ellipticlabs

2020 Annual Report

AI Virtual Smart Sensors

Heartbeat Breathing Proximity Presence Gesture Connection ellipticlabs

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Directors’ report

Elliptic Labs is headquartered in Norway with presence in the USA, China, South Korea, and Japan. Founded in 2006 as a research spin-off from Norway’s Oslo University, it is a global AI software company and leader in AI Virtual Smart Sensors for the smartphone, laptop, Internet of Things (IoT), and automotive industries.

The Company’s patented AI software combines ultrasound and sensor-fusion algorithms to deliver intuitive 3D gesture, proximity and presence sensing experiences. Its scalable AI Virtual Smart Sensor Platform creates software-only sensors that are sustainable, eco-friendly, and already deployed in over 150 million devices. Elliptic Labs is the only software company in the market that has delivered detection capabilities using AI software, ultrasound and sensor-fusion deployed at scale. Elliptic Labs’ technology and IP are developed in Norway and solely owned by the Company.

The financial year 2020 was significantly affected by Covid19. Especially the first half as customers in China experienced a slowdown earlier in the year compared to many other countries. Even though the Covid19 lasted for longer than most people expected in the first half of 2020, business picked up quite strongly again in the second half. Despite this, as this report is written, most of our employees are still working from home, but we are nevertheless experiencing good progress on most of the projects scheduled for delivery in 2021. The need and demand for our products and solutions remain strong.

We concluded the year with a positive EBIT in the second half. We strengthened cooperation with our largest customer Xiaomi, signed several software license agreements and entered into Proof of Concept agreements with a handful of laptop customers for presence detection by ultrasound and our AI Virtual Smart Sensor Platform. A positive outcome of this will change our financial performance significantly in 2021 and onwards. In addition, we strengthened our partnership agreements with chipset manufacturers. We also concluded an EU Horizon 2020 project and entered a new project with Innovation Norway.

Fortunately, since we are a 100% software company, we were able to support many of our customers remotely. Thanks to the maturity of our AI Virtual Smart Sensor Platform, we can scale efficiently, handle many projects simultaneously, and continue to deliver innovative products to our customers. This makes us an attractive partner in current and new verticals. Our software-defined sensors have abilities to detect heartbeat, breathing, proximity, presence and gestures—opening up a wide field of use cases in several industries. Our proprietary machine learning infrastructure developed over several years provides all ancillary services to build Artificial Intelligence models. Our virtual sensors are created for scale and we maintain a strong lead in our industry.

We filed new patents during 2020 and now have 53 patents granted and 42 patents pending. Our patents cover important aspects of using ultrasound and virtual smart sensors for smartphones, laptops and IoT devices, including acoustics, signal processing, and user interfaces.

We continue to experience demand for our AI Virtual Smart Sensor platform from current and new customers, in particular in the laptop and smartphone markets. We also see an uptake in interest from strategic chipset partners ensuring that their short- and long-term roadmap is aligned with us to serve our joint customers with innovative solutions. Furthermore, as prices for hardware sensors and components have recently increased, our competitive advantage has strengthened, ensuring that our technology is well-positioned for broader adoption.

After having raised NOK 125m in new equity capital, listed the company’s shares on Euronext Growth Oslo and paid down interest bearing debt with NOK 25m in October 2020, Elliptic Labs stands in a solid position for fueling future growth.

Our 2021 expectations are based on the robust demand for our AI software platform, in particular across the smartphone and PC markets. We are excited about the opportunities ahead and very confident in our long-term strategy as we continue to execute and scale with current and new customers.

Seasonal effects going forward will still impact our financial numbers as we expect that the second half will be stronger than the first half. Even though this will apply to the financial year 2021, we expect both the first and second half to be significantly better than for the financial year 2020.

As a conclusion, The Board of Directors remains positive to the future outlook for Elliptic Labs.

Financial summary for the Group
Comparable amounts for 2019 are presented in brackets.

Operating revenue
Consolidated operating revenue for 2020 totalled NOK 44 732 thousand (NOK 52 683 thousand).

Operating costs
Operating costs totalled NOK 54 834 thousand (NOK 65 675 thousand). Personnel expenses accounted for NOK 35 866 thousand (NOK 45 651 thousand).

Operating profit/loss
The Group generated an operating loss of NOK 10 102 thousand in 2020 (NOK 12 992 thousand).

Financial items
Net financial expenses amounted to NOK 5 455 thousand (NOK 3 968 thousand).

Profit/loss
The loss before tax was NOK 15 557 thousand (NOK 16 960 thousand). Income tax income was NOK 3 047 thousand (NOK 3 703 thousand), resulting in a loss of NOK 12 510 thousand (NOK 13 257 thousand). The annual deficit was fully covered by transfer to other equity.

Cash flow
The cash flow from operating activities was NOK – 6 678 thousand (NOK -11 280 thousand). Cash flow from investments were NOK -15 103 thousand (NOK -9 375 thousand), and cash flow from financing was NOK 87 190 thousand (NOK 38 389 thousand). Cash and cash equivalents at year end 2020 were NOK 99 724 thousand (NOK 34 362 thousand).

Financing and debt
The Group's equity was NOK 188 104 thousand at the end of 2020 (NOK 80 033 thousand). The Group had total long term loans of MNOK 14 at the end of 2020 (MNOK 14). The Group had short term loans of MNOK 4 (MNOK 29,4).

Financial summary for the parent company, Elliptic Laboratories AS
Operating revenues from Elliptic Laboratories AS, the parent company, amounted to NOK 44 732 thousand (NOK 52 683 thousand), and the operating loss was NOK 10 854 thousand (NOK 13 700 thousand). The net loss for the year was NOK 12 656 thousand (NOK 14 448 thousand). The equity of the parent company amounted to NOK 185 846 thousand (NOK 77 874 thousand) and the Board proposes to allocate and transfer the loss of NOK 12 656 thousand to retained earnings.

Risk factors
This annual report includes forward-looking statements that reflect the Group's current views with respect to future events and financial and operational performance. The historical financial statements of the Group may differ materially from the actual outcome of such forward-looking statements.

These forward-looking statements are not historical facts. They are not guarantees of any future performance, the Group's actual financial position, or operating results and liquidity. The development of the industry in which the Group operates, may differ materially from those made in, or suggested by, the forward-looking statements.

Financial risk
Most of the financial risk that Elliptic Labs is exposed to relates to currency risk. Both revenues and operating expenses are exposed to foreign exchange rate fluctuations, especially in US dollars as a significant part of revenues are in this currency. The Group did not enter into any contracts or other agreements in 2020 to reduce its currency risk and thus its operational market risk.

Liquidity risk
The Board of Directors considers Elliptic Labs' liquidity to be acceptable.

Credit risk

The risk of losses on receivables is considered low due to highly reputable customers. Nevertheless, if customers were to fail, refuse to pay or delay payment, or if a customer becomes insolvent or goes bankrupt, or if the Group's customers terminate their contracts with the Group, there is a risk that the Group's business, results of operations and financial position and future prospect could be negatively affected.

The Group has accounted for no further changes in provision for losses in 2020.

Competition

Elliptic Labs operates within a highly competitive sector with some of the largest technology companies in the world. Many of these companies have significantly more financial resources and headcount than Elliptic Labs. However, Elliptic Labs will be able to successfully expand its business by innovating faster, execute cross-functional collaboration and being closer to customers than many of its competitors and by focusing on its core strengths, which are to deliver customer-driven innovative solutions based on deep expertise and great technology.

Going concern

In accordance with the Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern. This assumption is based on profit forecasts for the year 2021 and the Group's long-term strategic forecasts. The Group's economic and financial position is sound.

Health, safety and environment

The working environment has been good in 2020 and it has not been necessary to implement improvement measures.

There have been no injuries or accidents in 2020. Elliptic Labs had 0.6% absence due to sick leave in 2020. There has not been implemented or planned to undertake concrete measures to improve gender equality in Elliptic Labs. The company has approximately 75% male employees, and 25% female employees.

Elliptic Labs provides green solutions. By using ultrasound sensors, Elliptic Labs disrupt traditional approaches and makes intuitive, sustainable and eco-friendy experiences possible.

Oslo, 19 April 2021
The Board of Directors of Elliptic Laboratories AS

Tore Engebretsen
Chairman

Edvin Austbø
Board Member

Einar J. Greve
Board Member

Svenn-Tore Larsen
Board Member

Berit Svendsen
Board Member

Laila B. Danielsen
CEO

Consolidated financial statements

Consolidated statement of comprehensive income

For the financial period ended 31 December 2020 and 2019.

