# Admission Document

## Elliptic Laboratories AS

(*a private limited liability company incorporated under the laws of Norway*)

### Admission to trading of ordinary shares on the Merkur Market

This admission document (the "**Admission Document**") has been prepared by Elliptic Laboratories AS ("**Elliptic Labs**" or the "**Company**", and together with its subsidiaries, the "**Group**") solely for use in connection with the admission to trading of the Company's 9,584,591 ordinary shares, each with a par value of NOK 0.10 (the "**Shares**") on the Merkur Market (the "**Admission to Trading**").

The Company's Shares have been admitted for trading on the Merkur Market, and it is expected that the Shares will start trading on 16 October 2020 under the ticker symbol "ELABS-ME".

The Merkur Market is a multilateral trading facility operated by Oslo Børs ASA. The Merkur Market is subject to the rules in the Norwegian Securities Trading Act and the Norwegian Securities Trading Regulations that apply to such marketplaces. These rules apply to companies admitted to trading on the Merkur Market, as do the marketplace's own rules, which are less comprehensive than the rules and regulations that apply to companies listed on the Oslo Stock Exchange and Oslo Axess. The Merkur Market is not a regulated market and is therefore not subject to all provisions set out in the Norwegian Securities Trading Act and the Norwegian Securities Trading Regulations. Investors should take this into account when making investment decisions.

THIS ADMISSION DOCUMENT SERVES AS AN ADMISSION DOCUMENT ONLY, AS REQUIRED BY THE MERKUR MARKET ADMISSION RULES. THIS ADMISSION DOCUMENT DOES NOT CONSTITUE AN OFFER TO BUY, SUBSCRIBE OR SELL ANY OF THE SECURITIES DESCRIBED HEREIN, AND NO SECURITIES ARE BEING OFFERED OR SOLD PURSUANT HERETO.

***No shares or other securities are being offered or sold in any jurisdiction pursuant to this admission document. Investing in the shares involves a high degree of risk. See Section 1 "Risk factors".***

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### Merkur Advisors

**Carnegie AS** | **SpareBank 1 Markets AS**

**13 October 2020**

# IMPORTANT NOTICE

This Admission Document has been prepared solely by the Company, only to provide information about the Group and its business and in relation to the admission to trading on the Merkur Market. This Admission Document has been prepared solely in the English language.

For definitions of terms used throughout this Admission Document, see Section 14 "*Definitions and Glossary of Terms*".

The Company has furnished the information in this Admission Document. This Admission Document has been prepared to comply with the Merkur Market Admission Rules. The Oslo Stock Exchange has reviewed and approved this Admission Document in accordance with the Merkur Market Admission Rules. The Oslo Stock Exchange has not controlled or approved the accuracy or completeness of the information included in this Admission Document, but has from the Merkur Advisors received a confirmation of the Admission Document having been controlled by the Merkur Advisors. The approval by the Oslo Stock Exchange only relates to the information included in accordance with pre-defined disclosure requirements. The Oslo Stock Exchange has not made any form of control or approval relating to corporate matters described, or referred to, in this Admission Document.

All inquiries relating to this Admission Document should be directed to the Company or the Merkur Advisors. No other person has been authorized to give any information, or make any representation, on behalf of the Company and/or the Merkur Advisors in connection with the Admission to Trading, if given or made, such other information or representation must not be relied upon as having been authorized by the Company and/or the Merkur Advisors.

The information contained herein is as of the date hereof and subject to change, completion or amendment without notice. There may have been changes affecting the Company or its subsidiaries subsequent to the date of this Admission Document. Any new material information and any material inaccuracy that might have an effect on the assessment of the Shares arising after the publication of this Admission Document and before the Admission to Trading will be published and announced promptly in accordance with the Merkur Market regulations. Neither the delivery of this Admission Document nor the completion of the Admission to Trading at any time after the date hereof will, under any circumstances, create any implication that there has been no change in the Group's affairs since the date hereof or that the information set forth in this Admission Document is correct as of any time since its date.

The contents of this Admission Document shall not be construed as legal, business or tax advice. Each reader of this Admission Document should consult its own legal, business or tax Advisors as to legal, business or tax advice. If you are in any doubt about the contents of this Admission Document, you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

The distribution of this Admission Document may in certain jurisdictions be restricted by law. Persons in possession of this Admission Document are required to inform themselves about, and to observe, any such restrictions. No action has been taken or will be taken in any jurisdiction by the Company that would permit the possession or distribution of this Admission Document in any country or jurisdiction where specific action for that purpose is required.

The Shares may be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

This Admission Document shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo District Court (Nw.: *Oslo tingrett*) as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Admission Document.

Investing in the Company's Shares involves risks. See Section 1 "*Risk Factors*" of this Admission Document.

## ENFORCEMENT OF CIVIL LIABILITIES

The Company is a private limited liability company incorporated under the laws of Norway. As a result, the rights of holders of the Shares will be governed by Norwegian law and the Company's articles of association (the "**Articles of Association**"). The rights of shareholders under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions.

A majority of the members of the Company's board of directors (the "**Board of Directors**") and the members of the Group's senior management (the "**Management**") are not residents of the United States of America (the "**United States**"), and a substantial portion of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company, the members of the Board and the Management in the United States or to enforce judgments obtained in U.S. courts against the Company or those persons, whether predicated upon civil liability provisions of federal securities laws or other laws of the United Stated (including any State or territory within the United States).

The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Company or the members of the Board or the Management under the securities laws of those jurisdictions or entertain actions in Norway against the Company or the members of the Board or the Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway.

Similar restrictions may apply in other jurisdictions.

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# 1 RISK FACTORS

## 1.1 Introduction

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

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

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

The risk factors described in this Section 1 "*Risk factors*" are sorted into a limited number of categories, where the Company has sought to place each individual risk factor in the most appropriate category based on the nature of the risk it represents. The risks that are assumed to be of the greatest significance are described first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, and the fact that a risk factor is not mentioned first in its category does not in any way suggest that the risk factor is less important when taking an informed investment decision. The risks mentioned herein could materialise individually or cumulatively.

The information in this Section 1 is as of the date of this Admission Document.

## 1.2 Risks associated with the Group and its operations

***The market for the Group's technology is difficult to predict***

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

***The market is highly competitive***

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

***The markets in which the Group compete in is undergoing rapid technological change, and the Group's future success will depend on its ability to meet the changing needs of its customers***

For the Group to survive and grow it must continue to enhance and improve the functionality of its products and technology to address the customers' changing needs. If new industry standards and practices emerge, the Group's existing products and technology may become obsolete. The Group's future success depends on its ability to:

- Develop new products and technologies that address the increasingly sophisticated and varied needs of prospective customers; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

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

***Introduction of products based on new technology could gain wide market adoption and displace the Group's products***

Introduction of products including new technologies could cause the Group's existing products to be less attractive to the customers. The Group may not be able to successfully anticipate or adapt to changing technologies or customer requirements on a timely basis.

If the Group fail to keep up with technological changes or to convince the customers of the value of their solutions even in light of new technologies, the Group's business, operating results and financial condition could be materially and adversely affected.

***The Group's performance will depend on successful introduction of new products and enhancements to existing products***

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

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

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

***The Group's business depends on revenues from new technology, the commercial success of which is unproven***

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

***The Group's success will depend on its ability to employ and retain skilled personnel***

The Group must have access to skilled and motivated employees to continue to run its operations successfully and to reach its strategic and operational objectives. The Group's future development is therefore to a large extent dependent on that the Group is successful in attracting, developing and retaining employees with appropriate skills in the future. If this is not possible, it could adversely affect the Group's business and prospects.

As the Group is dependent on key persons and its development is to a large extent dependent on the experience, knowledge and commitment of the Management and other key personnel, the Group could be adversely affected should one or several of such key persons terminate their employment and start in a competing business.

***The Group relies upon intellectual property rights***

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

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

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

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

## 1.3 Risks associated with the Group's financial position

***Negative cash flow from operations***

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

***Risks related to deferred tax***

As of 30 June 2020, the Group's deferred tax assets amounted to NOK 61,054,123 (unaudited) mostly relating to carried forward tax losses and its intangible assets amounted to NOK 19,114,516 (unaudited). Consequently, deferred tax assets and intangible assets comprise a material portion of the Group's balance sheet. Assessing the valuation and recoverability of deferred income tax assets requires the Group to make significant and complex estimates related to expectations of future taxable income. If the Group's business model and future cash flows cannot support the carrying values of the intangible assets at a future stage, there is a risk of the Company having to write off (impair) parts or all of the intangible assets. Any changes in the assessment of the support of the carrying values of intangible assets, recoverability or interpretation of present tax regulations may affect the payable or deferred taxes of the Company and the carrying values of the intangible assets, and thereby have a material adverse effect on the Groups business, results of operations, cash flows, financial condition and/or prospects.

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

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

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

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

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

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

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

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

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

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

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

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

***Risks associated with exchange rate fluctuation***

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

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

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

### 1.4 Risks related to the Shares

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

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

***The price of the Shares may fluctuate significantly***

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

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

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

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

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

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

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

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

***Investors may have difficulty enforcing any judgment obtained in the United States against the Company or its directors or officers in Norway***

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

***The transfer of the Shares is subject to restrictions under the securities laws of the United States and other jurisdictions***

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

***Shareholders outside Norway are subject to exchange risk***

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

***The Company's ability to pay dividends in the future is dependent on the availability of distributable reserves, and the Company may be unable to pay any dividends in the future***

Norwegian law provides that any declaration of dividends must be adopted by the shareholders at the general meeting. Dividends may only be declared to the extent that the Company has distributable equity and that the Company's equity and liquidity are sound in relation to the risk and scope of the Company's business.

## 2 STATEMENT OF RESPONSIBILITY

The Board of Directors of Elliptic Laboratories AS accepts responsibility for the information contained in this Admission Document. The members of the Board of Directors confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Admission Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import of this Admission Document.

Oslo, 13 October 2020

Tore Engebretsen
*Chairman of the Board*

Einar J. Greve
*Board Member*

Edvin Austbø
*Board Member*

Svenn-Tore Larsen
*Board Member*

Berit Svendsen
*Board Member*

# 3 GENERAL INFORMATION

## 3.1 Other important investor information

The Company has furnished the information in this Admission Document. No representation or warranty, express or implied, is made by the Merkur Advisors as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Admission Document is, or shall be relied upon as a promise or representation in this respect, whether as to the past or the future. The Merkur Advisors assume no responsibility for the accuracy or completeness or the verification of this Admission Document and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Admission Document or any such statement.

Neither the Company nor the Merkur Advisors, or any of their respective affiliates, representatives, Advisors or selling agents, is making any representation to any purchaser of the Shares regarding the legality of an investment in the Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

## 3.2 Presentation of financial and other information

### *3.2.1 Financial information*

The Group's consolidated financial statements for the years ended 31 December 2019 and 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**") (the "**Annual Financial Statements**"). The Group's interim consolidated financial statements for the six months period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU ("**IAS 34**") (the "**Interim Financial Statements**"). The Annual Financial Statements and Interim Financial Statements are enclosed to this Admission Document as Appendix B-D.

The Annual Financial Statements have been audited by PricewaterhouseCoopers AS ("**PwC**"). The Interim Financial Statements have not been audited, but have been subject to review procedures in accordance with International Standard on Review Engagements (ISRE 2410). PwC has not audited, reviewed or produced any report on any other information provided in this Admission Document.

The Company presents the Annual Financial Statements and Interim Financial Statements in NOK.

For further details, please refer to Section 8 "*Selected financial information and other information*".

### *3.2.2 Industry and market data*

In this Admission Document, the Company has used industry and market data obtained from independent industry publications, market research and other publicly available information. Although the industry and market data is inherently imprecise, the Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Admission Document that was extracted from industry publications or reports and reproduced herein.

Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data and statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Admission Document (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 1 "*Risk factors*" and elsewhere in this Admission Document.

Unless otherwise indicated in the Admission Document, the basis for any statements regarding the Company's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

### 3.3 Cautionary note regarding forward-looking statements

This Admission Document includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in, or suggested, by the forward-looking statements contained in this Admission Document. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements. For a non-exhaustive overview of important factors that could cause those differences, please refer to Section 1 "*Risk factors*".

These forward-looking statements speak only as at the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Admission Document.

## 4 REASONS FOR THE ADMISSION

The Company believes the Admission will:

a) diversify the shareholder base and enable other investors to take part in the Company's potential value creation;

b) further enhance the Company's profile with investors, business partners and customers;

c) further enhance the ability of the Company to attract and retain key management and employees;

d) provide access to the capital markets; and

e) allow for a liquid market for the Shares going forward.

No equity capital or proceeds will be raised by the Company upon the Admission, but the Company has completed the Private Placement, as further detailed in Section 5 below, immediately prior to the Admission.

# 5 DIVIDENDS AND DIVIDEND POLICY

## 5.1 Dividends policy

The Company has not established any clear dividend policy to date. Future dividends will be dependent on among other things a substantial upswing in revenues and positive cash flow from operation. There can be no assurance that in any given year a dividend will be proposed or declared in the future.

In deciding whether to propose a dividend and in determining the dividend amount, the Board of Directors will take into account legal restrictions, as set out in Section 5.2 "*Legal and contractual constraints on the distribution of dividends*" below, as well as capital expenditure plans, financing requirements and maintaining the appropriate strategic flexibility.

The Company has not paid any dividends on its Shares during the financial years 2019 and 2018.

## 5.2 Legal and contractual constraints on the distribution of dividends

In deciding whether to propose a dividend and in determining the dividend amount in the future, the Board of Directors must take into account applicable legal restrictions, as set out in the Norwegian Private Limited Liability Companies Act of 13 June 1997 no. 44 (as amended) (the "**Norwegian Private Companies Act**"), the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in force at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility. Except in certain specific and limited circumstances set out in the Norwegian Private Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors.

Dividends may be paid in cash or in some instances in kind. The Norwegian Private Companies Act provides the following constraints on the distribution of dividends applicable to the Company:

a) Section 8-1 of the Norwegian Private Companies Act regulates what may be distributed as dividend, and provides that the Company may distribute dividends only to the extent that the Company after said distribution still has net assets to cover (i) the share capital and (ii) other restricted equity (i.e. the reserve for unrealized gains and the reserve for valuation of differences).

b) The calculation of the distributable equity shall be made on the basis of the balance sheet included in the approved annual accounts for the last financial year, provided, however, that the registered share capital as of the date of the resolution to distribute dividend shall be applied. Following the approval of the annual accounts for the last financial year, the General Meeting may also authorize the Board of Directors to declare dividends on the basis of the Company's annual accounts. Dividends may also be resolved by the General Meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date not further into the past than six months before the date of the General Meeting's resolution.

c) Dividends can only be distributed to the extent that the Company's equity and liquidity following the distribution is considered sound.

Pursuant to the Norwegian Private Companies Act, the time when an entitlement to dividend arises depends on what was resolved by the General Meeting when it resolved to issue new shares in the company. A subscriber of new shares in a Norwegian private limited company will normally be entitled to dividends from the time when the relevant share capital increase is registered with the Norwegian Register of Business Enterprises. The Norwegian Private Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 11 "*Norwegian taxation*".

### 5.3 Manner of dividend payments

Any future payments of dividends on the Shares will be denominated in the currency of the bank account of the relevant shareholder, and will be paid to the shareholders through the VPS Registrar. Shareholders registered in the Norwegian Central Securities Depository (Nw.: *Verdipapirsentralen ASA*, the "**VPS**") who have not supplied the VPS Registrar with details of their bank account, will not receive payment of dividends unless they register their bank account details with the VPS Registrar. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate on the payment date. Dividends will be credited automatically to the VPS registered shareholders' accounts, or in lieu of such registered account, at the time when the shareholder has provided the VPS Registrar with their bank account details, without the need for shareholders to present documentation proving their ownership of the Shares. Shareholders' right to payment of dividend will lapse three years following the resolved payment date for those shareholders who have not registered their bank account details with the VPS Registrar within such date. Following the expiry of such date, the remaining, not distributed dividend will be returned from the VPS Registrar to the Company.

# 6 THE PRIVATE PLACEMENT

## 6.1 Details of the Private Placement

On 7 October 2020, the Company completed a private placement consisting of an issuance of 833,333 new Shares, each with a par value of NOK 0.10, at a subscription price of NOK 150 per Share, raising gross proceeds of NOK 125 million (the "**Private Placement**"). The Private Placement was carried out by the Board of Directors by use of the authorisation to increase the share capital as granted by the Company's annual general meeting held on 24 June 2020, please refer to Section 10.3.3. below.

The application period for the Private Placement took place from 5 October 2020 to and including 7 October 2020. Notifications of allocation were issued on 8 October 2020, and payment is expected to take place on 15 October 2020.

## 6.2 Shareholdings upon completion of the Private Placement

Upon settlement of the Private Placement, shareholders holding more than 5% of the Company's share capital will be as set out in Section 10.4 below.

## 6.3 Use of proceeds

The Company intends to use the net proceeds from the Private Placement to strengthen the Company's equity and financial position inter alia to improve the Company's negotiation power in respect of larger contracts with global companies and to continue the development and maintenance of the Group's patent portfolio. Furthermore, the net proceeds from the Private Placement will be used to strengthen the Company's working capital as its limited number of customers, large contracts and long sales-cycles result in big fluctuations in the Company's cash inflow; to increase the Group's staff and product development as well as to repay the Company's bank debt of NOK 25 million.

In addition, the proceeds will be used to cover relevant transaction costs incurred in connection with the Private Placement.

## 6.4 Lock-up

The members of the Board of Directors and the Management have entered into customary lock-up undertakings in connection with the Admission to the benefit of the Merkur Advisors. Pursuant to these undertakings, there will be a six months lock-up, subject to certain exceptions, starting from the date of the Admission to Trading. During this period, Shares, options to acquire Shares or other instruments convertible into Shares held by such parties may not be sold, pledged or otherwise disposed over without the prior written consent of the Merkur Advisors, as further set out in the relevant undertakings.

# 7 BUSINESS OVERVIEW

This Section provides an overview of the Group's business as of the date of this Admission Document. The following discussion contains forward-looking statements that reflect the Group's plans and estimates, see Section 3.3 "*Cautionary note regarding forward-looking statements*" above, and should be read in conjunction with other parts of this Admission Document, in particular Section 1 "*Risk factors*".

## 7.1 Introduction

Elliptic Labs is headquartered in Norway with presence in China, South-Korea, USA, and Japan. Founded in 2006 as a research spin-off from Norway's Oslo University, it is now a global enterprise targeting the smartphone, laptop, IoT, and automotive markets. The Company's patented Artificial Intelligence ("**AI**") software combines ultrasound and sensor-fusion algorithms to deliver intuitive 3D gesture 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 100 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 intellectual property ("**IP**") are developed in Norway and solely owned by the Company.

## 7.2 Technology

### *7.2.1 INNER BEAUTY® AI Virtual Proximity Sensor*

Elliptic Labs' INNER BEAUTY AI Virtual Proximity Sensor is an AI virtual sensor that enables exquisite full-screen devices by eliminating the need for traditional hardware sensors. Until INNER BEAUTY's debut, hardware-based optical sensors were an indispensable part of every smartphone, alerting the screen to turn off and disable touch functionality whenever a user was on a call. With the rise of INNER BEAUTY, the world's first software-based solution to match and exceed hardware sensor performance, Original Equipment Manufacturers ("**OEMs**") can reclaim their design integrity by eliminating the need for dedicated optical sensors as well as the unsightly black holes and thick bezels they required to function. Furthermore, the INNER BEAUTY AI Virtual Proximity Sensor saves costs, replaces hardware sensors with software, and reduces the number of components and supply chain issues for the OEMs, all the while being environmentally friendly.

### *7.2.2 AI Virtual Gesture Sensor*

Elliptic Labs' AI Virtual Gesture Sensor is a 3D touch-free gesture technology based on ultrasound that enables simple, intuitive user interactions. The AI Virtual Gesture Sensor, powered by the Company's AI Virtual Smart Sensor Platform and featuring a 180-degree wide field of view, allows users to perform natural hand movements in the air above, below, in front of, or to the side of their device. The AI Virtual Gesture Sensor enables unlimited sets of 3D gestures. A few examples: swipe gestures to scroll through pictures without touching the screen, double tap gestures that turn off alarms and take pictures remotely, and approach gestures that increase/decrease a device's volume.

### *7.2.3 AI Virtual Presence Sensor*

Elliptic Labs' AI Virtual Presence Sensor delivers presence-sensing capabilities to any device that has a speaker and microphone. Presence detection enables a device to respond automatically when a user enters the room, adjust volume based on the user's distance, wake up when a user is near the device, and save power by sleeping/turning off itself and other appliances/lights when the room is empty. The AI Virtual Presence Sensor allows users to interact with smart devices in the most natural and convenient way possible. This is achieved while offering the widest field of view compared to other sensing technologies and remaining robust to varying light conditions.

#### *7.2.4 AI Virtual Connection Sensor*

Elliptic Labs' AI Virtual Connection Sensor provides a convenient way to pair and authenticate smart devices that are in the same room by using ultrasound to provide quick, simple, directive, and accurate connection. No longer will private information be accidentally picked up by a speaker in another room or a car outside. The AI Virtual Connection Sensor also allows for easy network authentication by allowing building visitors to join a Wi-Fi network without having to type in a code or password while still keeping outsiders out. The AI Virtual Connection Sensor works with any device that is equipped with a standard speaker and microphone.

#### *7.2.5 AI Virtual Security Sensor*

Elliptic Labs' AI Virtual Security Sensor is a presence-detection solution used to improve the security of data stored on laptops/PC. The AI Virtual Security Sensor leverages a laptop's existing speaker and microphone to generate and process ultrasound waves to detect the user's presence. When the user moves away from the laptop, the AI Virtual Security Sensor detects the user's departure, locking the device. The AI Virtual Security Sensor then scans for the user's return, automatically logging the user back into the laptop through the user's selected authentication process. Since it is entirely software based, the solution doesn't take up any physical space and thus gives laptop OEMs a path to clean industrial design through narrower bezels.

#### *7.2.6 AI Virtual Position Sensor*

The AI Virtual Position Sensor determines the position of an ancillary device relative to a primary laptop/display in order to dynamically extend the display onto that nearby device. Because the AI Virtual Position Sensor detects the location and position of a secondary display (whether it be a tablet, smartphone, or monitor), users are able to extend their display automatically without having to go through complicated settings menus. The secondary display can be moved around the primary system, tracking and following its location to properly orient the content in reference to the primary system.

#### *7.2.7 AI Virtual Vitals Sensor*

Elliptic Labs' AI Virtual Vitals Sensor detects a person's heartbeat and breathing rates. Elliptic Labs' Virtual Smart Sensor Platform leverages the increased granularity and sensitivity of mmWave radar hardware sensors (such as the one used in Google's Pixel 4 smartphone) to offer the AI Virtual Vitals Sensor. The complexity of detecting the micro-movements of a person's breathing and heartbeat is solved by the Company's AI and signal processing expertise. The AI Virtual Vitals Sensor makes lives safer and healthier by enabling standard mass-market devices like smartphones, laptops, IoT, and automotive cabins to accurately monitor a user's vital signs.

### 7.3 Applications

#### *7.3.1 Smartphones*

The INNER BEAUTY AI Virtual Smart Proximity Sensor empowers smartphone OEMs to design full-screen smartphones by eliminating the need for infrared ("**IR**") hardware sensors. Prior to the introduction of INNER BEAUTY, smartphone designs were limited by the necessity for larger bezels to cover and house hardware sensors.

These bezels were not only unsightly but riddled with unattractive openings and holes necessary for these hardware sensors to function. After the Company brought INNER BEAUTY to market, smartphone OEMs were empowered to bring modern smartphone designs that eliminated bezels and maximize screen sizes.

Much like how INNER BEAUTY changed the aesthetic possibilities for smartphone design, the Company's AI Virtual Gesture Sensor is innovating new ways for users to interact with their smartphones. Extending the interaction zone beyond the smartphone's screen, users will be able to swipe through emails, pictures, songs, or documents. Double taps in the air will take pictures, launch applications, or start/stop songs, movies, or podcasts. Approach gestures will automatically silence a ringing phone when the user reaches for it. Critically, all of these experiences are easy and intuitive, requiring minimal to no training to learn the gestures.

#### *7.3.2 Automotive*

The AI Virtual Vitals Sensor enables the automotive cabin to be a safer place. Using the AI Virtual Vitals Sensor, the Company's automotive OEM partners are able to detect and monitor a driver's breathing and heartbeat rate, ensuring that the car is aware should problems arise. Thus the car cabin will also be able to detect when small children (or pets) are left unattended. The European New Car Assessment Programme ("**NCAP**"), which awards safety ratings up to five stars, will begin awarding rating points for Child Presence Detection starting in 2022.

AI Virtual Gesture Sensor extends the controls of the cockpit to both the driver and passenger alike, allowing both to control music, maps, and other applications on the console screen.

#### *7.3.3 Laptops*

As workers become more mobile, privacy and security on work laptops are becoming more critical. Elliptic Labs' AI Virtual Security Sensor lets the computer know when a user is sitting at or away from the screen. This brings both power conservation and improved security by putting the laptop to sleep and locking its screen when the user steps away. The AI Virtual Security Sensor can then detect when the user returns to the laptop, engaging the laptop's authentication process to automatically unlock the screen.

As with all of Elliptic Labs' AI Virtual Sensors, the Virtual Security Sensor is software-only, providing laptop OEMs an elegant solution that contributes to bezel-less and modern clean designs.

#### *7.3.4 Smart Speaker*

In any smart home, it is guaranteed that at least one, but typically multiple, smart speakers are found throughout the home. Up to this point, user interaction with these smart speakers has been basic voice or touch based, with varying degrees of accuracy and performance. With AI Virtual Smart Sensors created by Elliptic Labs' AI Virtual Smart Sensor Platform, interaction with smart speakers becomes more convenient, efficient, and automated. The Company's AI Virtual Presence Sensor makes smart speakers more intelligent. For example, the AI Virtual Presence Sensor enables smart speakers to automatically turn on or off by detecting your presence in a room or to automatically control the volume based on your vicinity to the smart speaker. Utilizing the AI Virtual Gesture Sensor, users can extend the ways they interact with their smart speakers with touchless gestures, swiping through songs to play, pictures to look at, or pages of recipes to use.

#### *7.3.5 Smart Television*

Next generation smart televisions will be expected to understand users' context, reacting accordingly whether the user is present or not. By utilizing Elliptic Labs' AI Virtual Presence Sensor, OEMs will make television viewing more convenient and seamless. For example, when the user leaves the room, the television can pause the show and resume when the user returns. The television will even be able to determine if the user has left the room, saving power consumption by automatically going into sleep mode and eventually turning off. Conversely, the television can be used as a display for art or pictures while there are no immediate viewers, and automatically resume television viewing when the user returns.

### *7.3.6 Smart Appliance*

Smart Homes require smarter appliances to bring greater efficiency and convenience to users. Elliptic Labs' AI Virtual Smart Sensor Platform provides this intelligence to appliances. The smart appliance will offer improved power consumption through the AI Virtual Presence Sensor knowing when the smart appliance can go to sleep or turn on and off. The smart appliance will also offer more convenience by anticipating a user's actions and needs. For example, the user will be able to use the AI Virtual Gesture Sensor to recognize touchless gestures to interact with the smart refrigerator's external screen when it's inconvenient to touch the screen (wet hands or wearing gloves).

### *7.3.7 Smart Hygiene*

A big part of the smart home is the smart bathroom, where Elliptic Labs can offer new, more convenient ways to use faucets, showers, toilets, lighting and mirrors – all while helping conserve water and energy. In the instance of the smart toilet, utilizing Elliptic Labs' AI Virtual Presence Sensor ensures greater hygiene and water conservation. The Elliptic Labs powered smart toilet will detect when the toilet seat should automatically rise or lower. The smart toilet will also automatically flush accurately, ensuring that only the necessary amount of water will be used.

## 7.4 History and important events

The table below shows the Group's key milestones from its incorporation and to the date of this Admission Document:

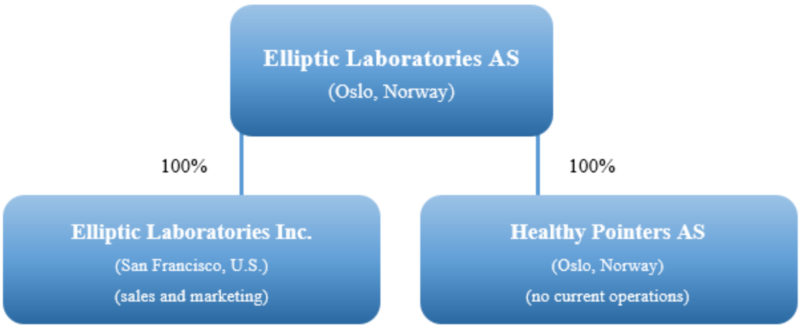
| Year | Main Events |
|---|---|
| Mar 2006 | Elliptic Labs founded as a research spin-off from Norway's Oslo University |
| Nov 2012 | US headquarters established in Palo Alto, California with primary focus on serving US customers and partners |
| Jan 2013 | Murata Electronics and Elliptic Labs team up on touchless gesture solution |
| Jan 2013 | Elliptic Labs announces that it will be using Knowles Electronics' specially designed tiny, low-powered microphones to deliver touchless gesturing capabilities |
| Oct 2013 | Elliptic Labs launches the first SDK for touchless gesturing on Android smartphones using ultrasound |
| Oct 2013 | Elliptic Labs wins the CEATEC 2013 Innovation Award in the Computing and Networking category for its ultrasonic touchless gesturing solution used in combination with the SMD Ultrasonic Sensor by Murata Manufacturing Co., LTD |
| Nov 2013 | Elliptic Labs and Wolfson Microelectronics plc announces a partnership to use Elliptic Labs' ultrasonic gesture control solution with Wolfson's industry-leading Audio Digital Signal Processor (ADSP) platform |
| Jan 2014 | Elliptic Labs brings the first SDK for touchless gesturing on Android smartphones using ultrasound to the US with a hands-on demo at CES |
| Feb 2014 | Elliptic Labs is the first to let OEMs customize 3D touchless gesture space 180 degrees around a device screen |
| July 2014 | Elliptic Labs opens a new office in the bustling Knowledge & Innovation Community (KIC) area of Shanghai |
| Oct 2014 | Elliptic Labs launches the first multi-layer interaction making mobile devices more intuitive to use |
| Dec 2014 | Elliptic Labs and Murata Electronics enter into a sales partnership to promote innovative touchless gesture capabilities, in which Murata's sales team will be able to promote and demo Elliptic Labs' products to OEM customers around the globe |
| Jan 2015 | US Debut of Multi-Layer Interaction at CES 2015; Elliptic Labs makes mobile devices more intuitive to use |
| Mar 2015 | Elliptic Labs launches ultra-fast touchless gesturing for mobile devices; working up to seven feet from screen |
| Mar 2015 | Elliptic Labs is named one of the Top Up-and-Coming Technology Innovators set to disrupt tech markets by ABI Research |

| Year | Main Events |
|---|---|
| Jan 2016 | Elliptic Labs launches BEAUTY Ultrasound Proximity Software, replacing hardware-based sensor, to make phones sleeker and less expensive |
| Feb 2016 | Elliptic Labs announces EASY IoT first ultrasound-based user interface solution for IoT devices |
| Oct 2016 | Elliptic Labs announces the first innovation in proximity detection since Apple rolled out its initial smartphone in 2007, called INNER BEAUTY™, which is being used in a new phone, the "MIX" launched by Xiaomi |
| Jan 2017 | Elliptic Labs expands its footprint in Asia by opening a Beijing office, bringing new staff on board and adding key executives |
| Feb 2017 | Elliptic Labs announces INNER PEACE™, a new technology advance that takes presence detection to new levels and is aimed at the fast-multiplying market for intelligent personal assistants and similar devices |
| Sept 2017 | Xiaomi moves into mass production with the Mi MIX 2, utilizing technology from Elliptic Labs to create the thinnest bezel on any phone |
| Nov 2017 | Elliptic Labs announces key additions to its executive staff to help the Company build on the successes of its technology in the mobile phone market |
| Nov 2017 | Xiaomi's Mi Mix 2 Unibody Special Edition in white and black colors is made available using a full-screen display made possible by Elliptic Labs' INNER BEAUTY® |
| Dec 2017 | Elliptic Labs announces that its touch-free ultrasound gesture technology is running on the Qualcomm® Snapdragon™ 845 Mobile Platform using the Snapdragon Neural Processing Engine (NPE) |
| Feb 2018 | Elliptic Labs launches its INNER REFLECTION gesture technology for smart speakers at Mobile World Congress (MWC) |
| Mar 2018 | Xiaomi launches the fourth generation of its smartphone, the Mi Mix 2S, powered by Elliptic Labs INNER BEAUTY® |
| April 2018 | Introduction of the Nut 3 smartphone by Chinese phone manufacturer Smartisan combining style, features, and affordability enabled by technology from Elliptic Labs |
| April 2018 | Elliptic Labs receives first place, Gold award in "Innovation in Technology Development" as part of the 2018 Asia-Pacific Stevie® Awards |
| May 2018 | Release of the new Smartisan Nut R1 phone with a cleaner design and bigger display area due to Elliptic Labs' INNER BEAUTY® ultrasound virtual proximity sensor |
| June 2018 | Elliptic Labs and AAC Technologies announces partnership to deliver an ultrasound reference design for speakers and receivers |
| Oct 2018 | Elliptic Labs Named 2018 "Small Business of the Year" by Business Intelligence Group |
| Oct 2018 | Elliptic Labs' AI virtual proximity sensor INNER BEAUTY III enables full screen for Xiaomi's Mi MIX 3 |
| Dec 2018 | Elliptic Labs and Solomon Systech combine ultrasound and capacitive technology for OEMs to remove IR proximity sensors from smartphones |
| Jan 2019 | Elliptic Labs INNER REFLECTION™ is announced as winner of "Connected Home Speaker Solution of the Year" with IoT Breakthrough Awards Demonstrated at CES |
| Feb 2019 | Elliptic Labs' INNER REFLECTION™ presence detection technology is a finalist in the Edison Awards for smart devices |
| Feb 2019 | Launch of the new Xiaomi Mi 9 and Mi 9 SE smartphones using Elliptic Labs' INNER BEAUTY® virtual proximity sensor™ to replace a phone's traditional hardware proximity sensor with pure software |
| April 2019 | Elliptic Labs receives the EU Horizon 2020 SME Instrument Phase 2 grant of € 2.1 million |
| May 2019 | Elliptic Labs environmentally-friendly AI Virtual smart sensor INNER BEAUTY® III enables Xiaomi Mi Mix 3 5G |
| May 2019 | INNER BEAUTY® AI Virtual Smart Sensor from Elliptic Labs gives full screen and cleaner design to OnePlus 7 series smartphones |
| Aug 2019 | Elliptic Labs announces that a major Asian smartphone manufacturer has signed a licensing agreement for Elliptic Labs' products, representing their next set of design wins this year with that customer |
| Sept 2019 | Elliptic Labs announces that a major Asian smartphone manufacturer has signed a licensing agreement for Elliptic Labs' products |
| Sept 2019 | Elliptic Labs' INNER BEAUTY® AI virtual proximity sensor is empowering the newly released Xiaomi Mi MIX Alpha's dual-screen design, giving consumers a display that curves 360-degrees for maximum screen-to-body ratio |
| Sept 2019 | Launch of the new flagship OnePlus 7T smartphone powered by Elliptic Labs' INNER BEAUTY® AI virtual proximity sensor |
| Nov 2019 | Launch of the Mi CC9 Pro which is the 10$^{th}$ Xiaomi smartphone to use Elliptic Labs' INNER BEAUTY® virtual proximity sensor |
| Nov 2019 | Elliptic Labs joins MediaTek's rich IoT platform to bring new smart device features to consumers and smart homes |
| Dec 2019 | Elliptic Labs announces that INNER BEAUTY®, will be an integral component of the Xiaomi Redmi K30 smartphone models, the first phones in the Redmi series to feature Elliptic Labs' technology |
| Dec 2019 | Elliptic Labs announces contract design win with top Asian smartphone OEM for the INNER BEAUTY® AI Virtual Smart Proximity Sensor technology |

| Year | Main Events |
|---|---|
| Dec 2019 | Elliptic Labs announces contract for two new design wins for its AI virtual proximity sensor technology INNER BEAUTY |
| Jan 2020 | MediaTek expands rich IoT program with new partners to drive innovation in the intelligent devices market |
| Jan 2020 | Elliptic Labs introduces new presence and gesture sensing capabilities for next-generation smart devices running on audio amplifier technology from Texas Instruments (TI) |
| Feb 2020 | Elliptic Labs launches two new design wins, Xiaomi Mi 10 and Mi 10 Pro smartphones, empowered by Elliptic Labs' AI virtual proximity sensor INNER BEAUTY® |
| Feb 2020 | Elliptic Labs launches virtual smart sensor presence solution used to improve the security of data stored on laptops |
| Mar 2020 | Elliptic Labs launches a new design win for Xiaomi Redmi K30 Pro smartphone |
| April 2020 | Elliptic Labs and Xiaomi announces the Mi 10 Youth and Mi 10 Lite smartphones, the latest Xiaomi smartphones to feature Elliptic Labs' INNER BEAUTY® AI virtual proximity sensor |
| June 2020 | Elliptic Labs announces that it has joined the Qualcomm® Platform Solutions Ecosystem and that its AI virtual smart sensor platform™ is available to OEMs designing devices based on the Qualcomm® Snapdragon™ 865 Mobile Platform |
| June 2020 | Elliptic Labs signs a contract in a new design win that will incorporate Elliptic Labs' INNER BEAUTY® AI virtual proximity sensor into a smartphone model for a top Asian OEM |
| July 2020 | Elliptic Labs signs a contract with a new smartphone OEM customer in Asia that will incorporate Elliptic Labs' INNER BEAUTY® AI virtual proximity sensor into their next smartphone model |
| Sept 2020 | Elliptic Labs signs a contract for a proof-of-concept project with one of the world's top three laptop/PC manufacturers |
| Sept 2020 | Extension of partnership between Elliptic Labs and Infineon Technologies AG, adding support for Infineon's mmWave Radar sensor to Elliptic Labs' Virtual Smart Sensor Hub™ |
| Sept 2020 | Elliptic Labs signs a contract for a proof-of-concept project with a large Asian Laptop OEM |
| Sept 2020 | Elliptic Labs announces that has licensed its AI software to a large device manufacturer under an annual $ 3 million software license agreement |
| Sept 2020 | Elliptic Labs on-boards new smartphone customer and signs a software licensing agreement for its INNER BEAUTY® AI Virtual Proximity Sensor™ |
| Sept 2020 | Elliptic Labs and Xiaomi launch Xiaomi's new Mi 10T Lite smartphone with INNER BEAUTY® AI Virtual Proximity Sensor™ |
| Oct 2020 | The Company's CEO Laila Danielsen is named the winner of a Gold Stevie® Award in the Female Entrepreneur of the Year category in the 17th annual Stevie Awards for Women in Business and the bronze winner of the Most Innovative Woman of the Year in the Technology category |
| Oct 2020 | The Company announces a successful completion of the Private Placement, see Section 6 above |

## 7.5 Group structure

The Company is the parent company of the Group and holds 100% of the shares and votes in Elliptic Laboratories Inc. and Healthy Pointers AS. Most of the business of the Group is operated by the Company.




