ellipticlabs

Annual Report
2022

AIVirtualSmartSensorPlatform™

Proximity Presence Distance Gesture Positioning Connection Breathing Heartbeat ellipticlabs

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Letter from the CEO

Strong positions in key growth markets

2022 marked a year of solid progress, reinforcing our company's vision to build the leading software platform for all sensors — making every device smarter, greener, and more human friendly. Despite some challenges — including muted performance in consumer markets, volatile developments in the China region, and significant inflationary pressures — the demand for our products increased from global OEMs in both existing and new verticals. This allowed us to expand our footprint and solidify the foundation for our long-term growth and success. It also meant we needed to push our technological and commercial development to new levels — something we will continue to do by investing in our organization to further our growth capabilities. We enter 2023 focused, strengthened, and better positioned to pursue our long-term goals.

One of our most notable achievements in 2022 was the rapid introduction of our AI Virtual Human Presence Sensors in the laptop market. We added three of the top-five laptop OEMs as customers in just the last 18 months — a position that took us six years to establish in the smartphone vertical! We are also pleased to report that we have entered into enterprise license agreements with our new customers and have secured long-term partnerships, further strengthening our commercial position. All this has set us up for long-term success in the laptop market.

We will continue to focus on the laptop market in 2023 while also exploring new verticals. Our solid platform is the product of over a decade of development, and we will continue to expand its capabilities to cement our position as a technology leader. We will also continue to invest in engineering, R&D, and sales to reflect our belief in our long-term growth potential.

Our AI Virtual Smart Sensor Platform delivers frictionless user experiences while reducing cost, risk, and environmental impact. We are leveraging the proven scalability of our solid platform to become the standard for human presence detection for the laptop vertical with our AI Virtual Human Presence Sensor, even while we continue to develop more products. For instance, we also launched our AI Virtual Position Sensor in July 2022, which will further enable increased income per laptop.

The laptop vertical is our main growth driver, and our successful expansion in that vertical has laid the foundation for us reaching our NOK 500 million revenue target in 2024–25. So far, we have only recognized parts of the revenue from the contract for our AI Virtual Presence Sensor on Lenovo's best seller ThinkPad T14. With revenue from more than 20 additional models across global Laptop OEMs waiting to be recognized in the coming years, combined with the revival of the smartphone vertical, as well as the untapped potential of new verticals, we are at the beginning of our growth journey. In conclusion, we are entering 2023 focused, strengthened, and better positioned to pursue our long-term goals. We thank you for your continued support and look forward to updating you on our progress in the coming year.

Board of Directors' report

In 2022, Elliptic Labs expanded commercially into the laptop vertical, starting with the launch of its AI Virtual Human Presence sensor on Lenovo's top-selling ThinkPad T14. The year also saw Elliptic Labs add agreements for more than 20 models launches across three of the globally leading top-five OEMs. The company also launched its AI Virtual Proximity Sensor on a total of 33 smartphone models this year from both new and existing customers.

These achievements are made possible by Elliptic Labs' world-leading, 100% software-based sensor technology, which is set for adoption across multiple verticals.

Continued smartphone OEM launches

Elliptic Labs launched its AI Virtual Proximity Sensor for the first time on the Xiaomi Mix smartphone in 2016. The company has since established a leading market position in the smartphone segment with such proven performance that OEMs now rapidly adopt it without first needing Proof-of-Concept testing.

By the end of 2022, Elliptic Labs has launched on a total of 75 smartphone models and its software has been deployed on more than 500 million devices. Yet this is still only a small fraction of the large global market, and Elliptic Labs is well-placed with high exposure to Asian end-user markets.

End-market demand for smartphones was weak at the end of 2022 with low short-term visibility, resulting in reduced up-front commitments. This resulted in a lower than expected full-year revenue for 2022.

The Company expects the revenue stream to be up and running as soon as end-user demand regains its footing. Elliptic Labs signed contracts with two new customers over the past six months for the launch of future smartphone models, a testament to the continued demand and relevance of its AI Virtual Proximity Sensor seven years after the sensor's first introduction in the market.