(Amounts in NOK)	**Notes**	**2020**	**2019**
Revenues		30 215 044	37 957 021
Other operating income		14 517 048	14 726 017
Total revenue	2	**44 732 092**	**52 683 038**
Personnel expenses	11	-35 866 003	-45 650 734
Other operating expenses	4	-13 529 370	-15 631 493
Depreciation, amortisation and impairment	7,15	-5 438 634	-4 392 985
Total operating costs		**-54 834 006**	**-65 675 213**
Operating profit		**-10 101 914**	**-12 992 175**
Other financial income	5	1 852 417	307 049
Other financial expenses	5	-7 307 470	-4 275 169
Net financial income/(expenses)		**-5 455 053**	**-3 968 120**
Profit/(loss) before tax		**-15 556 968**	**-16 960 295**
Income tax	6	3 046 958	3 703 338
Profit/(loss) for the period		**-12 510 010**	**-13 256 956**
Other comprehensive income:			
Foreign currency changes, may be reclassified to profit or loss		-47 260	5 059
Other comprehensive income, net of tax		**-47 260**	**5 059**
Total comprehensive income for the period		**-12 557 270**	**-13 251 897**
Loss for the period is attributable to:			
Equity holders of the parent company		**-12 557 270**	**-13 251 897**
Earnings per share outstanding		-1,40	-1.54
Earnings per share fully diluted		-1,40	-1,54

Consolidated statement of financial position

At 31 December 2020 and 2019, respectively.

(Amounts in NOK)	Notes	31.12.2020	31.12.2019
Non-current assets			
Deferred tax assets	6	59 807 034	56 168 887
Intangible assets	7	28 240 698	16 551 924
Right of use assets	15	5 022 739	7 255 068
Other non-current financial assets		4 050 298	3 603 570
Total non-current assets		**97 120 769**	**83 579 449**
Current assets			
Accounts receivable	9	426 621	14 309 741
Other current receivables		21 450 508	7 116 584
Cash and cash equivalents	10	99 724 175	34 362 299
Total current assets		**121 601 304**	**55 788 624**
Total assets		**218 722 073**	**139 368 073**
Equity and liabilities			
Share capital	13	958 459	875 106
Other equity		187 145 632	79 157 649
Total equity		**188 104 091**	**80 032 755**
Lease liabilities	15	3 001 929	5 205 363
Bank borrowings, long-term	14	14 000 000	14 000 000
Total long-term liabilities		**17 001 929**	**19 205 363**
Bank borrowings, short-term	14	4 000 000	29 431 148
Trade and other payables		988 804	834 715
Tax payable		204 893	162 501
Current lease liabilities	15	2 203 433	2 049 705
Other short-term liabilities	17	6 218 922	7 651 886
Total current liabilities		**13 616 052**	**40 129 955**
Total equity and liabilities		**218 722 073**	**139 368 073**

Oslo, 19 April 2021
The Board of Directors of Elliptic Laboratories AS

Tore Engebretsen
Chairman

Edvin Austbø
Board Member

Einar J. Greve
Board Member

Svenn-Tore Larsen
Board Member

Berit Svendsen
Board Member

Laila B. Danielsen
CEO

Consolidated statement of changes in equity

Attributable to owners of Elliptic Laboratories AS.

2020 *(Amounts in NOK)*	**Share capital and premium**	**Paid-in equity**	**Other Equity**	**Foreign currency rate differences**	**Total equity**
Shareholders' equity at 01.01.2020	**875 106**	**70 643 876**	**8 765 510**	**-251 738**	**80 032 755**
Profit (loss) for the period	-	-12 510 010	-	-	-12 510 010
Other comprehensive income for the period	-	-	-	-47 260	-47 260
Total comprehensive income for the period	**-**	**-12 510 010**	**-**	**-47 260**	**-12 557 270**
Transactions with owners:					
Transaction costs at listing	-	-8 448 011	-	-	-8 448 011
Capital increase through issuance of ordinary shares	83 353	124 956 697	-	-	125 040 050
Employee share schemes	-	-	4 036 567	-	4 036 567
Shareholders' equity at 31.12.2020	**958 459**	**174 642 552**	**12 802 077**	**-298 997**	**188 104 091**

2019 (Amounts in NOK)	**Share capital and premium**	**Paid-in equity**	**Other Equity**	**Foreign currency rate differences**	**Total equity**
Shareholders' equity at 01.01.2019	**856 401**	**40 904 538**	**5 893 773**	**-256 797**	**47 397 916**
Profit (loss) for the period	-	-13 256 956	-	-	-13 256 956
Other comprehensive income for the period	-	-	-	5 059	5 059
Total comprehensive income for the period	**-**	**-13 256 956**	**-**	**5 059**	**-13 251 897**
Transactions with owners:					
Capital increase through issuance of ordinary shares	18 705	42 996 295	-	-	43 015 000
Employee share schemes	-	-	2 871 737	-	2 871 737
Shareholders' equity at 31.12.2019	**875 106**	**70 643 876**	**8 765 510**	**-251 738**	**80 032 755**

Consolidated cash flow statement

For the financial period ended 31 December 2020 and 2019.

(Amounts in NOK)	Notes	2020	2019
Cash flow from operating activities:			
Profit/(loss) before tax		-15 556 968	-16 960 295
Adjustment for:			
Taxes paid in the period		-548 797	-431 321
Depreciation, amortisation and impairment	7,15	5 438 634	4 392 985
Option based payments	12	4 036 567	2 871 737
Items classified as financing activities	5	2 169 693	2 750 505
Change in accounts receivable		-450 804	-741 640
Change in trade payables		154 089	-1 692 725
Change in other accruals		-1 920 630	-1 469 069
Net cash flow from operations		**-6 678 217**	**-11 279 822**
Cash flow from investments:			
Purchase of fixed assets	7	-15 102 670	-9 375 022
Net cash flow from investments		**-15 102 670**	**-9 375 022**
Cash flow from financing:			
Bank borrowings	14	-25 000 000	-
Repayment of lease liabilities	15	-2 232 324	-1 875 949
Paid in capital from owners		125 040 050	43 015 000
Transaction costs		-8 448 011	-
Interests paid bank borrowings	5	-2 169 693	-2 750 505
Net cash flow from financing		**87 190 022**	**38 388 546**
Net Change in Cash and Cash Equivalents		**65 409 136**	**17 733 701**
Cash and cash equivalents at the beginning of the period		34 362 299	16 623 538
Effect of foreign currency rate changes on cash and cash equivalents		-47 260	5 059
Cash and cash equivalents at the end of period		**99 724 175**	**34 362 299**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

(Amounts in NOK)	**2020**	**2019**
Cash and cash equivalents	-99 724 175	-34 362 299
Bank borrowings, long-term	14 000 000	14 000 000
Bank borrowings, short-term	4 000 000	29 431 148
Lease liabilities	5 205 363	7 255 068
Net debt	**-76 518 812**	**16 323 917**
Net debt 01.01.	**16 323 917**	**26 383 627**
Net change in cash and cash equivalents	-65 409 136	-17 733 701
Net cash flows related to borrowings	-25 431 148	-
Net cash flows related to lease liabilities	-2 049 705	-1 875 950
Accrued interest	-	423 983
Initial recognition of lease liabilities	-	9 013 052
Remeasurement of lease liabilities	-	117 965
FX effects	47 260	-5 059
Net debt	**-76 518 812**	**16 323 917**

2 Notes to the consolidated financial accounts

Note 1 – Accounting principles

1.1 General information

Elliptic Laboratories AS and its subsidiaries, Elliptic Laboratories Inc and Healthy Pointers AS (together "Elliptic Labs" or the "Group") develop and sell technical solutions, which enable the interaction and information exchanges between individuals and technical devices, based on ultrasound software technology. Such devices are mobile phones, devices within the IoT-market and various other devices that could deploy the Group's software technology to enhance the user experience. Investments in and cooperation with other companies are also part of the Group's purpose.

The domicile of the Group is Oslo, Norway. Group's head office is at Akersgata 32, 0180 Oslo.

1.2 Summary of significant accounting principles

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as required for financial years beginning 1 January 2020.

The consolidated financial statements have been prepared under the historical cost convention, as modified by derivatives at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

These consolidated financial statements have been prepared under the assumption of a going concern.