## 7.6 Vision and strategy

Elliptic Labs develops super smart software-sensors that use AI and ultrasound to sense people and their surroundings. The Company's mission is to make every device smarter and more environmentally-friendly. The

Company's AI Virtual Smart Sensor Platform brings touchless 3D gestures, presence, and vitals detection to all devices. The Virtual Smart Sensor Platform utilizes the Company's expertise in AI and ultrasound signal processing to rapidly and efficiently integrate the suite of AI Virtual Smart Sensors into customer products.

To activate new high-volume vertical markets, such as laptops, smart appliances, and smart TVs, the Company will leverage its credibility in having manufactured 100M+ Elliptic Labs-powered devices.

The Company has developed an expansive partner ecosystem with the largest semiconductor companies. Elliptic Labs is leveraging its partners' sales organizations to identify and drive sales opportunities. The Company is also currently embedding the Virtual Smart Sensor Platform into its ecosystem partners' platforms. In parallel, the Company is collaborating with partners on new standards for ultrasound and AI Virtual Smart Sensors.

In contrast to the smartphone and laptop markets, where a few high-volume players dominate, the Internet of Things ("**IoT**") market comprises many players shipping comparatively lower volumes across many product lines. To address this fragmentation, the Company will leverage those platforms that have its Virtual Smart Sensor Platform embedded. In addition, the Virtual Smart Sensor Platform is being developed to become a Machine Learning as a Service ("**MLaaS**") platform, giving customers a streamlined and direct method to create, test, and generate AI Virtual Smart Sensors on their own.

The Company has set the following strategy to achieve its goals:

i) Scalable technologies: Build a scalable platform that delivers gesture, presence and vital detection at scale;
ii) current customers and market validation: Leverage current success of 100M+ Elliptic Labs powered devices to expand in current market and enter new high volume/few customers vertical markets. (laptop/smart TV);
iii) partners: Leverage eco-system partners that the Group has built the past decade to become the de facto standard for presence detection in the markets where the Group's partners are dominated by embed its software into their platforms; and
iv) expanded partnership and improved platform to support fragmented markets (IoT).

### 7.7 Material Agreements

During the past two years preceding the date of this Admission Document, neither the Company nor any other Group company has entered into any material agreements or other agreements containing rights or obligations of material importance to the Group, apart from agreements entered into as part of the Group's ordinary course of business.

### 7.8 Market overview

Elliptic Labs competes in four primary markets: Smartphones, IoT, laptops, and Automotive markets.

#### *7.8.1 The Smartphone market*

In 2019, the size of the Smartphone market was approximately 1.5 billion units shipped,[1] and the top five manufacturers of smartphones were Samsung, Huawei, Apple, Xiaomi, and Oppo, accounting for approximately 65% of the market.[2] In 2020, the market size is expected to be flat to slightly down. Smartphone manufacturers are concentrated in Asia, predominantly in China.

#### *7.8.2 The IoT Market*

The IoT Market is a large diversified market of many different applications consisting of devices that connect to the internet. These devices often share data and information to provide added convenience and control to consumers and, in some cases, even allow users to automate simple processes such as ordering supplies. Today, there are an estimated 7 billion IoT devices[3] in service and it is expected to grow to 50 billion[4] over the next decade. Examples of IoT devices include but not limited to Smart Speakers, Smart TVs, Smart Appliances, and other devices.

#### *7.8.3 The Laptop market*

In 2019, the laptop/PC/tablet market size was approximately 395 million units[5] and expected to grow in 2020 to approximately 425 million units.[6] The top three manufacturers are Hewlett Packard, Lenovo, and Dell. These three manufactures account for approximately 65% of the market.

#### *7.8.4 The Automotive market*

In 2019, the automotive market size was approximately 95 million units.[7] The automotive market is increasingly focusing on differentiating cars through new in-cabin experiences. This is a growing area for car manufactures, where Elliptic Labs' technology can be utilized to create a more intuitive experience for the driver. Another potential market for Elliptic Labs' technology is the Euro New Car Assessment Program ("**NCAP**") rewards, starting on 2022,[8] that is given to child presence detection, which can detect a child left alone in a car and alert the owner and/or the emergency services, to avoid heat stroke fatalities.

### 7.9 Business-critical agreements, patents etc.

The Group's intellectual property includes registered patents and patents applications, trademarks, domain names as well as trade secrets. The Group has 50 patents granted and 43 patents pending. Notwithstanding that certain technologies are particularly important in taking advantage of market opportunities in the Group's markets, the Company believes that the Group does not depend on any single patent or license, manufacturing process, proprietary technology, know-how or other registered intellectual property rights.

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[1] Gartner - 2019 Global Smartphone Report (3 March 2020)
[2] Gartner - 2019 Global Smartphone Report (3 March 2020)
[3] Transforma Insights - 2019 IoT Total Addressable Market (TAM) Forecast (5 May 2020)
[4] Strategy Analytics - 2019 Global Connected and IoT Device Forecast Update (20 May 2019)
[5] Canalys - 2020 Global PC Shipments Forecast (2 June 2020)
[6] IDC - 2020 PC and Tablet Shipments Forecast (1 September 2020)
[7] IHS Markit - 2019 Automotive Industry Outlook Report (February 2019)
[8] Euro NCAP - 2025 Roadmap Report (September 2017)

### 7.10 Related Party Transactions

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, has been engaged as a strategic advisor to the Company in connection with inter alia evaluation of strategic business opportunities. In accordance with the engagement letter, Greve has upon completion of the Private Placement and the Admission to Trading been entitled to a success fee of NOK 500,000 and an additional discretionary fee of NOK 500,000. In addition Cipriano AS is entitled to a fee of NOK 1,000,000 in the event of a sale of a majority of the Company's outstanding shares or business.

Other than as set out above, the Group has not entered into any related party transactions for the period covered by the historical financial information incorporated by reference in this Admission Document (available on https://www.ellipticlabs.com/) and up to the date of this Admission Document. For further information on related party transactions of the Group, please refer to note 13 of the Annual Financial Statements.

### 7.11 Legal and arbitrational proceedings

From time to time, the Group may become involved in litigation, disputes and other legal proceedings arising in the course of its business. Immediately prior to the date of this Admission Document, the Company was involved in an arbitration process with the Company's second largest customer, OnePlus Technology (Shenzhen) Co., Ltd ("**OnePlus**") pertaining to a claim by the Company of USD 480,000 against OnePlus due to alleged breach of the software license agreement between the parties. On 28 September 2020, the Company and OnePlus signed a term sheet under which OnePlus shall pay to the Company a settlement sum of USD 550,000 as full and final settlement of the dispute. The settlement agreement pursuant to the term sheet is expected to be entered into shortly.

Other than as set out above, neither the Company, nor any other company in the Group is, nor has been, during the course of the preceding 12 months involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

# 8 SELECTED AND OTHER FINANCIAL INFORMATION

## 8.1 Preparation of the Group's financial information

The selected financial information presented in Section 8.2 to Section 8.6 below is extracted from the Group's audited consolidated financial statements as of and for the years ended 31 December 2019 and 31 December 2018, prepared in accordance with IFRS (the "**Annual Financial Statements**") and the unaudited interim consolidated financial statements as of and for the six months period ended 30 June 2020 prepared in accordance with IAS 34 (the "**Interim Financial Statements**"). The selected financial information should be read in connection with, and is qualified in its entirety by reference to, the Annual Financial Statements and the Interim Financial Statements, which are enclosed hereto as Appendix B-D.

The Annual Financial Statements have been audited by PwC. The Interim Financial Statements have not been audited, but have been subject to review procedures in accordance with International Standard on Review Engagements (ISRE 2410).

## 8.2 Summary of accounting policies and principles

For accounting principles and explanatory notes, please refer to page 10 of the Annual Financial Statements.

## 8.3 Selected statement of comprehensive income

The table below sets out selected data from the Company's consolidated result of operations and is extracted from the Interim Financial Statements and the Annual Financial Statements:

| (*in NOK*) | Six months ended 30 June 2020 *(unaudited)* | Year ended 31 December 2019 *(audited)* | 2018 *(audited)* |
|---|---|---|---|
| Revenues | 2 605 802 | 37 957 021 | 41 580 757 |
| Other operating income | 7 742 271 | 14 726 017 | 2 031 597 |
| **Total revenue** | **10 348 073** | **52 683 038** | **43 612 354** |
| Personnel expenses | -21 227 058 | -45 650 734 | -46 964 974 |
| Other operating expenses | -6 110 157 | -15 631 493 | -27 105 463 |
| Depreciation, amortisation and impairment | -2 715 739 | -4 392 985 | -2 115 328 |
| **Total operating costs** | **-30 052 955** | **-65 675 213** | **-76 185 766** |
| **Operating profit** | **-19 704 882** | **-12 992 175** | **-32 573 412** |
| Financial income | 99 961 | 307 049 | 2 180 815 |
| **Total financial income** | **99 961** | **307 049** | **2 180 815** |
| Financial expenses | -1 809 703 | -4 275 169 | -2 843 832 |
| **Total financial expenses** | **-1 809 703** | **-4 275 169** | **-2 843 832** |
| **Profit/ (loss) before tax** | **-21 414 624** | **-16 960 295** | **-33 236 429** |
| Income tax revenue/-expense | 4 700 543 | 3 703 338 | 5 115 807 |

| | | | |
|---|---|---|---|
| **Profit/ (loss) for the period** | **-16 714 081** | **-13 256 956** | **-28 120 622** |
| | | | |
| Other comprehensive income: | | | |
| Foreign currency changes, may be reclassified to profit or loss | 183 983 | 5 059 | -57 755 |
| Other comprehensive income, net of tax | **183 983** | **5 059** | **-57 755** |
| | | | |
| **Total comprehensive income for the period** | **-16 530 098** | **-13 251 897** | **-28 178 376** |
| | | | |
| Loss for the period is attributable to: | | | |
| Equity holders of the parent company | **-16 530 098** | **-13 251 897** | **-28 178 376** |
| Non-controlling interests | | | |
| Profit/(loss) per share | **-1,92** | **-1,54** | **-3,29** |

## 8.4 Selected statement of financial position

The table below sets out selected data from the Company's consolidated statement of financial position and is extracted from the Interim Financial Statements and the Annual Financial Statements:

| **(*in NOK*)** | **As of 30 June** | **As of 31 December** | |
|---|---|---|---|
| | **2020** *(unaudited)* | **2019** *(audited)* | **2018** *(audited)* |
| **Non-current assets** | | | |
| Deferred tax assets | 60 958 718 | 56 168 887 | 52 951 662 |
| Intangible assets | 19 114 516 | 16 551 924 | 9 848 375 |
| Right of use assets | 6 138 906 | 7 255 068 | 0 |
| Other non-current receivables | 2 092 437 | 2 092 437 | 2 132 711 |
| **Total non-current assets** | **88 304 576** | **82 068 316** | **64 932 748** |
| | | | |
| **Current assets** | | | |
| Accounts receivable | 6 424 760 | 14 309 741 | 14 770 450 |
| Other current receivables | 16 945 074 | 7 116 584 | 5 914 235 |
| Cash and cash equivalents | 11 917 689 | 35 873 432 | 16 623 538 |
| **Total current assets** | **35 287 523** | **57 299 757** | **37 308 223** |
| | | | |
| **Total assets** | **123 592 099** | **139 368 073** | **102 240 971** |
| | | | |
| **Equity and liabilities** | | | |
| Share capital | 875 126 | 875 106 | 856 401 |
| Other equity | 64 967 531 | 79 157 649 | 46 541 515 |
| **Total equity** | **65 842 657** | **80 032 755** | **47 397 915** |
| | | | |
| Finance debt | 4 103 647 | 5 205 363 | 0 |
| Bank borrowings, long-term | 16 000 000 | 14 000 000 | 0 |
| **Total long-term liabilities** | **20 103 647** | **19 205 363** | **0** |
| | | | |
| Bank borrowings, short-term | 27 421 619 | 29 431 148 | 43 007 165 |

| | | | |
|---|---|---|---|
| Trade and other payables | 1 047 078 | 843 715 | 2 527 440 |
| Tax payable | 117 546 | 162 501 | 1 079 936 |
| Accrued public taxes | 1 640 168 | 2 669 095 | 1 964 709 |
| Other short-term liabilities | 7 419 384 | 7 032 496 | 6 263 806 |
| **Total current liabilities** | **37 645 795** | **40 129 955** | **54 843 056** |
| **Total equity and liabilities** | **123 592 099** | **139 368 073** | **102 240 971** |

## 8.5 Selected cash flow statement

The table below sets out selected data from the Group's consolidated cash flow statement and is extracted from the Interim Financial Statements and the Annual Financial Statements:

| **(*in NOK*)** | **Six months ended 30 June** | **Year ended 31 December** | |
|---|---|---|---|
| | **2020** *(unaudited)* | **2019** *(audited)* | **2018** *(audited)* |
| **Cash flow from operating activities:** | | | |
| Profit/(loss) before tax | -21 414 624 | -16 960 295 | -33 236 429 |
| Adjustment for: | | | |
| Taxes paid in the period | -134 242 | -431 321 | -380 447 |
| Depreciation and impairment | 2 715 739 | 4 392 985 | 2 115 328 |
| Option based payments | 2 300 000 | 2 871 737 | 3 718 230 |
| Items classified as financing activities | 1 801 796 | 2 750 505 | 1 768 309 |
| Change in accounts receivable | -1 943 509 | -741 640 | -10 559 571 |
| Change in trade payables | 212 363 | -1 692 725 | 1 427 923 |
| Change in other accruals | -637 121 | 1 763 576 | -11 361 |
| **Net cash flow from operations** | **-17 099 599** | **-8 047 177** | **-35 158 019** |
| **Cash flow from investments:** | | | |
| Purchase of fixed assets | -5 278 331 | -11 096 535 | -8 739 127 |
| **Net cash flow from investments** | **-5 278 331** | **-11 096 535** | **-8 739 127** |
| **Cash flow from financing:** | | | |
| Repayments bank borrowings | 0 | 0 | 25 007 165 |
| Repayment of lease liabilities | 0 | -1 875 949 | 0 |
| Paid in capital from owners | 40 000 | 43 015 000 | 0 |
| Interests bank borrowings | -1 801 796 | -2 750 505 | -1 768 309 |
| **Net cash flow from financing** | **-1 761 796** | **38 388 546** | **23 238 856** |
| **Net Change in Cash and Cash Equivalents** | **-24 139 726** | **19 244 835** | **-20 658 290** |
| Cash and cash equivalents at the beginning of the period | 35 873 432 | 16 623 538 | 37 339 583 |
| Effect of foreign currency rate changes on cash and cash equivalents | 183 983 | 5 059 | -57 755 |
| **Cash and cash equivalents at the end of period** | **11 917 689** | **35 873 432** | **16 623 538** |

## 8.6 Selected statement of changes in equity

The table below sets out selected data from the Company's consolidated statement of changes in equity and is extracted from the Interim Financial Statements and the Annual Financial Statements:

| (*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** | **70 323 490** | **9 085 897** | **-251 738** | **80 032 755** |
| Profit (loss) for the period | 0 | -16 714 081 | 0 | 0 | -16 714 081 |
| Other comprehensive income for the period | 0 | 0 | 0 | 183 983 | 183 983 |
| **Total comprehensive income for the period** | **0** | **-16 714 081** | **0** | **183 983** | **-16 530 098** |
| **Transactions with owners:** | | | | | |
| Capital increase through issuance of ordinary shares | 20 | 39 980 | 0 | 0 | 40 000 |
| Employee share schemes | 0 | 0 | 2 300 000 | 0 | 2 300 000 |
| **Shareholders' equity at 30.06.2020** | **875 126** | **53 649 389** | **11 385 897** | **-67 755** | **65 842 657** |
| | | | | | |
| **Shareholders' equity at 01.01.2019** | **856 401** | **6 214 160** | **40 584 151** | **-256 797** | **47 397 916** |
| Profit (loss) for the period | 0 | 0 | -13 256 956 | 0 | -13 256 956 |
| Other comprehensive income for the period | 0 | 0 | 0 | 5059 | 5059 |
| **Total comprehensive income for the period** | **0** | **0** | **-13 256 956** | **5059** | **-13 251 897** |
| **Transactions with owners:** | | | | | |
| Capital increase through issuance of ordinary shares | 18 705 | 0 | 42 996 295 | 0 | 43 015 000 |
| Employee share schemes | 0 | 2 871 737 | 0 | 0 | 2 871 737 |
| **Shareholders' equity at 31.12.2019** | **875 106** | **9 085 897** | **70 323 490** | **- 251 738** | **80 032 755** |
| | | | | | |
| **Shareholders' equity at 01.01.2018** | **856 401** | **2 495 930** | **68 704 773** | **-199 042** | **71 858 062** |
| Profit (loss) for the period | 0 | 0 | -28 120 622 | 0 | -28 120 622 |
| Other comprehensive income for the period | 0 | 0 | 0 | -57 755 | -57 755 |
| **Total comprehensive income for the period** | **0** | **0** | **-28 120 622** | **-57 755** | **-28 178 376** |
| **Transactions with owners:** | | | | | |
| Capital increase through issuance of ordinary shares | 0 | 0 | 0 | 0 | 0 |
| Employee share schemes | 0 | 3 718 230 | 0 | 0 | 3 718 230 |
| **Shareholders' equity at 31.12.2018** | **856 401** | **6 214 160** | **40 584 151** | **-256 797** | **47 397 916** |

## 8.7 Significant changes in the Group's financial or trading position since 30 June 2020

On 24 September 2020, the Company announced that it had entered into a software license agreement for the license of the Group's AI software to a large device manufacturer. The term of the agreement is 1 October 2020 to 30 September 2021 and the license fee for the period is USD 3 million.

Other than as set out above, the Group has not carried out any transactions after 30 June 2020 that represent a change of more than 25% in its total assets, revenue or profit or loss.

## 8.8 Material borrowings and financial commitments

The Company has been granted a NOK 18 million term loan by Innovasjon Norge ("**IN**") with the following key terms:

- Fixed interest rate at 5.57% (effective rate) as of 31 December 2019
- Repayment schedule: NOK 1 million *plus* any accrued interest fall due every quarter from 10 March 2021 until 10 June 2025. Accrued interest falls due each quarter from 10 March during 2020.
- Equity ratio shall be minimum 30% and working capital minimum NOK 5 million at the time of reporting to IN, which shall take place two times a year. If the conditions are not met at the time of reporting, the Company shall be granted a further 60 days to fulfil the conditions
- IN must consent to a change of control in the Company
- The Company may not without the prior written consent of IN sell the Group's assets, including its intangible property or parts thereof
- Security:
    - First priority pledge of NOK 20 million in (i) machinery and plant and (ii) accounts receivables;
    - Personal guarantee from the chairman of the Board of 50% of the balance of the loan; and
    - Negative pledge of patents and IN may also require first priority pledge of the Group's patents
- A commission to IN in the amount of NOK 2 million shall be paid simultaneously with the last instalment payment (10 June 2024)

Furthermore, the Company has a NOK 25 million overdraft facility with Pareto Bank ASA falling due on the earlier of (i) 31 October 2020 and (ii) the date of a share capital increase in the Company. The loan has a floating interest rate. The Company's shareholders Passesta AS (wholly-owned by the chairman of the Board, Tore Engebretsen) and Alden AS (wholly-owned by the Board Member Edvin Austbø) have each provided a personal guarantee of NOK 12.5 million in relation to the overdraft facility. The key terms of the facility are as follows:

- The Company may not without the prior written consent of the bank raise loans, grant loans, deposit securities/guarantees, repay subordinated loans or shareholder loans, or repay equity, distribute dividends or provide any group contribution; and
- No Group company may without the prior written consent of the bank: (i) carry out a merger, demerger, restructuring, acquisition, etc. which may have an adverse effect of the Company's ability to fulfil its obligations towards the bank, or make any material amendments to its core business; or (ii) sell or in any other way transfer any of its assets or business in whole or in part.

The overdraft facility will be repaid by use of the proceeds from the Private Placement as described in Section 6.3 above.

Other than as described above, the Group has no material interest bearing debt as of the date of this Admission Document.

### 8.9 Grants

The Group has been granted funding under national and international support schemes ("**Grants**"). Grants received by the Company in 2018 and 2019 amounted to NOK 7 million and NOK 18.5 million, respectively. In 2018, the Company was awarded with a NOK 21.4 million grant from EU Horizon and in 2020 with a NOK 15 million Grant from IN. As of the date of this Admission Document, the Grant from EU Horizon is fully paid out and the Company has so far received NOK 5 million as pre-payment on the Grant from IN. The Grant from IN contains several condition which must be fulfilled in order for the grant to be distributed in whole or in part.

### 8.10 Working capital statement

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Admission Document.

# 9 THE BOARD OF DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

## 9.1 Introduction

The General Meeting is the highest decision-making authority of the Company. All shareholders of the Company are entitled to attend and vote at General Meetings and to table draft resolutions for items to be included on the agenda for a General Meeting.

The overall management of the Company is vested with its Board of Directors, and each Board Member and the Management. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business ensuring proper organisation, preparing plans and budgets for its activities ensuring that the Company's activities, accounts and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The Management is responsible for the day-to-day management of the Company's operations in accordance with Norwegian law and instructions set out by the Board of Directors. Among other responsibilities, the Company's Chief Executive Officer (the "**CEO**"), is responsible for keeping the Company's accounts in accordance with existing Norwegian legislation and regulations and for managing the Company's assets in a responsible manner. In addition, the CEO must, according to Norwegian law, brief the Board of Directors about the Company's activities, financial position and operating results at a minimum every fourth month.

## 9.2 The Board of Directors

### *9.2.1 Introduction*

The Articles of Association provide that the Board of Directors shall comprise between four and seven board members, as elected by the Company's shareholders in an ordinary or extraordinary general meeting (as applicable).

The Company's registered business address, Akersgata 32, 0180 Oslo, Norway, serves as business address for the members of the Board of Directors as regards their directorship in the Company.

The Company has currently not established an audit committee or a remuneration committee.

### *9.2.2 Overview of the Board of Directors*

The table below sets out the names of the current members of the Board of Directors:

| Name | Position | Served since | Term expires | Shares | Options |
|---|---|---|---|---|---|
| Tore Engebretsen[1] | Chairman | 2007 | 2021 | 1,194,416 | - |
| Einar J. Greve[2] | Board Member | 2014 | 2021 | 145,300 | - |
| Edvin Austbø[3] | Board Member | 2014 | 2021 | 740,333 | - |
| Svenn-Tore Larsen | Board Member | 2015 | 2021 | - | - |
| Berit Svendsen | Board Member | 2019 | 2021 | 1,800 | - |

1) The Shares are held via Passesta AS; a company 100% owned by Engebretsen

2) The Shares are held via Cipriano AS and Positano AS; companies 100% owned by Greve
3) The Shares are held via Alden AS; a company 100% owned by Austbø

Other than as set out above, no Board Members own any options or other securities exchangeable for Shares.

### *9.2.3 Brief biographies of the Board of Directors*

Set out below are brief biographies of the Board Members, including their managerial expertise and experience, in addition to an indication of any significant principal activities performed by them outside of the Company.

**Tore Engebretsen, Chairman of the Board**

Tore Engebretsen has extensive board and management experience and has inter alia held the position as CEO (1986-2003) and chairman of the board of (2003-2008) of VMETRO ASA. In the period 2001-2014 he was the chairman of the board of Nordic Semiconductor ASA and he has also served as a member of the board of Profdoc ASA and NERA ASA. Currently, Engebretsen is also the chairman of the board of Squarehead Technology AS (since 2008), Media Network Services AS (since 2009), XPLORA Technologies AS (since 2017) and ODI Medical AS (since 2018). Engebretsen holds a Cand Real, theoretical physics from the University of Oslo.

**Einar J. Greve, Board Member**

Einar J. Greve (born 1960), works as a strategic advisor in Cipriano AS and Positano AS. Mr. Greve has previously worked as partner of Wikborg Rein & Co for 15 years and as partner of Arctic Securities ASA. Mr. Greve has held and holds various positions as board member and chairman in Norwegian and international listed and unlisted companies. He holds a degree in law (cand.jur) form the University of Oslo. He is a Norwegian citizen and resides in Oslo, Norway.

**Edvin Austbø, Board Member**

Edvin Austbø is the founder and CEO of Alden AS and is a financial analyst and investor who has been active in financial markets since 1990. From 1990 to 1992, he worked as bond trader, analyst in equites and with corporate finance at Pre Fonds AS. From 1992 to 1995, he held the position as Head of research/analyst equities in Carnegie AS and from 1995 to 1997 as Sales Analyst at Carnegie INC, New York, US. In 1997-1998, Austbø worked as a Senior Portfolio Manager of equities in NorgesInvestor Verdi with focus on Nordic companies. Austbø has his education from the Norwegian School of Management, BI.

**Svenn-Tore Larsen, Board Member**

Svenn-Tore Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed as Chief Executive Officer of Nordic Semiconductor ASA in February 2002. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor.

**Berit Svendsen, Board Member**

Berit Svendsen is the former vice president of the Telenor Group and head of Telenor Scandinavia. Prior to this, she was responsible for Telenor's Fixed-Mobile Convergence project which quickly led to her appointment in 2000 as technology director for all of Telenor's departments, a post she held for the next five years. From 2002 to 2007, Svendsen was a member of the European Commission's ISTAG, an advisory group on information society technologies and in 2008, she spent a short period as CEO of Conax. Svendsen has extensive experience from management position and directorships and is currently the chair of the board of directors of the national transport company Vy, owned by the Norwegian state. Former directorships include board member of DNB ASA (largest bank in Norway); SAS AB (airplane company), Bisnode and Electromagnetic Geoservices AS. Svendsen holds a Master of Science from the Norwegian Institute of Technology (NTNU/NHH), Institute of Telematics, and a Master of Technology Management from the Norwegian Institute of Technology and Massachusetts Institute of Technology, Sloan School of Management, Boston, US.

### *9.2.4 Board of Directors' independence*

The Chairman of the Board, Tore Engebretsen, owns 100% of the shares in Passesta AS, which upon completion of the Private Placement owns 1,194,416 Shares, equivalent to approximately 12.5% of the Company's share capital. Hence, Engebretsen is not independent of the Company's main shareholders. Furthermore, and as detailed in Section 7.10 above, Cipriano AS, a company 100% owned by Board Member, Einar J. Greve, has been engaged as a strategic advisor to the Company in connection with inter alia evaluation of strategic business opportunities, such as the Private Placement and the Admission to Trading. Consequently, Greve is not independent of the Company' Management.

Other than the above, all Board Members are independent of the Company's Management and material business contacts and of the Company's main shareholders.

## 9.3 Management

### *9.3.1 Overview*

As of the date of this Admission Document, the Company's Management consists of the following persons:

| Name | Position | Employed since | Shares | Options |
|---|---|---|---|---|
| Laila Danielsen | CEO | June 2013 | 529,680 | - |
| Thor Andre Talhaug[1] | CFO | August 2019 | 215,000 | - |
| Guenael Strutt | EVP Product | February 2014 | 47,500 | 82,100 |
| Espen Klovning[2] | EVP Engineering | March 2014 | 21,951 | 78,549 |
| Brian Daly | SVP Sales & Business Development | April 2018 | - | 35,000 |
| Britt Narmo | HR Manager | November 2013 | 8,000 | 4,636 |
| Bente Høgnes | Finance Director | April 2019 | - | 4,411 |

1) Thor A. Talhaug is hired as CFO on the basis of an agreement between the Company and Ghibli AS, a company 100% owned by Talhaug, and his current term expires 31 December 2020. He was also hired as CFO in the period 2007-2017. Talhaug's Shares are owned via Ghibli AS.
2) Klovning's Shares are owned via Vicuri AS, a company 100% owned by Klovning

Other than as set out above, no members of Management own any options or other securities exchangeable for Shares.

The Company's registered business address, Akersgata 32, 0180 Oslo, Norway, serves as business address for the members of the Management as regards their positions with the Company.

### *9.3.2 Brief biographies of the members of the Management*

Set out below are brief biographies of the members of the Management:

**Laila Danielsen, CEO**

Laila Danielsen is a serial entrepreneur and an experienced tech executive with expertise in enterprise software and technology at both Fortune 500 companies and Silicon Valley start-ups. Due to her exceptional leadership skills and strong customer-orientation, Ms. Danielsen has a long history of success in bringing technology to market and building focused teams, including FastScale Technology Inc. (acquired by EMC/VMware), Scali (acquired by Platform Computing), and HotLink Corporation. She has also held management roles at IBM, Penguin Computing and other companies. Danielsen shares her expertise as an advisor to ascending companies. She is a speaker at top MBA programs and an advisor for Innovation Norway. She was awarded an MS at the Norwegian School of Economics and a BA at University of San Francisco.

**Thor Andre Talhaug, CFO**

Thor A. Talhaug is an experienced CFO with more than 30 years relevant experience from accounting and investment banking and has served as interim CFO and board member of several technology companies since 2007. In addition to his position as CFO of the Company, Talhaug performs certain consultancy services via his wholly-owned company, Ghibli AS, for Media Network Services AS and Squarehead Technology AS. Talhaug holds a Master of Science in Economics and Business Administration, and is a State Authorized Public Accountant and Authorized Financial Analyst.

**Guenael Strutt, Executive Vice-President of Product**

Guenael Strutt is an experienced tech leader, having spent over 16 years in product development, system integration and user experience design for both Fortune 500 companies and tech start-ups. With over 40 wireless communication and handheld device interaction patents, his robust vision for technology products has resulted in the delivery of compelling mobile solutions. Before joining Elliptic Labs, Strutt served as Software Development Manager at Lab126/Amazon, leading a team in designing and prototyping new user experiences for portable devices. Strutt graduated with a diplôme d'ingénieur from the University of Technology of Compiègne, France, an MS from Florida Atlantic University, and an MBA from Rollins College.