Broad adoption in the laptop market

The expansion into the laptop market in 2022 came on the back of several years of development alongside CPU makers. Elliptic Labs have strong partnerships with Intel, AMD, and Qualcomm, ensuring the company has technological access to close to 100% of the laptop market.

In the laptop market, Elliptic Labs is competing against single-purpose hardware sensors that have a higher price point compared to the hardware sensors being used in smartphones. In addition to its initial AI Virtual Human Presence Sensor, the Company has developed multiple products applicable for adoption in the laptop market. The combination of higher price points and wide roll-out across multiple products outlines the vast potential for the Company in this market.

To capture this large potential, Elliptic Labs signed enterprise license agreements with global OEM and continued the development of its AI Virtual Smart Sensor Platform. This will secure long-term access to a 300+ million unit market.

In addition to Elliptic Labs' entry into the laptop vertical and subsequent expansion with new customers and models, the company also expanded its fourth growth factor with the launch of two additional products: the AI Virtual Position Sensor and the AI Virtual Distance Sensor. These two sensors will improve functionality, security, and ease of use for consumers while enabling unit cost savings.

Positioned for long-term growth

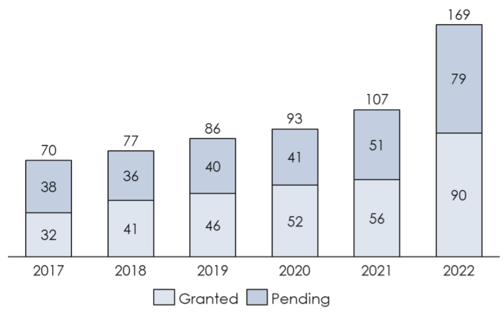
Beyond laptops and smartphones, the IoT, and automotive markets represent large and untapped opportunities for Elliptic Labs.

For the full year 2022, 7% of revenue from contracts with customers came from development efforts in the IoT vertical.

The company sees potential for long-term, sustainable demand in the IoT space and will continue positioning itself to best capture these opportunities. This involves solidifying its world-leading proprietary technology, executing strong commercial craftsmanship, and attracting and retaining talents.

Research and development

In 2022, the Group had 62 (14) newly granted and pending patents, for a total of 169 granted and pending patents.



Elliptic Labs expects to continue to develop new technology and to enhance its existing offerings, research and development ("R&D") is an important part of the Group's business operations and of Elliptic Labs' strategy to reach its financial ambition and build shareholder value.

Elliptic Labs executes on its long-term vision of being the leading software platform making devices smarter, green, and more human-friendly.

Financial review

Profit and loss

(Figures for 2021 in brackets)

Revenue

Total revenue and other operating income for the full year 2022 decreased -17% to mNOK 52,1 (63,0).

Revenue from contracts with customers. represented 100% of the total revenue and other operating income, compared to 87% in 2021.

Revenues from contracts with customers decreased 5% to mNOK 52,1 (54,6). The decrease reflects weak end-market demand for smartphones at the end of 2022 with low short-term visibility, resulting in reduced up-front commitments. This resulted in a reduction in revenue from this market vertical compared to 2021.

In 2022 revenues from contracts with customers was diversified and included a 39% contribution from smartphones, 54% from PC/Laptops, and 7% from IoT. Other operating income was mainly represented by grants. amounted to mNOK 0 (8,4) in 2022.

Operating costs and EBITDA

Total operating expenses amounted to mNOK 82,9 in 2022 (65,9), excluding depreciation and amortization. Employee benefits expenses was the largest cost area, accounting for mNOK 62,8 (50,8), including mNOK 12.5 (10.3) in expenses related to the Groups share option plan. Other operating expenses amounted to mNOK 20,1 (15,1). The increase reflects the Group's expanding activities in general, but also higher prices on commodities and services such as electricity and heating.

The full-year cost increase reflects a significantly higher activity level and increased personnel cost related to new hires. During 2022, the company increased its headcount with 14 FTEs for a total of 72 FTE at year end 2022. Personnel costs were also affected by changes in foreign exchange rates.

EBITDA-loss amounted to mNOK -30,8, compared to a loss of mNOK -2,8 in 2021.

