agreements general markets

 # Of proof of concept (POC's) agreements per vertical

Cumulative number of PoC contracts



Cumulative number of models launched



 # Of models launched per vertical (smartphone, laptop, IoT and Automotive)

Smartphones Laptops IoT

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EBITDA expected to be positive/neutral for 2020

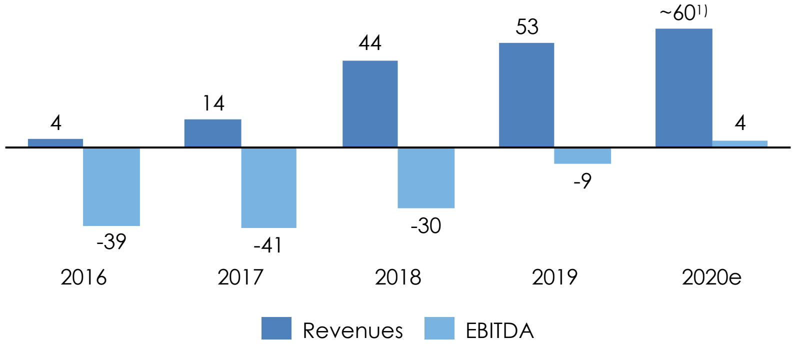
Financials overview

- Elliptic Labs has managed to increase top line steady up to NOK 53m in 2019 despite limited no. of customers so far, and EBITDA is expected to be positive/neutral in 2020 despite Covid-19
- Net interest-bearing debt amounted to NOK 31m as of H1'20

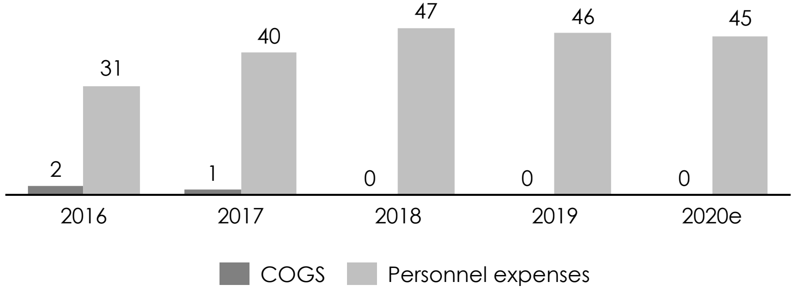
Key balance sheet items

NOKm	2018	2019	H1'20
Deferred tax assets	53	56.2	61.0
Accounts receivables	14.8	14.3	6.4
Cash and cash equivalents	16.6	35.9	11.9
Other assets	17.8	33.0	44.3
Total assets	**102.2**	**139.4**	**123.6**
Total equity	47.4	80.0	65.8
Total long term liabilites	0.0	19.2	20.1
Total current liabilites	54.8	40.1	37.7
Total equity and liabilites	**102.2**	**139.4**	**123.6**

Sales and EBITDA (NOKm)



COGS and Personnel expenses (NOKm)



Note: 1) Revenue for 2020 could be somewhat lower as revenue from newly signed Laptop agreements will come into effect late in 2020 or early 2021

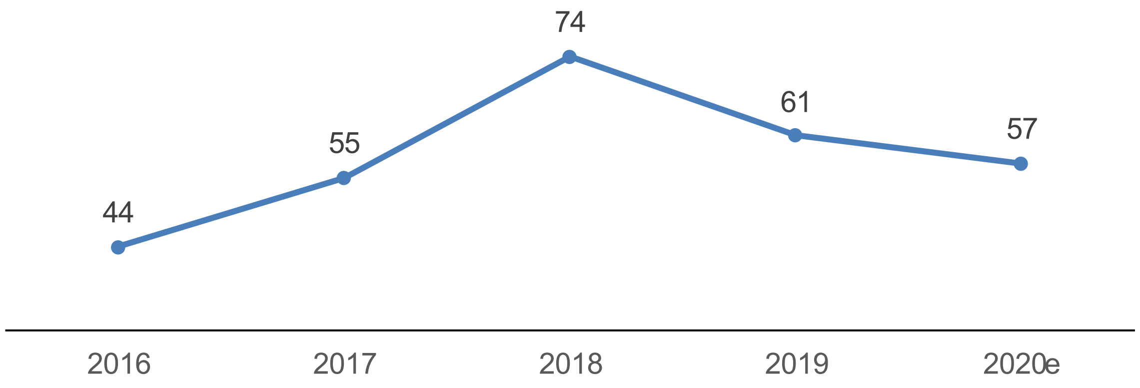
Significant historical funding with heavy investments in R&D pushed Elliptic Labs to where it is today