Consolidation

Subsidiaries are all entities over which the Group has control. Control of an entity occurs when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the day on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting principles.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the individual entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Norwegian Kroner (NOK), which is the Group's presentation currency.

b) Transactions and balance sheet items
Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.
Currency gains and losses related to loans, cash and cash equivalents are presented (net) as financial income or financial expenses. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within net (gain)/loss.

c) Group companies
The results and balances of all the Group entities that have functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
2. income and expenses for each income statement are translated at average exchange rate; and
3. all resulting exchange differences are recognised in the consolidated statement of other comprehensive income.

d) Other foreign currency translation
On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Share based payments

Share-based compensation benefits are provided to employees via the share option plan. Information relating to the options scheme is set out in note 12.

Employee options
The employee option plan is regarded as equity settled sharebased payments. The fair value of options granted under the share option plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Operating revenues

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from licenses which give a right to use is recognised at point in time and licenses which give a right to access is recognised over time. Royalty based revenue is recognised as sales occur when exceeding the minimum fixed fee.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total cost.

Some contracts include multiple deliverables, such as the license for the IP and subsequent royalties for units sold. It is accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by Elliptic Laboratories exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes a royalty for mobil devices sold, revenue is recognised in the amount to which Elliptic Laboratories has a right to invoice.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relate to an expense item, it is normally recognised as a reduction of the expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised in the income statement over the useful life of a depreciable asset as a reduced depreciation expense.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying value of the accounts and any gain or loss is recognized.

The cost of fixed assets is the purchase price including taxes and expenses directly attributable to preparing the asset for use. Expenditures incurred after the asset has been put into operation, such as ongoing maintenance, are expensed, while other expenses that are expected to generate future economic benefits are capitalized.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of buildings and equipment.

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the income statement within other income or other operating expenses.

Intangible assets

Acquired intangible assets are capitalized on the basis of the costs incurred to acquire and put the asset into use.
Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- There is an ability to use or sell the software
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available
- The expenditure attributable to the software during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research and development
Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation methods and periods
Refer to note 7 for details about amortisation methods and periods used by the group for intangible assets.

Leases

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.
Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing an impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Financial instruments

Financial assets measured at amortized cost
Financial assets measured at amortized cost are non-derivative financial assets with contractual payments that consist exclusively of payments of interest and principal on the outstanding nominal amount and are held with the objective of collecting the contractually agreed cash flows, such as loans and receivables, trade receivables or cash and cash equivalents (the "hold" business model).

After initial recognition, these financial assets are measured at amortized cost using the effective interest method less impairment. Gains and losses are recognized in profit or loss when the loans and receivables are impaired or derecognized. Interest effects from the application of the effective interest method and effects from currency translation are also recognized through profit or loss.

The Group applies an expected credit loss model (ECL) when calculating impairment losses on accounts receivable and contract assets, using the practical expedient in IFRS 9 of a lifetime ECL approach. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities over 12 months after the end of the reporting period. These are classified as non-current assets.

Financial assets measured at fair value through profit or loss
Financial assets measured at fair value through profit or loss comprise financial assets whose cash flows do not relate solely to payments of interest and repayments of principal on the outstanding nominal amount. They also include financial assets that were neither allocated to the "hold" business model nor to the "hold and sell" business model. They also include derivatives held for the purpose of, as well as shares or interest-bearing securities acquired with the intention of disposal in the near term. Gains or losses on these financial assets are recognized through profit or loss.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three-months or less.

Equity

Financial instruments are classified as liabilities or equity, in accordance with IAS 32 Presentation of financial instruments and based on the underlying economic reality. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Trade and other payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

New accounting standards and amendments.

No other standards and amendments had significant affect for the Group.

New standards and amendments effective from 1 January 2020 or later

IAS 1 Classification of Liabilities as Current or Non-current
In January 2020, IASB issued a narrow scope amendment standard to IAS 1 "Presentation og financial statements". This amendment changes the guidance for the classification of liabiltias as currenct or non-current. Liabilities will be classifies as non-current if the entity has a substantive right to defer settlement for at least 12 month at the end of reporting period. The Group will adopt IAS 1 January 1 2022.

Note 2 – Revenue

Revenues consists of the following as set forth in the table below.

Amounts in NOK	**2020**	**2019**
Revenues from contracts with customers	30 215 044	37 597 021
Revenue from other sources	14 517 048	14 726 017
Total revenue	**44 732 092**	**52 683 038**

Revenue from other sources consists in total of government grants, which are recognised over time on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate.

Revenues from contracts with customers have the following distribution as recognized over time or at point in time:

Amounts in NOK	**2020**	**2019**
Revenues recognised over time	441 368	1 725 352
Revenue recognised at point in time	29 773 676	35 871669
Total revenue	**30 215 044**	**37 597 021**

Revenues from contracts with customers consists of two significant revenue streams:

License for IP and subsequent royalties are recognised at point in time when the software has been made available to the customer, and then in increments as minimum production tresholds are met if royalty based revenue exceed the minimum fixed fee if any. For the financial years 2020, the majority of the contracts from which revenue was recognized were of the minimum fixed fee character.

Development and testing of software (Proof of concept) is considered as a separate performance obligation and is recognized over time based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided.

As of 31.12.20 and 31.12.2019 all contracts were completed and performance obligations were fully satisfied.

Note 3 – Government grants

The table below sets forth the treatment of government grants.

Amounts in NOK	**2020**	**2019**
Recognized as revenue from other sources	14 517 048	14 726 017
Reduction of capitalized patents	207 588	154 436
Recognized as payroll cost reduciton	4 006 895	2 198 066
Recognized as other cost reduction	535 517	1 469 680
Total government grants	**19 267 048**	**18 548 199**

Note 4 – Other operating expenses

Other operating costs consists of the following entries:

Amounts in NOK	2020	2019
Sales and marketing expenses	3 733 573	6 340 672
Short-term lease expenses	757 565	1 171 602
Electricity, heating and other property expenses	1 114 194	862 651
Consultants	2 446 696	4 511 122
Auditor	558 331	251 612
Legal	2 584 899	396 224
Patents	356 386	642 135
IT/Software	1 558 382	540 113
Other expenses	419 343	915 363
Total other operating expenses	**13 529 370**	**15 631 493**

Note 5 – Financial income and financial expenses

Amounts in NOK	2020	2019
Financial income		
Interest income	199 346	96 518
Financial income	-	50 382
Foreign Exchange gains	1 653 071	160 149
Total financial income	**1 852 417**	**307 049**
Financial expenses		
Interest expense on bank loan	2 169 693	2 750 505
IFRS 16 Interest expense	543 096	675 036
Other Financial expenses	352 364	469 030
Foreign Exchange losses	4 242 317	380 598
Total financial expenses	**7 307 470**	**4 275 169**

Note 6 – Tax

Amounts in NOK	2020	2019
Tax payable	204 893	162 934
Other items	386 296	-649 048
Change in deferred tax assets	-3 638 147	-3 217 225
Total tax (income)/expense	**-3 046 958**	**-3 703 338**

Below is a specification of the tax effects of temporary differences and losses carried forward:

Deferred tax:	2020	2019
Intangible assets	-	-
Receivables	-	-
Other	-	-
Total deferred tax relating to temporary differences	-	-
Carrying value deferred tax liabilities	**-**	**-**

Amounts in NOK	2020	2019
Deferred tax assets:	**2020**	**2019**
Intangible assets	442 742	1 076 261
Receivables	-	2 049 273
Other	-	-
Losses carried forward	60 079 007	53 758 068
Total deferred tax assets relating to temporary differences and losses carried forward	**60 521 749**	**56 883 602**
Non-recognised deferred tax assets relating to losses and precluded interest deductions carried forward	-714 715	-714 715
Carrying value deferred tax assets	**60 521 749**	**56 168 887**

Explanation of the change in the deferred tax:	**2020**	**2019**
Carrying value deferred tax at 01.01	-	-
Change in deferred tax liability	-	-
Carrying value deferred tax at 31 December	**-**	**-**

Explanation of the change in the deferred tax assets:	**2020**	**2019**
Carrying value deferred tax assets at 01.01	56 168 887	52 951 662
Change in deferred tax assets	3 638 147	3 217 225
Carrying value deferred tax assets at 31 December	**59 807 034**	**56 168 887**

Losses carried forward as of 31.12		
Expiration year	**n.a**	**n.a**
Unlimited carry forward period	59 364 292	53 043 353
Total losses carried forward	**59 364 292**	**53 043 353**

Reconciliation of tax expense	**2020**	**2019**
Profit before tax	-15 556 968	-16 960 295
22 % tax in 2020	-3 422 533	-3 731 265
Tax effect of:		
Permanent differences (mainly non-taxable income)	-53 350	-176 845
Change in prior year estimates	386 296	198 003
Other/currency	42 629	6 768
Calculated tax expense/ (Income)	**-3 046 958**	**-3 703 339**

Significant estimates

The deferred tax assets include an amount of NOK 59 364 292 which relates to carried forward tax losses of Elliptic Laboratories AS. Elliptic Laboratories AS has incurred the losses over the last several years mainly due to development cost relating to immaterial assets which do not meet the capitalisation criterias. An expense of MNOK 7,2 has been recognized in the income statement related to research and development activities in Elliptic Laboratories group in 2020. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on profitability shown in second half 2020, its scalable business model, entered into contracts with customers and expectations for future growth of business opportunities based on already established customer relations in several market verticals. Elliptic Laboratories AS is expected to generate taxable income from 2021 onwards, and the carried forward tax loss is expected to be utilized within a few years after this. The losses can be carried forward indefinitely and have no expiry date.