The current cost base reflects an organization ready to take on the projected growth in the company's business plan, reflected in Elliptic Labs' financial targets.

Depreciation and amortization

Depreciation and amortization amounted to mNOK 11,3 (8,3) for the full year 2022. The increase mainly reflects higher amortization of patents and capitalized development intangibles. For 2022 amortization of internally developed R&D and patents overall amounted to mNOK 8,7 (6,1) and depreciation of leased assets to mNOK 2,7 (2.2).

Operating profit (EBIT)

The operating loss for 2022 was mNOK -42,1 (-11,1). The increase reflects higher operating expenses.

Net financials

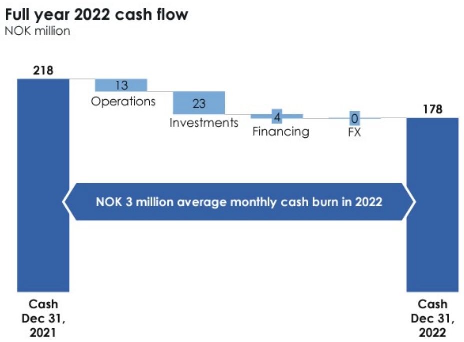
Net financial income was mNOK 2,8 (-2,0) for the full year 2022, with financial income representing mNOK 17,3 (3,7) and financial expenses representing mNOK 14,5 (5,7). The primary factors for financial items are agio/disagio, due to currency fluctuation.

Results

Loss before tax was mNOK -39,3 (-13,1), whereas net loss after tax was mNOK -33,0 (-11,2).

Cash flow

(Figures for 2021 in brackets)



Cash flow from operating activities amounted to negative mNOK -12,8, compared to mNOK -10,8 in 2021. The change reflects higher operating activities, with change in accruals contributed positively.

Cash flow from investment activities was mNOK -23,3, compared to mNOK -17,6 in 2021. This reflects Capitalized development cost, and the increase reflects new hires in the R&D department.

Cash flow from financing activities was mNOK -4,3 (146,8).

Cash and cash equivalents at the end of the period were mNOK 178,2 (218,2), sufficient to carry out Elliptic Labs' business plan.

Financial position

(Figures for 2021 in brackets)

Assets

Total non-current assets amounted to mNOK 123,7 (106,4). Deferred tax assets accounted for mNOK 68,8 (62,5). Intangible assets accounted for mNOK 47,6 (36,6).

Current assets amounted to mNOK 225,6 (264,9). Cash and cash equivalents of mNOK 178,2 (218,2) represented the majority of the current assets.

Equity and liabilities

Total equity amounted to mNOK 325,6 (342,8).

Total liabilities amounted to mNOK 23,7 (28,6), with the decrease mainly reflecting repayment of non-current borrowings.

Parent company results

(Figures for 2021 in brackets)

The parent company Elliptic Laboratories ASA, had a net loss of mNOK -33,8 in 2022 (-12,9) allocated to other equity. At 31 December 2022, the parent company's total assets were mNOK 346,8 (365,9), and total equity was mNOK 320,4 (338,8).

Going concern

The Board of Directors confirms that the annual financial statements for 2022 have been prepared on the basis of a going concern assumption, and that this assumption has been made in accordance with section 3-3a of the Norwegian Accounting Act.

Corporate Governance

Elliptic Labs has established principles and procedures for sound Corporate Governance, including risk management and internal controls, rules of procedure for the Board of Directors and management, and equal treatment of shareholders. The company has formalized its framework according to the Norwegian Code of Practice for Corporate Governance.

Elliptic Labs has a Directors and Officers Liability Insurance policy on behalf of the members of the Board of Directors and CEO. The insurance additionally covers any employee acting in a managerial capacity and includes subsidiaries owned with more than 50%. The insurance policy is issued by a reputable, specialized insurer with an appropriate rating.

Please see Elliptic Labs' Corporate Governance report for further details.

Transparency Act

In June 2021 the Norwegian Parliament passed the Transparency Act with the purpose to promote companies' respect for fundamental human rights and decent working conditions in connection with the production of goods and services, and to ensure the general public access to information on how companies handle negative consequences on fundamental human rights and decent working conditions.