Margin expansion expected going forward

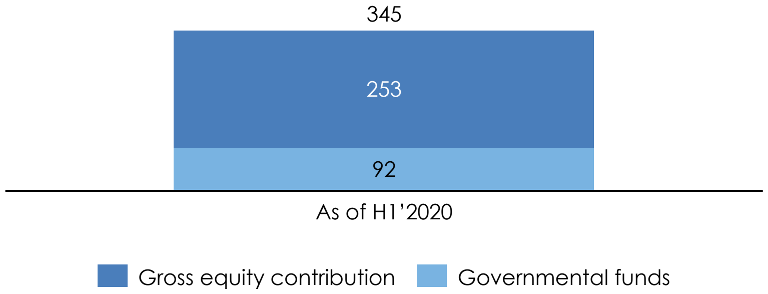
- Historical equity- and governmental funding amounts to NOK 345m, with NOK 253m from equity and NOK 92m from governmental funds
- Opex expected to increase in a controllable way during the next years,- key new hires within primarily software- and algo/ML personnel as well as marketing & sales support
- Proven market fit with 100+ million of units with limited resources so far

Highly scalable and easy to implement software with close to 100% gross margin

OPEX excl. depreciation (NOKm)



Equity- and governmental funding (NOKm)



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Clear path towards significant revenue uplift

- Revenue from smartphone to increase from new customers and new features to existing and new customers
- Larger fixed volume contracts on units/devices – increases revenue certainty
- Laptops are the largest revenue driver the coming years as:

Intel is pushing Elliptic Labs as standard → No established market leader for presence detection → Increased price points for Elliptic Labs' software-sensors → Ongoing 3-way PoCs with leading laptop customers

Significant increase in laptop- and smartphone revenues, as well as expansion into new verticals → **Targeting…**NOK 500m in revenue and EBITDA margin of >50% within the next 3 years

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Elliptic Labs is set to capitalize on multiple segments

- ✓ Proven business model with software sold and deployed to over 100 million devices
- ✓ Scalable AI software platform enabling easier support and integration for new and current verticals
- ✓ Intel driving ultrasound as a standard is a game changing opportunity
- ✓ Set for ample growth going forward within the laptop, IOT and automotive segments
- ✓ Numerous additional partner- and contract announcements short term
- ✓ Elliptic Labs positioned to become a NOK 500m revenue company within three years

Megatrends

Artificial intelligence	Machine learning
Digitization	Automation
Smart sensors	ESG

Large partnerships

Intel, Samsung, AAC Technologies, Knowles, MediaTek, Google, Qualcomm, Cirrus Logic, Infineon, Texas Instruments, Microsoft

Global market

ellipticlabs

Agenda

Introduction and transaction summary

Company Introduction

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Appendix / Risk Factors

Risk factors

RISK FACTORS

Investing in the Company involves inherent risks. Prospective investors should carefully consider, among other things, the risk factors set out in this Presentation before making an investment decision.

The below risk factors are only a summary of certain risks applicable to the Company and the Group. A prospective investor should carefully consider all the risks related to the Company and the Group, and should consult his or her own expert advisors as to the suitability of an investment in securities of the Company. An investment in securities of the Company entails significant risks and is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Against this background, an investor should thus make a careful assessment of the Company and its prospects before deciding to invest.

Additional risks and uncertainties that the Company currently believes are immaterial, or that are currently not known to the Company, may also have a material adverse effect on its business, financial condition, results of operations and cash flow. The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance.

Risks associated with the Group and its operations

The market for the Group's technology is difficult to predict
The Group is operating in an unpredictable and rapidly evolving market. As such, it is difficult to predict important market trends, including how large the market for the Group's products will be or when and what products will be adopted. If the market for the Group's products does not evolve as the Group anticipates this could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

The market is highly competitive
The Group competes in markets that are competitive, fragmented and rapidly changing, with some of the largest technology companies in the world. The Group expects to continue to experience competition from current and potential competitors, many of which are better established and have significantly greater financial, technical and marketing resources.