Note 7 – Intangible assets

Amounts in NOK	**Patents**	**Trademark**	**Capitalized R&D**	**Total intangible assets**
Cost at 01.01.2020	**13 791 728**	**23 505**	**14 828 851**	**28 644 085**
Additions	1 210 913	-	13 684 169	14 895 082
Cost at 31.12.2020	**15 002 641**	**23 505**	**28 513 020**	**43 539 166**
Accumulated amortisation and impairment charges 01.01.2020	10 705 699	5 669	1 380 793	12 092 161
Amortisation charges	240 539	-	2 965 768	3 206 308
Accumulated amortisation and impairment charges 31.12.2020	**10 946 238**	**5 669**	**4 346 561**	**15 298 469**
Net booked value as at 31.12.2020	**4 056 403**	**17 837**	**24 166 458**	**28 240 698**
Cost at 01.01.2019	**12 496 028**	**23 505**	**6 903 966**	**19 423 499**
Additions	1 295 700	-	7 924 885	9 220 585
Cost at 31.12.2019	**13 791 728**	**23 505**	**14 828 851**	**28 644 085**
Accumulated amortisation and impairment charges 01.01.2019	9 574 157	968	-	9 575 124
Amortisation charges	1 131 542	4 701	1 380 793	2 517 036
Accumulated amortisation and impairment charges 31.12.2019	**10 705 699**	**5 669**	**1 380 793**	**12 092 161**
Net booked value as at 31.12.2019	**3 086 029**	**17 837**	**13 448 058**	**16 551 924**
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

The Group has significant development cost relating to immaterial assets which do not meet the capitalisation criteria. An expense of MNOK 7,2 has been recognized in the income statement related to research and development activities in Elliptic Laboratories group in 2020. Additions has been reduces with NOK 207 588 (NOK 154 436) as a result of government grants.

Note 8 – Investments in subsidiaries

Subsidiaries	**Country**	**Business office**	**Voting percentage**		**Ownership percentage**	
			2020	**2019**	**2020**	**2019**
Healthy Pointers AS	Norway	Oslo	100 %	100 %	100 %	100 %
Elliptic Laboratories Inc	USA	San Francisco	100 %	100 %	100 %	100 %

Note 9 – Trade receivables and other current receivables

Amounts in NOK	**2020**	**2019**
Ageing of trade receivable:		
Up to 3 months	426 621	14 309 741
More than 3 months	-	9 314 875
Total trade receivable	**426 621**	**23 624 617**
Nominal value of trade receivables	426 621	23 624 617
Impairment of trade receivables	-	-9 314 875
Total trade receivable	**426 621**	14 309 741
Other current receivables:		
Prepaid costs	3 650 260	387 144
Other current receivables	17 800 247	6 729 440
Total other current receivables	**21 450 508**	**7 116 584**

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the probability of a customer's bankruptcy to be the most relevant factor and accordingly adjusts the historical loss rates appropriately.

Note 10 – Cash and cash equivalents

Amounts in NOK	**2020**	**2019**
Cash and cash equivalents	99 724 175	34 362 299
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	1 154 864	1 617 519
Not restricted	**98 569 311**	**32 744 780**

Note 11 – Personnel expenses

Employee benefit expenses are set forth in the table below.

Amounts in NOK	**2020**	**2019**
Salary expenses	42 704 253	45 834 101
Social security cost	3 495 719	4 099 864
Pension costs	1 499 528	791 010
Option costs	4 036 567	2 871 737
Other costs	1 821 000	2 176 973
Government grants	-4 006 895	-2 198 066
Capitalized R&D personnel cost	-13 684 169	-7 924 885
Total personnel expenses	**35 866 003**	**45 650 734**
Average number of employees	49	51

Pensions to Norwegian employees

Norwegian companies are required to have occupational pension schemes according to the law on compulsory occupational pension. The Norwegian companies' pension schemes meet the requirements of this act. Total compensation expensed during the year for the CEO and other executives is set forth in the table below.

Remuneration to executive personnel

	Salary	Bonus	Pension	Other Benefits [1]	Total
Laila Danielsen, Group CEO and General Manager	2 891 739	636 243	-	134 082	**3 662 064**
Espen Klovning, VP Engineering	1 477 930	160 000	72 973	-	**1 710 903**
Guenael Strutt, VP Product Development	2 104 212	30 984	-	223 440	**2 358 636**
Brian Daly, VP Sales & Business Development	1 825 364	25 071	-	57 849	**1 908 284**

2019 *(Amounts in NOK)*	Salary	Bonus	Pension	Other Benefits [1]	Total
Laila Danielsen, Group CEO and General Manager	2 791 164	528 222	-	112 235	**3 431 621**
Randi Fagervik, Chief Financial Officer [2]	1 326 367	-	21 964	-	**1 348 331**
Espen Klovning, VP Engineering	1 439 988	50 000	22 488	-	**1 512 476**
Guenael Strutt, VP Product Development	2 076 725	-	-	180 343	**2 257 068**
Brian Daly, VP Sales & Business Development	1 657 127	-	-	181 975	**1 839 102**

1) Other benefits for US employees comprise insurance services.
2) Remuneration and benefits apply until December 2019, the time of termination.

The average Dollar exchange rates were 9.4 and 8.8 for 2020 and 2019, respectively.

The salary of the Group CEO is determined by the Board. The salary of the members of the executive management is determined by the Group CEO. Bonus is based on performance targets in Elliptic Laboratories Group. The maximum size of bonus payment to the Group CEO is determined by the Board. Any bonuses to the members of the executive management is determined by the Group CEO.

The Group CEO has 3 months of paid termination notice if the company terminates the employment relationship.

No loans or pledges have been given to the Group CEO, Chairman of the Board or other related parties. No share-based remuneration has been given to executive personnel or the Board of Directors in 2020, 2019, 2018, 2017, 2016 or 2015.

Pursuant to an engagement letter approved by the Board of Directors on 30 September 2020, Cipriano AS, a company 100% owned by Board Member, Einar J. Greve, after completion of the Private Placement of NOK 125 million and the Admission to Trading on Euronext Growth Oslo, was paid a success fee of NOK 500,000.

Compensation to the Board of Directors

2020 *(Amounts in NOK)*		Board remuneration	Total
Tore Engebretsen	Chairman	150 000	150 000
Einar Jørgen Greve	Board member	100 000	100 000
Edvin Austbø	Board member	100 000	100 000
Svenn-Tore Larsen	Board member	100 000	100 000
Berit Svendsen	Board member	100 000	100 000

2019 *(Amounts in NOK)*		Board remuneration	Total
Tore Engebretsen	Chairman	150 000	150 000
Einar Jørgen Greve	Board member	100 000	100 000
Karsten Thomas Michael Rönner	Board member	100 000	100 000
Edvin Austbø	Board member	100 000	100 000
Svenn-Tore Larsen	Board member	100 000	100 000

Remuneration to the auditor

Amounts in NOK	2020	2019
Statutory audit (including technical assistance - annual accounts)	287 997	194 095
Other attestation services	209 432	0
Tax advice (including technical assistance corporate tax papers)	114 228	294 595
Other assistance	162 861	181 300
Total expensed auditor fees, ex. VAT	**774 518**	**669 990**

Note 12 – Share option program

The Group has an option program that includes certain members of executive management as well as non-executive employees in parent and subsidiary companies. As of 31.12.2020, there are 45 employees in the group option program. The employees must work in the Group to be entitled to exercise the options at the time of vesting. The options are settled in shares at the time of vesting. The purpose of the establishment of the options program is to attract and retain key personnel. The fair value and annual expense/costs of the options are calculated based on the Black-Scholes model, and expensed over the vesting period of 4 years. The annual costs calculated for the option program for 2020 are based on the Black & Scholes formula with input factors 0.591% risk free interest rate, 36.2% volatility, share price 31.12.2020 NOK 126.