**Espen Klovning, Executive Vice-President of Engineering**

Espen Klovning brings more than 16 years of engineering proficiency to his position of VP of Engineering at Elliptic Labs. His management experience includes executive positions in technology companies and repeatedly building successful and highly performing engineering teams. Previously, he was director of engineering at Cisco Systems, worked for Tandberg and was VP, R&D at Birdstep Technology. In 1998, he founded Advanced Communications Technology, drawing on his extensive engineering knowledge. Earlier in his career he was a research scientist for Telenor. He is author of several Institute of Electrical and Electronics Engineering (IEEE) RFCs and has written over ten scientific papers on communications protocols. Klovning holds several patents in wireless communication and mobility.

**Brian Daly, Senior Vice-President Sales & Business Development**

Brian Daly oversees sales, partnership development, and business strategy at Elliptic Labs. He has over 25 years of VP experience in the wireless communications industry, having served in companies such as Skyworks Solutions, Synaptics, Atmel (acquired by Microchip), and Goodix. Brian has a BSEE from University of California, San Diego and a MSEE from California State University, Northridge.

**Britt Narmo, HR Manager**

Britt Narmo has been HR Manager at Elliptic Laboratories AS since 2013. Narmo leads all aspects of Elliptic Labs' people strategies and functions while shaping its culture and employee experience. She also leads the hiring, development, and engagement of the best and brightest people. Under her tenure, Elliptic Labs has grown from 10 employees to more than 50 globally. Before joining Elliptic Labs, she served as Project Coordinator for one of Norway's largest studies to date , the "High-Speed Rail Report 2010", and as adviser and managerial support for the Norwegian National Rail Administration. Her past experiences also include consultancy work at Squarehead Technology AS, and eighteen years as HR Manager at Vmetro ASA and Curtiss Wright (market defense and aviation industries, respectively).

**Bente Høgnes, Finance Director**

Before joining Elliptic Labs, Høgnes served as Head of Accounting at Elopak AS and a member of the Finance part of integration of SAP for the Group. Her past experiences also include prepared and participation of the IPO at Trolltech ASA. She has a Master of Economics and Administration from BI Norwegian Business School.

### 9.4 Benefits upon termination

As of the date of this Admission Document , no members of Management or the Board of Directors are entitled to any additional remuneration following the termination of their employments/service.

### 9.5 Employees and options

As of the date of this Admission Document, the Company has 25 employees. In addition, the Group has 8 employees at the offices in the U.S and 16 employees at the offices in China.

The Group has implemented a share option program that includes members of the Management as well as non-executive employees in the Company and its subsidiaries. In total there is at present a max-pool of 516,419 options to be allocated to employees of which 344,208 options are outstanding and currently allocated. 230,759 of the outstanding options have a strike price above the last share issue price of NOK 150 and the Board has on 10 October 2020 resolved to adjust the strike price of these options to the higher of NOK 150 and the weighted average trading price of the Shares during the first ten days of trading after the Admission, however not to exceed NOK 200 which was the original strike price.

As of the date of this Admission Document, there are 40 employees in the Group's 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 option program is to attract and retain key personnel. The fair value of the options is calculated at the grant date, based on the "Black-Scholes" model and expensed over the vesting period of 4 years. As of the date of this Admission Document, the Company has granted the following options:

| | Grant date | Number of options | Terminated | Outstanding | Strike price | Vesting period | Fair value | Total fair value |
|---|---|---|---|---|---|---|---|---|
| Guenael Strutt | 01.03.2015 | 47 400 | - | 47 400 | 38 | 4 years | 12,45 | 590 124 |
| Non-executive employees | 15.12.2016 | 48 706 | (38 706) | 10 000 | 38 | 4 years | 64,47 | 644 681 |
| Espen Klovning | 28.04.2017 | 11 049 | - | 11 049 | 38 | 4 years | 65,59 | 724 715 |
| Espen Klovning | 28.04.2017 | 30 000 | - | 30 000 | 100 | 4 years | 30,44 | 913 183 |
| Non-executive employees | 29.09.2017 | 100 000 | (49 298) | 50 702 | 200 | 4 years | 61,32 | 3 109 213 |
| Brian Daly | 16.04.2018 | 30 000 | - | 30 000 | 200 | 4 years | 65,69 | 1 970 782 |
| Non-executive employees | 03.08.2018 | 409 | - | 409 | 200 | 4 years | 57,43 | 23 490 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Non-executive employees | 03.08.2018 | 1 637 | - | 1 637 | 200 | 4 years | 57,64 | 94 354 |
| Non-executive employees | 03.08.2018 | 2 619 | - | 2 619 | 200 | 4 years | 58,30 | 152 679 |
| Non-executive employees | 03.08.2018 | 818 | - | 818 | 200 | 4 years | 58,41 | 47 781 |
| Non-executive employees | 03.08.2018 | 1 228 | - | 1 228 | 200 | 4 years | 59,81 | 73 445 |
| Non-executive employees | 03.08.2018 | 3 239 | - | 3 239 | 200 | 4 years | 59,87 | 193 906 |
| Non-executive employees | 03.08.2018 | 2 573 | - | 2 573 | 200 | 4 years | 61,45 | 158 108 |
| Non-executive employees | 03.08.2018 | 4 572 | - | 4 572 | 200 | 4 years | 61,74 | 282 266 |
| Non-executive employees | 03.08.2018 | 1 364 | - | 1 364 | 200 | 4 years | 63,95 | 87 232 |
| Non-executive employees | 28.08.2018 | 15 000 | - | 15 000 | 38 | 4 years | 164,22 | 2 463 237 |
| Non-executive employees | 12.03.2019 | 2 527 | - | 2 527 | 200 | 4 years | 61,56 | 155 556 |
| Non-executive employees | 12.03.2019 | 4 411 | - | 4 411 | 200 | 4 years | 62,71 | 276 582 |
| Non-executive employees | 12.03.2019 | 2 068 | - | 2 068 | 200 | 4 years | 62,99 | 130 263 |
| Non-executive employees | 12.03.2019 | 977 | - | 977 | 200 | 4 years | 70,44 | 68 823 |
| Brian Daly | 28.03.2019 | 5 000 | - | 5 000 | 200 | 4 years | 64,86 | 324 303 |
| Guenael Strutt/ Espen Klovning | 28.03.2019 | 75 000 | - | 75 000 | 200 | 4 years | 64,99 | 4 874 403 |
| Non-executive employees | 09.04.2019 | 2 228 | - | 2 228 | 200 | 4 years | 62,39 | 139 029 |
| Non-executive employees | 09.04.2019 | 2 941 | - | 2 941 | 200 | 4 years | 62,52 | 183 836 |
| Non-executive employees | 23.04.2019 | 2 481 | - | 2 481 | 200 | 4 years | 62,29 | 154 554 |
| Non-executive employees | 13.05.2019 | 3 768 | - | 3 768 | 200 | 4 years | 66,19 | 249 375 |
| Non-executive employees | 25.05.2019 | 26 000 | (1 000) | 25 000 | 200 | 4 years | 65,62 | 1 640 544 |
| Non-executive employees | 12.08.2019 | 2 267 | - | 2 267 | 200 | 4 years | 65,45 | 148 403 |
| Non-executive employees | 19.08.2019 | 2 093 | - | 2 093 | 200 | 4 years | 65,36 | 136 794 |
| Non-executive employees | 22.08.2019 | 837 | - | 837 | 200 | 4 years | 65,53 | 54 863 |

## 9.6 Corporate governance requirements

The Board has a responsibility to ensure that the Company has good corporate governance.

As the Company is not listed on any regulated market, no mandatory corporate governance code applies. The trading of the Company's shares on Merkur Market does not provide specific requirements in terms of corporate governance code, such as the Norwegian Code of Practice for Corporate Governance. However, the Company intends to maintain a high level of corporate governance standards and will consider the implications of the Norwegian Code of Practice going forward.

## 9.7 Conflicts of interests etc.

During the last five years preceding the date of this Admission Document, none of the members of the Board of Directors or the members of the Management has, or had, as applicable:

a) any convictions in relation to indictable offences or convictions in relation to fraudulent offences;

b) received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or

c) been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, director or manager of a company.

There are no family ties between any of the members of the Board of Directors and/or the members of the Management.

Except as disclosed in Section 7.10 "*Related Party Transactions*", none of the members of the Board of Directors have service contracts with the Company or any of its subsidiaries.

# 10 CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL AND SHAREHOLDER MATTERS

## 10.1 Corporate Information

The legal and commercial name of the Company is Elliptic Laboratories AS. The Company is a private limited liability company (Nw.: *aksjeselskap*) validly incorporated on 20 March 2006 and existing under the laws of Norway and in accordance with the Norwegian Private Companies Act. The Company is registered with the Norwegian Register of Business Enterprises with business registration number 989 750 186.

The Company's registered business address is Akersgata 32, 0180 Oslo, Norway, which is also its principal place of business. In addition, the Company has offices at 575 Market Street Suite 3950, San Francisco, California, 94105, US, and at Rm 1930, 600 Lu Ban Road, Jiang Nan Shipyard Building, Shanghai 200023, P.R. China.

The Company's principal offices in Oslo may be reached at phone number +47 924 10 137. The Company's website is https://www.ellipticlabs.com/.

The Shares are registered in book-entry form with the VPS under ISIN NO 001 0722283. The Company's register of shareholders with the VPS is administrated by the VPS Registrar, DNB Bank ASA. The Company's LEI code is 21380012EQMN8XOXBQ51.

## 10.2 Legal structure

The Company is the parent company of the Group, which comprises of the Company, together with its two wholly-owned subsidiaries Healthy Pointers AS and Elliptic Laboratories Inc. Most of the business of the Group is operated by the Company.

## 10.3 Share capital and share capital history

### *10.3.1 Overview*

As of the date if this Admission Document, the registered share capital of the Company is NOK 958,459.10, divided into 9,584,591 Shares, each with a par value of NOK 0.10. All of the Shares have been created under the Norwegian Private Companies Act, and are validly issued and fully paid.

The Company has one class of shares, and accordingly there are no differences in the voting rights among the Shares. The Shares are freely transferable, meaning that a transfer of Shares is not subject to the consent of the Board of Directors or rights of first refusal. Pursuant to the Articles of Association, the Shares shall be registered in the VPS.

### *10.3.2 Share capital history*

The table below shows the development in the Company's share capital for the period covered by the Financial Statements to the date of the Admission Document. There have not been any other capital increases in the Company other than as set out in the table below, neither by way of contribution in cash or in kind for the period covered by the Financial Statements until the date of this Admission Document.

| Date | Event | Capital increase (NOK) | Par value (NOK) | Share price (NOK) | Share capital (NOK) | New shares issued | Total no. of Shares |
|---|---|---|---|---|---|---|---|
| 19.11.2019 | Private placement | 18,700.00 | 0.10 | 230 | 875,105.80 | 187,000 | 8,751,058 |
| 23.03.2020 | Private placement | 20.00 | 0.10 | 200 | 875,125.80 | 200 | 8,751,258 |
| 07.10.2020 | Private Placement | 83,333.30 | 0.10 | 150 | 958,459.10 | 833,333 | 9,584,591 |

### *10.3.3 Authorisation to issue additional Shares*

On 24 June 2020, the Company's annual general meeting resolved to grant the Board an authorisation to increase the Company's share capital by up to NOK 300,000 inter alia to strengthen the Company's capital. As set out in Section 6.1 above, the Private Placement was carried out by use of the aforementioned authorisation to the Board. Consequently, as of the date of this Admission Document, the remaining amount by which the share capital may be increased by use of this authorisation is NOK 216,666.70.

Other than this, the Board has no authorisations to increase the Company's share capital.

### *10.3.4 Other financial instruments issued by the Company*

Other than the Company's option program discussed in Section 9.5, neither the Company nor any of the Company's subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries.

## 10.4 Ownership Structure

Following completion of the Private Placement, the Company has a total of 288 registered shareholders with the VPS.

As of the date of this Admission Document, the following shareholders will hold more than 5% of the Company's share capital:

| Shareholder | Number of Shares | % of the Company's share capital |
|---|---|---|
| Passesta AS | 1,194,416 | 12.5% |
| MP Pensjon PK | 879,067 | 9.2% |
| Alden AS | 740,333 | 7.7% |
| Robert Horne | 589,000 | 6.1% |
| Laila Danielsen, CEO | 529,680 | 5.5% |

As of the date of this Admission Document, the Company does not hold any treasury shares, nor does any of the Company's subsidiaries hold shares in the Company.

There are no arrangements known to the Company that may lead to a change of control in the Company.

## 10.5 Shareholder rights

The Company has one class of shares in issue, and all Shares provide equal rights in the Company, including the rights to any dividends. Each Share carries one vote. The rights attached to the Shares are further described in Section 10.6 "*The Articles of Association*" and Section 10.7 "*Certain aspects of Norwegian corporate law*".

## 10.6 The Articles of Association

The Articles of Association are enclosed in Appendix A to the Admission Document, a summary of which is given below:

### *10.6.1 Objective of the Company*

The Company's objective is to develop, market and sell solutions and services for interaction, imaging and information exchange between people and technical units and everything related thereto, as well as participation and investment in other companies.

### *10.6.2 Share capital and par value of each Share*

The Company's share capital is NOK 958,459.10, divided into 9,584,591 Shares, each with a par value of NOK 0.10.

### *10.6.3 The Board of Directors*

The Board of Directors shall consist of between four and seven members.

### *10.6.4 Restrictions on transfer of Shares*

Other than lock-up as described in Section 6.4 above, there are no restrictions on transfer of the Shares.

## 10.7 Certain aspects of Norwegian corporate law

### *10.7.1 General meetings*

Through the general meeting, shareholders exercise supreme authority in a Norwegian private limited liability company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that a written notice of annual general meetings setting forth the time of, the venue for and the agenda of the meeting is sent to all shareholders with a known address no later than seven days before the annual general meeting of a Norwegian private limited liability company shall be held, unless the articles of association stipulate a longer deadline, which is not currently the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy (the proxy holder is appointed at their own discretion). Although Norwegian law does not require the Company to send proxy forms to its shareholders for general meetings, the Company plans to include a proxy form with notices of general meetings. All of the Company's shareholders who are registered in the shareholders' register kept and maintained with VPS as of the date of the general meeting, or who otherwise have reported and documented ownership of shares in the Company, are entitled to participate at general meetings, without any requirement of pre-registration.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the board of directors considers it necessary. An extraordinary general meeting of shareholders shall also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 10% of the share capital demands such in writing. The requirements for notice and admission to the annual general meeting also apply to extraordinary general meetings.

*10.7.2 Voting rights – amendments to the articles of association*

Each Share carries one vote. In general, decisions shareholders are entitled to make under Norwegian law or the articles of association may be made by a simple majority of the votes cast. In the case of elections or appointments (e.g. to the board of directors), the person(s) who receive(s) the greatest number of votes cast is elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe or shares in connection with any share issue in the Company, to approve a merger or demerger of the Company, to amend the articles of association, to authorize an increase or reduction of the share capital, to authorize an issuance of convertible loans or warrants by the Company or to authorize the Board of Directors to purchase Shares and hold them as treasury shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at the general meeting in question. Moreover, Norwegian law requires that certain decisions, i.e. decisions that have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the articles of association.

Decisions that (i) would reduce the rights of some or all of the Company's shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the Shares, require that at least 90% of the share capital represented at the general meeting in question vote in favour of the resolution, as well as the majority required for amending the articles of association.

In general, only a shareholder registered in VPS is entitled to vote for such Shares. Beneficial owners of the Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such Shares as nominees.

There are no quorum requirements that apply to the general meetings.

*10.7.3 Additional issuances and preferential rights*

If the Company issues any new Shares, including bonus share issues, the Company's articles of association must be amended, which requires the same vote as other amendments to the articles of association. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new Shares issued by the Company. The preferential rights may be deviated from by a resolution in the general meeting passed with the same vote required to amend the articles of association. A deviation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

The general meeting may, by the same vote as is required for amending the articles of association, authorize the board of directors to issue new Shares, and to deviate from the preferential rights of shareholders in connection with such issuances. Such authorisation may be effective for a maximum of two years, and the nominal value of the Shares to be issued may not exceed 50% of the registered par share capital when the authorisation is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the Company's shareholders, by transfer from the Company's distributable equity or from the Company's share premium reserve and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be affected either by issuing new shares to the Company's existing shareholders or by increasing the nominal value of the Company's outstanding Shares.

Issuance of new Shares to shareholders who are citizens or residents of the United States and other jurisdictions upon the exercise of preferential rights may require the Company to file a registration statement or prospectus in the United States under United States securities laws or in such other jurisdictions under the laws of such jurisdictions. Should the Company in such a situation decide not to file a registration statement or prospectus, the Company's U.S. shareholders and shareholders in such other jurisdictions may not be able to exercise their preferential rights. To the extent that shareholders are not able to exercise their rights to subscribe for new shares, the value of their subscription rights will be lost and such shareholders' proportional ownership interests in the Company will be reduced.

### *10.7.4 Minority rights*

Norwegian law sets forth a number of protections for minority shareholders of the Company, including, but not limited to, those described in this paragraph and the description of general meetings as set out above. Any of the Company's shareholders may petition Norwegian courts to have a decision of the board of directors or the Company's shareholders made at the general meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary dissolution of the Company.

Minority shareholders holding 10% or more of the Company's share capital have a right to demand in writing that the Board of Directors convenes an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any general meeting as long as the Company is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the general meeting has not expired.

### *10.7.5 Rights of redemption and repurchase of shares*

The share capital of the Company may be reduced by reducing the nominal value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorisation to do so by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares so acquired, and held by the Company must not lead to the share capital with deduction of the aggregate nominal of the holding of own shares is less than the minimum allowed share capital of NOK 30,000, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorisation by the general meeting of the Company's shareholders cannot be granted for a period exceeding two years.

### *10.7.6 Shareholder vote on certain reorganisations*

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the general meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the general meeting. A merger plan, or demerger plan signed by the board of directors along with certain other required documentation, would have to be sent to all the Company's shareholders, or if the articles of association stipulate that, made available to the shareholders on the Company's website, at least two weeks prior to the general meeting to pass upon the matter.

#### *10.7.7 Liability of board members*

Board members owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the board members act in the best interests of the Company when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Board members may each be held liable for any damage they negligently or willfully cause the Company. Norwegian law permits the general meeting to discharge any such person from liability, but such discharge is not binding on the Company if substantially correct and complete information was not provided at the general meeting passing upon the matter. If a resolution to discharge the Board Members from liability or not to pursue claims against such a person has been passed by a general meeting with a smaller majority than that required to amend the articles of association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility but can be recovered from any proceeds the Company receives as a result of the action. If the decision to discharge any of the Board Members from liability or not to pursue claims against the Board Members is made by such a majority as is necessary to amend the articles of association, the minority shareholders of the Company cannot pursue such claim in the Company's name.

#### *10.7.8 Indemnification of board members*

Neither Norwegian law nor the Articles of Association contain any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase insurance for the Board members against certain liabilities that they may incur in their capacity as such.

#### *10.7.9 Distribution of assets on liquidation*

Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at the general meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital.

### 10.8 Takeover bids and forced transfer of shares

The Company is not subject to the takeover regulations, applicable only to companies with shares listed on a Norwegian regulated market, set out in the Norwegian Securities Trading Act, or otherwise.

The Shares are, however, subject to the provisions on compulsory transfer of shares as set out in the Norwegian Private Companies Act. If a private limited liability company alone, or through subsidiaries, owns 9/10 or more of the shares in the subsidiary, and may exercise a corresponding part of the votes that may be cast in the general meeting, the board of directors of the parent company may resolve that the parent company shall take over the remaining shares in the company. Each of the other shareholders in the subsidiary have the right to require the parent company to take over the shares. The parent company shall give the shareholders a redemption offer pursuant to the provisions of the Norwegian Private Companies Act. The redemption amount will in the absence of agreement or acceptance of the offer be fixed by a discretionary valuation.

### 10.9 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are admitted to trading, or subject to an application for admission to trading on a Norwegian regulated marketplace, or incitement to such dispositions, must not be undertaken by anyone who has inside information. The same applies in the case of financial instruments that are admitted to trading on a Norwegian multilateral trading facility. Inside information is defined in Section 3-2 of the Norwegian Securities Trading Act and refers to precise information about financial instruments issued by the Company admitted to trading, about the Company admitted trading itself or about other circumstances which are likely to have a noticeable effect on the price of financial instruments issued by the Company admitted to trading or related to financial instruments issued by the Company admitted to trading, and which is not publicly available or commonly known in the market. Information that is likely to have a noticeable effect on the price shall be understood to mean information that a rational investor would probably make use of as part of the basis for his investment decision. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions. Breach of insider trading obligations may be sanctioned and lead to criminal charges.

# 11 NORWEGIAN TAXATION

This Section describes certain tax rules in Norway applicable to shareholders who are resident in Norway for tax purposes ("**Norwegian Shareholders**") and to shareholders who are not resident in Norway for tax purposes "**Foreign Shareholders**"). The statements herein regarding taxation are based on the laws in force in Norway as of the date of this Admission Document and are subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares. Investors are advised to consult their own tax Advisors concerning the overall tax consequences of their ownership of Shares. The statements only apply to shareholders who are beneficial owners of Shares. Please note that for the purpose of the summary below, references to Norwegian Shareholders or Foreign Shareholders refers to the tax residency rather than the nationality of the shareholder.

## 11.1 Norwegian shareholders

### *11.1.1 Taxation of dividends*

Norwegian corporate shareholders (i.e. limited liability companies and similar entities) ("**Norwegian Corporate Shareholders**") are comprised by the Norwegian participation exemption. Under the exemption, only 3% of dividend income on shares in Norwegian limited liability companies is subject to tax as ordinary income (22% flat rate as of 2020), implying that such dividends are effectively taxed at a rate of 0.66%.

Dividends distributed to Norwegian individual shareholders (i.e. other shareholders than Norwegian Corporate Shareholders) ("**Norwegian Individual Shareholders**") are grossed up with a factor of 1.44 before taxed as ordinary income (22% flat rate, resulting in an effective tax rate of 31.68%) to the extent the dividend exceeds a tax-free allowance.

The tax-free allowance is calculated on a share-by-share basis for each individual shareholder on the basis of the cost price of each of the Shares multiplied by a risk-free interest rate. The risk-free interest rate is based on the effective rate of interest on treasury bills (Nw.: *statskasseveksler*) with three months maturity plus 0.5 percentage points, after tax. The tax-free allowance is calculated for each calendar year and is allocated solely to Norwegian Individual Shareholders holding Shares at the expiration of the relevant calendar year. Norwegian Individual Shareholders who transfer Shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated tax-free allowance one year exceeding the dividend distributed on the Share ("unused allowance") may be carried forward and set off against future dividends received on (or gains upon realisation of, see below) the same Share. Any unused allowance will also be added to the basis of computation of the tax-free allowance on the same Share the following year.

The Shares will not qualify for Norwegian share saving accounts (Nw.: *aksjesparekonto*) for Norwegian Individual Shareholders as the Shares are listed on the Merkur Market (and not Oslo Børs/Oslo Axess).

### *11.1.2 Taxation of capital gains*

Sale, redemption or other disposal of Shares is considered as a realisation for Norwegian tax purposes.

Capital gains generated by Norwegian Corporate Shareholders through a realisation of shares in Norwegian limited liability companies, such as the Company, are comprised by the Norwegian participation exemption and therefore tax exempt. Net losses from realisation of Shares and costs incurred in connection with the purchase and realisation of such Shares are not tax deductible for Norwegian Corporate Shareholders.

Norwegian Individual Shareholders are taxable in Norway for capital gains derived from realisation of Shares, and have a corresponding right to deduct losses. This applies irrespective of how long the Shares have been owned by the individual shareholder and irrespective of how many Shares that are realized. Gains are taxable as ordinary income in the year of realisation and losses can be deducted from ordinary income in the year of realisation. Any gain or loss is grossed up with a factor of 1.44 before taxed at a rate of 22% (resulting in an effective tax rate of 31.68%). Gain or loss is calculated per Share, as the difference between the consideration received for the Share and the Norwegian Individual Shareholder's cost price for the Share, including costs incurred in connection with the acquisition or realisation of the Share. Any unused tax-free allowance connected to a Share may be deducted from a capital gain on the same Share, but may not lead to or increase a deductible loss. Further, unused tax-free allowance related to a Share cannot be set off against gains from realisation of other Shares.

If a Norwegian shareholder realizes Shares acquired at different points in time, the Shares that were first acquired will be deemed as first sold (the "first in first out"-principle) upon calculating taxable gain or loss. Costs incurred in connection with the purchase and sale of Shares may be deducted in the year of sale.

A shareholder who ceases to be tax resident in Norway due to domestic law or tax treaty provisions may become subject to Norwegian exit taxation of capital gains related to shares in certain circumstances.

#### *11.1.3 Net wealth tax*

The value of Shares is taken into account for net wealth tax purposes in Norway. The marginal net wealth tax rate is currently 0.85% of the value assessed. The value for assessment purposes for the Shares is equal to 65% of the total tax value of the Company as of 1 January of the year before the tax assessment year. However, if the share capital in the Company has been increased or reduced by payment from or to shareholders in the year before the tax assessment year, the value for assessment purposes for the Shares is equal to 65% of the total tax value of the Company as of 1 January of the tax assessment year. The value of debt allocated to the Shares (a proportional part of the shareholder's total debt) for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 65%).

Norwegian limited liability companies and similar entities are exempted from net wealth tax.

### 11.2 Foreign Shareholders

#### *11.2.1 Taxation of dividends*

Dividends paid from a Norwegian limited liability company to Foreign Shareholders are subject to Norwegian withholding tax at a rate of 25% unless the recipient qualifies for a reduced rate according to an applicable tax treaty or other specific regulations. The shareholder's country of residence may give credit for the Norwegian withholding tax imposed on the dividend.

If a Foreign Shareholder is carrying on business activities in Norway and the Shares are effectively connected with such activities, the Foreign Shareholder will be subject to the same taxation of dividend as a Norwegian Shareholder, as described above.

Foreign Shareholders that are corporate shareholders (i.e. limited liability companies and similar entities) ("**Foreign Corporate Shareholders**") resident within the EEA are exempt from Norwegian withholding tax pursuant to the Norwegian participation exemption provided that the Foreign Corporate Shareholder is genuinely established and carries out genuine economic activities within the EEA.

Dividends paid to Foreign Shareholders that are individual shareholders (i.e. other shareholders than Foreign Corporate Shareholders) ("**Foreign Individual Shareholders**") are as the main rule subject to Norwegian withholding tax at a rate of 25%, unless a lower rate has been agreed in an applicable tax treaty. If the individual shareholder is resident within the EEA, the shareholder may apply to the tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share, see Section 11.1.1 "*Taxation of dividends*". However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation on the dividends than the withholding tax rate of 25% less the tax-free allowance.

In accordance with the present administrative system in Norway, a distributing company will generally deduct withholding tax at the applicable rate when dividends are paid directly to an eligible Foreign Shareholder, based on information registered with the VPS. Foreign Corporate and Individual Shareholders must document their entitlement to a reduced withholding tax rate by (i) obtaining a certificate of residence issued by the tax authorities in the shareholder's country of residence, confirming that the shareholder is resident in that state and (ii) providing a confirmation from the shareholder that the shareholder is the beneficial owner of the dividend. In addition, Foreign Corporate Shareholders must also present either (i) an approved withholding tax refund application or (ii) an approval from the Norwegian tax authorities confirming that the recipient is entitled to a reduced withholding tax rate or a withholding tax exemption. Such documentation must be provided to either the nominee or the account operator (VPS). Dividends paid to Foreign Shareholders in respect of nominee registered shares are not eligible for reduced treaty withholding tax rate at the time of payment unless the nominee, by agreeing to provide certain information regarding beneficial owner, has obtained approval for reduced treaty withholding tax rate from the Norwegian tax authorities. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Foreign Individual Shareholders and Foreign Corporate Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted. The same will apply to Foreign Corporate Shareholders that have suffered withholding tax although qualifying for the Norwegian participation exemption.

Foreign Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments.

#### *11.2.2 Taxation of capital gains*

Gains from realisation of Shares by Foreign Shareholders will not be subject to tax in Norway unless the Foreign Shareholders are holding the Shares in connection with business activities carried out in or managed from Norway. Such taxation may be limited according to an applicable tax treaty or other specific regulations.

#### *11.2.3 Net wealth tax*

Foreign Shareholders are not subject to Norwegian net wealth tax with respect to the Shares, unless the shareholder is an individual, and the shareholding is effectively connected with a business which the shareholder takes part in or carries out in Norway. Such taxation may be limited according to an applicable tax treaty.

#### *11.2.4 Transfer taxes etc. VAT*

No transfer taxes, stamp duty or similar taxes are currently imposed in Norway on purchase, issuance, disposal or redemption of shares. Further, there is no VAT on transfer of shares.

# 12 SELLING AND TRANSFER RESTRICTIONS

## 12.1 General

As a consequence of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Shares admitted to trading on the Merkur Market.

The Company is not taking any action to permit a public offering of the Shares in any jurisdiction. Receipt of this Admission Document does not constitute an offer and this Admission Document is for information only and should not be copied or redistributed. If an investor receives a copy of this Admission Document, the investor may not treat this Admission Document as constituting an invitation or offer to it, nor should the investor in any event deal in the Shares, unless, in the relevant jurisdiction, the Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Admission Document, the investor should not distribute or send the same, or transfer Shares, to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations.

## 12.2 Selling restrictions

### *12.2.1 United States*

The Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold except: (i) within the United States to QIBs in reliance on Rule 144A or pursuant to another available exemption from the registration requirements of the U.S. Securities Act; or (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act, and, in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, the Merkur Market Advisors have represented and agreed that it has not offered or sold, and will not offer or sell, any of the Shares as part of its allocation at any time other than (i) within the United States to QIBs in accordance with Rule 144A or (ii) outside of the United States in compliance with Rule 903 of Regulation S. Transfer of the Shares will be restricted and each purchaser of the Shares in the United States will be required to make certain acknowledgements, representations and agreements, as described under Section 12.3.1 "*United States*".

### *12.2.2 United Kingdom*

The Merkur Market Advisors have represented, warranted and agreed that:

a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) in connection with the issue or sale of any Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Shares in, from or otherwise involving the United Kingdom.

### *12.2.3 European Economic Area*

In no member state (each a "**Relevant Member State**") of the European Economic Area (the "**EEA**") have Shares been offered and in no Relevant Member State other than Norway will Shares be offered to the public pursuant to an offering, except that Shares may be offered to the public in that Relevant Member State at any time in reliance on the following exemptions under the EU Prospectus Regulation:

a) to persons who are "qualified investors" within the meaning of Article 2(e) in the EU Prospectus Regulation;

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) per Relevant Member State, with the prior written consent of the Merkur Market Advisors for any such offer; or

c) in any other circumstances falling under the scope of Article 3(2) of the EU Prospectus Regulation;

provided that no such offer of Shares shall result in a requirement for the Company or the Merkur Market Advisors to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplementary prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purpose of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the an offering and the Shares to be offered, so as to enable an investor to decide to acquire any Shares.

This EEA selling restriction is in addition to any other selling restrictions set out in this Admission Document.

#### *12.2.4 Other jurisdictions*

The Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Switzerland, Japan, Canada, Australia or any other jurisdiction in which it would not be permissible to offer the Shares.

In jurisdictions outside the United States and the EEA where an offering would be permissible, the Shares will only be offered pursuant to applicable exceptions from prospectus requirements in such jurisdictions.

### 12.3 Transfer restrictions

#### *12.3.1 United States*

The Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold except: (i) within the United States only to QIBs in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S, and in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Terms defined in Rule 144A or Regulation S shall have the same meaning when used in this Section.

Each purchaser of the Shares outside the United States pursuant to Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Admission Document and such other information as it deems necessary to make an informed investment decision and that:

a) The purchaser is authorized to consummate the purchase of the Shares in compliance with all applicable laws and regulations.

b) The purchaser acknowledges that the Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority or any state of the United States, subject to certain exceptions, may not be offered or sold within the United States.

c) The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Shares, was located outside the United States at the time the buy order for the Shares was originated and continues to be located outside the United States and has not purchased the Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Shares or any economic interest therein to any person in the United States.

d) The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Shares from the Company or an affiliate thereof in the initial distribution of such Shares.

e) The purchaser is aware of the restrictions on the offer and sale of the Shares pursuant to Regulation S described in this Admission Document.

f) The Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

g) The Company shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above restrictions.

h) If the purchaser is acquiring any of the Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements in behalf of each such account.

i) The purchaser acknowledges that the Company, the Merkur Market Advisors and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Shares within the United States purchasing pursuant to Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act will be deemed to have acknowledged, represented and agreed that it has received a copy of this Admission Document and such other information as it deems necessary to make an informed investment decision and that:

a) The purchaser is authorized to consummate the purchase of the Shares in compliance with all applicable laws and regulations.

b) The purchaser acknowledges that the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions to transfer.

c) The purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Shares for its own account or for the account of a QIB, in each case for investment and not with a view to any resale or distribution to the Shares, as the case may be.

d) The purchaser is aware that the Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act.

e) If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Shares, or any economic interest therein, as the case may be, such Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction meeting the requirements of Regulation S, (iii) in accordance with Rule 144 (if available), (iv) pursuant to any other exemption from the registration requirements of the U.S. Securities Act, subject to the receipt by the Company of an opinion of counsel or such other evidence that the Company may reasonably require that such sale or transfer is in compliance with the U.S. Securities Act or (v) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.

f) The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Shares from the Company or an affiliate thereof in the initial distribution of such Shares.

g) The purchaser will not deposit or cause to be deposited such Shares into any depositary receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Shares are "restricted securities" within the meaning of Rule 144(a) (3) under the U.S. Securities Act.

h) The purchaser acknowledges that the Shares are "restricted securities" within the meaning of Rule 144(a) (3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Shares, as the case may be.

i) The purchaser acknowledges that the Company shall not recognize any offer, sale pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

j) If the purchaser is requiring any of the Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

k) The purchaser acknowledges that the these representations and undertakings are required in connection with the securities laws of the United States and that Company, the Merkur Market Advisors and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

*12.3.2 European Economic Area*

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Shares under, the offers contemplated in this Admission Document will be deemed to have represented, warranted and agreed to and with the Merkur Market Advisors and the Company that:

a) it is a qualified investor within the meaning of Articles 2(e) of the EU Prospectus Regulation; and

b) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 1 of the EU Prospectus Regulation, (i) the Shares acquired by it in an offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Regulation, or in circumstances in which the prior consent of the Merkur Market Advisors has been given to the offer or resale; or (ii) where Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the EU Prospectus Regulation as having been made to such persons.