The act applies to large enterprises that are domiciled in Norway, which offer goods and services inside or outside Norway. The act entered into force on July 1 2022. Elliptic Labs will comply with the obligations under the scope of this act and will disclose further information on www.ellipticlabs.com/investors/ by June 30 2023.

Risks and uncertainty factors

Operational risks

The technology in the markets which the Group operates is rapidly evolving and has been through a series of disruptive changes. The Group firmly believes that its virtual smart sensor technology will drive such a shift across several verticals, but it is difficult to predict market trends such as how large the market for the Group's products will be, which sensors will be adopted, and when that will be. If the market for the Group's products does not evolve as the Group anticipates, this could have a materially adverse effect on the Group's business, prospects, financial position, and results of operations.

Financial risks

To date, Elliptic Labs has experienced negative cash flow from operations and has not achieved profitability except in specific quarters.

The Group will need to increase its revenues in order to achieve profitability. However, if/when the Group does achieve profitability, it still cannot assure that it will continue to sustain or increase profitability on a quarterly or annual basis. Both the smartphone industry and the PC industry are dominated by a few large producers, meaning that the Group is largely dependent on a few customers.

Elliptic Labs operates in countries with currencies other than the Group's presentation currency NOK and is exposed to changes in foreign currency rates.

The Group has limited exposure to changes in interest rate levels due to its limited long-term borrowings of mNOK 6,0 from Innovation Norway.

Based on the current cash position of mNOK 178,2 and projections for the operating cash flow and capital requirements for the existing business, the Board of Directors sees limited liquidity risk as the Company will have ample liquidity to support its existing business activities going forward.

Geopolitical risks

China continued to lift Covid restrictions into 2023, and the government reports that the country has entered a low level as the epidemic has maintained a steady downward trend. In spite of these positive signals from China, the global semi-conductor market and leading global OEMs continue to suffer as weakened end-user demand and increased inventory levels impacts the entire value chain. Elliptic Labs' customers in the smartphone and laptop markets are effected, and the company continues to monitor the situation.

The war in Ukraine has currently no direct impact of Elliptic Labs' current operations. The company continues to monitor the situation.

Environmental risks

No material environmental risks have been identified that will have substantial impact on Elliptic Labs' operations.

Events after the balance sheet date

In the first quarter 2023, Elliptic Labs signed three software agreements with OEMs in the smartphone market, two of which were with new top-five OEMs. It also launched its AI Virtual Proximity Sensor on one new model. Elliptic Labs now has contracts with three of the top-five smartphone OEMs.

In the laptop vertical, the Company signed its first Proof-of-Concept agreement for the potential use of its AI Virtual Human Presence Sensor on future laptops with another operating system (OS) than the existing contract with the customer.

Lenovo expanded its collaboration with Elliptic Labs in 2022, launching Elliptic Labs' AI Virtual Human Presence Sensor on multiple ThinkPad X and T series laptops. These launches covered ThinkPad T14, ThinkPad T14s, ThinkPad T16 generation 4, ThinkPad X13 generation 4, and ThinkPad X13 Yoga Gen 4.

A former client has failed to meet the agreed-upon payment of $425.000USD for software delivered in 2022. Elliptic Labs deems the dispute as a breach of contract and has thus decided to pursue the payments through the ICC International Court of Arbitration as regulated in the contract.

At the annual reporting date, Elliptic Labs have launched on 76 smartphones models and one laptop model.

Outlook

Elliptic Labs enters 2023 in a stronger position than ever, with a wide customer base across multiple verticals and a broadened product offering. The company will continue to build on the strong momentum it gained from its laptop market entry in 2022, fueled by a strong technology and a healthy cash balance.

Although the company expects a continued lumpiness in quarter-to-quarter revenue recognition in the short term, it expects revenue will ramp up during the year as OEMs regain visibility on end-user demand. This is expected to reestablish Elliptic Labs on its growth trajectory towards the company's mid-term financial goals.