Amounts in NOK	2020	2019
Outstanding at the beginning of the period	363 506	326 381
Excercised	-200	0
Forfeited	-28 573	-80 321
Granted	24 569	117 446
Outstanding at the end of the period	**359 302**	**363 506**
Weighted average strike price (NOK)	119,81	164,37
Option program expensed for the year	**4 036 567**	**2 871 737**

Outstanding / vested total options overview

Strike price	Outstanding instruments 31.12.2020	Weighted Average remaining contractual life (yrs)	Vested instruments 31.12.2020
38,00	83 449	0,95	74 479
100,00	30 000	0,25	28 125
150,00	245 853	1,88	128 219
	359 302		**230 823**

Executive management options overview

Name	Quantity outstanding 31.12.2020	Weighted average strikeprice	Weighted average contractual lifetime (yrs)	Intrinsic value per option 31.12.2020	Quantity vested 31.12.2020	IFRS cost period
Brian Daly	35 000	150,00	1,43	0,00	24 988	516 358
Espen Klovning	78 549	115,15	1,31	22,13	54 797	862 837
Guenael Strutt	84 900	87,47	1,41	49,13	63 023	629 765

Note 13 – Share capital and shareholder information

As of 31.12.2020, the share capital amounts to NOK 958 459,1, consisting of 9 584 591 shares at a face value of NOK 0,1 per share. Overview of the largest shareholders as of 31 December 2020:

Shareholder name	Ordinary shares	Ownership
Passesta AS (Chairman of the Board Tore Engebretsen)	1 194 416	12.5 %
MP Pensjon PK	898 123	9.4 %
Alden AS (Board member Edvin Austbø)	740 333	7.7 %
Robert Horne (GBR)	589 000	6.1 %
Laila Danielsen (USA) (CEO)	529 680	5.5 %
Other shareholders (less that 5% ownership)	5 633 039	58.8%
Total	**9 584 591**	**100 %**

Shares as of 31.12	2020	2019
Number of issued shares	9 584 591	8 751 058
Number of shares outstanding	**9 584 591**	**8 751 058**

2020	Number of shares	Average number of shares	Number of days
Outstanding shares at 01.01	**8 751 058**	**8 583 994**	365
Capital increase	833 533	173 558	76
Outstanding shares at 31.12	**9 584 591**	**8 924 616**	

2019	Number of shares	Average number of shares	Number of days
Outstanding shares at 01.01	8 564 008	8 564 008	365
Capital increase	187 050	19 986	39
Outstanding shares at 31.12	**8 751 058**	**8 583 994**	

(Amounts in NOK)	2020	2019
Profit & loss for the year due to holders of ordinary shares	-12 510 010	-13 256 956
Average number of shares - basic	8 924 616	8 583 994
EPS – Basic, NOK per share	**-1.40**	**-1.54**

Shares held by the Board of Directors:

Shareholder name	Title	Ordinary shares	Ownership
Tore Engebretsen (Passesta AS)	Chairman of the Board	1 194 416	12.5 %
Edvin Austbø (Alden AS)	Board member	740 333	7.7 %
Einar Greve (Cipriano AS/Positano AS)	Board member	151 300	1.5 %
Berit Svendsen	Board member	1 800	0.02%

Shares held by the executive management:

Shareholder name	Title	Ordinary shares	Ownership
Laila B. Danielsen	CEO & President	529 680	5.5 %
Guenael Strutt	VP Product Development	47 500	0.5 %
Espen Klovning	VP Engineering	21 951	0.2 %

Note 14 – Interest-bearing liabilities

Amounts in NOK	2020	2019
Long-term liabilities due > 1 year		
Bank borrowings, long-term	15 025 000	15 430 625
Interest expense and fees	-1 025 000	-1 430 625
Bank borrowings, long-term net of loan costs	**14 000 000**	**14 000 000**
Long-term liabilities due < 1 year		
Bank borrowings	4 656 000	4 899 250
Interest expense and fees	-656 000	-899 250
Bank borrowings, short-term net of loan costs	**4 000 000**	**4 000 000**
Short-term liability due < 1 Year		
Overdraft credit facility	1 358 824	27 219 631
Interest expense and fees	-1 358 824	-1 788 483
Bank borrowings, short-term net of loan costs	**-**	**25 431 148**

The fair value of the liability is consider to be equal to its book value according to the amortised cost as shown above.

Due to establishment of the overdraft credit facility with Pareto Bank of NOK 25 007 165 in 2018, the Group was in breach with financial covenents of the Innovasjon Norge loan facility as of 31.12.2018. As a consequence, the Group had total short term loans of NOK 43 007 165 in 2018. In 2019, the loan to Innovasjon Norge of NOK 18 000 000 is reclassified as long-term. The overdraft credit facility with Pareto Bank is fully repaid as of 31.12.20.

Loan facility 31.12.2020 *(Amount in NOK)*	**Loan origination date**	**Principle in local currency**	**Fixed interest loan**	**Termination date**	**Carrying value**
Innovasjon Norge	27.03.2015	NOK	5.57% effective interest	27.03.2022	18 000 000

Loan facility 31.12.2019 *(Amount in NOK)*	**Loan origination date**	**Principle in local currency**	**Fixed interest loan**	**Termination date**	**Carrying value**
Innovasjon Norge	27.03.2015	NOK	5.57% effective interest	27.03.2022	18 000 000
Pareto Bank	31.05.2018	NOK	6% effective interest 0.25% commission rate 1% establishment rate	31.06.2019	25 431 148

The following table shows the undiscounted payment profile of the Group's debt, based on the remaining loan period at the balance sheet date. Payment profile on debts to credit institutions per 31.12.2020:

Amounts in NOK	2021	2022	2023	2024	After 2024	Total
Innovasjon Norge	4 000 000	4 000 000	4 000 000	4 000 000	2 000 000	**18 000 000**
Interests	656 000	492 000	328 000	164 000	41 000	**1 681 000**
Total installment	**4 656 000**	**4 492 000**	**4 328 000**	**4 164 000**	**2 041 000**	**19 681 000**

Payment profile on debts to credit institutions per 31.12.2019:

Amounts in NOK	2020	2021	2022	2023	After 2023	Total
Innovasjon Norge	4 000 000	4 000 000	4 000 000	4 000 000	2 000 000	18 000 000
Pareto Bank	25 431 148	-	-	-	-	25 431 148
Interests	899 250	681 250	463 250	245 250	40 875	2 329 875
Total installment	**30 330 398**	**4 681 250**	**4 463 250**	**4 245 250**	**2 040 875**	**45 761 023**

Note 15 – Leasing

The Group implemented IFRS 16 1 January 2019.

The balance sheet shows the following amounts relating to leases *(Amounts in NOK)*	2020	2019
Right of use assets:		
Property	5 022 739	7 255 068
Total	**5 022 739**	**7 255 068**
Lease liabilities:		
Current	2 203 433	2 049 705
Non-current	3 001 929	5 205 303
Total	**5 205 363**	**7 255 068**

Additions to the right-of-use assets in 2020 were NOK 0. The right of use asset was remeasured at the end of 2019 due to a change in the lease.

Amounts recognised in the statement of profit or loss *(Amounts in NOK)*	2020	2019
Depreciation charge of right-of-use assets:		
Property	2 232 324	1 875 950
Total	**2 232 324**	**1 875 950**
Lease expenses:		
Interest expense	543 096	675 036
Expenses relating to short-term leases	1 267 822	1 721 160
Expenses relating to leases of low-value	3 803 467	4 683 480
Total	**5 614 386**	**7 079 676**
Net lease payments recognised in profit and loss	**1 354 910**	**1 516 060**

The following table shows the undiscounted payment profile of the Group's lease liabilities, based on the remaining lease period at the balance sheet date per 31.12.2020:

Amounts in NOK	2021	2022	2023	Total
Installments	2 203 433	2 368 691	633 239	**5 205 362**
Interests	389 366	224 109	14 961	**628 436**
Total installment	**2 592 799**	**2 592 799**	**648 200**	**5 833 799**

Note 16 – Financial risk factors

Overview
Through its activities, the group will be exposed to different types of financial risks: market risk, credit risk and liquidity risk. This note presents information related to the Group's exposure to such risks, the Group's objectives, policies and procedures for risk management and handling, as well as the Group's management of capital. Additional quantitative information is included in these consolidated financial statements.

The Group's overall risk management plan is to ensure the ongoing liquidity in the group, defined as to being able to meet its obligations at any time. This also includes being able to meet the financial covenants related to the Group's borrowings.