The markets in which the Group compete in is undergoing rapid technological change, and the Group's future success will depend on its ability to meet the changing needs of its customers
For the Group to survive and grow it must continue to enhance and improve the functionality of its products and technology to address the customers' changing needs. If new industry standards and practices emerge, the Group's existing products and technology may become obsolete. The Group's future success depends on its ability to:
Develop new products and technologies that address the increasingly sophisticated and varied needs of prospective customers; and
respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Developing the Group's products and technologies entails significant technical and business risks and substantial costs. The Group may use the new technologies ineffectively, or it may fail to adapt the Group's products to user requirements or emerging industry standards. Industry standards may not be established, and if they become established, the Group may not be able to conform to these new standards in a timely fashion or maintain a competitive position in the market. If the Group faces material delays in introducing new products and enhancements, the Group may fail to attract new customers and existing users may forego the use of the Group's products and use those of the Group's competitors.

Risk factors

Introduction of products based on new technology could gain wide market adoption and displace the Group's products
Introduction of products including new technologies could cause the Group's existing products to be less attractive to the customers. The Group may not be able to successfully anticipate or adapt to changing technologies or customer requirements on a timely basis.
If the Group fail to keep up with technological changes or to convince the customers of the value of their solutions even in light of new technologies, the Group's business, operating results and financial condition could be materially and adversely affected.

The Group's performance will depend on successful introduction of new products and enhancements to existing products
The Group's continued success depends on the ability to identify and develop new products and to enhance and improve their existing products, and the acceptance of those products by existing and new customers.

The introduction of new products or product enhancements may shorten the life cycle of existing products, or replace sales of some of the current products, thereby offsetting the benefit of even a successful product introduction, and may cause customers to defer purchasing of existing products in anticipation of the new products.

There is a risk that the Group will not be able to successfully commercialize the new products, and that the market adoption will take longer than the Group expects or that the market penetration will not be as big as the Group predicts. If any of these risks were to occur, it could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

The Group's business depends on revenues from new technology, the commercial success of which is unproven
The Group's future growth depends on the commercial success of its technology. It is not certain that the Group's target customers will choose the Group's technology for technical, cost, support or commercial reasons. Many of the Group's target customers may have established successful businesses using other technologies and may find it difficult or unattractive to switch to the Group's technology. If the Group's target customers do not adopt and purchase the Group's technology, the future growth will be limited.

The Group's success will depend on its ability to employ and retain skilled personnel
The Group must have access to skilled and motivated employees to continue to run its operations successfully and to reach its strategic and operational objectives. The Group's future development is therefore to a large extent dependent on that the Group is successful in attracting, developing and retaining employees with appropriate skills in the future. If this is not possible, it could adversely affect the Group's business and prospects. As the Group is dependent on key persons and its development is to a large extent dependent on the experience, knowledge and commitment of the Management and other key personnel, the Group could be adversely affected should one or several of such key persons terminate their employment and start in a competing business.

Risk factors

The Group relies upon intellectual property rights

The Group's ability to compete effectively depends in part on its ability to obtain, maintain, and protect proprietary information and other intellectual property rights. The Group generally relies on a combination of patents, trademark, copyright, domain name registration and trade secret laws, as well as contractual restrictions and physical measures to protect the Group's trade secrets, proprietary information and other intellectual property rights. The Group currently holds patents, pending patent applications, and other intellectual property rights, in relevant jurisdictions, that it believes may give it a competitive advantage in certain markets. However, the Group may not, in the future, be able to obtain patents, and it is possible that future applications may not result in the issuance of patents. Moreover, the Group's strategy for protecting intellectual property rights in relation to employees may be deficient in certain instances, for example if the Group fails to impose sufficient non-disclosure commitments or if the employees or consultants involved in the creation of intellectual property are not covered by sufficient provisions for transferring of such intellectual property to the Group. The occurrence of such an event may negatively impair the Group's ability to protect its intellectual property rights. Such development could adversely affect the Group's business and prospects. Furthermore, if the Group's protection of its intellectual property rights is not sufficient or if the Group does infringe third party intellectual property rights, this may result in an adverse effect on the Group's business, results of operations and prospects.

The Group also faces a risk of claims that it has infringed the intellectual property rights of third parties. The Group may be drawn into court proceedings for alleged infringement of the rights of others. If this happens, there is a risk that the Group may be liable to pay significant damages or settlement costs, or be obligated to indemnify its customers or business partners, which could be costly and have a negative impact on the Group's operating profits.