For the purpose of this representation, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on terms of an offering and the Shares to be offered, so as to enable an investor to decide to acquire any Shares.

# 13 ADDITIONAL INFORMATION

## 13.1 Admission to trading on the Merkur Market

The Company applied Oslo Børs ASA for the Admission to Trading on the Merkur Market on 1 October 2020. The first day of the Admission to Trading is expected to be on or around 16 October 2020.

## 13.2 Information sourced from third parties and expert opinions

In this Admission Document, certain information has been sourced from third parties. The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

The Company confirms that no statement or report attributed to a person as an expert is included in this Admission Document.

## 13.3 Independent auditor

The Company's independent auditor is PricewaterhouseCoopers AS, with business registration number 987 009 713 and registered address Dronning Eufemias gate 71, 0194 Oslo. The partners of PricewaterhouseCoopers AS are members of the Norwegian Institute of Public Accountants (Nw.: *Den Norske Revisorforeningen*).

PricewaterhouseCoopers AS has been the Company's independent auditor since 8 January 2018.

## 13.4 Advisors

The Company has engaged Carnegie AS, with business registration number 936 310 974 and registered address Fjordalléen 16, Aker Brygge, 0250 Oslo, Norway, and SpareBank 1 Markets AS, with business registration number 992 999 101 and registered address at Olav V's gate 5, 0161 Oslo, Norway, as Merkur Advisors.

Wikborg Rein Advokatfirma AS, with business registration number 916 782 195 and registered address at Dronning Mauds gate 11, 0250 Oslo, Norway is acting as Norwegian legal counsel to the Company and the Merkur Advisors.

# 14 DEFINITIONS AND GLOSSARY OF TERMS

| | |
|---|---|
| **Admission Document** | This Admission Document dated 13 October 2020 |
| **Admission** or **Admission to Trading** | The admission to trading of the Company's Shares on the Merkur Market, expected to take place on or around 16 October 2020 |
| **AI** | Artificial Intelligence |
| **Annual Financial Statements** | The audited consolidated financial statements for the Group as of and for the years ended 31 December 2019 and 31 December 2018, prepared in accordance with IFRS, which are enclosed as Appendix C and D |
| **Articles of Association** | Articles of Association of the Company as of 7 October 2020 |
| **Board of Directors** or **Board Members** | The Board of Directors of the Company |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **Company** or **Elliptic Labs** | Elliptic Laboratories AS, a private limited liability company with business registration number 989 750 186 and registered address Akersgata 32, 0180 Oslo, Norway |
| **EEA** | European Economic Area |
| **EU Prospectus Regulation** | Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended, and as implemented in Norway |
| **Foreign Corporate Shareholders** | Foreign Shareholders that are corporate shareholders (i.e. limited liability companies and similar entities) |
| **Foreign Individual Shareholders** | Foreign Shareholders that are individual shareholders (i.e. other shareholders than Foreign Corporate Shareholders) |
| **Foreign Shareholders** | Shareholders who are not resident in Norway for tax purposes |
| **FSMA** | Financial Services and Markets Act 2000 |
| **Group** | The Company and its subsidiaries |
| **IAS 34** | International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU |
| **IFRS** | International Financial Reporting Standards as adopted by the European Union |
| **IN** | Innovasjon Norge |
| **Interim Financial Statements** | The unaudited interim consolidated financial statements for the Company as of and for the six months period ended 30 June 2020, with comparable figures from 2019, which are enclosed as Appendix B |
| **IP** | Intellectual property |
| **IR** | Infrared |
| **LAMP** | "Linux, Apache, MySQL, and PHP", together providing a proven set of software for delivering high-performance web applications |
| **MAMP** | "Mac OS X, Apache, MySQL, and PHP"; a variation of the LAMP software package that can be installed on Mac OS X |
| **Management** | The members of the Company's executive management |
| **Merkur Advisors** | Carnegie AS and SpareBank 1 Markets AS |
| **Merkur Market** | A multilateral trading facility operated by Oslo Børs ASA |
| **NCAP** | European New Car Assessment Programme |
| **NOK** | Norwegian Kroner, the lawful currency of Norway |
| **Norwegian Code of Practice** | The Norwegian Code of Practice for Corporate Governance last updated on 17 October 2018 |
| **Norwegian Corporate Shareholders** | Shareholders who are limited liability companies (and certain similar entities) domiciled in Norway for tax purposes |
| **Norwegian Individual Shareholders** | Norwegian Shareholders other than Norwegian Corporate Shareholders |

| | |
|---|---|
| **Norwegian Private Companies Act** | The Norwegian Private Limited Liability Companies Act of 13 June 1997 no. 44, as amended (Nw.: *aksjeloven*) |
| **Norwegian Securities Trading Act** | The Norwegian Securities Trading Act of 29 June 2007 no. 75, as amended (Nw.: *verdipapirhandelloven*) |
| **Norwegian Securities Trading Regulation** | The Norwegian Securities Trading Regulations of 29 June 2007 no. 876, as amended |
| **Norwegian Shareholders** | Shareholders who are resident in Norway for tax purposes |
| **OEM(s)** | Original Equipment Manufacturer(s) |
| **Private Placement** | A private placement consisting of an issuance of 833,333 new Shares, each with a par value of NOK 0.10, at a subscription price of NOK 150 per Share, raising gross proceeds of NOK 125 million |
| **Relevant Member State** | Each Member State of the European Economic Area which has implemented the EU Prospectus Regulation |
| **R&D** | Research and development |
| **Share(s)** | The shares of the Company, consisting as at the date of this Admission document of 9,584,591 ordinary shares each with a par value of NOK 0.10 |
| **United States** | The United States of America |
| **VPS Registrar** | DNB Bank ASA |
| **VPS** | The Norwegian Central Securities Depository (Nw.: *Verdipapirsentralen ASA*) |

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## Appendix A – Articles of Association

*Unofficial office translation.*
*In case of discrepancies, the Norwegian version shall prevail.*

# VEDTEKTER

# ELLIPTIC LABORATORIES AS

(org.nr. 989 750 186)

*Vedtatt 7. oktober 2020*

### § 1 | Foretaksnavn

Selskapets foretaksnavn er Elliptic Laboratories AS.

### § 2 | Forretningskontor

Selskapets forretningskontor er i Oslo kommune.

### § 3 | Formål

Selskapet har som formål å utvikle, markedsføre og selge løsninger og tjenester for interaksjon, avbildning og informasjonsutveksling mellom mennesker og tekniske enheter og alt som står i forbindelse med dette, samt deltagelse og investering i andre selskaper.

### § 4 | Aksjekapital

Selskapets aksjekapital er NOK 958 459,10 fordelt på 9 584 591 aksjer, hver pålydende NOK 0,10.

### § 5 | Styre

Selskapets styre skal ha fra fire til syv medlemmer.

### § 6 | Signatur

Selskapet tegnes av styrets leder og daglig leder i fellesskap eller av to styremedlemmer i fellesskap.

### § 7 | Overføring av aksjer mv.

Selskapets aksjer er fritt omsettelige og skal være registrert i Verdipapirsentralen ASA (VPS).

Ingen aksjeeiere har rett til å overta en aksje som har skiftet eier.

Erverv av aksjer er ikke betinget av samtykke fra selskapet.

### § 8 | Generalforsamling

På den ordinære generalforsamlingen skal følgende

# ARTICLES OF ASSOCIATION

# ELLIPTIC LABORATORIES AS

(reg. no. 989 750 186)

*As of 7 October 2020*

### § 1 | Company name

The company's name is Elliptic Laboratories AS.

### § 2 | Registered office

The company's registered office is in the municipality of Oslo.

### § 3 | Objective

The objective of the company is to develop, market and sell solutions and services for interaction, imaging and information exchange between people and technical devices, and everything related thereto, as well as to participate and invest in other companies.

### § 4 | Share capital

The company's share capital is NOK 958,459.10, divided into 9,584,591 shares, each with a par value of NOK 0.10.

### § 5 | Board of directors

The board of directors shall consist of between four and seven members.

### § 6 | Signatory rights

The chairman of the board and the CEO, or two board members, may jointly sign on behalf of the company.

### § 7 | Transfer of shares etc.

The company's shares are freely transferable and shall be registered with the Norwegian Central Securities Depository (VPS).

No shareholder shall be entitled to acquire shares upon change of ownership.

Acquisition of shares is not subject to the consent of the company.

### § 8 | General meetings

The annual general meeting shall address and decide upon saker behandles og avgjøres:

1. Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
2. Valg av styremedlemmer og styrets leder, hvis disse er på valg.
3. Fastsettelse av styrets godtgjørelse.
4. Valg av ny revisor hvis revisorskifte er aktuelt, samt godkjenne revisors honorar.
5. Andre saker som etter lov eller vedtektene hører under generalforsamlingen.

Styret kan vedta at aksjeeiere kan avgi sin stemme skriftlig, herunder ved bruk av elektronisk kommunikasjon, i en periode før generalforsamlingen. Styret kan fastsette nærmere retningslinjer for slik forhåndsstemming. Det skal fremgå av generalforsamlingsinnkallingen hvilke retningslinjer som er fastsatt.

**§ 9 | Innkalling til generalforsamling**

Innkalling til generalforsamling skal skje med minst én ukes varsel ved e-post eller brev til alle aksjeeiere med kjent adresse.

Dokumenter som gjelder saker som skal behandles på selskapets generalforsamling, herunder dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen, trenger ikke sendes til aksjeeierne dersom dokumentene er tilgjengelige på selskapets internettsider. En aksjeeier kan likevel kreve å få tilsendt dokumenter som gjelder saker som skal behandles på generalforsamlingen.

the following matters:

1. Approval of the annual accounts and the annual report, including distribution of dividend.
2. Election of board members and the chairman of the board of directors, if applicable.
3. Remuneration of the board of directors.
4. Election of new auditor if relevant, as well as approval of the auditor's remuneration.
5. Any other matters which are referred to the general meeting by law or the articles of association.

The board of directors may resolve that the shareholders may cast their votes in writing, including by electronic communication, in a period prior to the general meeting. The board of directors may establish specific guidelines for such advance voting. It must be stated in the notice of the general meeting which guidelines have been set.

**§ 9 | Notice of general meeting**

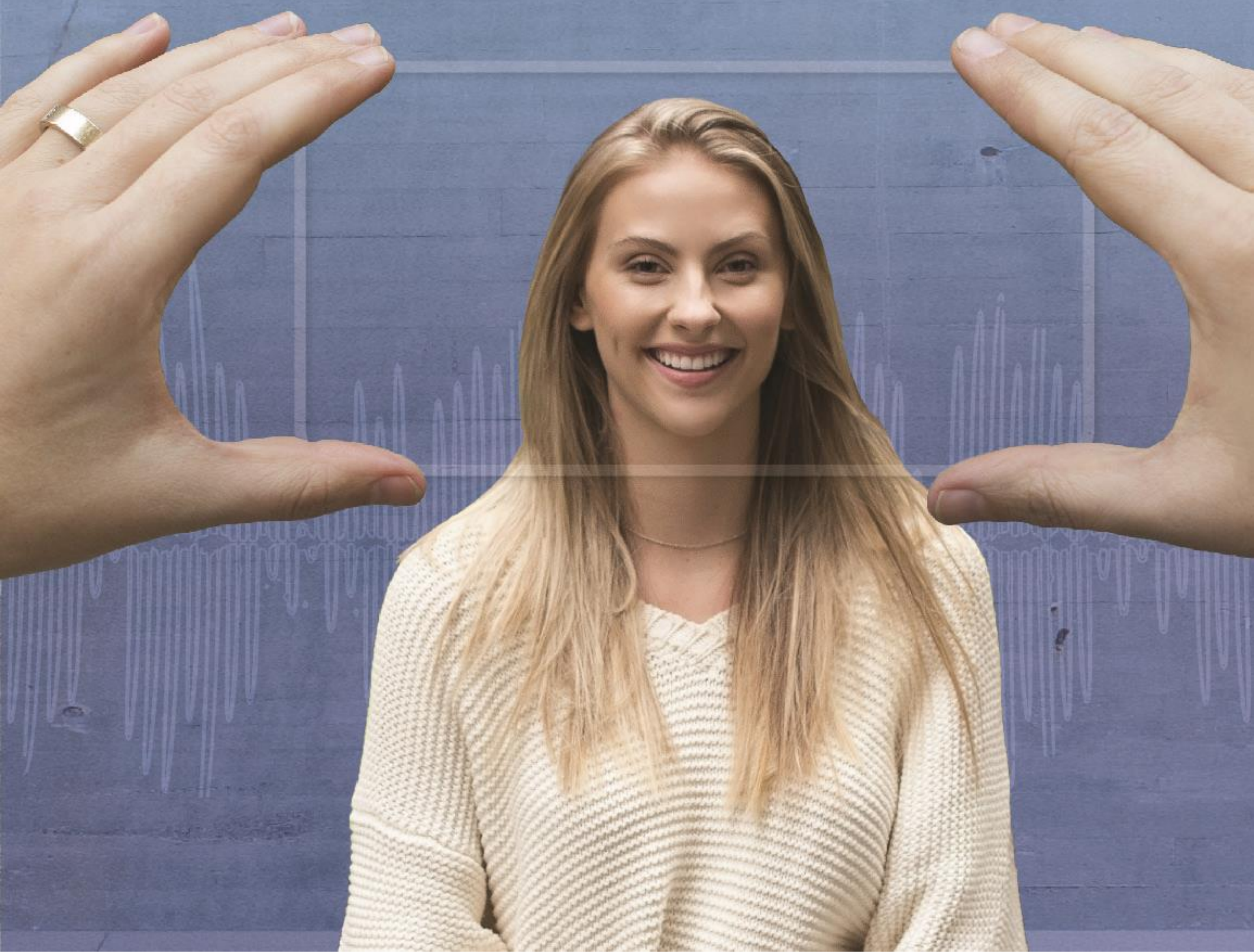
Notice of general meetings shall be sent at least one week in advance by e-mail or mail to all shareholders with known address.

Documents relating to matters to be dealt with by the company's general meeting, including documents which by law shall be included in or attached to the notice of the general meeting, do not need to be sent to the shareholders if such documents have been made available on the company's website. A shareholder may nevertheless request that documents relating to matters to be dealt with at the general meeting, are sent to him or her.

## Appendix B – Unaudited consolidated financial statements for Elliptic Laboratories AS for the six months period ended 30 June 2020

ellipticlabs

# (Unaudited) First Half 2020



# Financial summary for the Group's first half 2020 (unaudited)

Comparable amounts for first half 2019 are presented in brackets.

**Operating revenue**
Consolidated operating revenue for the first half totalled NOK 9 914 thousand (NOK 21 421 thousand).

**Operating costs**
Operating costs totalled NOK 30 053 thousand (NOK 32 509 thousand). Personnel expenses accounted for NOK 21 227 thousand (NOK 21 657 thousand).

**Operating profit/loss**
The Group generated an operating loss of NOK 20 139 thousand (NOK 11 088 thousand).

**Financial items**
Net financial expenses amounted to NOK 1 710 thousand (financial expense NOK 1 425 thousand).

**Profit/loss**
The loss before tax was NOK 21 848 thousand (NOK 12 513 thousand). Income tax revenue was NOK 4 796 thousand (NOK 2 807 thousand), resulting in a loss of NOK 17 052 thousand (NOK 9 706 thousand).

**Cash flow**
The cash flow from operating activities was NOK -17 100 thousand (NOK -4 677 thousand). Cash flow from financing was NOK -1 762 thousand (NOK 7 037 thousand). Cash and cash equivalents at the end of the period were NOK 11 918 thousand (NOK 13 332 thousand).

**Financing and debt**
The Group's equity was NOK 65 504 thousand (NOK 39 539 thousand). The group had total long term liabilities of NOK 41 000 thousand (NOK 39 000 thousand).

# Going concern

In accordance with the Accounting Act § 3-3a, the financial statements have been prepared under the assumption of going concern. This assumption is based on profit forecasts for the year 2020 and the Group's long-term strategic forecasts.

# First half consolidated financial statements

## First half consolidated statement of comprehensive income

For the financial period ended 30 June 2020 and 2019, and 31 December 2019.

| *(Amounts in NOK)* | Notes | Q2 2020 (Unadited) | Q2 2019 (Unadited) | 1H 2020 (Unadited) | 1H 2019 (Unadited) | 2019 (Audited) |
|---|---|---|---|---|---|---|
| Revenues | | 2 288 831 | 7 726 150 | 2 291 088 | 12 039 792 | **37 957 021** |
| Other operating income | | 3 611 830 | 0 | 7 623 324 | 9 380 914 | **14 726 017** |
| **Total revenue** | **2** | **5 900 661** | **7 726 150** | **9 914 411** | **21 420 706** | **52 683 038** |
| Personnel expenses | | -8 924 303 | -6 665 644 | -21 227 058 | -21 657 401 | **-45 650 734** |
| Other operating expenses | 3 | -3 329 615 | -3 303 609 | -6 110 157 | -8 050 588 | **-15 631 493** |
| Depreciation, amortisation and impairment | 4,8 | -1 353 509 | -1 930 560 | -2 715 739 | -2 800 758 | **-4 392 985** |
| **Total operating costs** | | **-13 607 426** | **-11 899 813** | **-30 052 955** | **-32 508 748** | **-65 675 213** |
| **Operating profit** | | **-7 706 765** | **-4 173 663** | **-20 138 543** | **-11 088 042** | **-12 992 175** |
| Financial income | | 929 590 | 326 824 | 936 399 | 185 777 | **307 049** |
| **Total financial income** | | **929 590** | **326 824** | **936 399** | **185 391** | **307 049** |
| Financial expenses | | -1 185 211 | -834 527 | -2 646 083 | -1 611 222 | **-4 275 169** |
| **Total financial expenses** | | **-1 185 211** | **-834 527** | **-2 646 083** | **-1 611 222** | **-4 275 169** |
| **Profit/(loss) before tax** | | **-7 962 386** | **-4 681 366** | **-21 848 227** | **-12 513 487** | **-16 960 295** |
| Income tax revenue/-expense | | 1 803 537 | 1 119 441 | 4 795 949 | 2 807 263 | **3 703 338** |
| **Profit/(loss) for the period** | | **-6 158 849** | **-3 561 925** | **-17 052 337** | **-9 706 224** | **-13 256 956** |
| Other comprehensive income: | | | | | | |
| Foreign currency changes, may be Reclassified to profit or loss | | -145 214 | -165 030 | 183 983 | -157 905 | **5 059** |
| Other comprehensive income, net of tax | | **-145 214** | **-165 030** | **183 983** | **-157 905** | **5 059** |
| **Total comprehensive income for the period** | | **-6 304 062** | **-3 726 955** | **-16 868 354** | **-9 864 128** | **-13 251 897** |
| Loss for the period is attributable to: | | | | | | |
| Equity holders of the parent company | | **-6 304 062** | **-3 726 955** | **-16 868 354** | **-9 864 128** | **-13 251 897** |
| Non-controlling interests | | | | | | |
| Profit/(loss) per share | | -0,73 | -0,43 | -1,96 | -1.15 | -1.54 |

# First half consolidated statement of financial position

At 30 June 2020, 2019 and 31 December 2019 respectively

| *(Amounts in NOK)* | Notes | 30.06.2020 (Unaudited) | 30.06.2019 (Unaudited) | 31.12.2019 (Audited) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Deferred tax assets | | 61 054 123 | 55 873 502 | 56 168 887 |
| Intangible assets | 4 | 19 114 516 | 12 541 287 | 16 551 924 |
| Right of use assets | 8 | 6 138 906 | 7 952 690 | 7 255 068 |
| Other non-current receivables | | 2 092 437 | 2 135 685 | 2 092 437 |
| **Total non-current assets** | | **88 399 982** | **78 503 164** | **82 068 316** |
| | | | | |
| **Current assets** | | | | |
| Accounts receivable | | 6 424 760 | 6 903 520 | 14 309 741 |
| Other current receivables | | 16 511 412 | 8 660 715 | 7 116 584 |
| Cash and cash equivalents | 6 | 11 917 689 | 13 331 827 | 35 873 432 |
| **Total current assets** | | **34 853 861** | **28 896 062** | **57 299 757** |
| | | | | |
| **Total assets** | | **123 253 843** | **107 399 225** | **139 368 073** |
| | | | | |
| **Equity and liabilities** | | | | |
| Share capital | | 875 126 | 856 406 | 875 106 |
| Other equity | | 64 629 275 | 38 682 381 | 79 157 649 |
| **Total equity** | | **65 504 401** | **39 538 787** | **80 032 755** |
| | | | | |
| Finance debt | 8 | 4 103 647 | 7 137 102 | 5 205 363 |
| Bank borrowings, long-term | 7 | 41 000 000 | 38 999 827 | 14 000 000 |
| **Total long-term liabilities** | | **45 103 647** | **46 136 929** | **19 205 363** |
| | | | | |
| Bank borrowings, short-term | 7 | 2 421 619 | 12 000 000 | 29 431 148 |
| Trade and other payables | | 1 047 078 | 1 133 448 | 834 715 |
| Tax payable | | 117 546 | 1 072 142 | 162 501 |
| Accrued public taxes | | 1 640 168 | 1 553 297 | 2 669 095 |
| Other short-term liabilities | | 7 419 384 | 5 964 621 | 7 032 496 |
| **Total current liabilities** | | **12 645 795** | **21 723 509** | **40 129 955** |
| | | | | |
| **Total equity and liabilities** | | **123 253 843** | **107 399 225** | **139 368 073** |

# First half consolidated statement of changes in equity

Attributable to owners of Elliptic Laboratories AS.

| **2020** *(Amounts in NOK)* **(Unaudited)** | **Share capital and pre-mium** | **Paid-in equity** | **Other equity** | **Foreign currency rate differences** | **Total equity** |
|---|---|---|---|---|---|
| **Shareholders' equity at 01.01.2020** | **875 106** | **70 323 490** | **9 085 897** | **-251 738** | **80 032 755** |
| Profit (loss) for the period | - | -17 052 337 | - | - | -17 052 337 |
| Other comprehensive income for the period | - | - | - | 183 983 | 183 983 |
| **Total comprehensive income for the period** | **-** | **-17 052 337** | **-** | **183 983** | **-16 868 354** |
| **Transactions with owners:** | | | | | |
| Capital increase through issuance of ordinary shares | 20 | 39 980 | - | - | 40 000 |
| Employee share schemes | - | - | 2 300 000 | - | 2 300 000 |
| **Shareholders' equity at 30.06.2020** | **875 126** | **53 311 133** | **11 385 897** | **-67 755** | **65 504 401** |

| **2019** *(Amounts in NOK)* **(Unaudited)** | **Share capital and premium** | **Paid-in equity** | **Other equity** | **Foreign currency rate differences** | **Total equity** |
|---|---|---|---|---|---|
| **Shareholders' equity at 01.01.2019** | **856 401** | **6 214 160** | **40 584 151** | **-256 797** | **47 397 916** |
| Profit (loss) for the period | 0 | 0 | -9 706 224 | 0 | -9 706 224 |
| Other comprehensive income for the period | 0 | 0 | 0 | -157 905 | -157 905 |
| **Total comprehensive income for the period** | **0** | **0** | **-9 706 224** | **-157 905** | **-9 864 128** |
| **Transactions with owners:** | | | | | |
| Share issue | 0 | 0 | 5 000 | 0 | 5 000 |
| Employee share schemes | 0 | 2 000 000 | 0 | 0 | 2 000 000 |
| **Shareholders' equity at 30.06.2019** | **856 401** | **8 214 160** | **30 882 927** | **-414 701** | **39 538 787** |

# First half consolidated cash flow statement

At 30 June 2020, 2019 and 31 December 2019, respectively

| *(Amounts in NOK)* | **Notes** | **30.06.2020 (Unadited)** | **30.06.2019 (Unadited)** | **2019 (Audited)** |
|---|---|---|---|---|
| **Cash flow from operating activities:** | | | | |
| Profit/(loss) before tax | | -21 848 286 | -12 513 497 | -16 960 295 |
| Adjustment for: | | | | |
| Taxes paid in the period | | -134 242 | -122 371 | -431 321 |
| Depreciation and impairment | 4 | 2 715 739 | 2 800 758 | 4 392 985 |
| Option based payments | | 2 300 000 | 2 000 000 | 2 871 737 |
| Items classified as financing activities | | 1 801 796 | 967 976 | 2 750 505 |
| Change in accounts receivable | | -1 509 847 | 5 120 450 | -741 640 |
| Change in trade payables | | 212 363 | -1 393 991 | -1 692 725 |
| Change in other accruals | | -637 121 | -1 536 496 | 1 763 576 |
| **Net cash flow from operations** | | **-17 099 599** | **-4 677 161** | **-8 047 177** |
| | | | | |
| **Cash flow from investments:** | | | | |
| Purchase of fixed assets | | -5 278 331 | - 5 493 670 | -11 096 535 |
| **Net cash flow from investments** | | **-5 278 331** | **- 5 493 670** | **-11 096 535** |
| | | | | |
| **Cash flow from financing:** | | | | |
| Repayments bank borrowings | | 0 | 0 | 0 |
| Repayment of lease liabilities | | 0 | 8 000 000 | -1 875 949 |
| Paid in capital from owners | | 40 000 | 5 000 | 43 015 000 |
| Interests bank borrowings | 7 | -1 801 796 | -967 976 | -2 750 505 |
| **Net cash flow from financing** | | **-1 761 796** | **7 037 024** | **38 388 546** |
| | | | | |
| **Net Change in Cash and Cash Equivalents** | | **-24 139 726** | **-3 133 807** | **19 244 835** |
| Cash and cash equivalents at the beginning of the period | | 35 873 432 | 16 623 538 | 16 623 538 |
| Effect of foreign currency rate changes on cash and cash equiva-lents | | 183 983 | -157 905 | 5 059 |
| **Cash and cash equivalents at the end of period** | | **11 917 689** | **13 331 827** | **35 873 432** |

# Notes to the first half consolidated financial statements

## Note 1 – Accounting principles

### 1.1 General information

Elliptic Laboratories AS and its subsidiaries (together "Elliptic Labs" or the "Group") develop software that generates and interprets ultrasound using only existing device hardware. The Group targets smartphones and "Internet of Things" (IoT) devices, enabling bezel-less design, intuitive 3D gesture recognition and touchless or presence sensing. Investments in and cooperation with other companies are also part of the Group's purpose.

The domicile of Elliptic Labs is Oslo, Norway. The 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.

#### 1.2.1 Basis of preparation

The half year consolidated financial statements of the Group have been prepared in accordance with IAS 34 for the financial reporting of first half 2020 and 2019.

The consolidated financial statements have been prepared under the historical cost convention, as modified by derivatives at fair value through profit or loss. This second quarter report has not been subject to audit.

The accounting policies applied in this report are consistent with those applied and described in the 2019 annual report.

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

#### 1.2.2 Operating revenues

The group has chosen to early apply IFRS 15 Revenue from Contracts with Customers as issued in May 2014. 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 the 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 sold smart phones, revenue is recognised in the amount to which Elliptic Laboratories has a right to invoice.

### 1.2.3 Basis for loss provisions

When determining possible loss provision, the Group undertakes an individual assessment of each customer based on the size of the contract and various risk factors related to the customer's creditworthiness.

## Note 2 – Revenue from contracts with customers

Revenue from contracts with customers consists of the following entries as set forth in the table below.

| *(Amounts in NOK)* | **Q2 2020 (Unadited)** | **Q2 2019 (Unadited)** | **30.06 2020 (Unadited)** | **30.06.2019 (Unadited)** | **2019 (Audited)** |
|---|---|---|---|---|---|
| Revenues from contracts with customers | 2 288 831 | 7 726 150 | 2 291 088 | 12 039 792 | 37 597 021 |
| Revenue from other sources | 3 611 830 | 0 | 7 623 324 | 9 380 914 | 14 726 017 |
| **Total revenue** | **5 900 661** | **7 726 150** | **9 914 411** | **21 420 706** | **52 683 038** |

Revenue from other sources consists in total of government grants.

## Note 3 – Other operating expenses

| *(Amounts in NOK)* | **Q2 2020 (Unadited)** | **Q2 2019 (Unadited)** | **Q2 YTD 2020 (Unadited)** | **Q2 YTD 2019 (Unadited)** | **2019 (Audited)** |
|---|---|---|---|---|---|
| Sales and marketing expenses | 633 429 | 1 489 127 | 1 534 487 | 3 109 641 | 6 340 672 |
| Rent | 162 576 | -379 192 | 444 444 | 604 303 | 1 171 602 |
| Electricity, heating and other property expenses | 234 950 | 224 811 | 442 053 | 343 682 | 862 651 |
| Consultants | 323 521 | 811 758 | 1 197 861 | 2 097 308 | 4 511 122 |
| Auditor | 120 307 | 47 171 | 228 177 | 137 150 | 251 612 |
| Legal | 858 611 | 328 511 | 858 611 | 349 624 | 396 224 |
| Provision for losses/Losses | 0 | 0 | 0 | 0 | 0 |
| Patents | 74 476 | 172 687 | 176 373 | 298 211 | 642 135 |
| IT/Software | 542 742 | 498 409 | 975 683 | 912 514 | 540 113 |
| Other expenses | 379 002 | 110 327 | 252 467 | 198 155 | 915 363 |
| **Total other operating expenses** | **3 329 615** | **3 303 609** | **6 110 157** | **8 050 588** | **15 631 493** |

# Note 4 - Intangible assets

| **2020** *(Amounts in NOK)* **(Unaudited)** | **Patents** | **Trademark** | **Capitalized R&D** | **Total intangible assets** |
|---|---|---|---|---|
| Cost at 01.01.2020 | 13 791 727 | 23 505 | 14 828 851 | 28 644 083 |
| Additions | 912 167 | 0 | 3 250 005 | 4 162 172 |
| Disposals | 0 | 0 | 0 | 0 |
| **Cost at 30.06.2020** | **14 703 894** | **23 505** | **18 078 856** | **32 806 255** |
| Accumulated amortisation and impairment charges 01.01.2020 | 10 705 699 | 5 669 | 1 380 793 | 12 092 160 |
| Amortisation charges in the period | 116 693 | 0 | 1 482 886 | 1 599 579 |
| **Accumulated amortisation and impairment charges 30.06.2020** | **10 822 392** | **5 669** | **2 863 679** | **12 896 311** |
| **Net booked value as at 30.06.2020** | **3 881 502** | **17 836** | **15 215 177** | **19 114 516** |
| Useful life: | 5 | 5 | 5 | |
| Amortization method: | Straight-line | Straight-line | Straight-line | |

IFRS 16 Leases was implemented by the Group on 1 January 2019. Depreciation for the period 1 January to 30 June 2020 was NOK 1 116 162.

| **2019** *(Amounts in NOK)* **(Unaudited)** | **Patents** | **Trademark** | **Capitalized R&D** | **Total intangible assets** |
|---|---|---|---|---|
| Cost at 01.01.2019 | 12 496 028 | 23 505 | 6 903 966 | 19 423 499 |
| Additions | 683 308 | 0 | 3 750 000 | 4 433 308 |
| Disposals | 0 | 0 | 0 | 0 |
| **Cost at 30.06.2019** | **13 179 336** | **23 505** | **10 653 966** | **23 856 807** |
| Accumulated amortisation and impairment charges 01.01.2019 | 9 574 157 | 968 | 0 | 9 575 124 |
| Amortisation charges in the period | 1 050 000 | 0 | 690 396 | 1 740 396 |
| **Accumulated amortisation and impairment charges 30.06.2019** | **10 624 157** | **968** | **690 396** | **11 315 521** |
| **Net booked value as at 30.06.2019** | **2 555 179** | **22 537** | **9 963 570** | **12 541 287** |
| Useful life: | 5 | 5 | 5 | |
| Amortization method: | Straight-line | Straight-line | Straight-line | |

## Note 5 – Share option programs

As of 30.06.2020, the Group has option programs that includes a total of 43 employees in parent and subsidiary companies. 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 option programs is to attract and retain key personnel. The fair value of the options is calculated at the grant date, based on the Black-Scholes model, and expensed over the vesting period of 4 years.