Risk management of the group is maintained by a central Finance Function in accordance with the guidelines approved by the Board. The Group's Finance Function identifies, measures, mitigates and reports on financial risks in close cooperation with the various operating units. Risk management policies and procedures are reviewed regularly to take into account changes in the market and the Group's activities.

Capital management
The Group's main goal is to maximize shareholder value while ensuring the Group's ability to continue operations, as well as to make sure that covenant criteria are met (see note 15 interest-bearing liability re. financial covenant requirements). The Group has a target to maintain a capital structure that gives the Group an optimal capital binding given the current market situation. The Group makes the necessary changes to their capital structure based on an ongoing assessment of the business' financial situation and future prospects in the short and medium term.

Financial instruments by category

Financial instruments as of 31 December 2020 *(Amounts in NOK)*	**Financial assets measured at amortised cost**	**Financial Liabilities measured at amortised cost**	**Total**
Other current receivables	21 450 508	-	21 450 508
Accounts receivable	426 621	-	426 621
Cash and cash equivalents	98 569 311	-	98 569 311
Total financial assets	**120 446 440**	**-**	**120 446 440**
Bank borrowings	-	18 000 000	18 000 000
Trade and other payables	-	988 804	988 804
Total financial liabilities	**-**	**18 988 804**	**18 988 804**

Financial instruments as of 31 December 2019 *(Amounts in NOK)*	**Financial assets measured at amortised cost**	**Financial liabilities measured at amortised cost**	**Total**
Other current receivables	7 116 584	-	7 116 584
Accounts receivable	14 309 741	-	14 309 741
Cash and cash equivalents	32 744 780	-	32 744 780
Total financial assets	**54 171 105**	**-**	**54 171 105**
Bank borrowings	-	43 431 148	43 431 148
Trade and other payables	-	834 715	834 715
Total financial liabilities	**-**	**59 534 605**	**44 265 863**

a) Market risk
Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will vary as a result of changes in market prices. The market risk is monitored continuously by the Group.

Foreign exchange risk
The Group operates internationally and is exposed to changes in foreign currency exchange rates. The Group monitors the risk closely and on a monthly basis. For risk management purposes, the Group has identified three types of currency exposures:

- Exposure to sales of products in different currencies: All of the Groups revenue are in the Parent company, mainly in USD and EUR.
- 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 some Chinese yen.

b) Credit risk
Credit risk is managed at the group level. Credit risk is monitored closely.

c) Liquidity risk
The Group's liquidity risk is characterised by a potential risk of not being able to meet obligations to vendors and loan creditors. The ability to service the debt depends on the Group's cash flow from operating activities. The Group regularly monitors the cash flow situation by setting up cash flow forecasts based on the forecasts of the liquidity reserves, including cash equivalents and borrowing facilities.

To be able to maintain a sufficient flexibility in the source of funding, the Group has borrowing facilities of MNOK 18.0 in 2020 (MNOK 43,4 in 2019). The Group had cash and cash equivalents of MNOK 98.6 in 2020 (MNOK 32.7 in 2019).

See also note 14 interest-bearing liability information on funding sources and payment profile.

Note 17 – Other short-term liabilities

Other short-term liabilities consist of the following items:

Amounts in NOK	2020	2019
Accrued vacation pay	3 916 428	4 422 856
Accrued costs	225 483	552 680
Accrued public taxes	2 077 011	2 669 095
Other current items	-	7 255
Total other short-term liabilities	**6 218 922**	**7 651 886**

Note 18 – Events after the balance sheet date

As last year's annual financial report was written, we were in the beginning of the COVID-19 spread over the world. We were heavily affected by this in the financial year 2020, especially in the first half as customers in China experienced a slowdown earlier in the year compared to many other countries. Some planned launches were cancelled or postponed and volume-based contracts ended with lower volume than calculated, but as we expected, business picked up quite strongly again in the second half of 2020. Despite this, even as this report is written, most of our employees are still working from home, but we are nevertheless experiencing good progress on most of the projects scheduled for delivery in 2021. The need and demand for our products and solutions remain strong. There are no other specific events after the balance sheet date with material effect on the financial statements and the Board of Directors remains positive about the future outlook for Elliptic Labs.

Financial statements of the parent company

Income statement

For the financial period ended 31 December.

Amounts in NOK	Notes	2020	2019
Revenues		30 215 044	37 957 021
Other operating income		14 517 048	14 726 017
Total revenue		**44 732 092**	**52 683 038**
Employee benefits expence	11	-22 085 818	-29 968 705
Depreciation, amortisation and impairment	2	-5 438 634	-4 392 985
Other operating expenses		-28 061 826	-32 021 322
Total operating costs		**-55 586 277**	**-66 383 013**
Operating profit		**-10 854 185**	**-13 699 975**
Other financial income	12	1 867 124	309 613
Other financial expense	12	-7 307 470	-4 275 169
Net financial income/(expenses)		**-5 440 346**	**- 3 965 555**
Profit/(loss) before tax		**-16 294 531**	**-17 665 531**
Income tax revenue	10	3 638 147	3 217 225
Net profit/(loss) for the year		**-12 656 384**	**-14 448 306**

Total comprehensive income for the period	**-12 656 384**	**-14 448 306**
Allocation		
Equity allocation	**12 656 384**	**14 448 306**

Balance sheet at 31 December

ASSETS *(Amounts in NOK)*	**Notes**	**31.12.2020**	**31.12.2019**
Concessions, patents, licenses, trademarks and similar rights	2	28 230 698	16 541 924
Deferred tax asset	10	59 807 034	56 168 887
Total intangible assets		**88 037 732**	**72 710 811**
Right of use assets		5 022 739	7 255 068
Total tangible assets		**5 022 739**	**7 255 068**
Investments in subsidiaries	3	591	591
Other non-current financial assets		4 050 298	3 603 570
Total financial fixed assets		**4 050 889**	**3 604 161**
TOTAL FIXED ASSETS		**97 111 360**	**83 570 040**
Trade receivables	4	426 621	14 309 741
Other receivables		21 450 508	7 116 584
Intercompany receivables		-	-
Total receivables		**21 877 129**	**21 426 325**
Cash and bank deposits	6	**98 706 712**	**34 210 349**
TOTAL CURRENT ASSETS		**120 583 841**	**55 636 674**
TOTAL ASSETS		**217 695 201**	**139 206 714**

Balance sheet at 31 December

EQUITY AND LIABILITIES *(Amounts in NOK)*	**Notes**	**31.12.2020**	**31.12.2019**
Share capital	7,8	958 459	875 106
Total paid-in equity			
Other equity		184 887 676	76 998 808
Total retained earnings		**184 887 676**	**76 998 808**
TOTAL EQUITY		**185 846 135**	**77 873 914**
Lease liabilities		3 001 929	5 205 363
Other long-term liabilities	4	14 000 000	14 000 000
Total long-term liabilities		**17 001 929**	**19 205 363**
Liabilities to group companies	5	2 994 782	3 921 552
Trade creditors		988 804	834 715
Tax payable	10	-	-
Current lease liabilities		2 203 433	2 049 705
Other short-term liabilities		8 660 117	35 321 466
Total short-term liabilities		**14 847 136**	**42 127 438**
TOTAL LIABILITIES		**31 849 066**	**61 332 801**
TOTAL EQUITY AND LIABILITIES		**217 695 201**	**139 206 714**

Oslo, 19 April 2021
The Board of Directors of Elliptic Laboratories AS

Tore Engebretsen
Chairman

Edvin Austbø
Board Member

Einar J. Greve
Board Member

Svenn-Tore Larsen
Board Member

Berit Svendsen
Board Member

Laila B. Danielsen
CEO

Cash flow statement at 31 December

For the financial period ended 31 December 2020 and 2019.