Laptops are expected to contribute to the majority of the growth towards Elliptic Labs' target of NOK 500 million in 2024–25. Achieving this target will be supported by continued traction in the smartphone market and the exploration of new frontiers in the IoT space.

The company will carefully manage its organization to capture growth opportunities, and its investments in technology development will continue at current levels.

Longer term, Elliptic Labs sees a potential to become the de facto standard for human presence detection in the laptop and broader market, as the company's technology reduces cost and risk while adding functionalities and improving privacy.

Oslo, 27 April 2023
The Board of Directors of Elliptic Laboratories ASA

Tore Engebretsen
Chairman

Edvin Austbø
Board Member

Ingrid Elvira Leisner
Board Member

Svenn-Tore Larsen
Board Member

Berit Svendsen
Board Member

Laila B. Danielsen
CEO

Corporate Governance report

Implementation and Reporting on Corporate Governance

Elliptic Laboratories ASA (the "Company" or "Elliptic Labs", and together with its subsidiaries, the "Group") was listed on Oslo Stock Exchange on March 4 2022. The Company has adopted and implemented a corporate governance regime, with processes, procedures and tools which follow the Public Limited Liability Companies Act (the "NPLCA") , the Accounting Act, the Auditors Act, the Securities Trading Act, the EU Regulation No 596/2014 on Market Abuse ("MAR"), the Issuer Rules for the Oslo Stock Exchange as well as the Norwegian Code of Practice for Corporate Governance, last updated 14 October 2021 (the "Corporate Governance Code"). Neither the Company's board of directors (the "Board" or the "Board of Directors") nor the general meeting have adopted any resolutions which are deemed to have a material adverse effect on the Company's corporate governance regime.

The Board adopted the Company's corporate governance policy on 10 January 2022, as well as inter alia rules of procedure for the Board, instructions for the audit committee, instructions for the remuneration committee. and manuals for the handling of inside information and other disclosure obligations applicable to companies with shares listed on the Oslo Stock Exchange. Furthermore, the extraordinary general meeting held on 18th January 2022 approved the Company's guidelines for the determination of salaries and other remuneration to executive personnel, and the annual general meeting held on 23rd May 2022 established a nomination committee and approved instructions for the committee. The Company is reporting in accordance with the NPLCA and the Corporate Governance Code.

Business

The Company is a global enterprise targeting the smartphone, laptop, IoT, and automotive markets. The Company's patented artificial intelligence (AI) software platform combines ultrasound and sensor-fusion algorithms to deliver intuitive 3D gesture, proximity and presence sensing experiences. Its scalable AI Virtual Smart Sensor Platform™ creates software-only sensors that are sustainable, eco-friendly, and already deployed hundreds of millions of devices around the world. The Company is headquartered in Norway with presence in the USA, China, South Korea, Taiwan, and Japan.

The Company's objective is defined as follows in the Company's articles of association (the **"Articles of Association"**):

"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."

The Board has defined objectives, strategies and risk profiles for the Group's business activities, including that the Company creates value for its shareholders in a sustainable manner. The Company's objectives, strategies and risk profiles are evaluated annually. Furthermore, it is the Board's responsibility from time to time to identify and assess which aspects of sustainability that are relevant to the Group's business. The Board will establish guidelines for how it integrates considerations related to its stakeholders into its value creation.

The Company's objectives and principal strategies are further described in the Company's annual reports and on the Company's website https://www.ellipticlabs.com/.

Equity and Dividends

Equity

The Board is responsible for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that the capital requirements set forth in laws and regulations are met.

The Company shall at all times have an equity capital at a level appropriate to its objectives, strategy and risk profile. The Board shall continuously monitor the Group's capital situation and shall immediately take adequate steps if the Company's equity or liquidity is less than adequate.

At 31 December 2022, the Company's equity was mNOK 325,6, which is equivalent to 93% of total assets. Our Board considers the Company's equity level to be satisfactory. The Board continuously considers the suitability of the Company's equity level and financial strength considering our objectives, strategy and risk profile.