## Note 6 – Cash and cash equivalents

| *Amounts in NOK* | **30.06.2020** | **30.06.2019** | **31.12.2019** |
|---|---|---|---|
| Cash and cash equivalents | 11 917 689 | 13 331 827 | 35 873 432 |
| | | | |
| **Of which are restricted cash:** | | | |
| Restricted bank deposits for employee tax withholdings | 596 581 | 816 731 | 1 617 519 |
| Guarantee account | 1 500 000 | 1 500 000 | 1 511 133 |
| **Not restricted cash** | **9 821 108** | **11 015 096** | **32 744 780** |

## Note 7 – Interest-bearing liabilities

| *(Amounts in NOK)* | **1 January – 30 June 2020** | **1 January – 30 June 2019** | **1 January – 31 December 2019** |
|---|---|---|---|
| **Long-term liabilities due > 1 year** | | | |
| Bank borrowings, long-term | 41 000 000 | 38 999 827 | 14 000 000 |
| Future interests and other loan costs | 1 230 000 | 2 020 000 | 1 430 625 |
| Bank borrowings, long-term net of future interests and loan costs | 42 230 000 | 41 019 827 | 15 430 625 |
| **Total** | **42 230 000** | **41 019 827** | **15 430 625** |
| | | | |
| **Long-term liabilities due < 1 year** | | | |
| Bank borrowings | 2 000 000 | 4 000 000 | 4 000 000 |
| Future interests and loan costs | 355 500 | 272 000 | 899 250 |
| Bank borrowings, short-term net of future interests loan costs | 2 355 500 | 4 272 000 | 4 899 250 |
| **Total** | | **4 272 000** | **4 899 250** |
| | | | |
| **Short-term liabilities due < 1 year** | | | |
| Overdraft credit, Pareto Bank | 421 619 | **0** | 25 431 148 |
| Bank borrowings, DnB Bank ASA | 0 | 8 000 000 | 0 |
| Loan costs | 880 500 | 525 140 | 1 788 483 |
| **Total** | **1 302 119** | **8 525 140** | **27 219 631** |

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

| **Loan facility 30.06.2020** *(Amount in NOK)* | **Loan origina-tion date** | **Principle in local cur-rency** | **Fixed interest loan** | **Termination date** | **Carrying value** |
|---|---|---|---|---|---|
| Innovasjon Norge | 27.03.2015 | NOK | 4.1% effective interest | 10.06.2024 | 18 000 000 |
| Pareto Bank | 31.05.2018 | NOK | 5.7% interest rate<br>0.25% commission rate<br>1% establishment rate | 31.10.2020 | 25 421 619 |

| **Loan facility 30.06.2019** *(Amount in NOK)* | **Loan origina-tion date** | **Principle in local cur-rency** | **Fixed interest loan** | **Termination date** | **Carrying value** |
|---|---|---|---|---|---|
| **Innovasjon Norge** | 27.03.2015 | NOK | 6,16% effective interest | 27.03.2022 | 18 000 000 |
| **DnB Bank ASA** | 07.05.2019 | NOK | 6,8% effective interest | 08.05.2020 | 8 000 000 |
| **Pareto Bank** | 31.05.2018 | NOK | 5% interest rate<br>0.25% commission rate<br>1% establishment rate | 30.06.2019 | 25 385 827 |

**Undiscounted payment profile to credit institutions**

The following tables present the undiscounted payment profile to credit institutions of the Group's debt per 30 June 2020 and 30 June 2019, based on the remaining loan period at the balance sheet date.

| **Payment profile per 30.06.2020** *Amounts in NOK* | **2020** | **2021** | **2022** | **2023** | **After 2023** | **Total** |
|---|---|---|---|---|---|---|
| Innovation Norway | 0 | 4 000 000 | 4 000 000 | 4 000 000 | 6 000 000 | **18 000 000** |
| Interest | 1 236 000 | 574 000 | 410 000 | 246 000 | 0 | **2 466 000** |
| Trade payables and other short term liabilities | 10 528 249 | 25 000 000 | 0 | 0 | 0 | **35 528 249** |
| **Total instalment and interests** | **11 764 249** | **29 574 000** | **4 410 000** | **4 246 000** | **6 000 000** | **55 994 249** |

| **Payment profile per 30.06.2019** *(Amounts in NOK)* | **2019** | **2020** | **2021** | **2022** | **After 2022** | **Total** |
|---|---|---|---|---|---|---|
| Innovation Norway | 2 000 000 | 4 000 000 | 4 000 000 | 4 000 000 | 4 000 000 | **18 000 000** |
| Interests | 1 434 140 | 808 000 | 606 000 | 404 000 | 202 000 | **3 454 140** |
| Trade payables and other short-term liabilities | 16 651 367 | 24 999 827 | 0 | 0 | 0 | **41 651 194** |
| **Total instalment interests** | **20 085 507** | **29 808 000** | **4 606 000** | **4 404 000** | **4 202 000** | **63 105 334** |

# Note 8 – Property, Plant & Equipments,

## Implementation of IFRS 16

IFRS 16 Leases was implemented by the Group on 1 January 2019. The new accounting standard covers the recognition, measurement and presentation of leases and related disclosures in the financial statements and has replaced IAS 17 Leases. IFRS 16 requires that all leases, except for short term leases and leases of low value assets are reflected in the balance sheet of a lessee as a lease liability and a Right of use (RoU) asset. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 7.5 %.

The implementation of IFRS 16 on 1 January 2019 has increased the Consolidated balance sheet by adding lease liabilities and right of use assets of MNOK 9. The Group's equity has not been impacted from the implementation of IFRS 16.

The Group has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets
- Applied hindsight when determining the lease term for contracts containing options.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The following line items in the balance sheet have been impacted as result of the new accounting standard:

| **2020**(Amounts in NOK) | **Property, plan and equipment** | **Total** |
|---|---|---|
| **Right-of-use assets:** | | |
| Balance at 01.01.20 | 7 255 068 | 7 255 068 |
| Depreciatons | 1 116 162 | 1 116 162 |
| Additions | - | - |
| **Balance at June 30** | **6 138 906** | **6 138 906** |
| **Lease liabilities:** | | |
| Non-current finance debt | 4 103 647 | 4 103 647 |
| Current finance debt | 2 126 570 | 2 126 570 |
| **Total liabilities** | **6 230 217** | **6 230 217** |

Interest expense relating to lease recognized in the income statement for second quarter of 2020 was NOK.

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 30.06.2020:

| *Amounts in NOK* | **2020** | **2021** | **2022** | **2023** | **Total** |
|---|---|---|---|---|---|
| Installments | 1 024 852 | 2 203 433 | 2 368 691 | 633 239 | **6 230 215** |
| Interests | 271 547 | 389 366 | 224 109 | 14 961 | **899 983** |
| **Total installment** | **1 296 399** | **2 592 799** | **2 592 800** | **648 200** | **7 130 198** |

**For further information, please contact:**

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**Appendix C – Audited consolidated financial statements for Elliptic Laboratories AS for the year ended 31 December 2019**

ellipticlabs

# ANNUAL REPORT 2019

**AI Virtual Smart Sensors**

Heartbeat Breathing Proximity Presence Gesture

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## Director's report

Elliptic Labs is a global AI software company and the world leader in Virtual Smart Sensors for the smartphone, laptop, Internet of Things (IoT), and automotive industries. Elliptic Labs uses machine learning and/or sensor fusion to combine ultrasound with data from existing device sensors to produce smarter, greener, safer, and more intuitive devices. By replacing hardware sensors with our software-only virtual sensors, we eliminate the need for infrared, radar, and time-of-flight hardware sensors. Our Virtual Smart Sensors have the potential to deprecate the need for billions of hardware sensors, while delivering additional features, such as bezel-less designs, intuitive 3D touchless gesture recognition, and full-room presence sensing.

In 2019, we increased our revenue and decreased our deficit compared to 2018. We concluded the year with a positive EBIT in Q4. We strengthened cooperation with our largest customer Xiaomi, and signed software license agreements for 12 design wins for their high-end as well as mid-market high volume smartphones. We also launched INNER BEAUTY, our virtual proximity sensor, with other smartphone manufacturers. In addition, we signed partnership agreements for the IoT market with global companies such as Texas Instruments, MediaTek, and Shinko. We were awarded a prestigious NOK 20m grant from EU Horizon 2020 and successfully delivered on the project's milestones ensuring revenue of 14.7 MNOK in 2019.

We kicked off new market explorations in 2019. In the automotive space, our AI software platform can be used for presence and heartbeat detection of children in cars. This capability will become a requirement for the automotive industry in 2022 in order for a vehicle to achieve the maximum safety rating. We see this as a market opportunity in 2021 and onwards. We also started to develop presence sensing to enhance cybersecurity for PC/laptops, and we see a big market opportunity in this field in 2020 and onwards. With the extreme growth in numbers of IoT devices in households, Elliptic Labs believes it will be a mandate that all IoT devices must include a presence/occupancy detection to automatically turn off devices when the user is away, for energy savings and to reduce the carbon footprint. This capability can be enabled without adding additional hardware sensors to the devices. Thus, we can deploy Virtual Smart Sensors to both old and new IoT devices, and thereby contribute to a more environmentally friendly world.

Overall, we experience a demand from new markets and new use cases for our products. We see strong interest from multiple laptop manufacturers, as well as requests for new use cases from smartphone manufacturers. The success we have had with Xiaomi after the deployment of our software product, INNER BEAUTY, in tens of millions of devices, is regarded as a quality stamp for both our solution and our company. This has led to serious interest for our smartphone solutions from several other manufacturers.

In spite of these positive overall trends and market opportunities for our products and solutions, we are also affected by the COVID-19 pandemic in 2020, as are most businesses. As many of our customers are in China, we experienced a slowdown earlier in this year compared to many other enterprises with customers outside China. As this report is written, all of our employees are working from home, but we are nevertheless experiencing good progress on most of the projects scheduled for delivery in 2020. Certainly, we see that some planned launches will be cancelled or postponed, but overall, the need and demand for our products and solutions remain strong and we believe the activity will pick up significantly in the second half of 2020.

Fortunately, since we are a 100% software company, we are able to support many of our customers remotely. Thanks to the maturity of our Virtual Smart Sensor Platform, we can scale more efficiently, handle more projects simultaneously, and continue to deliver innovative products to our customers. This makes us an attractive partner in current and new markets. 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 continued to file patents during 2019 and now have 47 patents granted and 40 patents pending. Our patents cover a lot of important aspects of using ultrasound for smartphones, laptops and IoT devices, including acoustics, signal processing, and user interfaces.

As a conclusion, The Board of Directors remains positive to the future outlook for Elliptic Labs despite the short-term challenges ahead as a consequence of the COVID-19.

# Financial summary for the Group
Comparable amounts for 2018 are presented in brackets.

### Operating revenue
Consolidated operating revenue for 2019 totalled NOK 52 683 thousand (NOK 43 612 thousand).

### Operating costs
Operating costs totalled NOK 65 675 thousand (NOK 76 186 thousand). Personnel expenses accounted for NOK 45 651thousand (NOK 46 965 thousand).

### Operating profit/loss
The Group generated an operating loss of NOK 12 992 thousand in 2019 (NOK 32 573 thousand).

### Financial items
Net financial expenses amounted to NOK 3 968 thousand (NOK 663 thousand).

### Profit/loss
The loss before tax was NOK 16 960 thousand (NOK 33 236 thousand). Income tax expense was NOK -3 703 thousand (NOK -5 116 thousand), resulting in a loss of NOK 13 257 thousand (NOK 28 121 thousand). The annual deficit was fully covered by transfer to other equity.

### Cash flow
The cash flow from operating activities was NOK - 8 047 thousand (NOK -35 158 thousand). Cash flow from investments were NOK -11 097 thousand (NOK -8 739 thousand), and cash flow from financing was NOK 38 389 thousand (NOK 23 239 thousand). Cash and cash equivalents at year end 2019 were NOK 35 873 thousand (NOK 16 624 thousand).

### Financing and debt
The Group's equity was NOK 80 033 thousand at the end of 2019 (NOK 47 398 thousand). The Group had total long term loans of MNOK 14 at the end of 2019 (MNOK 0). The Group had short term loans of MNOK 29,4 (MNOK 43,0).

# Financial summary for the parent company, Elliptic Laboratories AS
Operating revenues from Elliptic Laboratories AS, the parent company, amounted to NOK 52 683 thousand (NOK 43 612 thousand), and the operating loss was NOK 13 700 thousand (NOK 35 614 thousand). The net loss for the year was NOK 14 448 thousand (NOK 30 128 thousand). The equity of the parent company amounted to NOK 77 874 thousand (NOK 46 435 thousand) and the Board proposes to allocate and transfer the loss of NOK 14 448 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 2019 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 2019.

## 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 2020 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 2019 and it has not been necessary to implement improvement measures.

There have been no injuries or accidents in 2019. Elliptic Labs had 1.9% absence due to sick leave in 2019. There has not been implemented or planned to undertake concrete measures to improve gender equality in Elliptic Labs. The company has approximately 67% male employees, and 33% 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, 3 April 2020
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

# 1 Consolidated financial statements

## Consolidated statement of comprehensive income

For the financial period ended 31 December 2019 and 2018.

| *(Amounts in NOK)* | **Notes** | **2019** | **2018** |
|---|---|---|---|
| Revenues | | 37 957 021 | 41 580 757 |
| Other operating income | | 14 726 017 | 2 031 597 |
| **Total revenue** | 2 | **52 683 038** | **43 612 354** |
| Personnel expenses | 11 | -45 650 734 | -46 964 974 |
| Other operating expenses | 4 | -15 631 493 | -27 105 463 |
| Depreciation, amortisation and impairment | 7,15 | -4 392 985 | -2 115 328 |
| **Total operating costs** | | **-65 675 213** | **-76 185 766** |
| **Operating profit** | | **-12 992 175** | **-32 573 412** |
| Financial income | 5 | 307 049 | 2 180 815 |
| **Total financial income** | | **307 049** | **2 180 815** |
| Financial expenses | 5 | -4 275 169 | -2 843 832 |
| **Total financial expenses** | | **-4 275 169** | **-2 843 832** |
| **Profit/(loss) before tax** | | **-16 960 295** | **-33 236 429** |
| Income tax expense | 6 | -3 703 338 | -5 115 807 |
| **Profit/(loss) for the period** | | **-13 256 956** | **-28 120 622** |
| Other comprehensive income: | | | |
| Foreign currency changes, may be reclassified to profit or loss | | 5 059 | -57 755 |
| Other comprehensive income, net of tax | | **5 059** | **-57 755** |
| **Total comprehensive income for the period** | | **-13 251 897** | **-28 178 376** |
| Loss for the period is attributable to: | | | |
| Equity holders of the parent company | | **-13 251 897** | **-28 178 376** |
| Profit/(loss) per share | | -1.54 | -3.29 |

# Consolidated statement of financial position

At 31 December 2019 and 2018, respectively.

| *(Amounts in NOK)* | Notes | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| **Non-current assets** | | | |
| Deferred tax assets | 6 | 56 168 887 | 52 951 662 |
| Intangible assets | 7 | 16 551 924 | 9 848 375 |
| Right of use assets | 15 | 7 255 068 | 0 |
| Other non-current receivables | | 2 092 437 | 2 132 711 |
| **Total non-current assets** | | **82 068 316** | **64 932 748** |
| | | | |
| **Current assets** | | | |
| Accounts receivable | 9 | 14 309 741 | 14 770 450 |
| Other current receivables | | 7 116 584 | 5 914 235 |
| Cash and cash equivalents | 10 | 35 873 432 | 16 623 538 |
| **Total current assets** | | **57 299 757** | **37 308 223** |
| | | | |
| **Total assets** | | **139 368 073** | **102 240 971** |
| | | | |
| **Equity and liabilities** | | | |
| Share capital | 13 | 875 106 | 856 401 |
| Other equity | | 79 157 649 | 46 541 515 |
| **Total equity** | | **80 032 755** | **47 397 915** |
| | | | |
| Lease liabilities | 15 | 5 205 363 | 0 |
| Bank borrowings, long-term | 14 | 14 000 000 | 0 |
| **Total long-term liabilities** | | **19 205 363** | **0** |
| | | | |
| Bank borrowings, short-term | 14 | 29 431 148 | 43 007 165 |
| Trade and other payables | | 834 715 | 2 527 440 |
| Tax payable | | 162 501 | 1 079 936 |
| Accrued public taxes | | 2 669 095 | 1 964 709 |
| Other short-term liabilities | 17,15 | 7 032 496 | 6 263 806 |
| **Total current liabilities** | | **40 129 955** | **54 843 056** |
| | | | |
| **Total equity and liabilities** | | **139 368 073** | **102 240 971** |

Oslo, 3 April 2020
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.

| **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 | **6 214 160** | **40 584 151** | **-256 797** | **47 397 916** |
| Profit (loss) for the period | 0 | 0 | -13 256 956 | 0 | -13 256 956 |
| Other comprehensive income for the period | 0 | 0 | 0 | 5 059 | 5 059 |
| **Total comprehensive income for the period** | 0 | **0** | **-13 256 956** | **5 059** | **-13 251 897** |
| **Transactions with owners:** | | | | | |
| Capital increase through issuance of ordinary shares | 18 705 | 0 | 42 996 295 | 0 | 43 015 000 |
| Employee share schemes | 0 | 2 871 737 | 0 | 0 | 2 871 737 |
| **Shareholders' equity at 31.12.2019** | **875 106** | **9 085 897** | **70 323 490** | **-251 738** | **80 032 755** |

| **2018** *(Amounts in NOK)* | **Share capital and premium** | **Paid-in equity** | **Other Equity** | **Foreign currency rate differences** | **Total equity** |
|---|---|---|---|---|---|
| **Shareholders' equity at 01.01.2018** | **856 401** | **2 495 930** | **68 704 773** | **-199 042** | **71 858 062** |
| Profit (loss) for the period | 0 | 0 | -28 120 622 | 0 | -28 120 622 |
| Other comprehensive income for the period | 0 | 0 | 0 | -57 755 | -57 755 |
| **Total comprehensive income for the period** | **0** | **0** | **-28 120 622** | **-57 755** | **-28 178 376** |
| **Transactions with owners:** | | | | | |
| Capital increase through issuance of ordinary shares | 0 | 0 | 0 | 0 | 0 |
| Employee share schemes | 0 | 3 718 230 | 0 | 0 | 3 718 230 |
| **Shareholders' equity at 31.12.2018** | **856 401** | **6 214 160** | **40 584 151** | **-256 797** | **47 397 916** |

## Consolidated cash flow statement

For the financial period ended 31 December 2019 and 2018.

| *(Amounts in NOK)* | **Notes** | **2019** | **2018** |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Profit/(loss) before tax | | -16 960 295 | -33 236 429 |
| Adjustment for: | | | |
| Taxes paid in the period | | -431 321 | -380 447 |
| Depreciation and impairment | 7,15 | 4 392 985 | 2 115 328 |
| Option based payments | 12 | 2 871 737 | 3 718 230 |
| Items classified as financing activities | 5 | 2 750 505 | 1 768 309 |
| Change in accounts receivable | | -741 640 | -10 559 571 |
| Change in trade payables | | -1 692 725 | 1 427 923 |
| Change in other accruals | | 1 763 576 | -11 361 |
| **Net cash flow from operations** | | **-8 047 177** | **-35 158 019** |
| | | | |
| **Cash flow from investments:** | | | |
| Purchase of fixed assets | 7 | -11 096 535 | -8 739 127 |
| **Net cash flow from investments** | | **-11 096 535** | **-8 739 127** |
| | | | |
| **Cash flow from financing:** | | | |
| Bank borrowings, short-term | 14 | 0 | 25 007 165 |
| Repayment of lease liabilities | 15 | -1 875 949 | |
| Paid in capital from owners | | 43 015 000 | 0 |
| Interests bank borrowings | 5 | -2 750 505 | -1 768 309 |
| **Net cash flow from financing** | | **38 388 546** | **23 238 856** |
| | | | |
| **Net Change in Cash and Cash Equivalents** | | **19 244 835** | **-20 658 290** |
| Cash and cash equivalents at the beginning of the period | | 16 623 538 | 37 339 583 |
| Effect of foreign currency rate changes on cash and cash equivalents | | 5 059 | -57 755 |
| **Cash and cash equivalents at the end of period** | | **35 873 432** | **16 623 538** |

# 2 Notes to the consolidated financial accounts

## Note 1 – Accounting principles

## 2.1 General information

Elliptic Laboratories AS and its subsidiaries (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.

## 2.2 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.

### 2.2.1 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 2019.

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.

### 2.2.2 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.

### 2.2.3 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.

## 2.2.4 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.

## 2.2.5 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.

### 2.2.6 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.

### 2.2.7 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.

### 2.2.8 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.

## 2.2.9 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.

## 2.2.10 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.

## 2.2.11 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.

## 2.2.12 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.

## 2.2.13 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.

## 2.2.14 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.

## 2.2.15 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.

## 2.2.16 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.

## 2.2.17 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.

## 2.2.18 New accounting standards and amendments.

### New standards and amendments this year

The Group has adopted IFRS 16 Leases as described in note 19.

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 from contracts with customers

Revenue from contracts with customers consists of the following entries as set forth in the table below.

| *Amounts in NOK* | 2019 | 2018 |
|---|---:|---:|
| Revenues from contracts with customers | 37 597 021 | 41 580 757 |
| Revenue from other sources | 14 726 017 | 2 031 597 |
| **Total revenue** | **52 683 038** | **43 612 354** |

As of 31.12.19 and 31.12.2018 all contracts were completed and performance obligations were fully satisfied.

Revenue from other sources consists in total of government grants.

## Note 3 – Government grants

The table below sets forth the treatment of government grants.

| *Amounts in NOK* | 2019 | 2018 |
|---|---:|---:|
| Recognized as revenue from other sources | 14 726 017 | 2 031 597 |
| Reduction of capitalized patents | 154 436 | 447 490 |
| Recognized as payroll cost reduciton | 2 198 066 | 3 754 664 |
| Recognized as other cost reduction | 1 469 680 | 797 847 |
| **Total government grants** | **18 548 199** | **7 031 597** |

## Note 4 – Other operating expenses

Other operating costs consists of the following entries:

| *Amounts in NOK* | 2019 | 2018 |
|---|---:|---:|
| Sales and marketing expenses | 6 340 672 | 7 681 427 |
| Rent | 1 171 602 | 2 454 386 |
| Electricity, heating and other property expenses | 862 651 | 719 657 |
| Consultants | 4 511 122 | 3 141 122 |
| Auditor | 251 612 | 451 098 |
| Legal | 396 224 | 530 620 |
| Provision for losses/Losses | 0 | 9 314 875 |
| Patents | 642 135 | 559 549 |
| IT/Software | 540 113 | 1 571 078 |
| Other expenses | 915 363 | 681 652 |
| **Total other operating expenses** | **15 631 493** | **27 105 463** |

## Note 5 – Financial income and financial expenses

| *Amounts in NOK* | 2019 | 2018 |
|---|---:|---:|
| **Financial income** | | |
| Other interest income | 96 518 | 66 980 |
| Other financial income | 50 382 | 23 208 |
| Foreign Exchange gains | 160 149 | 2 090 627 |
| **Total financial income** | **307 049** | **2 180 815** |
| | | |
| **Financial expenses** | | |
| Interest expense on bank loan | 2 750 505 | 1 768 309 |
| Other financial expenses | 1 144 066 | 578 379 |
| Foreign Exchange losses | 380 598 | 497 144 |
| **Total financial expenses** | **4 275 169** | **2 843 832** |

## Note 6 – Tax

| *Amounts in NOK* | 2019 | 2018 |
|---|---|---|
| Tax payable | 162 934 | 1 135 312 |
| Change in deferred tax/tax asset as a result of the changed tax rate | 0 | 2 379 176 |
| Other items | -649 048 | 0 |
| Change in deferred tax assets | -3 217 225 | -8 658 014 |
| **Total tax (income)/expense** | **-3 703 338** | **-5 143 526** |

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

| *Deferred tax:* | 2019 | 2018 |
|---|---|---|
| Fixed assets | 0 | 0 |
| Trademark | 0 | 0 |
| Receivables and payables | 0 | 0 |
| Other | 0 | 0 |
| Total deferred tax relating to temporary differences | 0 | 0 |
| **Carrying value deferred tax liabilities** | **0** | **0** |

| *Deferred tax assets:* | 2019 | 2018 |
|---|---|---|
| Intangible assets | 1 076 261 | 1 317 721 |
| Receivables | 2 049 273 | 2 379 173 |
| Other | 0 | 0 |
| Losses carried forward | 53 758 068 | 50 299 384 |
| Total deferred tax assets relating to temporary differences and losses carried forward | **56 883 602** | **53 666 377** |
| Non-recognised deferred tax assets relating to losses and precluded interest deductions carried forward | -714 715 | -714 715 |
| **Carrying value deferred tax assets** | **56 168 887** | **52 951 662** |

| **Explanation of the change in the deferred tax:** | 2019 | 2018 |
|---|---|---|
| Carrying value deferred tax at 01.01 | 0 | 0 |
| Change in deferred tax liability | 0 | 0 |
| **Carrying value deferred tax at 31 December** | **0** | **0** |

| **Explanation of the change in the deferred tax assets:** | 2019 | 2018 |
|---|---|---|
| Carrying value deferred tax assets at 01.01 | 52 951 662 | 46 700 542 |
| Change in deferred tax assets | 3 217 225 | 6 251 120 |
| **Carrying value deferred tax assets at 31 December** | **56 168 887** | **52 951 662** |

| **Losses carried forward as of 31.12** | | |
|---|---|---|
| **Expiration year** | **n.a** | **n.a** |
| Unlimited carry forward period | 53 043 353 | 50 299 384 |
| **Total losses carried forward** | **53 043 353** | **50 299 384** |

| **Reconciliation of tax expense** | 2019 | 2018 |
|---|---|---|
| Profit before tax | -16 960 295 | -33 236 429 |
| Hence 22 % tax in 2019 and 23% in 2018 | -3 731 265 | -7 644 379 |
| Tax effect of: | | |
| Differences in tax rates | 0 | 317 124 |
| Permanent differences (mainly non-taxable income) | -176 845 | -278 248 |

| *Amounts in NOK* | 2019 | 2018 |
|---|---|---|
| Change in deferred tax/tax asset due to changes in tax rate | 0 | 2 375 182 |
| Change in prior year estimates | 198 003 | 117 664 |
| Other/currency | 6 768 | -3 150 |
| **Calculated tax expense/ (Income)** | **-3 703 339** | **-5 115 807** |

**Significant estimates**
The deferred tax assets include an amount of NOK 53 043 353 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 15,0 has been recognized in the income statement related to research and development activities in Elliptic Laboratories group in 2019. 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 2020 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 7 – Intangible assets

| *Amounts in NOK* | Patents | Trademark | Capitalized R&D | Total intangible assets |
|---|---|---|---|---|
| Cost at 01.01.2019 | **12 496 028** | **23 505** | **6 903 966** | **19 423 499** |
| Additions | 1 295 700 | 0 | 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 | 0 | 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** |
| | | | | |
| Cost at 01.01.2018 | 10 684 372 | 0 | 0 | 10 684 372 |
| Additions | 1 811 656 | 23 505 | 6 903 966 | 8 739 127 |
| **Cost at 31.12.2018** | **12 496 028** | **23 505** | **6 903 966** | **19 423 499** |
| | | | | |
| Accumulated amortisation and impairment charges 01.01.2018 | 7 459 796 | 0 | 0 | 7 459 796 |
| Amortisation charges | 2 114 360 | 968 | 0 | 2 115 328 |
| **Accumulated amortisation and impairment charges 31.12.2018** | **9 574 157** | **968** | **0** | **9 575 124** |
| | | | | |
| **Net booked value as at 31.12.2018** | **2 921 871** | **22 538** | **6 903 966** | **9 848 375** |
| | | | | |
| 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 15 has been recognized in the income statement related to research and development activities in Elliptic Laboratories group in 2019.

## Note 8 – Investments in subsidiaries and associated companies

| Subsidiaries | Country | Business office | Voting percentage | | Ownership percentage | |
|---|---|---|---|---|---|---|
| | | | 2019 | 2018 | 2019 | 2018 |
| 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* | 2019 | 2018 |
|---|---|---|
| **Ageing of trade receivable:** | | |
| Up to 3 months | 14 309 741 | 14 770 450 |
| More than 3 months | 9 314 875 | 9 314 875 |
| **Total trade receivable** | **23 624 617** | **24 085 325** |
| | | |
| Nominal value of trade receivables | 23 624 617 | 24 085 325 |
| Impairment of trade receivables | -9 314 875 | -9 314 875 |
| **Total trade receivable** | 14 309 741 | **14 770 450** |
| | | |
| **Other current receivables:** | | |
| Prepaid costs | 387 144 | 293 395 |
| Other current receivables | 6 729 440 | 5 620 840 |
| **Total other current receivables** | **7 116 584** | **5 914 235** |

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 2019 or 1 January 2019 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* | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | 35 873 432 | 16 623 538 |
| | | |
| **Of which are restricted cash:** | | |
| Restricted bank deposits for employee tax withholdings | 1 617 519 | 1 045 918 |
| Guarantee account | 1 511 133 | 1 506 322 |
| **Not restricted** | **32 744 780** | **14 071 298** |

# Note 11 – Personnel expenses

Employee benefit expenses are set forth in the table below.

| *Amounts in NOK* | 2019 | 2018 |
|---|---|---|
| Salary expenses | 45 834 101 | 47 405 134 |
| Social security cost | 4 099 864 | 4 189 116 |
| Pension costs | 791 010 | 530 520 |
| Option costs | 2 871 737 | 3 718 230 |
| Other costs | 2 176 973 | 1 780 603 |
| Government grants | -2 198 066 | -3 754 664 |
| Capitalized R&D personnel cost | -7 924 885 | -6 903 966 |
| **Total personnel expenses** | **45 650 734** | **46 964 974** |
| Average number of employees | 51 | 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 | 2 791 164 | 528 222 | 0 | 112 235 | **3 431 621** |
| Randi Fagervik, Chief Financial Officer [2)] | 1 326 367 | 0 | 21 964 | 0 | **1 348 331** |
| Espen Klovning, VP Engineering | 1 439 988 | 50 000 | 22 488 | 0 | **1 512 476** |
| Guenael Strutt, VP Product Development | 2 076 725 | 0 | 0 | 180 343 | **2 257 068** |
| Brian Daly, VP Sales & Business Development | 1 657 127 | 0 | 0 | 181 975 | **1 839 102** |

| **2018** *(Amounts in NOK)* | Salary | Bonus | Pension | Other Benefits [1)] | Total |
|---|---|---|---|---|---|
| Laila Danielsen, Group CEO and General Manager | 2 463 577 | 471 134 | 0 | 103 671 | **3 038 381** |
| Randi Fagervik, Chief Financial Officer | 1 741 994 | 0 | 21 314 | 0 | **1 763 308** |
| Scott Deutsch, Chief Operating Officer [3)] | 1 795 783 | 0 | 0 | 139 331 | **1 195 114** |
| Espen Klovning, VP Engineering | 1 336 110 | 0 | 21 314 | 0 | **1 357 424** |
| Guenael Strutt, VP Product Development | 1 873 284 | 0 | 0 | 97 123 | **1 970 407** |
| Brian Daly, VP Sales & Business Development[4)] | 1 036 575 | | 0 | 75 361 | **1 111 936** |

1) Other benefits for US employees comprise insurance services.
2) Remuneration and benefits apply until December 2019, the time of termination.
3) Remuneration and benefits apply until December 2018, the time of termination.
4) Remuneration and benefits apply from April 2018, the time of employment.

The average Dollar exchange rates were 8.8 and 8.13 for 2019 and 2018, 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 2019, 2018, 2017, 2016 or 2015.

**Compensation to the Board of Directors**

| **2019** *(Amounts in NOK)* | | **Board remuneration** | **Other benefits** | **Total** |
|---|---|---|---|---|
| Tore Engebretsen | Chairman | 150 000 | 0 | 150 000 |
| Einar Jørgen Greve | Board member | 100 000 | 0 | 100 000 |
| Karsten Thomas Michael Rönner | Board member | 100 000 | 0 | 100 000 |
| Edvin Austbø | Board member | 100 000 | 0 | 100 000 |
| Svenn-Tore Larsen | Board member | 100 000 | 0 | 100 000 |

| **2018** *(Amounts in NOK)* | | **Board remuneration** | **Other benefits** | **Total** |
|---|---|---|---|---|
| Tore Engebretsen | Chairman | 150 000 | 0 | 150 000 |
| Einar Jørgen Greve | Board member | 100 000 | 0 | 100 000 |
| Karsten Thomas Michael Rönner | Board member | 100 000 | 0 | 100 000 |
| Edvin Austbø | Board member | 100 000 | 0 | 100 000 |
| Svenn-Tore Larsen | Board member | 100 000 | 0 | 100 000 |

| **Remuneration to the auditor** | | |
|---|---|---|
| *Amounts in NOK* | **2019** | **2018** |
| Statutory audit (including technical assistance - annual accounts) | 194 095 | 140 000 |
| Other attestation services | 0 | 10 000 |
| Tax advice (including technical assistance corporate tax papers) | 294 595 | 214 113 |
| Other assistance | 181 300 | 365 924 |
| **Total expensed auditor fees, ex. VAT** | **669 990** | **730 037** |

# Note 12 – Share option program

The Group has an option program that includes key management as well as non-executive employees in parent and subsidiary companies. As of 31.12.2019, there are 47 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 group has the following option programs as of 31.12. The fair value of the options is calculated at the grant date, based on the Black-Scholes model, and expensed over the vesting period of 4 years.

| *Amounts in NOK* | **2019** | **2018** |
|---|---|---|
| **Outstanding at the beginning of the period** | 326 381 | 442 290 |
| Excercised | 0 | -50 |
| Terminated | -80 322 | -208 170 |
| Granted | 117 446 | 92 311 |
| **Outstanding at the end of the period** | **363 505** | **326 381** |
| Average exercise price (NOK) | 164,37 | 150 |
| **Option program expensed for the year** | **2 871 737** | **3 718 230** |

| *Amounts in NOK* | Grant date | Number of options | Terminated | Outstanding | Strike | Price | Fair value | Total fair value |
|---|---|---|---|---|---|---|---|---|
| Guenael Strutt | 01.03.2015 | 47 400 | - | 47 400 | 38 | 4 years | 12,45 | 590 124 |
| Non-executive employees | 15.12.2016 | 48 706 | (38 706) | 10 000 | 38 | 4 years | 64,47 | 644 681 |
| Espen Klovning | 28.04.2017 | 11 049 | - | 11 049 | 38 | 4 years | 65,59 | 724 715 |
| Espen Klovning | 28.04.2017 | 30 000 | - | 30 000 | 100 | 4 years | 30,44 | 913 183 |
| Non-executive employees | 29.09.2017 | 100 000 | (39 041) | 60 959 | 200 | 4 years | 61,32 | 3 738 206 |
| Brian Daly | 16.04.2018 | 30 000 | - | 30 000 | 200 | 4 years | 65,69 | 1 970 782 |
| Non-executive employees | 03.08.2018 | 409 | - | 409 | 200 | 4 years | 57,43 | 23 490 |
| Non-executive employees | 03.08.2018 | 1 637 | - | 1 637 | 200 | 4 years | 57,64 | 94 354 |
| Non-executive employees | 03.08.2018 | 2 619 | - | 2 619 | 200 | 4 years | 58,30 | 152 679 |
| Non-executive employees | 03.08.2018 | 818 | - | 818 | 200 | 4 years | 58,41 | 47 781 |
| Non-executive employees | 03.08.2018 | 1 228 | - | 1 228 | 200 | 4 years | 59,81 | 73 445 |
| Non-executive employees | 03.08.2018 | 3 239 | - | 3 239 | 200 | 4 years | 59,87 | 193 906 |
| Non-executive employees | 03.08.2018 | 2 573 | - | 2 573 | 200 | 4 years | 61,45 | 158 108 |
| Non-executive employees | 03.08.2018 | 4 572 | - | 4 572 | 200 | 4 years | 61,74 | 282 266 |
| Non-executive employees | 03.08.2018 | 3 170 | - | 3 170 | 200 | 4 years | 63,08 | 199 977 |
| Non-executive employees | 03.08.2018 | 2 343 | - | 2 343 | 200 | 4 years | 63,12 | 147 897 |
| Non-executive employees | 03.08.2018 | 1 364 | - | 1 364 | 200 | 4 years | 63,95 | 87 232 |
| Non-executive employees | 03.08.2018 | 2 527 | - | 2 527 | 200 | 4 years | 64,73 | 163 577 |
| Non-executive employees | 28.08.2018 | 15 000 | - | 15 000 | 38 | 4 years | 164,22 | 2 463 237 |
| Non-executive employees | 12.03.2019 | 2 527 | - | 2 527 | 200 | 4 years | 61,56 | 155 556 |
| Non-executive employees | 12.03.2019 | 4 411 | - | 4 411 | 200 | 4 years | 62,71 | 276 582 |
| Non-executive employees | 12.03.2019 | 2 068 | - | 2 068 | 200 | 4 years | 62,99 | 130 263 |
| Non-executive employees | 12.03.2019 | 977 | - | 977 | 200 | 4 years | 70,44 | 68 823 |
| Brian Daly | 28.03.2019 | 5 000 | - | 5 000 | 200 | 4 years | 64,86 | 324 303 |
| Guenael Strutt/ Espen Klovning | 28.03.2019 | 75 000 | - | 75 000 | 200 | 4 years | 64,99 | 4 874 403 |
| Non-executive employees | 09.04.2019 | 2 228 | - | 2 228 | 200 | 4 years | 62,39 | 139 029 |
| Non-executive employees | 09.04.2019 | 2 941 | - | 2 941 | 200 | 4 years | 62,52 | 183 836 |
| Non-executive employees | 23.04.2019 | 2 481 | - | 2 481 | 200 | 4 years | 62,29 | 154 554 |
| Non-executive employees | 13.05.2019 | 3 768 | - | 3 768 | 200 | 4 years | 66,19 | 249 375 |
| Non-executive employees | 25.05.2019 | 26 000 | - | 26 000 | 200 | 4 years | 65,62 | 1 706 165 |
| Non-executive employees | 12.08.2019 | 2 267 | - | 2 267 | 200 | 4 years | 65,45 | 148 403 |
| Non-executive employees | 19.08.2019 | 2 093 | - | 2 093 | 200 | 4 years | 65,36 | 136 794 |
| Non-executive employees | 22.08.2019 | 837 | - | 837 | 200 | 4 years | 65,53 | 54 863 |