(Amounts in NOK)	**Notes**	**2020**	**2019**
Cash flow from operating activities:			
Profit/(loss) before tax		-16 294 531	-17 665 531
Adjustment for:			
Taxes paid in the period		-	-
Depreciation, amortisation and impairment	2,15	5 438 634	4 392 985
Option based payments	7	4 036 567	2 871 737
Items classified as financing activities	12	2 169 693	2 750 505
Change in accounts receivable		-450 804	-850 506
Change in trade payables		154 089	-1 692 725
Change in other accruals		-2 644 637	205 449
Net cash flow from operations		**-7 590 990**	**-9 988 085**
Cash flow from investments:			
Purchase of fixed assets	2	-15 102 670	-9 375 022
Net cash flow from investments		**-15 102 670**	**-9 375 022**
Cash flow from financing:			
Bank borrowings		-25 000 000	-
Repayment of lease liabilities	15	-2 232 324	-1 875 949
Paid in capital from owners		125 040 050	43 015 000
Transaction costs		-8 448 011	-
Interests bank borrowings	12	-2 169 693	-2 750 505
Net cash flow from financing		**87 190 022**	**38 388 546**
Net Change in Cash and Cash Equivalents		**64 496 363**	**19 025 438**
Cash and cash equivalents at the beginning of the period		34 210 349	15 184 91
Cash and cash equivalents at the end of period		**98 706 712**	**34 210 349**

Note 1- Accounting principles

1.1 General information

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

The annual accounts have been prepared in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

First-time adoption of the simplified application of IFRS

This is the Company's first-time simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act in the financial statements. The accounting principles described in the principle note are introduced as part of the preparation of the annual financial statements for 2020. The Company has determined that as of the fiscal year 2020, the accounting rules will be changed from the Accounting Act and accounting principles generally accepted in Norway for small companies to the simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
In connection with the transition to the simplified application of IFRS, the Company has not identified any differences to previously reported figures. As such there is not any effect of the transition to be explained in this note.

1.2 Summary of significant accounting principles

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenues

Income from sale of services are recognised at fair value of the consideration, net after deduction of VAT and reductions. Provisions for expected guarantee work are recognised as expenses and provisions for liabilities. Services are recognised in proportion to the work performed.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relate to an expense item, it is normally recognised as a reduction of the expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised in the income statement over the useful life of a depreciable asset as a reduced depreciation expense.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long-term receivables are, however, not classified as short-term liabilities and current assets.

Purchase costs

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Intangible assets

"Acquired intangible assets are capitalized on the basis of the costs incurred to acquire and put the asset into use. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Expenses for other intangible assets are reflected in the balance sheet providing a future financial benefit relating to the development of an identifiable intangible asset can be identified and the expenses can be reliably measured. Otherwise such expenses are expensed as and when incurred. R&D expenses in the balance sheet are depreciated on a straight-line basis over the asset's expected useful life."

Leases

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.
Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Fixed assets

Fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date. Leased assets are reflected in the balances sheet as assets if the leasing contract is considered a financial lease

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except write down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Long term contracts

Work in progress on long term fixed-price contracts is valued according to the percentage of completion method. The degree of completion is calculated as expenses incurred as a percentage of estimated total expense. Total expenses are reviewed on a regular basis. If projects are expected to result in losses, the total estimated loss is recognised immediately.

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a write down is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies

Receivables and liabilities in foreign currencies are taken to income at the exchange rate on the balance sheet date.

Liabilities

Liabilities, except for certain liability provisions, are recognised in the balance sheet at nominal amount.

Pensions

The company has various pension schemes. The pension schemes are financed through payments to insurance companies, except for the early retirement pension scheme (AFP). The company has a defined contribution plan.

Defined contribution plan

With a defined contribution plan the company pays contributions to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognised as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

The early retirement pension scheme (AFP) is an unsecured defined benefit multi-enterprise scheme. Such a scheme is de facto a defined benefit plan, but is for accounting purposes treated as a defined contribution plan as the result of the administrator of the scheme not providing sufficient information to calculate the liability in a reliable manner.

Share based payments

Share-based compensation benefits are provided to employees via the share option plan. Information relating to the options scheme is set out in note 6.

Employee options

The employee option plan is regarded as equity settled sharebased payments. The fair value of options granted under the share option plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Deferred tax is reflected at nominal value.

Note 2 – Intangible assets

Amounts in NOK	Patents	Trademark	Capitalized R&D	Total
Purchase cost pr. 01.01.	13 781 729	23 505	14 828 851	28 634 085
Additions	1 210 913	-	13 684 169	14 895 082
Purchase cost pr. 31.12.	14 992 641	23 505	28 513 020	43 529 166
Accumulated depreciation 31.12.	10 946 238	5 669	4 346 561	15 298 469
Net book value per. 31.12.	**4 046 403**	**17 836**	**24 166 458**	**28 230 698**
Depreciation in the year	240 539	-	2 965 768	**3 206 308**
Estimated useful life:	5	5	5	
Amorization method:	Straight-line	Straight-line	Straight-line	

Research and development expenses totalling MNOK 7,2 have been expensed in the year. Activites relates to development of new mobil applications and software. Accumulated total earnings from ongoing development projects are expected to correspond to total expenses incurred. Additions has been reduces with NOK 207 588 as a result of government grants.

Note 3 – Subsidiaries

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership /voting rights	Equity last year (100%)	Result last year (100%)	Balance sheet Value
Healthy Pointer	Oslo, Norway	100%	484 201	-	-
Elliptic Labs Inc	San Francisco, USA	100%	1 774 346	146 374	591
Balance sheet value 31.12.					**591**

Note 4 – Debtors and liabilities

Amounts in NOK	2020	2019
Debtors which fall due within one year	4 000 000	29 431 148
Debtors which fall due later than one year	14 000 000	14 000 000
Total	**18 000 000**	**43 431 148**

	2020	2019
Liabilities secured by assets	**18 000 000**	**18 000 000**

Balance sheet value of assets placed as securities	2020	2019
Accounts receivable	426 621	14 309 741
Total	**426 621**	**14 309 741**

Note 5 – Balance with group companies etc.

	Trade creditors		Other long-term liabilities	
	2020	2019	2020	2019
Elliptic Laboratories INC	2 520 582	3 447 352	-	-
Healthy Pointers AS	-	-	474 200	474 200
Total	**2 520 582**	**3 447 352**	**474 200**	**474 200**

Note 6 – Restricted cash

	2020	2019
Restricted bank deposits for employee tax withholdings	1 154 864	1 617 519
Total	**1 154 864**	**1 617 519**

Note 7 – Share capital and shareholder information

As of 31.12.2020, share capital amounts to NOK 958 459,1, consisting of 9 584 591 shares at a face value NOK 0,1 per share. All shares have the same rights. An overview of the largest shareholders as of 31 Dec 2020 is set forth in the table below:

Shareholder name	Ordinary shares	Ownership
Passesta AS (Chairman of the Board Tore Engebretsen)	1 194 416	12.5 %
MP Pensjon PK	898 123	9.4 %
Alden AS (Board member Edvin Austbø)	740 333	7.7 %
Robert Horne (GBR)	589 000	6.1 %
Laila Danielsen (USA) (CEO)	529 680	5.5 %
Other shareholders (less that 5% ownership)	5 633 039	58.8%
Total	**9 584 591**	**100 %**

Shares held by the Board of Directors as of 31 Dec 2020:

Shareholder name	Title	Ordinary shares	Ownership
Tore Engebretsen	Chairman of the Board	1 194 416	12.5 %
Edvin Austbø	Board member	740 333	7.7 %
Einar Greve	Board member	151 300	1.5 %
Berit Svendsen	Board member	1 800	0.02%

Shares held by the executive management as of 31 Dec 2020:

Shareholder name	Title	Ordinary shares	Ownership
Laila B. Danielsen	CEO & President	529 680	5.5 %
Guenael Strutt	VP Product Development	47 500	0.5 %
Espen Klovning	VP Engineering	21 951	0.2 %

Share based payment plans

The Group has an option program that includes certain members of executive management as well as non-executive employees in parent and subsidiary companies. As of 31.12.2020, there are 45 employees in the group option program. The employees must work in the Group to be entitled to exercise the options at the time of vesting. The options are settled in shares at the time of vesting. The purpose of the establishment of the options program is to attract and retain key personnel. The fair value and annual expense/costs of the options are calculated based on the Black-Scholes model, and expensed over the vesting period of 4 years. The annual costs calculated for the option program for 2020 are based on the Black & Scholes formula with input factors 0.591% risk free interest rate, 36.2% volatility, share price 31.12.2020 NOK 126.