Dividend policy

The Company is currently in a growth phase and is not able to pay any dividends and has consequently not established any clear dividend policy to date. Beyond the growth phase, it is the Company's ambition to pay dividends to shareholders as soon as it considers itself to be in a position to do so. There can be no assurances that in any given period will be proposed or declared, or if proposed or declared, that the dividend will be as contemplated by the above. The Company may revise its dividend policy from time to time.

Any future proposal by the Board of Directors to declare dividends will be subject to applicable laws and will be dependent on several factors, including the Company's financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that the Board of Directors may deem relevant. In addition to legal requirements, the Board of Directors will, when deciding to propose any dividend, take into consideration capital expenditure plans, restrictions under the Group's debt facilities, financing requirements and maintaining the appropriate strategic flexibility.

The Company has not paid any dividend during the financial years 2019, 2020, 2021, 2022, or to date 2023.

Share capital increases and issuance of shares

Under the NPLCA, the general meeting may authorize the Board of Directors to increase the Company's share capital. Such authorizations should be restricted to defined purposes, and not last longer than the next annual general meeting. An exception may be made for authorizations made in connection with equity incentive programs, which may be authorized for up to two years.

In the annual general meeting held on 23rd. May 2022 the Board was granted an authorization to increase the share capital of the Company in one or more rounds, by up to NOK 103,841 in connection with investments within the Company's business area, to offer share subscription to potential strategic investors or partners and to strengthen the Company's capital. The Board was further granted a separate authorization to increase the share capital in one or more rounds by up to NOK 103,841 in connection with the Company's share option program and other incentive schemes in the Company.

The authorization to increase the share capital in connection with potential investments, share consideration and to strengthen the Company's capital is valid until the annual general meeting in 2023, in all cases expiring on 30th June 2023.

The authorization to increase the share capital in connection with the Company's share option program and other incentive schemes is valid until the annual general meeting in 2024, in all cases expiring on 23rd May 2024. The authorizations allow for the shareholders' pre-emption rights to be set aside (see below).

Following the annual general meeting, the Board utilized the authorizations to carry out the following share capital increases:

- On 27 May 2022, the Board resolved to increase the share capital in connection with the exercise of options through the Company's incentive program. The share capital was increased by NOK 2,089,90 through the issuance of 208,990 new shares, each with a par value of NOK 0.01. Following the registration of the share capital increase, the Company's total share capital was NOK 1,040,508.70, divided into 104,050,870 shares, each with a par value of NOK 0.01.
- On 18 July 2022, the Board resolved to increase the share capital in connection with the exercise of options through the Company's incentive program. The share capital was increased by NOK 233.40 through the issuance of 23,340 shares, each with a par value of NOK 0.01. Following the registration of the share capital increase, the Company's total share capital was NOK 1,040,742.10, divided into 104,074,210 shares, each with a par value of NOK 0.01.

Following the two share capital increases, the remaining amounts of the two Board authorizations to increase the Company's share capital were NOK 101, 751.10 and 103,607.60, respectively.

When the general meeting is considering proposals for board authorizations to increase the Company's share capital for different purposes, each authorization shall be considered and resolved separately. Board authorizations shall furthermore be limited in time and shall not last longer than until the Company's annual general meeting the following year.

Equal Treatment of Shareholders

The Company has one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings.

Pre-emption rights to subscribe

According to the NPLCA, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may, however, be set aside, either by the general meeting or by the Board, if the general meeting has granted a board authorization which allows such deviation. The Board is currently authorized to waive the shareholders' pre-emptive rights, and the Board intends to propose that the annual general meeting in 2023 grants a similar authorization (see above). Any resolution to set aside pre-emption rights must be justifiable when taking into account the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice by the Company.

Since the last annual general meeting, the Company has waived the shareholders' pre-emptive rights to subscribe for new shares on two occasions, namely the aforementioned share capital increases resolved by the Board on 27th May and 18th July 2023, respectively. The deviations from the shareholders' pre-emptive rights were necessary to attain the purpose of such share capital increases and were considered by the Board to be in the common interest of the Company and its shareholders.

Trading in own shares

Under the NPLCA, the general meeting may authorize the Board of Directors to repurchase the Company's shares. Such authorizations should not last longer than to the next annual general meeting. An exception may be made for authorizations made in connection with equity incentive programs, which may be authorized for up to two years.