## Note 13 – Share capital and shareholder information

As of 31.12.2019, the share capital amounts to NOK 875 105,8, consisting of 8 751 058 shares at a face value of NOK 0,1 per share. Overview of the largest shareholders as of 31 December 2019:

| Shareholder name | Ordinary shares | Ownership |
|---|---|---|
| Passesta AS (Chairman of the Board Tore Engebretsen) | 1 147 750 | 13,1 % |
| MP Pensjon PK | 837 400 | 9,6 % |
| Alden AS (Board member Edvin Austbø) | 707 000 | 8,1 % |
| Robert Horne (GBR) | 589 000 | 6,7 % |
| Laila Danielsen (USA) (CEO) | 529 680 | 6,1 % |
| Other shareholders (less that 5% ownership) | 4 940 228 | 56,5 % |
| **Total** | **8 751 058** | **100,0 %** |

| Shares as of 31.12 | 2019 | 2018 |
|---|---|---|
| Number of issued shares | 8 751 058 | 8 564 008 |
| **Number of shares outstanding** | **8 751 058** | **8 564 008** |

| 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** | |

| 2018 | Number of shares | Average number of shares | Number of days |
|---|---|---|---|
| Outstanding shares at 01.01 | 8 564 008 | 8 564 008 | 365 |
| Capital increase | 0 | 0 | 365 |
| **Outstanding shares at 31.12** | **8 564 008** | **8 564 008** | |

| *(Amounts in NOK)* | 2019 | 2018 |
|---|---|---|
| Profit & loss for the year due to holders of ordinary shares | -13 251 897 | -28 178 376 |
| Average number of shares - basic | 8 583 994 | 8 564 008 |
| **EPS – Basic, NOK per share** | **-1.54** | **-3.29** |

Shares held by the Board of Directors:

| Shareholder name | Title | Ordinary shares | Ownership |
|---|---|---|---|
| Tore Engebretsen (Passesta AS) | Chairman of the Board | 1 147 750 | 13.1 % |
| Edvin Austbø (Alden AS) | Board member | 707 000 | 8.1 % |
| Einar Greve (Cipriano AS) | Board member | 140 300 | 1.6 % |
| 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 | 6.1 % |
| Guenael Strutt | VP Product Development | 47 500 | 0.5 % |
| Espen Klovning | VP Engineering | 21 951 | 0.3 % |

## Note 14 – Interest-bearing liabilities

| *Amounts in NOK* | 2019 | 2018 |
|---|---|---|
| **Long-term liabilities due > 1 year** | | |
| Bank borrowings, long-term | 14 000 000 | 0 |
| Loan costs | 1 430 625 | 0 |
| Bank borrowings, long-term net of loan costs | 15 430 625 | 0 |
| **Total** | **15 430 625** | **0** |
| | | |
| **Long-term liabilities due < 1 year** | | |
| Bank borrowings | 4 000 000 | 18 000 000 |
| Loan costs | 899 250 | 909 000 |
| Bank borrowings, short-term net of loan costs | 4 899 250 | 18 909 000 |
| **Total** | **4 899 250** | **18 909 000** |
| | | |
| **Short-term liability due < 1 Year** | | |
| Overdraft credit facility | 25 431 148 | 25 007 165 |
| Loan costs | 1 788 483 | 412 607 |
| Bank borrowings, short-term net of loan costs | 27 219 631 | 25 419 773 |
| **Total** | **27 219 631** | **25 419 773** |

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.

| **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<br>0.25% commission-rate<br>1% establishment rate | 31.06.2019 | 25 431 148 |

| **Loan facility 31.12.2018** *(Amount in NOK)* | **Loan origination date** | **Principle in local currency** | **Fixed interest loan** | **Termination date** | **Carrying value** |
|---|---|---|---|---|---|
| Innovasjon Norge | 27.03.2015 | NOK | 5.05% effective interest | 27.03.2022 | 18 000 000 |
| Pareto Bank | 31.05.2018 | NOK | 5% effective interest 0.25% commission rate 1% establishment rate | 31.06.2019 | 25 007 165 |

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 31.12.2019:

| *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 |
| Interests | 899 250 | 681 250 | 463 250 | 245 250 | 40 875 | 2 329 875 |
| Trade payables and other short term liabilities | 32 463 644 | 0 | 0 | 0 | 0 | 32 463 644 |
| **Total installment** | **37 362 894** | **4 681 250** | **4 463 250** | **4 245 250** | **2 040 875** | **52 793 519** |

Payment profile on debts to credit institutions per 31.12.2018:

| *Amounts in NOK* | **2019** | **2020** | **2021** | **2022** | **After 2022** | **Total** |
|---|---|---|---|---|---|---|
| Innovasjon Norge | 18 000 000 | 0 | 0 | 0 | 0 | 18 000 000 |
| Interests | 1 321 607 | 0 | 0 | 0 | 0 | 1 231 607 |
| Trade payables and other short term liabilities | 35 763 120 | 0 | 0 | 0 | 0 | 35 763 120 |
| **Total installment** | **55 084 727** | **0** | **0** | **0** | **0** | **55 084 727** |

## Note 15 – Leasing

The Group implemented IFRS 16 1 January 2019. The implementation is further presented in note 18.

| **The balance sheet shows the following amounts relating to leases** *(Amounts in NOK)* | **31.12.2019** | **01.01.2019** |
|---|---|---|
| **Right of use assets:** | | |
| Property | 7 255 068 | 9 013 052 |
| **Total** | **7 255 068** | **9 013 052** |
| **Lease liabilities:** | | |
| Current | 2 049 705 | 1 875 949 |
| Non-current | 5 205 303 | 7 137 103 |
| **Total** | **7 255 068** | **9 103 052** |

Additions to the right-of-use assets in 2019 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)* | **31.12.2019** | **01.01.2019** |
|---|---|---|
| **Depreciation charge of right-of-use assets:** | | |
| Property | 1 875 950 | 0 |
| **Total** | **1 875 950** | **0** |
| | | |
| **Lease expenses:** | | |
| Interest expense | 675 036 | 0 |
| Expenses relating to short-term leases | 1 721 160 | 0 |
| Expenses relating to leases of low-value | 4 683 480 | 0 |
| **Total** | **7 079 676** | **0** |

The total lease instalments for 2019 was NOK 1 875 950. The lease liability was remeasured at the end of 2019 due to a change in the lease.

## 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 2019** *(Amounts in NOK)* | **Financial assets measured at amortised cost** | **Financial Liabilities measured at amortised cost** | **Total** |
|---|---|---|---|
| Other non-current receivables | 7 116 584 | 0 | 7 116 584 |
| Accounts receivable | 14 309 741 | 0 | 14 309 741 |
| Other current receivables (only derivatives) | 0 | 0 | 0 |
| Cash and cash equivalents | 35 873 432 | 0 | 35 873 432 |
| **Total financial assets** | **57 299 757** | **0** | **57 299 757** |
| | | | |
| Bank borrowings | 0 | 14 000 000 | 14 000 000 |
| Shareholder loans | 0 | 0 | 0 |
| Financial leasing (excluding lease grant) | 0 | 0 | 0 |

| | | | |
|---|---|---|---|
| Trade and other payables | 0 | 834 715 | 834 715 |
| Other short-term liabilities | 0 | 29 431 148 | 29 431 148 |
| **Total financial liabilities** | **0** | **59 534 605** | **44 265 863** |

| **Financial instruments as of 31 December 2018** *(Amounts in NOK)* | **Financial assets measured at amortised cost** | **Financial liabilities measured at amortised cost** | **Total** |
|---|---|---|---|
| Other non-current receivables | 5 914 235 | 0 | 5 914 235 |
| Accounts receivable | 14 770 450 | 0 | 14 770 450 |
| Other current receivables (only derivatives) | 0 | 0 | 0 |
| Cash and cash equivalents | 16 623 538 | 0 | 16 623 538 |
| **Total financial assets** | **37 308 223** | **0** | **37 308 223** |
| | | | |
| Bank borrowings | 0 | 0 | 0 |
| Shareholder loans | 0 | 0 | 0 |
| Financial leasing (excluding lease grant) | 0 | 0 | 0 |
| Trade and other payables | 0 | 2 527 440 | 2 527 440 |
| Other short-term liabilities | 0 | 43 007 165 | 43 007 165 |
| **Total financial liabilities** | **0** | **45 534 605** | **45 534 605** |

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

**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 43.4 in 2019 (MNOK 43 in 2018). The Group had cash and cash equivalents of MNOK 35.9 in 2019 (MNOK 16.6 in 2018).

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* | **2019** | **2018** |
|---|---|---|
| Accrued vacation pay | 4 422 856 | 4 213 215 |
| Accrued costs | 552 680 | 1 008 092 |
| Other current items | 2 056 960 | 1 042 500 |
| **Total other short-term liabilities** | **7 032 496** | **6 263 806** |

## Note 18 – Implementation of IFRS 16

IFRS 16 Leases was implemented by the Group on 1 January 2019. The new accounting standard covers the recognition, measurement and presentation of leases and related disclosures in the financial statements and has replaced IAS 17 Leases. IFRS 16 requires that all leases, except for short term leases and leases of low value assets are reflected in the balance sheet of a lessee as a lease liability and a Right of use (RoU) asset. The Group has implemented the standard according to the modified retrospective method with no restatement of comparable figures for 2018, which are still presented in accordance with IAS 17. For leases which had previously been classified as operating leases under the principles of IAS 17 Leases, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.5 %.

The implementation of IFRS 16 on 1 January 2019 has increased the Consolidated balance sheet by adding lease liabilities and right of use assets of MNOK 9. The Group's equity has not been impacted from the implementation of IFRS 16.

The Group has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets
- Applied hindsight when determining the lease term for contracts containing options.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The following table explains the reconciliation between the operating lease commitments from applying IAS 17 as at 31 December 2018 and the lease liabilities recognized as at 1 January 2019:

| | |
|---|---|
| **Operating lease commitments as at 31 December 2018** | **15 405 361** |
| Short term leases recognized on a straight-line basis as expense | -1 702 674 |
| Low-value leases recognized in a straight-line basis as expense | -2 861 022 |
| Contracts reassessed as service agreements | 0 |
| Adjustments as a result of different treatment of extension and termination options | 0 |
| Adjustments relating to changes in the index or rate affecting variable payments | 0 |
| Effect of discounting using the Group's weighted average incremental borrowing rate | -1 828 613 |
| **Lease liability recognized upon implementation of IFRS 16** | **9 013 052** |
| Additions: | |
| IAS 17 financial lease liabilities recognized as at 31 December 2018 | 0 |

| | |
|---|---|
| **Total lease liability as at 1. January 2019** | **9 013 502** |

| | |
|---|---|
| Of which are: | |
| Current lease liabilities | 1 875 949 |
| Non-current lease liabilities | 7 137 103 |
| **Total lease liability as at 1 January 2019** | **9 013 502** |

The following line items in the balance sheet have been impacted as result of the new accounting standard:

| **2019** (Amounts in NOK) | **Property, plan and equipment** | **Total** |
|---|---|---|
| **Right-of-use assets:** | | |
| Balance at implementation of IFRS 16 | 9 013 052 | 9 013 052 |
| Depreciatons | 1 875 950 | 1 875 950 |
| Additions | 117 966 | 117 966 |
| **Balance at december 31** | **7 255 068** | **7 255 068** |
| **Lease liabilities:** | | |
| Non-current finance debt | 5 205 363 | 5 205 363 |
| Current finance debt | 2 049 705 | 2 049 705 |
| **Total liabilities** | **7 255 068** | **7 255 068** |

Interest expense relating to lease recognized in the income statement for 2019 was NOK 675 036

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 31.12.2019:

| *Amounts in NOK* | **2020** | **2021** | **2022** | **2023** | **Total** |
|---|---|---|---|---|---|
| Installments | 2 049 705 | 2 303 433 | 2 368 691 | 633 239 | **7 255 068** |
| Interests | 543 094 | 389 366 | 224 109 | 14 961 | **1 171 530** |
| **Total installment** | **2 592 799** | **2 203 799** | **2 592 799** | **648 200** | **8 426 598** |

## Note 19 – Events after the balance sheet date

As at 31 December 2019 only limited cases of an unknown virus had been reported to the World Health Organization (WHO). The following spread of the COVID-19 virus does not provide evidence of conditions existing at the end of the reporting period, thus classifying the pandemic as a non-adjusting event according to IAS 10.

As many of our customers are in China, we experienced a slowdown earlier this year compared to many other enterprises with customers outside China. At the date of signing the financial statements, all of our employees are working from home, but we are nevertheless experiencing good progress on most of the projects scheduled for delivery in 2020. Certainly, we see that some planned launches will be cancelled or postponed, but overall, the need and demand for our products and solutions remain strong and we believe the activity will pick up significantly in the second half of 2020. It is too early to make a reasonable estimate of the effect of the pandemic, but the Board of Directors remains positive about the future outlook for Elliptic Labs despite the short-term challenges ahead as a consequence of the COVID-19.

# 3 Financial statements of the parent company

## Income statement

For the financial period ended 31 December.

| *Amounts in NOK* | Notes | 2019 | 2018 |
|---|---|---|---|
| Revenues | | 37 957 021 | 41 580 757 |
| Other operating income | | 14 726 017 | 2 031 597 |
| **Total revenue** | | **52 683 038** | **43 612 354** |
| Employee benefits expence | 10 | 29 968 705 | 31 269 222 |
| Depreciation and amortisation expenses | 1 | 4 392 985 | 2 115 328 |
| Other operating expenses | | 32 021 322 | 45 841 641 |
| **Total operating costs** | | **66 383 013** | **79 226 191** |
| **Operating profit** | | **-13 699 975** | **-35 613 837** |
| Other financial income | 11 | 309 613 | 2 183 556 |
| Other financial expense | 11 | -4 275 169 | -2 948 494 |
| **Total financial expenses** | | **- 3 965 555** | **-764 938** |
| **Profit/(loss) before tax** | | **-17 665 531** | **-36 378 775** |
| Income tax expense | 9 | -3 217 225 | -6 251 120 |
| **Net profit/(loss) for the year** | | **-14 448 306** | **-30 127 655** |
| **Allocation** | | | |
| Equity allocation | | **14 448 306** | **30 127 655** |

# Balance sheet at 31 December

| **ASSETS** *(Amounts in NOK)* | **Notes** | **31.12.2019** | **31.12.2018** |
|---|---|---|---|
| Concessions, patents, licenses, trademarks and similar rights | 1 | 16 541 924 | 9 838 375 |
| Deferred tax asset | 9 | 56 168 887 | 52 951 662 |
| **Total intangible assets** | | **72 710 811** | **62 790 037** |
| Right of use assets | | 7 255 068 | 0 |
| **Total tangible assets** | | **7 255 068** | **0** |
| Investments in subsidiaries | 2 | 591 | 591 |
| Other receivables | 5 | 2 092 437 | 2 132 711 |
| **Total financial fixed assets** | | **2 093 028** | **2 133 302** |
| **TOTAL FIXED ASSETS** | | **82 058 907** | **64 923 339** |
| Trade receivables | 3 | 14 309 741 | 14 770 450 |
| Other receivables | | 7 116 584 | 5 805 369 |
| Intercompany receivables | | 0 | 0 |
| **Total receivables** | | **21 426 325** | **20 575 819** |
| **Cash and bank deposits** | 5 | **35 721 482** | **15 184 911** |
| **TOTAL CURRENT ASSETS** | | **57 147 807** | **35 760 729** |
| **TOTAL ASSETS** | | **139 206 714** | **100 684 068** |

# Balance sheet at 31 December

| **EQUITY AND LIABILITIES** *(Amounts in NOK)* | **Notes** | **31.12.2019** | **31.12.2018** |
|---|---|---|---|
| Share capital | 6,7 | 875 106 | 856 401 |
| **Total paid-in equity** | | | **856 401** |
| Other equity | | 76 998 808 | 45 579 082 |
| **Total retained earnings** | | **76 998 808** | **45 579 082** |
| **TOTAL EQUITY** | | **77 873 914** | **46 435 482** |
| Lease liabilities | | 5 205 363 | 0 |
| Other long-term liabilities | 3 | 14 000 000 | 0 |
| **Total long-term liabilities** | | **19 205 363** | **0** |
| Liabilities to group companies | 4 | 3 921 552 | 1 865 928 |
| Trade creditors | | 834 715 | 2 527 440 |
| Tax payable | 9 | 0 | 0 |
| Public duties payable | | 2 669 095 | 1 964 709 |
| Other short-term liabilities | | 34 702 076 | 47 890 509 |
| **Total short-term liabilities** | | **42 127 438** | **54 248 586** |
| **TOTAL LIABILITIES** | | **61 332 801** | **54 248 586** |
| **TOTAL EQUITY AND LIABILITIES** | | **139 206 714** | **100 684 068** |

Oslo, 3 April 2020
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

# Notes and accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway for small companies.

## 3.1 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.

### 3.1.1 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.

### 3.1.2 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.

### 3.1.3 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.

### 3.1.4 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.

### 3.1.5 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."

### 3.1.6 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

### 3.1.7 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.

### 3.1.8 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.

### 3.1.9 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.

### 3.1.10 Foreign currencies

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

### 3.1.11 Liabilities

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

## 3.1.12 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.

## 3.1.13 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.

## 3.1.14 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.

## 3.1.15 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 1 – Intangible assets

| *Amounts in NOK* | **Patents** | **Trademark** | **Capitalized R&D** | **Total** |
|---|---|---|---|---|
| Purchase cost pr. 01.01. | 12 486 028 | 23 505 | 6 903 966 | 19 413 499 |
| Additions | 1 295 700 | 0 | 7 924 885 | 9 220 586 |
| Purchase cost pr. 31.12. | 13 781 729 | 23 505 | 14 828 851 | 28 634 085 |
| Accumulated depreciation 31.12. | 10 705 699 | 5 669 | 1 380 793 | 12 092 161 |
| **Net book value per. 31.12.** | **3 076 030** | **17 836** | **13 448 058** | **16 541 924** |
| | | | | |
| Depreciation in the year | 1 131 542 | 4 701 | 1 380 793 | **2 517 036** |
| | | | | |
| Estimated useful life: | 5 | 5 | 5 | |
| Amorization method: | Straight-line | Straight-line | Straight-line | |

Research and development expenses totalling MNOK 15,0 have been expensed in the year. Activites realates to development of new mobil applications and software. Accumulated total earnings from ongoing development projects are expected to correspond to total expenses incurred.

## Note 2 – Fixed assets (subsidiaries, associated companies and joint ventures)

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 | 0 | 0 |
| Elliptic Labs Inc | San Francisco, USA | 100% | 478 823 | 2 035 929 | 591 |
| **Balance sheet value 31.12.** | | | | | **591** |

## Note 3 – Debtors and liabilities

| *Amounts in NOK* | **2019** | **2018** |
|---|---|---|
| Debtors which fall due within one year | 29 431 148 | 43 007 165 |
| Debtors which fall due later than one year | 14 000 000 | 0 |
| **Total** | **43 431 148** | **43 007 165** |

| | **2019** | **2018** |
|---|---|---|
| **Liabilities secured by assets** | **18 000 000** | **18 000 000** |

| **Balance sheet value of assets placed as securities** | **2019** | **2018** |
|---|---|---|
| Accounts receivable | 14 309 741 | 14 770 450 |
| **Total** | **14 309 741** | **14 770 450** |

## Note 4 – Balance with group companies etc.

| | Trade creditors | | Other long-term liabilities | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Elliptic Laboratories INC | 3 447 352 | 1 391 728 | 0 | 0 |
| Healthy Pointers AS | 0 | 0 | 474 200 | 474 200 |
| **Total** | **3 447 352** | **1 391 728** | **474 200** | **474 200** |

## Note 5 – Restricted cash

| | 2019 | 2018 |
|---|---|---|
| Restricted bank deposits for employee tax withholdings | 1 617 519 | 1 045 918 |
| Guarantee account | 1 511 133 | 1 506 322 |
| **Total** | **3 128 652** | **2 552 240** |

## Note 6 – Share capital and shareholder information

As of 31.12.2019, share capital amounts to NOK 875 105,8, consisting of 8 751 058 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 2019 is set forth in the table below:

| Shareholder name | Ordinary shares | Ownership |
|---|---|---|
| Passesta AS (Chairman of the Board Tore Engebretsen) | 1 147 750 | 13.1 % |
| MP Pensjon PK | 837 400 | 9.6 % |
| Alden AS (Board member Edvin Austbø) | 707 000 | 8.1 % |
| Robert Horne (GBR) | 589 000 | 6.7 % |
| Laila Danielsen (USA) (CEO) | 529 680 | 6.1 % |
| Other shareholders (less that 5% ownership) | 4 940 228 | 56.5% |
| **Total** | **8 751 058** | **100 %** |

Shares held by the Board of Directors as of 31 Dec 2019:

| Shareholder name | Title | Ordinary shares | Ownership |
|---|---|---|---|
| Tore Engebretsen | Chairman of the Board | 1 147 750 | 13.1 % |
| Edvin Austbø | Board member | 707 000 | 8.1 % |
| Einar Greve | Board member | 140 300 | 1.6 % |
| Berit Svendsen | Board member | 1 800 | 0.02% |

Shares held by the executive management as of 31 Dec 2019:

| Shareholder name | Title | Ordinary shares | Ownership |
|---|---|---|---|
| Laila B. Danielsen | CEO & President | 529 680 | 6.1 % |
| Guenael Strutt | VP Product Development | 47 500 | 0.5 % |
| Espen Klovning | VP Engineering | 21 951 | 0.3 % |

**Share based payment plans**

The Group has an option program that includes employees in selected senior positions in parent and subsidiary companies. As of 31.12.2019, there are 47 employees in the group option programs. 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. Elliptic Laboratories AS has not booked any expenses relating to the option programs in accordance with the exception in NRS 8. The fair value of the options is calculated at the grant date, based on the Black-Scholes model, and expensed over the vesting period of 4 years.The group has the following option programs as of 31.12.2019.

| *Amounts in NOK* | Grant date | Number of options | Terminated | Outstanding | Strike | Price | Fair value | Total fair value |
|---|---|---|---|---|---|---|---|---|
| Guenael Strutt | 01.03.2015 | 47 400 | - | 47 400 | 38 | 4 years | 12,45 | 590 124 |
| Non-executive employees | 15.12.2016 | 48 706 | (38 706) | 10 000 | 38 | 4 years | 64,47 | 644 681 |
| Espen Klovning | 28.04.2017 | 11 049 | - | 11 049 | 38 | 4 years | 65,59 | 724 715 |
| Espen Klovning | 28.04.2017 | 30 000 | - | 30 000 | 100 | 4 years | 30,44 | 913 183 |
| Non-executive employees | 29.09.2017 | 100 000 | (39 041) | 60 959 | 200 | 4 years | 61,32 | 3 738 206 |
| Brian Daly | 16.04.2018 | 30 000 | - | 30 000 | 200 | 4 years | 65,69 | 1 970 782 |
| Non-executive employees | 03.08.2018 | 409 | - | 409 | 200 | 4 years | 57,43 | 23 490 |
| Non-executive employees | 03.08.2018 | 1 637 | - | 1 637 | 200 | 4 years | 57,64 | 94 354 |
| Non-executive employees | 03.08.2018 | 2 619 | - | 2 619 | 200 | 4 years | 58,30 | 152 679 |
| Non-executive employees | 03.08.2018 | 818 | - | 818 | 200 | 4 years | 58,41 | 47 781 |
| Non-executive employees | 03.08.2018 | 1 228 | - | 1 228 | 200 | 4 years | 59,81 | 73 445 |
| Non-executive employees | 03.08.2018 | 3 239 | - | 3 239 | 200 | 4 years | 59,87 | 193 906 |
| Non-executive employees | 03.08.2018 | 2 573 | - | 2 573 | 200 | 4 years | 61,45 | 158 108 |
| Non-executive employees | 03.08.2018 | 4 572 | - | 4 572 | 200 | 4 years | 61,74 | 282 266 |
| Non-executive employees | 03.08.2018 | 3 170 | - | 3 170 | 200 | 4 years | 63,08 | 199 977 |
| Non-executive employees | 03.08.2018 | 2 343 | - | 2 343 | 200 | 4 years | 63,12 | 147 897 |
| Non-executive employees | 03.08.2018 | 1 364 | - | 1 364 | 200 | 4 years | 63,95 | 87 232 |
| Non-executive employees | 03.08.2018 | 2 527 | - | 2 527 | 200 | 4 years | 64,73 | 163 577 |
| Non-executive employees | 28.08.2018 | 15 000 | - | 15 000 | 38 | 4 years | 164,22 | 2 463 237 |
| Non-executive employees | 12.03.2019 | 2 527 | - | 2 527 | 200 | 4 years | 61,56 | 155 556 |
| Non-executive employees | 12.03.2019 | 4 411 | - | 4 411 | 200 | 4 years | 62,71 | 276 582 |
| Non-executive employees | 12.03.2019 | 2 068 | - | 2 068 | 200 | 4 years | 62,99 | 130 263 |
| Non-executive employees | 12.03.2019 | 977 | - | 977 | 200 | 4 years | 70,44 | 68 823 |
| Brian Daly | 28.03.2019 | 5 000 | - | 5 000 | 200 | 4 years | 64,86 | 324 303 |
| Guenael Strutt/ Espen Klovning | 28.03.2019 | 75 000 | - | 75 000 | 200 | 4 years | 64,99 | 4 874 403 |
| Non-executive employees | 09.04.2019 | 2 228 | - | 2 228 | 200 | 4 years | 62,39 | 139 029 |
| Non-executive employees | 09.04.2019 | 2 941 | - | 2 941 | 200 | 4 years | 62,52 | 183 836 |
| Non-executive employees | 23.04.2019 | 2 481 | - | 2 481 | 200 | 4 years | 62,29 | 154 554 |
| Non-executive employees | 13.05.2019 | 3 768 | - | 3 768 | 200 | 4 years | 66,19 | 249 375 |
| Non-executive employees | 25.05.2019 | 26 000 | - | 26 000 | 200 | 4 years | 65,62 | 1 706 165 |
| Non-executive employees | 12.08.2019 | 2 267 | - | 2 267 | 200 | 4 years | 65,45 | 148 403 |
| Non-executive employees | 19.08.2019 | 2 093 | - | 2 093 | 200 | 4 years | 65,36 | 136 794 |
| Non-executive employees | 22.08.2019 | 837 | - | 837 | 200 | 4 years | 65,53 | 54 863 |

## Note 7 – Shareholder's equity

| Equity changes in the year | Share capital and premium | Own shares | Other paid in equity | Other equity | Total |
|---|---|---|---|---|---|
| **Equity at 01.01.** | **856 401** | **0** | **6 214 160** | **39 364 922** | **46 435 483** |
| Profit for the year | 0 | 0 | 0 | -14 448 306 | -14 448 306 |
| Employee share schemes – value of employee services | 0 | 0 | 2 871 737 | 0 | 2 871 737 |
| Capital contribution | 18 705 | 0 | 0 | 42 996 295 | 43 015 000 |
| **Shareholders' equity at 31.12.2019** | **875 106** | **0** | **9 085 897** | **67 912 911** | **77 873 914** |

## Note 8 – 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 9 – Taxes

Calculation of deferred tax/deferred tax benefit:

| **Temporary differences** | **2019** | **2018** |
|---|---|---|
| Intangible assets | 4 892 094 | 5 989 641 |
| Accounts receivables | 9 314 875 | 9 314 875 |
| Net temporary differences | 14 206 969 | 15 304 516 |
| Tax losses carried forward | 241 106 152 | 225 384 858 |
| **Basis for deferred tax** | **255 313 122** | **240 689 374** |
| | | |
| Deferred tax | 56 168 887 | 52 951 662 |
| Deferred tax benefit not shown in the balance sheet | 0 | 0 |
| **Deferred tax in the balance sheet** | **56 168 887** | **52 951 662** |

| **Components of the income tax expense:** | **2019** | **2018** |
|---|---|---|
| *Amounts in NOK* | | |
| Payable tax on this year's result | 0 | 0 |
| **Total payable tax** | **0** | **0** |
| Change in deferred tax based on original tax rate | - 3 217 225 | -8 658 014 |
| Change in deferred tax due to change in tax rate | 0 | 2 406 894 |
| **Calculated tax expense/(Income)** | **- 3 217 225** | **-6 251 120** |

**Significant estimates**

The deferred tax assets include an amount of NOK 53 043 353 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 15.0 has been recognized in the income statement related to research and development activities in Elliptic Laboratories group in 2019. 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 2020 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 10 – Payroll expenses, number of employees, remunerations, loans to employees etc.

| **Payroll expenses** | **2019** | **2018** |
|---|---|---|
| *Amounts in NOK* | | |
| Salary expenses | 32 685 852 | 33 846 411 |
| Government grants | -2 198 066 | -3 754 664 |
| Social security cost | 3 306 292 | 3 368 071 |
| Capitalized R&D Personnel cost | -7 924 885 | -6 903 966 |
| Pension costs | 460 624 | 396 301 |
| Option costs | 2 871 737 | 3 718 230 |
| Other costs | 767 151 | 598 838 |
| **Total payable tax** | **29 968 705** | **31 269 222** |

| | | |
|---|---|---|
| The number of employees in the accounting years have been: | 44 | 42 |

| **Remuneration to executives in 2019** | **General manager** | **Board** |
|---|---|---|
| *Amounts in NOK* | | |
| Salaries/board fee | 3 319 386 | 550 000 |
| Pension expenses | 0 | 0 |
| Other remuneration | 112 235 | 0 |

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 2019, 2018, 2017, 2016 or 2015.

| **Expensed audit fee** | **2019** | **2018** |
|---|---|---|
| *Amounts in NOK* | | |
| Statutory audit (incl. technical assistance with financial statements) | 194 095 | 140 000 |
| Other assurance services | 0 | 10 000 |
| Tax advisory fee (incl. technical assistance with tax return) | 294 595 | 214 113 |
| Other assistance (to be specified) | 181 300 | 365 924 |
| **Total audit fees** | **669 990** | **730 037** |

## Note 11 – Specification of financial income and expenses

| **Financial income** *(Amounts in NOK)* | **2019** | **2018** |
|---|---|---|
| Exchange rate gains | 213 706 | 2 093 973 |
| Other financial income | 95 907 | 89 583 |
| **Total financial income** | **309 907** | **2 183 556** |

| **Financial expenses** *(Amounts in NOK)* | **2019** | **2018** |
|---|---|---|
| Exchange rate loss | 380 598 | 601 806 |
| Other financial expenses | 3 894 571 | 2 346 688 |
| **Total financial income** | **4 275 169** | **2 948 494** |

## Note 12 – Government grants

The company has applied for and received governmental grants in 2019 and 2018.

| **Public grants** *(Amounts in NOK)* | **2019** | **2018** |
|---|---|---|
| Reduction capitalised patents | 154 436 | 447 490 |
| Cost reduction | 3 667 746 | 4 552 510 |
| Recognized as other operating revenue | 14 726 017 | 2 031 597 |
| **Total public grants** | **18 548 199** | **7 031 597** |

## Note 13 – 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:**

| | **2019** |
|---|---|
| a) Sales of goods and services | |
| Sales of goods: | |
| Sales of services: | 1 872 382 |
| b) Purchases of goods and services | |
| Purchase of goods: | |
| Purchase of services: | 19 418 329 |

## Note 14 – Events after the balance sheet date

As at 31 December 2019 only limited cases of an unknown virus had been reported to the World Health Organization (WHO). The following spread of the COVID-19 virus does not provide evidence of conditions existing at the end of the reporting period, thus classifying the pandemic as a non-adjusting event according to IAS 10.

As many of our customers are in China, we experienced a slowdown earlier this year compared to many other enterprises with customers outside China. At the date of signing the financial statements, all of our employees are working from home, but we are nevertheless experiencing good progress on most of the projects scheduled for delivery in 2020. Certainly, we see that some planned launches will be cancelled or postponed, but overall, the need and demand for our products and solutions remain strong and we believe the activity will pick up significantly in the second half of 2020. It is too early to make a reasonable estimate of the effect of the pandemic, but the Board of Directors remains positive about the future outlook for Elliptic Labs despite the short-term challenges ahead as a consequence of the COVID-19.

# 4 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 as at 31 December 2019, the income statement for the year then ended, 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 2019, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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 accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo*
*T: 02316, org. no.: 987 009 713 VAT, www.pwc.no*
*State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm*

## *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 fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation 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. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use 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 pwc

## *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 and the going concern assumption 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, 3 April 2020
**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 | 2020-04-03 19:32 |

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ellipticlabs

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## Appendix D – Audited consolidated financial statements for Elliptic Laboratories AS for the year ended 31 December 2018

ellipticlabs

INNER BEAUTY®

# ANNUAL REPORT 2018

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# Director’s report

**Highlights and product development**

Elliptic Labs is the leader in virtual smart sensors for the smartphone and “Internet of Things” (IoT) market. Our technology combines Artificial Intelligence (AI) with input from existing device sensors, which are augmented using our proprietary signal processing algorithms. The results are robust, software-only sensors that achieve levels of functionality and performance no ordinary hardware sensor can. Our virtual smart sensor platform has the potential to deprecate the need for billions of hardware sensors, while providing even more features than the original, such as enabling bezel-less design, intuitive 3D touchless gesture recognition, and full-room presence sensing.