The outbreak of the COVID-19 pandemic could have a material adverse effect on the Group

The outbreak of COVID-19 has resulted in a global pandemic and has severely impacted companies and markets globally. As most of the customers of the Group are located in China, the Group has been particularly affected by the COVID-19 pandemic. It is currently not possible to predict the exact consequences for the Group, its business partners, Norway, the industry in which the Group operates or global business and markets – other than that the Company already has experienced adverse negative effects and that such effects may be long-term. These consequences may also impact the Group and its current and planned operations – as well as its suppliers, including the Group’s ability to raise further capital or secure financing, future customers ability to buy the Group’s products at attractive prices or at all, and the Group's ability to provide products at agreed/scheduled terms. The occurrence of an epidemic or pandemic is beyond the Group’s control and there is no assurance that any future outbreak of COVID-19 or other contagious diseases will not seriously interrupt the Group’s business.

Negative cash flow from operations

To date, the Group has experienced negative cash flow from operations and has not achieved profitability. The Group will need to increase its revenues in order to achieve profitability. If the Group does achieve profitability, the Group cannot assure that it can sustain or increase profitability on a quarterly or annual basis in the future. The Group is largely dependent on a few customers, and termination of a material customer contract may have a material adverse effect on the cash flow and financial results of the Group. Furthermore, the Group may experience large fluctuation in cash inflow from revenues as contracts with the Group's customers are not evenly distributed throughout a year. Increased revenues from the Group's business depend among other things on entering into new customer contracts, existing customer contracts not being terminated and market factors, which are partly beyond the control of the Group.

Delayed payment from customers may have an adverse effect on the Group's liquidity in the short term

Delayed or loss of payments from customers, may have an adverse effect on the cash flow of the Group in its day to day operations.

In order to execute the Group’s growth strategy, the Group may require additional capital in the future, which may not be available

The Group may need to raise additional funds through debt or additional equity financings to execute the Group’s growth strategy and to fund capital expenditures. Adequate sources of capital funding may not be available when needed or may not be available on favourable terms. The Group’s ability to obtain such additional capital or financing will depend in part upon prevailing market conditions as well as conditions of its business and its operating results, and those factors may affect its efforts to arrange additional financing on satisfactory terms. If the Group raises additional funds by issuing additional shares or other equity or equity-linked securities, it may result in a dilution of the holdings of existing shareholders. If funding is insufficient at any time in the future, the Group may be unable to take advantage of business opportunities or respond to competitive pressures, any of which could adversely impact the Group’s results of operations, cash flow and financial condition.

Risk factors

Future debt levels could limit the Group's flexibility to obtain additional financing and pursue other business opportunities

Although the Group does not currently plan to incur any significant additional debt, there can be no assurance that the Group will not incur significant additional indebtedness in the future. This level of debt could have important consequences to the Group, including the following:

- the Group's ability to obtain additional financing for working capital, capital expenditures or other purposes may be impaired or such financing may be unavailable on favourable terms;
- the Group's costs of borrowing could increase as it becomes more leveraged;
- the Group may need to use a substantial portion of its cash from operations to make principal and interest payments on its debt, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to its shareholders;
- the Group's debt level could make it more vulnerable than its competitors with less debt to competitive pressures, a downturn in its business or the economy generally; and
- the Group's debt level may limit its flexibility in responding to changing business and economic conditions.

The Group's ability to service its future debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions as well as financial, business, regulatory and other factors, some of which are beyond its control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take action such as reducing or delaying its business activities, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all.

The Group is subject to covenants under its current financial arrangements and breach of any such covenants could have a material adverse effect on the Group's operations

The Group's current financing agreements contain certain covenants and general undertakings, which are customary in financing of this type, which impose restrictions on the Group's operations, and impose financial restrictions on the Group. These agreements may limit the Group's ability to, amongst other things: incur additional indebtedness, make certain disposals, conduct corporate reorganisations, make investments or acquisitions. In particular, the Group is subject to certain financial covenants, restrictions on its ability to pay dividends or other distributions, as well as a change of control of the Company. Even if the Group carefully monitors the key financial indicators and ratios, there is no assurance that the Group will be able to comply with financial covenants in the future. Failure to comply with such covenants may constitute an event of default and that creditors as a result will be entitled to accelerate their claims against the Group, which will have a material adverse effect on the Group's business, financial conditions and/or prospects.

Interest rate fluctuations could affect the Group's cash flow and financial condition

The Group is exposed to interest rate risk primarily in relation to existing and potential future interest bearing debt issued at floating interest rates. Consequently, movements in interest rates could have an adverse effects on the Group's cash flow and financial condition.