At the annual general meeting held on 23rd May 2022, the Board was granted an authorization to acquire the Company's own shares on one or more occasions, with a total par value of up to NOK 103,841. Shares acquired pursuant to this authorization shall either be subsequently cancelled by way of a share capital decrease, included in the Company's incentive program, in connection with the Company's investment or as settlement in acquisitions. The purchase price per share shall not be less than NOK 0.01 and not more than NOK 200. The authorization is valid until the Company's annual general meeting in 2023, and will in all cases expire on 30th June 2023.

The Board authorization to acquire own shares has not been used.

The Board authorization is not limited to a single defined purpose, as the resolution by the general meeting mentions several purposes. [It is the Board's intention to propose to the annual general meeting in 2023 to grant the Board two separate authorizations to acquire shares in the Company, to either be subsequently cancelled by way of a share capital decrease, used in connection with the Company's investment or as settlement in acquisitions, and to be included in the Company's incentive program, respectively.

In the event of a future share buy-back program, the Board will aim to ensure that all transactions pursuant to such program will be carried out either through the trading system at Oslo Børs or at prevailing prices at Oslo Børs and in accordance with MAR. In the event of such program, the Board will take the Company's and shareholders' interests into consideration and aim to maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Shares and Negotiability

The shares of the Company are freely transferable. There are no restrictions on transferability of shares pursuant to the Articles of Association.

General Meetings

Notification

The notice for a general meeting, with reference to or attached supporting information on the resolutions to be considered at the meeting, as well as a proxy form, shall be sent to all the Company's shareholders with known addresses, and made available on the Company's website and on NewsWeb, no later than 21 days prior to the date of the general meeting. The Board will seek to ensure that the resolutions and supporting information are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.

Deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible. The time limit may not expire earlier than three days before the meeting.

It is noted that as of 1st July 2023, due to amendments in statutory law, such notice must have been received by the Company no later than two business days prior to the general meeting, unless the Board has set a later deadline in the notice of the general meeting. Prior notice of attendance will furthermore be a statutory requirement for shareholders whose shares are registered on a nominee account. Further, as of 1st July 2023, only those who own shares in the Company on the fifth business day before the general meeting (the record date) will have the right to attend and to vote for their shares as of the record date. The Articles of Association will be amended to reflect the amendments in statutory law.

The notice of the Company's annual general meeting held on 23rd May 2022 was sent and made available in accordance with the requirements and principles above.

Participation and execution

The Board of Directors uses its best efforts to schedule and facilitate general meetings in a manner that ensures that all shareholders may exercise their rights to participate in and voting at general meetings, thereby making the general meeting an effective forum for the views of shareholders and the Board of Directors. In accordance with the NPLCA, we are required to hold our annual general meeting of shareholders each year on or prior to 30 June.

The general meeting is chaired by the chair of the Board or a person appointed by him. Having the chair of the Board (or such other appointed person) chairing the general meetings simplifies the preparations for the general meetings significantly. This represents a deviation from the Corporate Governance Code, which states that the general meetings should be chaired by an independent person. However, it is the Company's opinion and experience that its procedures for the chairing and execution of the general meetings have proven satisfactory.

The Company encourages shareholders to attend the general meeting. It is also the intention to have representatives of the Board and the chair of the nomination committee to attend the general meeting. The Company will, however, normally not have the entire Board attend the meeting, as this is considered unnecessary. This represents a deviation from the Corporate Governance Code, which states that arrangements shall be made to ensure attendance by all Board members.

The annual general meeting in Elliptic Labs held on Monday, 23rd May 2022 at 11.00 CEST was held as a digital meeting, in accordance with section 5-8 of the NPLCA. A total of 35.73% of the outstanding shares were represented.

Nomination Committee

The Articles of Association set out that the Company shall have a nomination committee consisting of between two and four members, elected by the general meeting for a term of two years. The nomination committee shall consider and recommend resolutions at the general meeting on the following matters:

- Candidates for election of members to the Board and to the nomination committee, and
- The proposed remuneration of the Board and the members of the nomination committee.