2018 was an enthusing year for Elliptic Labs, characterized by a high level of activity and strong interest for its products. The bezel-less trend, where manufacturers trim the edges around a smartphone, continues and has a broader market adoption. This trend follows a general smartphone technology adoption trend, in which a new technology is initially adopted on high-end smartphones (above USD 400) during year 1 (2017), then on mid-end smartphones (USD 200-400) during years 2 (2018) and 3 (2019), and finally on low-end smartphones (below USD 200) during years 4 (2020) to 6 (2022). During 2018, Xiaomi expanded its usage of INNER BEAUTY, enabled by Elliptic Labs, not just for its high-end product but also for one of their mid-end products. Smartisan, a Chinese smartphone manufacturer, launched on a mid-end phone with INNER BEAUTY. The adoption of our technology on these mid-end devices generated interest from a broader market, so much that at the end 2018 Elliptic Labs signed its first paid evaluation contract with one of the top three phone manufacturers in the world.

We see that, due to decline in smartphone shipments during 2018, the only way for smartphone manufacturers to expand their market share is to capture it from their competition. This increases pressure on smartphone manufacturers to innovate while reducing costs. Due to its expansion into the larger-volume mid-end phone segment, Elliptic Labs, provides a significant cost-reduction case to OEMs. This, combined with the ability to deliver innovation, are foundations for solid growth going forward. The global gesture recognition market size is likely to reach USD 30.6 billion by 2025. It is poised to post a CAGR of 22.2% from 2018 to 2025.

In addition to the company’s focus in China, it increased its sales and customer support activities in Japan, US, and South Korea. Samsung (South Korea) and Apple (California, USA) have a combined market share of over 35% in smartphone shipments for 2018, and both have a significant IoT product portfolio. In 2019 and 2020, Elliptic Labs looks to expand its product deliveries into one of the top three leading companies, while expanding into IoT products.

Compared to smartphones, the IoT market is much more fragmented. To gain a foothold in this market, Elliptic Labs will focus on areas where current and new customers have their own IoT products and where they are expecting to see future growth, such as smart speakers, vacuum cleaners and appliances. To support a fragmented market, the company will continue to improve its virtual smart sensor platform by automating and optimizing its machine learning development process. The primary benefit of the process is to minimize the need for engineering support during software delivery. In 2018, Elliptic Labs was awarded a 20M NOK SME2 Horizon 2020 grant to enhance its machine learning platform, for the purpose of opening up fragmented markets and allowing delivery of custom virtual sensors with minimal direct involvement from the engineering staff.

3D interaction possibilities and opportunities for detecting movements around IoT and robot devices are expected to eventually lead to significant growth opportunities for Elliptic Labs, in parallel with the mobile phone market. The touchless sensing market is expected to be worth about USD 15.3 billion by 2022, growing at a CAGR of about 17.4% between 2017 and 2022. It is important to note that it is the same Elliptic Labs software that contributes to both mega markets.

In 2018, Elliptic Labs announced partnerships with industry leaders, such as AAC Technologies and Solomon Systech.

Elliptic Labs has continued to submit new patent applications for inventions and applications of the technology. The business has been run from the headquarter in Oslo, through a wholly owned subsidiary, Elliptic Laboratories Inc. in San Francisco, USA, and an office located in Shanghai in China, which also covers the company’s activities in Shenzhen and Beijing. Elliptic Labs also has a customer support and sales presence in Suwon, South Korea and Shiba, Japan.

## Financial summary for the Group

Comparable amounts for 2017 are presented in brackets.

### Operating revenue

Consolidated operating revenue for 2018 totalled NOK 43 612 thousand (NOK 13 649 thousand).

### Operating costs

Operating costs totalled NOK 76 186 thousand (NOK 56 559 thousand). Personnel expenses accounted for NOK 46 965 thousand (NOK 39 904 thousand).

### Operating profit/loss

The Group generated an operating loss of NOK 32 573 thousand in 2018 (NOK 42 910 thousand).

### Financial items

Net financial expenses amounted to NOK 663 thousand (NOK 570 thousand).

### Profit/loss

The loss before tax was NOK 33 236 thousand (NOK 43 480 thousand). Income tax expense was NOK -5 116 thousand (NOK -9 231 thousand), resulting in a loss of NOK 28 121 thousand (NOK 34 249 thousand). The annual deficit was fully covered by transfer to other equity.

### Cash flow

The cash flow from operating activities was NOK -35 158 thousand (NOK -38 869 thousand). Cash flow from investments were NOK -8 739 thousand (NOK -1 370 thousand), and cash flow from financing was NOK 23 239 thousand (NOK 46 938 thousand). Cash and cash equivalents at year end 2018 were NOK 16 624 thousand (NOK 37 340 thousand).

### Financing and debt

The Group's equity was NOK 47 398 thousand at the end of 2018 (NOK 71 858 thousand). The Group had total loans of NOK 18 million to Innovation Norway at the end of 2018 (NOK 18 milion).

Elliptic Labs established an overdraft credit facility of NOK 25 million with Pareto Bank in June 2018.

Due to the establishment of the overdraft credit facility, which is classified as a short-term liability, the Group was in breach with the financing covenants of the Innovasjon Norge loan facility as at 31.12.18. As a consequence this loan has also been reclassified from long-term to short-term in the balance sheet and related notes per the same date. Management is in continuous dialogue with Innovasjon Norge and although a covenant waiver is not in place at the date of signing the financial statements, the Group does not expect to have to repay the debt earlier than what has been agreed. If however, Innovasjon Norge were to recall the loan, the Board expects to be able to raise alternative funds through alternative financing or issue of shares within a sufficiently short time frame.

## Financial summary for the parent company, Elliptic Laboratories AS

Operating revenues from Elliptic Laboratories AS, the parent company, amounted to NOK 43 612 thousand (NOK 13 649 thousand), and the operating loss was NOK 35 614 thousand (NOK 42 902 thousand**).** The net loss for the year was NOK 30 128 thousand (NOK 34 314 thousand). The equity of the parent company amounted to NOK 46 435 thousand (NOK 72 845 thousand) and the Board proposes to allocate and transfer the loss of NOK 30 128 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 2018 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 a provision for losses equal to MNOK 9 for 2018. The Group consider this to be a loss.

## 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 2019 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 2018 and it has not been necessary to implement improvement measures.

There have been no injuries or accidents in 2018. Elliptic Labs had 1.2% absence due to sick leave in 2018. There has not been implemented or planned to undertake concrete measures to improve gender equality in Elliptic Labs. The company has approximately 60% male employees, and 40% 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.

## Future outlook

The Board of Directors remains positive about Elliptic Labs' growth prospects, given its success in three areas. First, the company proved its ability to deliver new functionality on devices without any hardware modification. A key factor to this is the establishment of quality control procedures during manufacturing, which are unique to ultrasound and therefore difficult for others to replicate.

Secondly, the IoT market is broadening and the need for presence- and gesture-sensing technology is increasing. Devices that already include speakers, such as smart speakers, look to deliver full-room presence sensing, while other devices, such as air conditioning units, look to replace obtrusive and inefficient optical sensors with ultrasound. This interest is felt through co-development initiatives with system integrators in Asia.

Thirdly, Elliptic Labs has proven its ability to launch new products rapidly, thanks to the development of its proprietary state-of-the-art Machine Learning infrastructure. This infrastructure provides Elliptic Labs a substantial lead in the software-only virtual sensor market.

Elliptic Labs´ foundation for growth is further strengthened by the company's patent portfolio, covering these three areas.

Oslo, 21 June 2019
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

Laila B. Danielsen
CEO

# 1 Consolidated financial statements

## Consolidated statement of comprehensive income

For the financial period ended 31 December 2018 and 2017.

| *(Amounts in NOK)* | Notes | 2018 | 2017 |
|---|---|---|---|
| Revenues | | 41 580 757 | 10 694 767 |
| Other operating income | | 2 031 597 | 2 954 688 |
| **Total revenue** | 2 | **43 612 354** | **13 649 455** |
| Cost of goods sold | | 0 | -1 299 698 |
| Personnel expenses | 11 | -46 964 974 | -39 904 223 |
| Other operating expenses | 4 | -27 105 463 | -13 420 496 |
| Depreciation, amortisation and impairment | 7 | -2 115 328 | -1 934 756 |
| **Total operating costs** | | **-76 185 766** | **-56 559 172** |
| **Operating profit** | | **-32 573 412** | **-42 909 717** |
| Financial income | 5 | 2 180 815 | 519 835 |
| **Total financial income** | | **2 180 815** | **519 835** |
| Financial expenses | 5 | -2 843 832 | -1 090 193 |
| **Total financial expenses** | | **-2 843 832** | **-1 090 193** |
| **Profit/(loss) before tax** | | **-33 236 429** | **-43 480 076** |
| Income tax expense | 6 | -5 115 807 | -9 231 269 |
| **Profit/(loss) for the period** | | **-28 120 622** | **-34 248 808** |
| Other comprehensive income: | | | |
| Foreign currency changes, may be reclassified to profit or loss | | -57 755 | -139 019 |
| Other comprehensive income, net of tax | | **-57 755** | **-139 019** |
| **Total comprehensive income for the period** | | **-28 178 376** | **-34 387 827** |
| Loss for the period is attributable to: | | | |
| Equity holders of the parent company | | **-28 178 376** | **-34 387 827** |
| Non-controlling interests | | 0 | 0 |
| Profit/(loss) per share | | -3.29 | -4.06 |

## Consolidated statement of financial position

At 31 December 2018 and 2017, respectively.

| *(Amounts in NOK)* | Notes | 31.12.2018 | 31.12.2017 |
|---|---|---|---|
| **Non-current assets** | | | |
| Deferred tax assets | 6 | 52 951 662 | 46 700 542 |
| Intangible assets | 7 | 9 848 375 | 3 224 575 |
| Other non-current receivables | | 2 132 711 | 1 058 640 |
| **Total non-current assets** | | **64 932 748** | **50 983 758** |
| | | | |
| **Current assets** | | | |
| Accounts receivable | 9 | 14 770 450 | 3 124 037 |
| Other current receivables | | 5 914 235 | 7 001 077 |
| Cash and cash equivalents | 10 | 16 623 538 | 37 339 583 |
| **Total current assets** | | **37 308 223** | **47 464 697** |
| | | | |
| **Total assets** | | **102 240 971** | **98 448 455** |
| | | | |
| **Equity and liabilities** | | | |
| Share capital | 13 | 856 401 | 856 401 |
| Other equity | | 46 541 515 | 71 001 661 |
| **Total equity** | | **47 397 915** | **71 858 062** |
| | | | |
| Bank borrowings, long-term | 14 | 0 | 14 000 000 |
| **Total long-term liabilities** | | **0** | **14 000 000** |
| | | | |
| Bank borrowings, short-term | 14 | 43 007 165 | 4 000 000 |
| Trade and other payables | | 2 527 440 | 1 099 517 |
| Tax payable | | 1 079 936 | 325 071 |
| Accrued public taxes | | 1 964 709 | 1 814 250 |
| Other short-term liabilities | 17 | 6 263 806 | 5 351 555 |
| **Total current liabilities** | | **54 843 056** | **12 590 393** |
| | | | |
| **Total equity and liabilities** | | **102 240 971** | **98 448 455** |

Oslo, 21 June 2019
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

Laila B. Danielsen
CEO

## Consolidated statement of changes in equity

Attributable to owners of Elliptic Laboratories AS.

| **2018** *(Amounts in NOK)* | **Share capital and premium** | **Own shares** | **Paid-in equity** | **Other Equity** | **Foreign currency rate differences** | **Total equity** |
|---|---|---|---|---|---|---|
| **Shareholders' equity at 01.01.2018** | **856 401** | **0** | **2 495 930** | **68 704 773** | **-199 042** | **71 858 062** |
| | | | | | | |
| Profit (loss) for the period | 0 | 0 | 0 | -28 120 622 | 0 | -28 120 622 |
| Other comprehensive income for the period | 0 | 0 | 0 | 0 | -57 755 | -57 755 |
| **Total comprehensive income for the period** | **0** | **0** | **0** | **-28 120 622** | **-57 755** | **-28 178 376** |
| | | | | | | |
| **Transactions with owners:** | | | | | | |
| Share issue | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital increase through issuance of ordinary shares | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee share schemes | 0 | 0 | 3 718 230 | 0 | 0 | 3 718 230 |
| **Shareholders' equity at 31.12.2018** | **856 401** | **0** | **6 214 160** | **40 584 151** | **-256 797** | **47 397 915** |

| **2017** *(Amounts in NOK)* | **Share capital and premium** | **Own shares** | **Paid-in equity** | **Other Equity** | **Foreign currency rate differences** | **Total Equity** |
|---|---|---|---|---|---|---|
| **Shareholders' equity at 01.01.2017** | **838 889** | **-7 488** | **320 386** | **52 978 580** | **-60 023** | **54 070 344** |
| | | | | | | |
| Profit (loss) for the period | 0 | 0 | 0 | -34 248 808 | 0 | -34 248 808 |
| Other comprehensive income for the period | 0 | 0 | 0 | 0 | -139 019 | -139 019 |
| **Total comprehensive income for the period** | **0** | **0** | **0** | **-34 248 808** | **-139 019** | **-34 387 727** |
| | | | | | | |
| **Transactions with owners:** | | | | | | |
| Share issue | 17 511 | 7 488 | 0 | 49 975 000 | 0 | 50 000 000 |
| Capital increase through issuance of ordinary shares | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee share schemes | 0 | 0 | 2 175 544 | 0 | 0 | 2 175 544 |
| **Shareholders' equity at 31.12.2017** | **856 401** | **0** | **2 495 930** | **68 704 733** | **-199 042** | **71 858 062** |

# Consolidated cash flow statement

For the financial period ended 31 December 2018 and 2017.

| *(Amounts in NOK)* | **Notes** | **2018** | **2017** |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Profit/(loss) before tax | | -33 236 429 | -43 480 076 |
| Adjustment for: | | | |
| Taxed paid in the period | | -380 447 | 0 |
| Depreciation and impairment | 7 | 2 115 328 | 1 934 756 |
| Option based payments | 12 | 3 718 230 | 2 175 544 |
| Items classified as financing activities | 5 | 1 768 309 | 1 061 651 |
| Change in accounts receivable | | -10 559 571 | -1 827 197 |
| Change in trade payables | | 1 427 923 | -1 276 762 |
| Change in other accruals | | -11 361 | 2 542 596 |
| **Net cash flow from operations** | | **-35 158 019** | **-38 869 489** |
| | | | |
| **Cash flow from investments:** | | | |
| Purchase of fixed assets | 7 | -8 739 127 | -1 370 373 |
| **Net cash flow from investments** | | **-8 739 127** | **-1 370 373** |
| | | | |
| **Cash flow from financing:** | | | |
| Repayments bank borrowings | | 0 | -2 000 000 |
| Bank borrowings, short-term | 14 | 25 007 165 | 0 |
| Paid in capital from owners | | 0 | 50 000 000 |
| Purchases of own shares | | 0 | 0 |
| Interests bank borrowings | 5 | -1 768 309 | -1 061 651 |
| **Net cash flow from financing** | | **23 238 856** | **46 938 349** |
| | | | |
| **Net Change in Cash and Cash Equivalents** | | **-20 658 290** | **6 698 487** |
| Cash and cash equivalents at the beginning of the period | | 37 339 583 | 30 780 115 |
| Effect of foreign currency rate changes on cash and cash Equivalents | | -57 755 | -139 019 |
| **Cash and cash equivalents at the end of period** | | **16 623 538** | **37 339 583** |

# 2 Notes to the consolidated financial accounts

## Note 1 – Accounting principles

## 2.1 General information

Elliptic Laboratories AS and its subsidiaries (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.

## 2.2 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.

### 2.2.1 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 2018.

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.

### 2.2.2 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.

### 2.2.3 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 (none of them with hyperinflation) 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.

### 2.2.4 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 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.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself.

### 2.2.5 Operating revenues

The group has applied IFRS 15 Revenue from Contracts with Customers, as issued in May 2014, since 2017.
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.

### 2.2.6 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.

### 2.2.7 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.

### 2.2.8 Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. The group has no contracts that meets these criterias.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 15). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss as the payments fall due.

## 2.2.9 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.

## 2.2.10 Financial instruments

The Group has adopted IFRS 9 Financial instruments as of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard sets out new requirements for the accounting of financial instruments in the areas of classification, impairment and hedge accounting.

**The Group has adopted IFRS 9 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors using the full retrospective approach with no material effect in the Group's consolidated statement of financial position and statement of changes in equity. As is allowed, prior period figures are not restated.**

**Classification**
In accordance with IFRS 9 Financial instruments all financial assets within the scope of IFRS 9 are classified in the following categories based on the cash flow characteristics of the financial asset (SPPI or not SPPI) and the management business model for holding the financial assets (hold to collect or hold to collect or sell). The categories are fair value with changes in value through profit or loss (FVOPL), fair value with changes in value in other comprehensive income (FVOCI) and amortized cost. During 2018 and 2017 the Group did not engage in hedge accounting and all material balances related to financial instruments were recognised at amortised cost.

All financial assets are classified at amortised cost under IFRS 9 as these financial assets meet the criteria for the business model Hold to collect and payments of solely principal and interest (SPPI). In 2018 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. The Group's loans and receivables comprises accounts receivables, other current receivables and cash and cash equivalents.

**Recognition and Measurement**
Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 2.2.11 Impairment of financial assets

A financial asset is assessed for impairment at each reporting date. A financial asset or a group of financial assets is impaired using the expected credit loss 3-stage model (ECL) or the practical expedient of lifetime ECL for accounts receivable in accordance with IFRS 9.

## 2.2.12 Accounts receivable

Trade and other receivables are initially measured at fair value when the Group has an unconditional right to receive the consideration and the payment is only dependent on the passage of time. and subsequently measured at amortized cost less any loss allowance. Accounts receivable are managed as held for collection and meet the criteria for SPPI. The loss allowance is based on the lifetime expected credit loss model and adjusted for market and economic conditions based on management judgement.

### 2.2.13 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.

### 2.2.14 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. from the proceeds. Own shares are accounted for as a deduction of equity.

### 2.2.15 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.

### 2.2.16 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.

### 2.2.17 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.

## 2.2.18 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.

## 2.2.19 Standards, amendments and interpretations to existing standards that are not applied as of 31 December 2018 and that have not been adopted earlier in the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

**IFRS 16 Leases**

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will be based on the same classification as under IAS17, operating or finance leasing. The definition of a lease is amended.

IFRS 16 is effective for the annual periods after 1 January 2019. The Group has reviewed its lease agreement for 2018 to evaluate the potential effects of IFRS 16 by using the retrospective method. The assessment of lease agreement has identified a potential increase of approximately 8.9 MNOK on the balace sheet.

**IFRIC 23 Uncertainty over income tax treatments**

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty,
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored,
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment,
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

IFRIC 23 does not include any new disclosure requirements. The general requirement to provide information about judgements and estimates made in preparing the financial statements is applicable. The Group will adopt IFRIC 23 on 1 January 2019 with no significant implementation effect.

# Note 2 – Revenue from contracts with customers

Revenue from contracts with customers consists of the following entries as set forth in the table below.

| *Amounts in NOK* | **2018** | **2017** |
|---|---|---|
| Revenues from contracts with customers | 41 580 757 | 10 694 767 |
| Revenue from other sources | 2 031 597 | 2 954 688 |
| **Total revenue** | **43 612 354** | **13 649 455** |

As of 31.12.2018 The Group had two signed contracts, not delivered within 2018, equal to MNOK 2.6.
As of 31.12.2017 all contracts were completed and performance obligations were fully satisfied.
Revenue from other sources consists in total of government grants.

## Note 3 – Government grants

The table below sets forth the treatment of government grants.

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| Recognized as revenue from other sources | 2 031 597 | 2 954 688 |
| Reduction of capitalized patents | 447 490 | 315 405 |
| Recognized as payroll cost reduciton | 3 754 664 | 4 000 890 |
| Recognized as cost of sales reduction | 0 | 324 924 |
| Recognized as other cost reduction | 797 847 | 683 705 |
| **Total government grants** | **7 031 597** | **8 279 612** |

## Note 4 – Other operating expenses

Other operating costs consists of the following entries:

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| Sales and marketing expenses | 7 681 427 | 4 584 764 |
| Rent | 2 454 386 | 2 634 276 |
| Electricity, heating and other property expenses | 719 657 | 228 219 |
| Consultants | 3 141 122 | 0 |
| Auditor | 451 098 | 0 |
| Legal | 530 620 | 0 |
| Provision for losses/Losses | 9 314 875 | 0 |
| Patents | 559 549 | 0 |
| IT/Software | 1 571 078 | 0 |
| Other expenses | 681 652 | 5 973 237 |
| **Total other operating expenses** | **27 105 463** | **13 420 496** |

## Note 5 – Financial income and financial expenses

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| **Financial income** | | |
| Other interest income | 66 980 | 166 496 |
| Other financial income | 23 208 | 0 |
| Foreign Exchange gains | 2 090 627 | 353 338 |
| **Total financial income** | **2 180 815** | **519 835** |
| | | |
| **Financial expenses** | | |
| Interest expense on bank loan | 1 768 309 | 1 061 651 |
| Other financial expenses | 578 379 | 70 |
| Foreign Exchange losses | 497 144 | 28 472 |
| **Total financial expenses** | **2 843 832** | **1 090 193** |

## Note 6 – Tax

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| Tax payable | 1 135 312 | -72 446 |
| Change in deferred tax/tax asset as a result of the changed tax rate | 2 379 176 | 2 030 458 |
| Other items | 0 | 0 |
| Change in deferred tax liabilities | 0 | 0 |
| Change in deferred tax assets | -8 658 014 | -11 189 280 |
| **Total tax (income)/expense** | **-5 143 526** | **-9 231 268** |

| *Amounts in NOK* | **2018** | **2017** |
|---|---|---|
| Below is a specification of the tax effects of temporary differences and losses carried forward: | | |

| *Deferred tax:* | **2018** | **2017** |
|---|---|---|
| Fixed assets | 0 | 0 |
| Trademark | 0 | 0 |
| Receivables and payables | 0 | 0 |
| Other | 0 | 0 |
| Total deferred tax relating to temporary differences | 0 | 0 |
| **Carrying value deferred tax liabilities** | **0** | **0** |

| *Deferred tax assets:* | **2018** | **2017** |
|---|---|---|
| Fixed assets | 1 317 721 | 0 |
| Receivables | 2 379 173 | 77 562 |
| Other | 0 | 0 |
| Losses carried forward | 50 299 384 | 47 370 182 |
| Total deferred tax assets relating to temporary differences and losses carried forward | **53 666 377** | **47 447 744** |
| Non-recognised deferred tax assets relating to losses and precluded interest deductions carried forward | -714 715 | -747 202 |
| **Carrying value deferred tax assets** | **52 951 662** | **46 700 542** |

| **Explanation of the change in the deferred tax:** | **2018** | **2017** |
|---|---|---|
| Carrying value deferred tax at 01.01 | 0 | 0 |
| Change in deferred tax liability | 0 | 0 |
| **Carrying value deferred tax at 31 December** | **0** | **0** |

| **Explanation of the change in the deferred tax assets:** | **2018** | **2017** |
|---|---|---|
| Carrying value deferred tax assets at 01.01 | 46 700 542 | 35 977 481 |
| Change in deferred tax assets | 6 251 120 | 10 723 061 |
| **Carrying value deferred tax assets at 31 December** | **52 951 662** | **46 700 542** |

| **Losses carried forward as of 31.12.2018** | |
|---|---|
| **Expiration year** | **n.a** |
| Unlimited carry forward period | 50 299 384 |
| **Total losses carried forward** | **50 299 384** |

| **Reconciliation of tax expense** | **2018** | **2017** |
|---|---|---|
| Profit before tax | -33 236 429 | -43 480 076 |
| Hence 23 % tax in 2018 and 24% in 2017 | -7 644 379 | -10 435 218 |
| <u>Tax effect of:</u> | | |
| Differences in tax rates | 317 124 | -20 699 |
| Permanent differences (mainly non-taxable income) | -278 248 | -755 851 |
| Change in deferred tax/tax asset due to changes in tax rate | 2 375 182 | 2 030 458 |
| Change in prior year estimates | 117 664 | |
| Other/currency | -3 150 | -49 958 |
| **Calculated tax expense/ (Income)** | **-5 115 807** | **-9 231 268** |

**Significant estimates**

The deferred tax assets include an amount of NOK 50 299 384 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 criteria. An expense of MNOK 19.9 has been recognized in the income statement related to research and development activities in Elliptic Laboratories group in 2018. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on signed customer contracts which form the basis for approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2019 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 7 – Intangible assets

| *Amounts in NOK* | Patents | Trademark | Capitalized R&D | Total intangible assets |
|---|---|---|---|---|
| Cost at 01.01.2018 | 10 684 372 | 0 | 0 | 10 684 372 |
| Effect of changes in foreign exchange | 0 | 0 | 0 | 0 |
| Additions | 1 811 656 | 23 505 | 6 903 966 | 8 739 127 |
| Disposals | 0 | 0 | 0 | 0 |
| **Cost at 31.12.2018** | **12 496 028** | **23 505** | 6 903 966 | **19 423 499** |
| | | | | |
| Accumulated amortisation and impairment charges 01.01.2016 | 7 459 796 | 0 | 0 | 7 459 796 |
| Amortisation charges | 2 114 360 | 968 | 0 | 2 115 328 |
| Impairment charges | 0 | 0 | 0 | 0 |
| **Accumulated amortisation and impairment charges 31.12.2018** | **9 574 157** | **968** | 0 | **9 575 124** |
| | | | | |
| **Net booked value as at 31.12.2018** | **2 921 871** | **22 538** | **6 903 966** | **9 848 375** |
| | | | | |
| Cost at 01.01.2017 | 9 313 999 | 0 | 0 | 9 313 999 |
| Effect of changes in foreign exchange | 0 | 0 | 0 | 0 |
| Additions | 1 370 373 | 0 | 0 | 1 370 373 |
| Disposals | 0 | 0 | 0 | 0 |
| **Cost at 31.12.2017** | **10 684 372** | **0** | **0** | **10 684 372** |
| | | | | |
| Accumulated amortisation and impairment charges 01.01.2017 | 5 525 040 | 0 | 0 | 5 525 040 |
| Amortisation charges | 1 934 756 | 0 | 0 | 1 934 756 |
| Impairment charges | 0 | 0 | 0 | 0 |
| **Accumulated amortisation and impairment charges 31.12.2017** | **7 459 796** | **0** | **0** | **7 459 796** |
| | | | | |
| **Net booked value as at 31.12.2017** | **3 224 575** | **0** | **0** | **3 224 575** |
| | | | | |
| 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 19.9 has been recognized in the income statement related to research and development activities in Elliptic Laboratories group in 2018.

## Note 8 – Investments in subsidiaries and associated companies

| Subsidiaries | Country | Business office | Voting percentage | | Ownership percentage | |
|---|---|---|---|---|---|---|
| | | | **2018** | **2017** | **2018** | **2017** |
| 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* | 2018 | 2017 |
|---|---|---|
| **Ageing of trade receivable:** | | |
| Up to 3 months | 14 770 450 | 3 124 037 |
| More than 3 months | 9 314 875 | 337 225 |
| **Total trade receivable** | **24 085 325** | **3 461 262** |
| | | |
| Nominal value of trade receivables | 24 085 325 | 3 461 262 |
| Impairment of trade receivables | -9 314 875 | -337 225 |
| **Total trade receivable** | **14 770 450** | **3 124 037** |
| | | |
| **Other current receivables:** | | |
| Prepaid costs | 293 395 | 559 533 |
| Other current receivables | 5 620 840 | 6 441 544 |
| **Total other current receivables** | **5 914 235** | **7 001 077** |

On 1 January 2018 the Group adopted IFRS 9, and now 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 2018 or 1 January 2018 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.

IFRS 9 does not require a restatement of comparative figures. Therefore, the loss allowance for 2017 is not restated. Adoption of IFRS 9 did not give a material difference in the loss allowance ending balances or estimated credit losses for the year.

## Note 10 – Cash and cash equivalents

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | 16 623 538 | 37 339 583 |
| | | |
| **Of which are restricted cash:** | | |
| Restricted bank deposits for employee tax withholdings | 1 045 918 | 997 542 |
| Guarantee account | 1 506 322 | 1 509 436 |
| **Not restricted** | **14 071 298** | **34 832 605** |

## Note 11 – Personnel expenses

Employee benefit expenses are set forth in the table below.

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| Salary expenses | 47 405 134 | 35 436 860 |
| Social security cost | 4 189 116 | 3 557 390 |
| Pension costs | 530 520 | 591 184 |
| Option costs | 3 718 230 | 2 175 544 |
| Other costs | 1 780 603 | 2 144 135 |
| Government grants | -3 754 664 | -4 000 890 |
| Capitalized R&D personnel cost | -6 903 966 | 0 |
| **Total personnel expenses** | **46 964 974** | **39 904 223** |
| Average number of employees | 51 | 33 |

**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**

| **2018** *(Amounts in NOK)* | **Salary** | **Bonus** | **Pension** | **Other Benefits** [1] | **Total** |
|---|---|---|---|---|---|
| Laila Danielsen, Group CEO and General Manager | 2 463 577 | 471 134 | 0 | 103 671 | 3 038 381 |
| Randi Fagervik, Chief Financial Officer | 1 741 994 | 0 | 21 314 | 0 | 1 763 308 |
| Espen Klovning, VP Engineering | 1 336 110 | 0 | 21 314 | 0 | 1 357 424 |
| Guenael Strutt, VP Product Development | 1 873 284 | 0 | 0 | 97 123 | 1 970 407 |
| Brian Daly, VP Sales & Business Development[2] | 1 036 575 | 0 | 0 | 75 361 | 1 111 936 |

| **2017** *(Amounts in NOK)* | **Salary** | **Bonus** | **Pension** | **Other Benefits** | **Total** |
|---|---|---|---|---|---|
| Laila Danielsen, Group CEO and General Manager | 2 322 708 | 426 832 | 0 | 106 456 | **2 855 996** |
| Randi Fagervik, Chief Financial Officer [3] | 375 000 | 0 | 5 151 | 0 | **380 151** |
| Scott Deutsch, Chief Operating Officer [4] | 442 900 | 0 | 0 | 23 734 | **466 634** |
| Holger Hussman, Sr. VP Technology | 1 389 900 | 100 000 | 20 524 | 0 | **1 510 424** |
| Espen Klovning, VP Engineering | 1 173 069 | | 20 524 | 0 | **1 193 593** |
| Guenael Strutt, VP Product Development | 1 661 720 | 262 077 | 0 | 99 151 | **2 022 947** |

1) Other benefits for US employees comprise insurance services.

2) Remuneration and benefits apply from April 2018, the time of employment.

3) Remuneration and benefits apply from October 2017, the time of employment.

4) Remuneration and benefits apply from October 2017, the time of employment.

The average Dollar exchange rates were 8.13 and 8.27 for 2018 and 2017, respectively.

The salary of the Group CEO is determined by the Board. The salary of the Chief Financial Officer is determined by the Group CEO in consultation with the Chairman of the Board. 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. The size of the bonus pay out to the Chief Financial Officer is determined by the Group CEO in consultation with the Chairman of the Board. Any bonuses to the other 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. The Chief Financial Officer has 6 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 2018, 2017, 2016 or 2015. The share-based remuneration to executive personnel is set forth in note 12.