Amounts in NOK	2020	2019
Outstanding at the beginning of the period	363 506	326 381
Excercised	-200	0
Forfeited	-28 573	-80 321
Granted	24 569	117 446
Outstanding at the end of the period	**359 302**	**363 506**
Weighted average strike price (NOK)	119,81	164,37
Option program expensed for the year	**4 036 567**	**2 871 737**

Outstanding / vested total options overview

Strike price	Outstanding instruments 31.12.2020	Weighted Average remaining contractual life (yrs)	Vested instruments 31.12.2020
38,00	83 449	0,95	74 479
100,00	30 000	0,25	28 125
150,00	245 853	1,88	128 219
	359 302		**230 823**

Executive management options overview

Name	Quantity outstanding 31.12.2020	Weighted average strikeprice	Weighted average contractual lifetime (yrs)	Intrinsic value per option 31.12.2020	Quantity vested 31.12.2020	IFRS cost period
Brian Daly	35 000	150,00	1,43	0,00	24 988	516 358
Espen Klovning	78 549	115,15	1,31	22,13	54 797	862 837
Guenael Strutt	84 900	87,47	1,41	49,13	63 023	629 765

Note 8 – Shareholder's equity

Equity changes in the year	Share capital and premium	Paid in equity	Other equity	Total
Equity at 01.01.	**875 106**	**68 233 298**	**8 765 510**	**77 873 914**
Profit for the year	-	-12 656 384		-12 656 384
Employee share schemes – value of employee services	-	-	4 036 567	4 036 567
Transactions costs	-	-8 448 011	-	-8 448 011
Capital contribution	83 353	124 956 697	-	125 040 050
Shareholders' equity at 31.12.2020	**958 459**	**172 085 600**	**12 802 077**	**185 846 136**

Note 9 – Pensions

Norwegian companies are required to have occupational pension schemes according to the law on compulsory occupational pension. The Norwegian companies' pension schemes meet the requirements of this act.

Note 10 – Taxes

Calculation of deferred tax/deferred tax benefit:

Amounts in NOK

Temporary differences	**2020**	**2019**
Intangible assets	2 012 464	4 892 094
Accounts receivables	-	9 314 875
Net temporary differences	2 012 464	14 206 969
Tax losses carried forward	269 837 689	241 106 152
Basis for deferred tax	**271 850 153**	**255 313 122**
Deferred tax	59 807 034	56 168 887
Deferred tax benefit not shown in the balance sheet	-	-
Deferred tax in the balance sheet	**59 807 034**	**56 168 887**

Components of the income tax expense:	**2020**	**2019**
Payable tax on this year's result	-	-
Total payable tax	**-**	**-**
Change in deferred tax based on original tax rate	-3 638 147	- 3 217 225
Calculated tax expense/(Income)	**-3 638 147**	**- 3 217 225**

Significant estimates

The deferred tax assets include an amount of NOK 59 364 292 which relates to carried forward tax losses of Elliptic Laboratories AS. The subsidiary has incurred the losses over the last several years mainly due to development cost relating to immaterial assets which do not meet the capitalisation criterias. An expense of MNOK 7.2 has been recognized in the income statement related to research and development activities in Elliptic Laboratories group in 2020. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2021 onwards, and the carried forward tax loss is expected to be utilized within the next two years. The losses can be carried forward indefinitely and have no expiry date.

Note 11 – Payroll expenses, number of employees, remunerations, loans to employees etc.

Payroll expenses	**2020**	**2019**
Amounts in NOK		
Salary expenses	31 170 452	32 685 852
Government grants	-4 006 895	-2 198 066
Social security cost	2 720 792	3 306 292
Capitalized R&D Personnel cost	-13 684 169	-7 924 885
Pension costs	1 207 435	460 624
Option costs	4 036 567	2 871 737
Other costs	641 636	767 151
Total payroll expense	**22 085 818**	**29 968 705**

The number of employees in the accounting years have been:	40	44
Remuneration to executives in 2020	**General manager**	**Board**
Amounts in NOK		
Salaries/board fee	3 527 983	550 000
Pension expenses	-	-
Other remuneration	134 082	-

The salary of the Group CEO is determined by the Board. The salary of the members of the executive management is determined by the Group CEO.

Bonus is based on performance targets in Elliptic Laboratories Group. The maximum size of bonus payment to the Group CEO is determined by the Board. Any bonuses to the members of the executive management is determined by the Group CEO.

The Group CEO has 3 months of paid termination notice if the company terminates the employment relationship.

No loans or pledges have been given to the Group CEO, Chairman of the Board or other related parties. No share-based remuneration has been given to the Board of Directors in 2020,2019, 2018, 2017, 2016 or 2015.

Pursuant to an engagement letter approved by the Board of Directors on 30 September 2020, Cipriano AS, a company 100% owned by Board Member, Einar J. Greve, after completion of the Private Placement of NOK 125 million and the Admission to Trading on Euronext Growth Oslo, was paid a success fee of NOK 500,000.

Expensed audit fee	**2020**	**2019**
Amounts in NOK		
Statutory audit (including technical assistance - annual accounts)	287 997	194 095
Other attestation services	209 432	-
Tax advice (including technical assistance corporate tax papers)	-	294 595
Other assistance	162 861	181 300
Total expensed auditor fees, ex. VAT	**660 290**	**669 990**

Note 12 – Specification of financial income and expenses

Amounts in NOK	**2020**	**2019**
Financial income		
Interest income	199 166	95 907
Financial income	-	50 382
Foreign Exchange gains	1 667 958	163 324
Total financial income	**1 867 124**	**309 613**
Financial expenses		
Interest expense on bank loan	2 169 693	2 750 505
IFRS 16 Interest expense	543 096	675 036
Other Financial expense	352 364	469 030
Foreign Exchange losses	4 242 317	380 598
Total financial expenses	**7 307 470**	**4 275 169**

Note 13 – Government grants

The company has applied for and received governmental grants in 2020 and 2019.

Public grants *(Amounts in NOK)*	**2020**	**2018**
Reduction capitalised patents	207 588	154 436
Cost reduction	4 542 412	3 667 746
Recognized as other operating revenue	14 517 048	14 726 017
Total public grants	**19 267 048**	**18 548 199**

Note 14 – Related-party transactions

The table presents the intercompany trancastions between Elliptic Labs and its subsidiary, Elliptic Labs INC. Remuneration to CEO and board of directors is disclosed in note 10, and balance with group companies is disclosed in note 4.

Related party transactions:

	2020
a) Sales of goods and services	
Sales of services:	**860 933**
b) Purchases of goods and services	
Purchase of services:	**15 770 876**

Note 15 – Leasing

The Company adopted simplitied IFRS from 2020.

The balance sheet shows the following amounts relating to leases *(Amounts in NOK)*	**2020**	**2019**
Right of use assets:		
Property	5 022 739	7 255 068
Total	**5 022 739**	**7 255 068**
Lease liabilities:		
Current	2 203 433	2 049 705
Non-current	3 001 929	5 205 303
Total	**5 205 363**	**7 255 068**

Additions to the right-of-use assets in 2020 were NOK 0. The right of use asset was remeasured at the end of 2019 due to a change in the lease.

Amounts recognised in the statement of profit or loss *(Amounts in NOK)*	**2020**	**2019**
Depreciation charge of right-of-use assets:		
Property	2 232 324	1 875 950
Total	**2 232 324**	**1 875 950**
Lease expenses:		
Interest expense	543 096	675 036
Expenses relating to short-term leases	1 267 822	1 721 160
Expenses relating to leases of low-value	3 803 467	4 683 480
Total	**5 614 386**	**7 079 676**
Net lease payments recognised in profit and loss	**1 354 910**	**1 516 060**

The following table shows the undiscounted payment profile of the Company's lease liabilities, based on the remaining lease period at the balance sheet date per 31.12.2020:

Amounts in NOK	2021	2022	2023	Total
Installments	2 203 433	2 368 691	633 239	**5 205 362**
Interests	389 366	224 109	14 961	**628 436**
Total installment	**2 592 799**	**2 592 799**	**648 200**	**5 833 799**

Note 16 – Events after the balance sheet date

As last year's annual financial report was written, we were in the beginning of the COVID-19 spread over the world. We were heavily affected by this in the financial year 2020, especially in the first half as customers in China experienced a slowdown earlier in the year compared to many other countries. Some planned launches were cancelled or postponed and volume-based contracts ended with lower volume than calculated, but as we expected, business picked up quite strongly again in the second half of 2020. Despite this, even as this report is written, most of our employees are still working from home, but we are nevertheless experiencing good progress on most of the projects scheduled for delivery in 2021. The need and demand for our products and solutions remain strong. There are no other specific events after the balance sheet date with material effect on the financial statements and the Board of Directors remains positive about the future outlook for Elliptic Labs.

Auditor's report

To the General Meeting of Elliptic Laboratories AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elliptic Laboratories AS, which comprise:

- The financial statements of the parent company Elliptic Laboratories AS (the Company), which comprise the balance sheet at 31 December 2020, the income statement, total comprehensive income for the period and cash flow statement at 31 December, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Elliptic Laboratories AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19 April 2021
PricewaterhouseCoopers AS

Eivind Nilsen
State Authorised Public Accountant

(This document is signed electronically)

Securely signed with Brevio

Revisjonsberetning

Signers:

Name	*Method*	*Date*
Nilsen, Eivind	BANKID_MOBILE	2021-04-20 17:31

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