Risks associated with exchange rate fluctuation

The Group operates internationally and is exposed to changes in foreign currency exchange rates. For risk management purposes, the Group has identified the following types of currency exposures:

- Exposure to sales of products in different currencies: The Group has all its revenues in foreign currencies, mainly in US dollars.
- Exposure to payroll costs and operating expenses in different currencies: The Group's business model is such that the subsidiaries' sales and operating expenses are incurred in local currency, which are mainly US dollars and Chinese yen.

Future variations in the exchange rates could therefore have an impact on the Group's reported financial results.

Risk factors

<u>**Risks related to the Shares**</u>

The Company will incur increased costs as a result of being a publicly traded company

If the company is admitted to trading on Merkur Market, the Company will be required to comply with Merkur Market's reporting and disclosure requirements. The Company will incur additional legal, accounting and other expenses to comply with these and other applicable rules and regulations. The Company anticipates that its incremental general and administrative expenses as a publicly traded company will include, among other things, costs associated with annual and interim reports to shareholders, shareholders' meetings, investor relations, incremental director and officer liability insurance costs and officer and director compensation. Any such increased costs, individually or in the aggregate, could have a material adverse effect on the Group's business, operating income and overall financial condition.

The price of the Shares may fluctuate significantly

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the Company's control, including variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, significant contracts, acquisitions or strategic relationships, publicity about the Company, its products and services or its competitors, lawsuits against the Company, unforeseen liabilities, changes to the regulatory environment in which it operates or general market conditions.

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Company, and these fluctuations may materially affect the price of its Shares.

There is no existing market for the Shares, and a trading market that provides adequate liquidity may not develop

Prior to the contemplated admission to trading on Merkur Market there is no public market for the Shares, and there can be no assurance that an active trading market will develop or be sustained. The market value of the Shares could be substantially affected by the extent to which a secondary market develops for the Shares following the contemplated admission to trading.

Future issuances of shares or other securities or exercise of options in the Company may dilute the holdings of shareholders and could materially affect the price of the Shares

It is possible that the Company may decide to offer new shares or other securities in order to finance new capital-intensive investments in the future in connection with unanticipated liabilities or expenses, or for any other purposes. Furthermore, the Company has issued options under its share option program directed towards management and employees in the Group, which will upon exercise be converted into shares. Any such offering or exercise of options could reduce the proportionate ownership and voting interests of holders of Shares as well as the earnings per Share and the net asset value per Share of the Company, and any offering by the Company could have a material adverse effect on the market price of the Shares.

Investors may not be able to exercise their voting rights for Shares registered in a nominee account

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is (a) re-registered in their names with the VPS prior to the Company's general meetings or (b) the registered nominee holder grants a proxy to such beneficial owner in the manner provided in the Articles of Association in force at that time and pursuant to the contractual relationship, if any, between the nominee and the beneficial owner, to vote for such Shares. The Company cannot guarantee that beneficial owners of the Shares will receive the notice of a general meeting of shareholders of the Company in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners. Any persons that hold their Shares through a nominee arrangement should consult the nominee to ensure that any Shares beneficially held are voted for in the manner desired by such beneficial owner.

Risk factors

Investors may have difficulty enforcing any judgment obtained in the United States against the Company or its directors or officers in Norway
The Company is incorporated under the laws of Norway and most of its directors and executive officers reside outside the United States. Furthermore, most of the Company's assets and most of the assets of the Company's directors and executive officers are located outside the United States. As a result, investors may be unable to effect service of process on the Company or its directors and executive officers or enforce judgments obtained in the United States courts against the Company or such persons in the United States, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. The United States and Norway do currently not have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters.

The transfer of the Shares is subject to restrictions under the securities laws of the United States and other jurisdictions
The Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside of Norway and are not expected to be registered in the future. As such, the Shares may not be offered or sold except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable securities laws. In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

Shareholders outside Norway are subject to exchange risk
The potential listed Shares are priced in NOK, and any future payments of dividends on the Shares admitted to trading on Merkur Market will be paid in NOK. Accordingly, any investor outside Norway is subject to adverse movements in NOK against their local currency as the foreign currency equivalent of any dividends paid on the Shares listed on Merkur Market or price received in connection with sale of such Shares could be materially adversely affected.

The Company's ability to pay dividends in the future is dependent on the availability of distributable reserves, and the Company may be unable to pay any dividends in the future
Norwegian law provides that any declaration of dividends must be adopted by the shareholders at the general meeting. Dividends may only be declared to the extent that the Company has distributable equity and that the Company's equity and liquidity are sound in relation to the risk and scope of the Company's business.