**Compensation to the Board of Directors**

| **2018** *(Amounts in NOK)* | | **Board remuneration** | **Other benefits** | **Total** |
|---|---|---|---|---|
| Tore Engebretsen | Chairman | 250 000 | 0 | 250 000 |
| Einar Jørgen Greve | Board member | 150 000 | 0 | 150 000 |
| Karsten Thomas Michael Rönner | Board member | 150 000 | 0 | 150 000 |
| Edvin Austbø | Board member | 150 000 | 0 | 150 000 |
| Svenn-Tore Larsen | Board member | 150 000 | 0 | 150 000 |

| **2017** *(Amounts in NOK)* | | **Board remuneration** | **Other benefits** | **Total** |
|---|---|---|---|---|
| Tore Engebretsen | Chairman | 150 000 | 0 | 150 000 |
| Einar Jørgen Greve | Board member | 100 000 | 0 | 100 000 |
| Karsten Thomas Michael Rönner | Board member | 100 000 | 0 | 100 000 |
| Edvin Austbø | Board member | 100 000 | 0 | 100 000 |
| Svenn-Tore Larsen | Board member | 100 000 | 0 | 100 000 |

| **Remuneration to the auditor** | | |
|---|---|---|
| *Amounts in NOK* | **2018** | **2017** |
| Statutory audit (including technical assistance - annual accounts) | 140 000 | 75 000 |
| Other attestation services | 10 000 | 0 |
| Tax advice (including technical assistance corporate tax papers) | 214 113 | 5 000 |
| Other assistance | 365 924 | 0 |
| **Total expensed auditor fees, ex. VAT** | **730 037** | **80 000** |

## Note 12 – Share option program

The Group has an option program that includes key management as well as non-executive employees in parent and subsidiary companies. As of 31.12.2018, there are 51 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 group has the following option programs as of 31.12. The fair value of the options is calculated at the grant date, based on the Black-Scholes model, and expensed over the vesting period of 4 years.

| *Amounts in NOK* | **2018** | **2017** |
|---|---|---|
| **Outstanding at the beginning of the period** | **442 290** | **138 050** |
| Excercised | -50 | 0 |
| Terminated | -208 170 | -50 909 |
| Granted | 92 311 | 355 149 |
| **Outstanding at the end of the period** | **326 381** | **442 290** |
| Average exercise price (NOK) | 150 | 159 |
| **Option program expensed for the year** | **3 718 230** | **2 175 544** |

| *Amounts in NOK* | **Grant date** | **Number of options** | **Terminated** | **Outstanding** | **Strike** | **Price** | **Fair value** | **Total fair value** |
|---|---|---|---|---|---|---|---|---|
| Program 1: Guenael Strutt | 01.03.2015 | 47 400 | 0 | 47 400 | 38 | 4 years | 12.45 | 590 124 |
| Program 2: Holger Hussmann | 15.12.2016 | 41 944 | -41 944 | 0 | 100 | 4 years | 32.08 | 1 604 |
| Program 3: Non-executive | 15.12.2016 | 48 706 | -38 706 | 10 000 | 38 | 4 years | 65.67 | 656 669 |
| Program 4: Espen Klovning | 28.04.2017 | 30 000 | 0 | 30 000 | 100 | 4 years | 32.03 | 961 014 |
| Program 5: Espen Klovning | 28.04.2017 | 11 049 | 0 | 11 049 | 38 | 4 years | 65.59 | 724 715 |
| Program 6: Randi Fagervik | 01.10.2017 | 64 230 | 0 | 64 230 | 200 | 4 years | 63.19 | 4 058 419 |
| Program 7: Non-executive employees | 29.09.2017 | 100 000 | -21 161 | 78 839 | 200 | 4 years | 63.69 | 5 016 980 |
| Program 8: Non-executive employees | 11.01.2017 | 2 619 | 0 | 2 619 | 200 | 4 years | 64.11 | 167 912 |
| Program 9: Non-executive employees | 11.07.2017 | 818 | 0 | 818 | 200 | 4 years | 63.69 | 52 099 |
| Program 10: Non-executive employees | 25.09.2017 | 1 637 | 0 | 1 637 | 200 | 4 years | 63.58 | 104 079 |
| Program 11: Non-executive employees | 09.11.2017 | 409 | 0 | 409 | 200 | 4 years | 63.64 | 26 027 |
| Program 12: Non-executive employees | 05.01.2018 | 3 170 | 0 | 3 170 | 200 | 4 years | 63.65 | 201 773 |
| Program 13: Non-executive employees | 15.01.2018 | 3 239 | 0 | 3 239 | 200 | 4 years | 63.86 | 206 844 |
| Program 14: Non-executive employees | 28.01.2018 | 2 455 | 0 | 2 455 | 200 | 4 years | 64.30 | 157 847 |
| Program 15: Non-executive employees | 05.02.2018 | 2 343 | 0 | 2 343 | 200 | 4 years | 64.38 | 150 839 |
| Program 16: Non-executive employees | 15.02.2018 | 2 573 | 0 | 2 573 | 200 | 4 years | 65.27 | 167 939 |
| Program 17: Non-executive employees | 06.04.2018 | 1 364 | 0 | 1 364 | 200 | 4 years | 65.95 | 89 958 |
| Program 18: Brian Daly | 16.04.2018 | 30 000 | - | 30 000 | 200 | 4 years | 65,69 | 1 970 782 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Program 19: Non-executive employees | 02.05.2018 | 1 500 | -1 500 | - | 200 | 4 years | 66,22 | 99 325 |
| Program 20: Non-executive employees | 03.05.2018 | 1 705 | - | 1 705 | 200 | 4 years | 66,15 | 112 787 |
| Program 21: Non-executive employees | 01.08.2018 | 2 527 | - | 2 527 | 200 | 4 years | 66,44 | 167 901 |
| Program 22: Non-executive employees | 31.08.2019 | 15 000 | - | 15 000 | 38 | 4 years | 164,31 | 2 464 616 |
| Program 23: Non-executive employees | 01.09.2018 | 1 228 | - | 1 228 | 200 | 4 years | 66,65 | 81 847 |
| Program 24: Non-executive employees | 03.09.2019 | 2 527 | - | 2 527 | 200 | 4 years | 66,61 | 168 333 |
| Program 25: Non-executive employees | 01.11.2018 | 4 411 | - | 4 411 | 200 | 4 years | 67,45 | 297 530 |
| Program 26: Non-executive employees | 15.11.2018 | 2 068 | - | 2 068 | 200 | 4 years | 67,83 | 140 281 |
| Program 27: Non-executive employees | 26.11.2018 | 2 228 | - | 2 228 | 200 | 4 years | 67,67 | 150 769 |
| Program 28: Non-executive employees | 01.12.2018 | 2 941 | - | 2 941 | 200 | 4 years | 67,66 | 198 987 |
| Program 29: Non-executive employees | 03.12.2018 | 4 572 | - | 4 572 | 200 | 4 years | 67,57 | 308 936 |
| Program 30: Non-executive employees | 17.12.2018 | 977 | - | 977 | 200 | 4 years | 67,98 | 66 420 |

## Note 13 – Share capital and shareholder information

As of 31.12.2018, the share capital amounts to NOK 856 401, consisting of 8 564 008 shares at a face value of NOK 0.1 per share. Overview of the largest shareholders as of 31 December 2018:

| Shareholder name | Ordinary shares | Ownership |
|---|---|---|
| Passesta AS (Chairman of the Board Tore Engebretsen) | 1 112 750 | 13.0 % |
| MP Pensjon PK | 794 000 | 9.3 % |
| Alden AS (Board member Edvin Austbø) | 682 000 | 8.0 % |
| Nunatak AS | 636 000 | 7.4 % |
| Robert Horne (GBR) | 589 000 | 6.9 % |
| Laila Danielsen (USA) (CEO) | 529 680 | 6.2 % |
| Other shareholders (less that 5% ownership) | 4 220 578 | 49.3 % |
| **Total** | **8 564 008** | **100.0 %** |

| Shares as of 31.12 | 2018 | 2017 |
|---|---|---|
| Number of issued shares | 8 564 008 | 8 564 008 |
| Adjustment for own shares | 0 | 0 |
| **Number of shares outstanding** | **8 564 008** | **8 564 008** |

| 2018 | Number of shares | Average number of shares | Number of days |
|---|---|---|---|
| Outstanding shares at 01.01 | 8 564 008 | 8 564 008 | 365 |
| Capital increase | 0 | 0 | 365 |
| Sale of own shares | 0 | 0 | 365 |
| **Outstanding shares at 31.12** | **8 564 008** | **8 564 008** | |

| 2017 | Number of shares | Average number of shares | Number of days |
|---|---|---|---|
| Outstanding shares at 01.01 | 7 768 886 | 7 768 886 | 365 |
| Capital increase | 600 000 | 317 351 | 230 |
| Sale of own shares | -54 878 | -29 018 | 230 |
| **Outstanding shares at 31.12** | **8 564 008** | **8 471 542** | |

| *(Amounts in NOK)* | 2018 | 2017 |
|---|---|---|
| Profit & loss for the year due to holders of ordinary shares | -28 178 376 | -34 387 827 |
| Average number of shares - basic | 8 564 008 | 8 471 542 |
| **EPS – Basic, NOK per share** | **-3.29** | **-4.06** |

Shares held by the Board of Directors:

| Shareholder name | Title | Ordinary shares | Ownership |
|---|---|---|---|
| Tore Engebretsen (Passesta AS) | Chairman of the Board | 1 112 750 | 13.0 % |
| Edvin Austbø (Alden AS) | Board member | 682 000 | 8.0 % |
| Einar Greve (Cipriano AS) | Board member | 138 500 | 1.6 % |
| Karsten Rönner | Board member | 8 000 | 0.1 % |

Shares held by the executive management:

| Shareholder name | Title | Ordinary shares | Ownership |
|---|---|---|---|
| Laila B. Danielsen | CEO & President | 529 680 | 6.2 % |
| Guenael Strutt | VP Product Development | 47 500 | 0.6 % |
| Espen Klovning | VP Engineering | 21 951 | 0.3 % |
| Randi Fagervik | CFO & Investor Relation | 2 000 | 0.02 % |

## Note 14 – Interest-bearing liabilities

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| **Long-term liabilities due > 1 year** | | |
| Bank borrowings, long-term | 0 | 14 000 000 |
| Loan costs | 0 | 1 971 200 |
| Bank borrowings, long-term net of loan costs | 0 | 15 971 200 |
| **Total** | **0** | **15 971 200** |
| | | |
| **Long-term liabilities due < 1 year** | | |
| Bank borrowings | 18 000 000 | 4 000 000 |
| Loan costs | 909 000 | 1 108 800 |
| Bank borrowings, short-term net of loan costs | 18 909 000 | 5 108 800 |
| **Total** | **18 909 000** | **5 108 800** |
| | | |
| **Short-term liability due < 1 Year** | | |
| Overdraft credit facility | 25 007 165 | 0 |
| Loan costs | 412 607 | 0 |
| **Total** | **25 419 773** | **0** |

| Loan facility 31.12.2018 *(Amount in NOK)* | Loan origination date | Principle in local currency | Fixed interest loan | Termination date | Carrying value |
|---|---|---|---|---|---|
| Innovasjon Norge | 27.03.2015 | NOK | 5.05% effective interest | 27.03.2022 | 18 000 000 |
| Pareto Bank | 31.05.2018 | NOK | 5% effective interest<br>0.25% commission rate<br>1% establishment rate | 31.06.2019 | 25 007 165 |
| **Loan facility 31.12.2017** *(Amount in NOK)* | **Loan origination date** | **Principle in local currency** | **Fixed interest loan** | **Termination date** | **Carrying value** |
| **Innovasjon Norge** | 27.03.2015 | NOK | 6,16% effective interest | 27.03.2022 | 18 000 000 |

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 31.12.2018:

| *Amounts in NOK* | 2019 | 2020 | 2021 | 2022 | After 2022 | Total |
|---|---|---|---|---|---|---|
| Innovasjon Norge | 18 000 000 | 0 | 0 | 0 | 0 | 18 000 000 |
| Interests | 1 321 607 | 0 | 0 | 0 | 0 | 1 231 607 |
| Trade payables and other short term liabilities | 35 763 120 | 0 | 0 | 0 | 0 | 35 763 120 |
| **Total installment** | **55 084 727** | **0** | **0** | **0** | **0** | **55 084 727** |

Due to the establishment of the overdraft credit facility, which is classified as a short-term liability, the Group was in breach with the financing covenants of the Innovasjon Norge loan facility as at 31.12.18. As a consequence this loan has also been reclassified from long-term to short-term in the balance sheet and related notes per the same date. Management is in continuous dialogue with Innovasjon Norge and although a covenant waiver is not in place at the date of signing the financial statements, the Group does not expect to have to repay the debt earlier than what has been agreed. If however, Innovasjon Norge were to recall the loan, the Board expects to be able to raise alternative funds through alternative financing or issue of shares within a sufficiently short time frame.

Payment profile on debts to credit institutions per 31.12.2017:

| *Amounts in NOK* | 2018 | 2019 | 2020 | 2021 | After 2021 | Total |
|---|---|---|---|---|---|---|
| Innovasjon Norge | 4 000 000 | 4 000 000 | 4 000 000 | 4 000 000 | 2 000 000 | 18 000 000 |
| Interests | 1 108 800 | 862 400 | 616 000 | 369 600 | 123 200 | 3 080 000 |
| Trade payables and other short term liabilities | 7 022 377 | 0 | 0 | 0 | 0 | 7 022 377 |
| **Total installment** | **12 131 177** | **4 862 400** | **4 616 000** | **4 369 600** | **2 123 200** | **28 102 377** |

## Note 15 – Leasing

Leases are considered operational following an assessment of the individual agreement and in accordance with the content of the agreement, for more information, please refer to the Group's principle note. The operational leasing contracts in the group relate mainly to rent office spaces. There are also some contracts related to machinery and equipment.

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| Less than one year | 4 204 866 | 3 519 408 |
| Between one and five years | 10 993 146 | 12 956 368 |
| More than five years | 0 | 0 |
| **Total commitments relating to operational leases** | **15 198 012** | **16 475 776** |
| | | |
| **Net lease payments recognised in profit and loss** | **2 719 979** | **2 213 119** |

## 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 2018** *(Amounts in NOK)* | **Loans and receivables** | **Liabilities measured at amortised cost** | **Fair value through profit and loss** | **Total** |
|---|---|---|---|---|
| Other non-current receivables | 5 914 235 | 0 | 0 | 5 914 235 |
| Accounts receivable | 14 770 450 | 0 | 0 | 14 770 450 |
| Other current receivables (only derivatives) | 0 | 0 | 0 | - |
| Cash and cash equivalents | 16 623 538 | 0 | 0 | 16 623 538 |
| **Total financial assets** | **37 308 223** | **0** | **0** | **37 308 223** |
| | | | | |
| Bank borrowings | 0 | 0 | 0 | 0 |
| Shareholder loans | 0 | 0 | 0 | 0 |
| Financial leasing (excluding lease grant) | 0 | 0 | 0 | 0 |
| Trade and other payables | 2 527 440 | 0 | 0 | 2 527 440 |
| Other short-term liabilities | 43 007 165 | 0 | 0 | 43 007 165 |
| **Total financial liabilities** | **45 534 605** | **0** | **0** | **45 534 605** |

| **Financial instruments as of 31 December 2017** *(Amounts in NOK)* | **Loans and receivables** | **Liabilities measured at amortised cost** | **Fair value through profit and loss** | **Total** |
|---|---|---|---|---|
| Other non-current receivables | 7 001 077 | 0 | 0 | 7 001 077 |
| Accounts receivable | 3 124 037 | 0 | 0 | 3 124 037 |
| Other current receivables (only derivatives) | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 37 339 583 | 0 | 0 | 37 339 583 |
| **Total financial assets** | **47 464 697** | **0** | **0** | **47 464 697** |
| | | | | |
| Bank borrowings | 0 | 14 000 000 | 0 | 14 000 000 |
| Shareholder loans | 0 | 0 | 0 | 0 |
| Financial leasing (excluding lease grant) | 0 | 0 | 0 | 0 |
| Trade and other payables | 8 265 322 | 0 | 0 | 8 265 322 |
| Other short-term liabilities | 0 | 0 | 0 | 0 |
| **Total financial liabilities** | **8 265 322** | **14 000 000** | **0** | **22 265 322** |

**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 the presentation currency: As an international group, Elliptic Laboratories is exposed to the risk associated with converting the currency related to legal entities with a functional currency different from the Group's presentation currency. Such translation exposure does not yield an immediate result on the cash flow. It can still affect the Group's financial position and is therefore closely monitored.
- Exposure to sales of products in different currencies: The Group has all its revenues in foreign currencies, mainly in US dollars.
- Exposure to payroll costs and operating expences in different currencies: The Group's business model is such that the subsidiaries' sales and operating expenses are incurred in local currency, which are mainly US dollars and Chinese yen.

**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 43 in 2018 (MNOK 18 in 2017). The Group had cash and cash equivalents of MNOK 16.6 in 2018 (MNOK 37.3 in 2017).

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* | **2018** | **2017** |
|---|---|---|
| Accrued vacation pay | 4 213 215 | 3 591 475 |
| Accrued costs | 1 008 092 | 461 902 |
| Other current items | 1 042 500 | 55 233 |
| Contractual obligations | 0 | 1 242 945 |
| **Total other short-term liabilities** | **6 263 806** | **5 351 555** |

## Note 18 – Related parties

The following table presents an overview of transaction with related parties. Remuneration of executive staff and Board of Directors, share capital information and shareholder loans, are presented in note 3 and note 13, respectively and are not included in the following overview:

A) Purchase of services

| **Related party** *(Amounts in NOK)* | **Relationship** | **Type of services** | **31.12.2018** | **31.12.2017** |
|---|---|---|---|---|
| | | Administrative services | 0 | 0 |
| | | Consultant | 0 | 0 |
| | | Rent of buildings and land | 0 | 0 |

The amounts in the table above (if any) are presented within other operating costs.

B) Purchase of services

| **Related party** *(Amounts in NOK)* | **Relationship** | **Type of services** | **31.12.2018** | **31.12.2017** |
|---|---|---|---|---|
| | Shareholder | Administrative services | 0 | 0 |

The amounts in the table above (if any) are presented within other current liabilities.

## Note 19 – Events after the balance sheet date

# 3 Financial statements of the parent company

## Income statement

For the financial period ended 31 December.

| *Amounts in NOK* | **Notes** | **2018** | **2017** |
|---|---|---|---|
| Revenues | | 41 580 757 | 10 694 767 |
| Other operating income | | 2 031 597 | 2 954 688 |
| **Total revenue** | | **43 612 354** | **13 649 455** |
| Raw materials and consumables used | | 0 | 1 299 698 |
| Employee benefits expence | 10 | 31 269 222 | 26 235 817 |
| Depreciation and amortisation expenses | 1 | 2 115 328 | 1 934 756 |
| Other operating expenses | | 45 841 641 | 27 080 856 |
| **Total operating costs** | | **79 226 191** | **56 551 127** |
| **Operating profit** | | **-35 613 837** | **-42 901 672** |
| Other financial income | 11 | 2 183 556 | 519 243 |
| Other financial expense | 11 | -2 948 494 | -1 090 193 |
| **Total financial expenses** | | **-764 938** | **-570 950** |
| **Profit/(loss) before tax** | | **-36 378 775** | **-43 472 622** |
| Income tax expense | 9 | -6 251 120 | -9 158 822 |
| **Net profit/(loss) for the year** | | **-30 127 655** | **-34 313 800** |
| **Allocation** | | | |
| Equity allocation | | **30 127 655** | **34 313 800** |

## Balance sheet at 31 December

| **ASSETS** *(Amounts in NOK)* | **Notes** | **31.12.2018** | **31.12.2017** |
|---|---|---|---|
| Concessions, patents, licenses, trademarks and similar rights | 1 | 9 838 375 | 3 214 575 |
| Deferred tax asset | 9 | 52 951 662 | 46 700 542 |
| **Total intangible assets** | | **62 790 037** | **49 915 118** |
| Investments in subsidiaries | 2 | 591 | 591 |
| Other receivables | | 2 132 711 | 1 058 640 |
| **Total financial fixed assets** | | **2 133 302** | **1 059 231** |
| **TOTAL FIXED ASSETS** | | **64 923 339** | **50 974 349** |
| Trade receivables | 3 | 14 770 450 | 3 124 037 |
| Other receivables | | 5 805 369 | 6 994 324 |
| Intercompany receivables | | 0 | 2 565 914 |
| **Total receivables** | | **20 575 819** | **12 684 276** |
| **Cash and bank deposits** | 5 | **15 184 911** | **34 850 994** |
| **TOTAL CURRENT ASSETS** | | **35 760 729** | **47 535 270** |
| **TOTAL ASSETS** | | **100 684 068** | **98 509 619** |

## Balance sheet at 31 December

| EQUITY AND LIABILITIES *(Amounts in NOK)* | Notes | 31.12.2018 | 31.12.2017 |
|---|---|---|---|
| Share capital | 6,7 | 856 401 | 856 401 |
| **Total paid-in equity** | | **856 401** | **856 401** |
| Other equity | | 45 579 082 | 71 988 506 |
| **Total retained earnings** | | **45 579 082** | **71 988 506** |
| **TOTAL EQUITY** | | **46 435 482** | **72 844 907** |
| Other long-term liabilities | 3 | 0 | 18 000 000 |
| **Total long-term liabilities** | | **0** | **18 000 000** |
| Liabilities to group companies | 4 | 1 865 928 | 474 200 |
| Trade creditors | | 2 527 440 | 1 099 517 |
| Tax payable | 9 | 0 | 0 |
| Public duties payable | | 1 964 709 | 1 814 250 |
| Other short-term liabilities | | 47 890 509 | 4 276 744 |
| **Total short-term liabilities** | | **54 248 586** | **7 664 712** |
| **TOTAL LIABILITIES** | | **54 248 586** | **25 664 712** |
| **TOTAL EQUITY AND LIABILITIES** | | **100 684 068** | **98 509 619** |

Oslo, 21 June 2019
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

Laila B. Danielsen
CEO

# Notes and accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway for small companies.

## 3.1 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.

### 3.1.1 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.

### 3.1.2 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.

### 3.1.3 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.

### 3.1.4 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."

### 3.1.5 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

### 3.1.6 Investments in other companies

Except for short term investments in listed shares, the cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contributions from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividends from other companies are reflected as financial income when it has been approved.

### 3.1.7 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.

### 3.1.8 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.

### 3.1.9 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.

### 3.1.10 Foreign currencies

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

### 3.1.11 Liabilities

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

### 3.1.12 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.

### 3.1.13 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.

### 3.1.14 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 1 – Intangible assets

| *Amounts in NOK* | **Patents** | **Trademark** | **Capitalized R&D** | **Total** |
|---|---|---|---|---|
| Purchase cost pr. 01.01. | 10 674 372 | 0 | 0 | 10 674 372 |
| Additions | 1 811 656 | 23 505 | 6 903 966 | 8 739 127 |
| Disposal | 0 | 0 | 0 | 0 |
| Purchase cost pr. 31.12. | 12 486 028 | 23 505 | 6 903 966 | 19 413 499 |
| Accumulated depreciation 31.12. | 9 574 157 | 968 | 0 | 9 575 124 |
| **Net book value per. 31.12.** | **2 911 871** | **22 538** | **6 903 966** | **9 838 375** |
| | | | | |
| Depreciation in the year | 2 144 360 | 968 | 0 | 2 115 328 |
| | | | | |
| Estimated useful life: | 5 | 5 | 5 | |
| Amorization method: | Straight-line | Straight-line | Straight-line | |

Research and development expenses totaling MNOK 19.9 have been expensed in the year. Activities relates to development of new mobile applications and software. Accumulated total earnings from ongoing development projects are expected to correspond to total expenses incurred.

## Note 2 – Fixed assets (subsidiaries, associated companies and joint ventures)

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 | 0 | 0 |
| Elliptic Labs Inc | San Francisco, USA | 100% | 478 823 | 2 035 929 | 591 |
| **Balance sheet value 31.12.** | | | | | **591** |

## Note 3 – Debtors and liabilities

| *Amounts in NOK* | 2018 | 2017 |
|---|---|---|
| Debtors which fall due within one year | 43 007 165 | 4 000 000 |
| Debtors which fall due later than one year | 0 | 14 000 000 |
| Debtors which fall due later than five years | 0 | 0 |
| **Total** | **43 007 165** | **18 000 000** |

| | 2018 | 2017 |
|---|---|---|
| **Liabilities secured by assets** | **18 000 000** | **18 000 000** |

| **Balance sheet value of assets placed as securities** | 2018 | 2017 |
|---|---|---|
| Accounts receivable | 14 770 450 | 3 124 037 |
| **Total** | **14 770 450** | **3 124 037** |

## Note 4 – Balance with group companies etc.

| | Trade debtors | | Other debtors | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Elliptic Laboratories Inc | 0 | 0 | 0 | 2 565 914 |
| **Total** | **0** | **0** | **0** | **2 565 914** |

| | Trade creditors | | Other long-term liabilities | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Elliptic Laboratories INC | 1 391 728 | 0 | 0 | 0 |
| Healthy Pointers AS | 0 | 0 | 474 200 | 474 200 |
| **Total** | **1 391 728** | **0** | **474 200** | **474 200** |

## Note 5 – Restricted cash

| | 2018 | 2017 |
|---|---|---|
| Restricted bank deposits for employee tax withholdings | 1 045 918 | 997 542 |
| Guarantee account | 1 506 322 | 1 509 436 |
| **Total** | **2 552 240** | **2 506 978** |

## Note 6 – Share capital and shareholder information

As of 31.12.2018, share capital amounts to NOK 856 401, consisting of 8 564 008 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 2018 is set forth in the table below:

| Shareholder name | Ordinary shares | Ownership |
|---|---|---|
| Passesta AS (Chairman of the Board Tore Engebretsen) | 1 112 750 | 13.0 % |
| MP Pensjon PK | 794 000 | 9.3 % |
| Alden AS (Board member Edvin Austbø) | 682 000 | 8.0 % |
| Robert Horne (GRB) | 589 000 | 6.9 % |
| Laila Danielsen (USA) (CEO) | 529 680 | 6.2 % |
| Other shareholders (less than 5% ownership) | 4 220 578 | 49.3 % |
| **Total** | **8 564 008** | **100 %** |

Shares held by the Board of Directors as of 31 Dec 2018:

| Shareholder name | Title | Ordinary shares | Ownership |
|---|---|---|---|
| Tore Engebretsen | Chairman of the Board | 1 112 750 | 13.0 % |
| Edvin Austbø | Board member | 682 000 | 8.0 % |
| Einar Greve | Board member | 138 505 | 1.6 % |
| Karsten Rönner | Board member | 8 000 | 0.1 % |

Shares held by the executive management as of 31 Dec 2018:

| Shareholder name | Title | Ordinary shares | Ownership |
|---|---|---|---|
| Laila B. Danielsen | CEO & President | 529 680 | 6.2 % |
| Guenael Strutt | VP Product Development | 47 500 | 0.6 % |
| Espen Klovning | VP Engineering | 21 951 | 0.3 % |
| Randi Fagervik | CFO & Investor Relation | 2 000 | 0.02 % |

**Share based payment plans**

The Group has an option program that includes employees in selected senior positions in parent and subsidiary companies. As of 31.12.2018, there are 51 employees in the group option programs. 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. Elliptic Laboratories AS has not booked any expenses relating to the option programs in accordance with the exception in NRS 8. The fair value of the options is calculated at the grant date, based on the Black-Scholes model, and expensed over the vesting period of 4 years.The group has the following option programs as of 31.12.2018.

| *Amounts in NOK* | Grant date | Number of options | Terminated | Outstanding | Strike | Price | Fair value | Total fair value |
|---|---|---|---|---|---|---|---|---|
| Program 1: Guenael Strutt | 01.03.2015 | 47 400 | - | 47 400 | 38 | 4 years | 12,45 | 590 124 |
| Program 2: Holger Hussmann | 15.12.2016 | 41 944 | (41 944) | - | 100 | 4 years | 32,08 | 1 604 |
| Program 3: Non-executive | 15.12.2016 | 48 706 | (38 706) | 10 000 | 38 | 4 years | 65,67 | 656 669 |
| Program 4: Espen Klovning | 28.04.2017 | 30 000 | - | 30 000 | 100 | 4 years | 32,03 | 961 014 |
| Program 5: Espen Klovning | 28.04.2017 | 11 049 | - | 11 049 | 38 | 4 years | 65,59 | 724 715 |
| Program 6: Randi Fagervik | 01.10.2017 | 64 230 | - | 64 230 | 200 | 4 years | 63,19 | 4 058 419 |
| Program 7: Non-executive employees | 29.09.2017 | 100 000 | (21 161) | 78 839 | 200 | 4 years | 63,69 | 5 016 980 |
| Program 8: Non-executive employees | 11.01.2017 | 2 619 | - | 2 619 | 200 | 4 years | 64,11 | 167 912 |
| Program 9: Non-executive employees | 11.07.2017 | 818 | - | 818 | 200 | 4 years | 63,69 | 52 099 |
| Program 10: Non-executive employees | 25.09.2017 | 1 637 | - | 1 637 | 200 | 4 years | 63,58 | 104 079 |
| Program 11: Non-executive employees | 09.11.2017 | 409 | - | 409 | 200 | 4 years | 63,64 | 26 027 |
| Program 12: Non-executive employees | 05.01.2018 | 3 170 | - | 3 170 | 200 | 4 years | 63,65 | 201 773 |
| Program 13: Non-executive employees | 15.01.2018 | 3 239 | - | 3 239 | 200 | 4 years | 63,86 | 206 844 |
| Program 14: Non-executive employees | 28.01.2018 | 2 455 | - | 2 455 | 200 | 4 years | 64,30 | 157 847 |
| Program 15: Non-executive employees | 05.02.2018 | 2 343 | - | 2 343 | 200 | 4 years | 64,38 | 150 839 |
| Program 16: Non-executive employees | 15.02.2018 | 2 573 | - | 2 573 | 200 | 4 years | 65,27 | 167 939 |

| *Amounts in NOK* | Grant date | Number of options | Terminated | Outstanding | Strike | Price | Fair value | Total fair value |
|---|---|---|---|---|---|---|---|---|
| Program 17: Non-executive employees | 06.04.2018 | 1 364 | - | 1 364 | 200 | 4 years | 65,95 | 89 958 |
| Program 18: Brian Daly | 16.04.2018 | 30 000 | - | 30 000 | 200 | 4 years | 65,69 | 1 970 782 |
| Program 19: Non-executive employees | 02.05.2018 | 1 500 | -1 500 | - | 200 | 4 years | 66,22 | 99 325 |
| Program 20: Non-executive employees | 03.05.2018 | 1 705 | - | 1 705 | 200 | 4 years | 66,15 | 112 787 |
| Program 21: Non-executive employees | 01.08.2018 | 2 527 | - | 2 527 | 200 | 4 years | 66,44 | 167 901 |
| Program 22: Non-executive employees | 31.08.2019 | 15 000 | - | 15 000 | 38 | 4 years | 164,31 | 2 464 616 |
| Program 23: Non-executive employees | 01.09.2018 | 1 228 | - | 1 228 | 200 | 4 years | 66,65 | 81 847 |
| Program 24: Non-executive employees | 03.09.2019 | 2 527 | - | 2 527 | 200 | 4 years | 66,61 | 168 333 |
| Program 25: Non-executive employees | 01.11.2018 | 4 411 | - | 4 411 | 200 | 4 years | 67,45 | 297 530 |
| Program 26: Non-executive employees | 15.11.2018 | 2 068 | - | 2 068 | 200 | 4 years | 67,83 | 140 281 |
| Program 27: Non-executive employees | 26.11.2018 | 2 228 | - | 2 228 | 200 | 4 years | 67,67 | 150 769 |
| Program 28: Non-executive employees | 01.12.2018 | 2 941 | - | 2 941 | 200 | 4 years | 67,66 | 198 987 |
| Program 29: Non-executive employees | 03.12.2018 | 4 572 | - | 4 572 | 200 | 4 years | 67,57 | 308 936 |
| Program 30: Non-executive employees | 17.12.2018 | 977 | - | 977 | 200 | 4 years | 67,98 | 66 420 |

## Note 7 – Shareholder’s equity

| Equity changes in the year | Share capital and premium | Own shares | Other paid in equity | Other equity | Total |
|---|---|---|---|---|---|
| **Equity at 01.01.** | **856 401** | **0** | **2 495 930** | **69 492 577** | **72 844 907** |
| Profit for the year | 0 | 0 | 0 | -30 127 655 | -30 127 655 |
| Employee share schemes – value of employee services | 0 | 0 | 3 718 230 | 0 | 3 718 230 |
| Capital contribution | 0 | 0 | 0 | 0 | 0 |
| **Shareholders’ equity at 31.12.2018** | **856 401** | **0** | **6 214 160** | **39 364 922** | **46 435 482** |

## Note 8 – 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 9 – Taxes

Calculation of deferred tax/deferred tax benefit:

| **Temporary differences** | **2018** | **2017** |
|---|---|---|
| Intangible assets | 5 989 641 | |
| Accounts receivables | 9 314 875 | 337 225 |
| Net temporary differences | 15 304 516 | 337 225 |
| Tax losses carried forward | 225 384 858 | 202 708 610 |
| **Basis for deferred tax** | **240 689 374** | **203 045 835** |

| | | |
|---|---|---|
| Deferred tax | 52 951 662 | 46 700 542 |
| Deferred tax benefit not shown in the balance sheet | 0 | 0 |
| **Deferred tax in the balance sheet** | **52 951 662** | **46 700 542** |

| | | |
|---|---|---|
| **Components of the income tax expense:** | | |
| *Amounts in NOK* | | |
| Payable tax on this year's result | **0** | **0** |
| **Total payable tax** | **0** | **0** |
| Change in deferred tax based on original tax rate | -8 658 014 | -11 189 280 |
| Change in deferred tax due to change in tax rate | 2 406 894 | 2 030 458 |
| **Calculated tax expense/(Income)** | **-6 251 120** | **- 9 158 822** |

Significant estimates
The deferred tax assets include an amount of NOK 49 584 669 which relates to carried forward tax. The losses have been incurred over the last several years mainly due to development cost relating to immaterial assets which do not meet the capitalisation criteria. An expense of MNOK 19.9 has been recognized in the income statement related to research and development activities in 2018. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on signed customer contracts which form the basis for approved business plans and budgets for the company. The company is expected to generate taxable income from 2019 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 10 – Payroll expenses, number of employees, remunerations, loans to employees etc.

| **Payroll expenses** | **2018** | **2017** |
|---|---|---|
| *Amounts in NOK* | | |
| Salary expenses | 33 846 411 | 22 997 692 |
| Social security cost | 3 368 071 | 2 892 273 |
| Pension costs | 396 301 | 426 589 |
| Option costs | 3 718 230 | 2 175 544 |
| Other costs | 598 838 | 1 744 609 |
| Government grants | -3 754 664 | -4 000 890 |
| Capitalized R&D Personnel cost | -6 903 966 | 0 |
| **Total payable tax** | **31 269 222** | **26 235 817** |

| | | |
|---|---|---|
| The number of employees in the accounting years have been: | 42 | 25 |

| **Remuneration to executives in 2018** | **General manager** | **Board** |
|---|---|---|
| *Amounts in NOK* | | |
| Salaries/board fee | 2 934 711 | 850 000 |
| Pension expenses | 0 | 0 |
| Other remuneration | 103 671 | 0 |

The salary of the Group CEO is determined by the Board. The salary of the CFO and the other 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 CFO and the other 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. The Chief Financial Officer has 6 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 2018, 2017, 2016 or 2015.

| **Expensed audit fee**<br>*Amounts in NOK* | **2018** | **2017** |
|---|---|---|
| Statutory audit (incl. technical assistance with financial statements) | 140 000 | 75 000 |
| Other assurance services | 10 000 | 0 |
| Tax advisory fee (incl. technical assistance with tax return) | 214 113 | 5 000 |
| Other assistance (to be specified) | 365 924 | 0 |
| **Total audit fees** | **730 037** | **80 000** |

## Note 11 – Specification of financial income and expenses

| **Financial income** *(Amounts in NOK)* | **2018** | **2017** |
|---|---|---|
| Exchange rate gains | 2 093 973 | 353 338 |
| Other financial income | 89 583 | 165 905 |
| **Total financial income** | **2 183 556** | **519 243** |

| **Financial expenses** *(Amounts in NOK)* | **2018** | **2017** |
|---|---|---|
| Exchange rate loss | 601 806 | 28 472 |
| Other financial expenses | 2 346 688 | 1 061 721 |
| **Total financial income** | **2 948 494** | 1 090 193 |

## Note 12 – Government grants

The company has applied for and received governmental grants in 2018 and 2017.

| **Public grants** *(Amounts in NOK)* | **2018** | **2017** |
|---|---|---|
| Reduction capitalised patents | 447 490 | 315 405 |
| Cost reduction | 4 552 510 | 5 009 514 |
| Recognized as other operating revenue | 2 031 597 | 2 954 688 |
| **Total public grants** | **7 031 597** | **8 279 607** |

## Note 13 – Related-party transactions

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:**

| | **2018** |
|---|---|
| a) Sales of goods and services | |
| Sales of goods: | 0 |
| Sales of services: | 3 727 916 |
| b) Purchases of goods and services | |
| Purchase of goods: | 0 |
| Purchase of services: | 20 433 327 |

# 4 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 as at 31 December 2018, the income statement for the year then ended, 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 flows 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 2018, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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 accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

## *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 fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation 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. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use 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, 26 June 2019
**PricewaterhouseCoopers AS**

Eivind Nilsen
State Authorised Public Accountant

**For further information, please contact:**

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