The nomination committee shall propose candidates to the Board and the nomination committee, and justify its proposal for candidates, on an individual basis. Further guidelines for the duties of the nomination committee are set out in the guidelines adopted by the annual general meeting in 2022, including that the nomination committee and the Company shall provide suitable arrangements for shareholders to submit proposals for candidates for election.

The nomination committee currently comprise two members and consists of Einar Greve (chair) and Thomas Raaschou, elected by the annual general meeting in 2022 for the period until the annual general meeting in 2024.

None of the nomination committee members are members of the Board or the Company's management. All members of the committee are independent of the Board and the Company's management. The nomination committee is of the opinion that the composition of the committee reflects the common interest of all the Company’s shareholders.

The nomination committee’s recommendation of candidates for the annual general meeting in 2023, including the reasoning for the recommendation, will be appended to the notice of the meeting as published on the Company’s website and on NewsWeb.

Board of directors: Composition and independence

Pursuant to the Articles of Association, the Board shall consist of between four and seven members.

The Board's composition shall ensure that it can attend to the common interests of all shareholders in the Company and meet the Company's need for expertise, capacity and diversity. Attention should be paid to ensure that the Board can function effectively as a collegiate body.

The composition of the Board should ensure that it can operate independently of any particular interests. The majority of the shareholder-elected Board members shall be independent of the Company's management and material business contacts. At least two of the shareholder-elected Board members shall be independent of the Company's main shareholder(s).

The Board shall not comprise members from the Company's management. If the Board does include such persons, the Company shall give an explanation of this and implement consequential adjustments to the organization of the work of the Board, including the use of board committees to help ensure more independent preparation of matters for discussion by the Board.

The chair of the Board shall be elected by the general meeting. Members to the Board shall be elected for a period of two years at a time. The annual report shall specify which members are considered to be independent. The Company encourages Board members to own shares in the Company.

The Board of Directors comprise the following persons, [all of which are proposed re-elected] by the annual general meeting in 2023 for the period until the annual general meeting in 2024:

- Tore Engebretsen (chair) has served since 2010;
- Edvin Austbø (member) has served since 2015;
- Svenn-Tore Larsen (member) has served since 2015;
- Berit Svendsen (member) has served since 2019; and
- Ingrid Leisner (member) has served since 2022.

All of the members of the Board are independent of the Company's executive management and material business contacts. Except for Tore Engebretsen, chair of the Board, who is not considered independent of Passesta AS, a company holding approximately 12.3% of the Company's shares, all of the Board members are independent of the Company’s main shareholders (shareholders holding 10% or more of the Company's shares). As such, the composition of the Board complies with the Corporate Governance Code.

The Work of the Board of Directors

Board Instructions

The Board is responsible for the overall management of the Company and shall supervise the Company's business and the Company's activities in general.

The NPLCA regulates the duties and procedures of the Board. In addition, the Board has adopted supplementary rules of procedures providing further details on inter alia the duties of the Board and the chief executive officer (the "CEO"), the division of work between the Board and the CEO, notices of Board proceedings, administrative procedures, minutes, board committees, transactions between the Company and the shareholders and related parties and matters or confidentiality.

The Board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The CEO shall at least once a month, by attendance or in writing, inform the Board about the Company's activities, position and profit trend.

The Board's consideration of material matters in which the chair of the Board is, or has been, personally involved, shall be chaired by another Board member. The Board shall evaluate its performance and expertise annually.

In 2022, the board held 13 Board meetings.

The audit committee

The Company's audit committee is governed by sections 6-41 to 6-43 of the NPLCA and separate instructions adopted by the Board. The members of the audit committee are appointed by and among the members of the Board. A majority of the members shall be independent of the Company's business, of which at least one member shall have qualifications within accounting or auditing. Board members who are also members of the management (if any) cannot be members of the audit committee.

The purpose of the audit committee is to ensure:

a. the integrity of the Company's financial statements, financial reporting processes, internal controls and risk assessment and risk management policies, and of the compliance system; and

b. the performance of the Company's internal control function.

The audit committee reports and makes recommendations to the Board of Directors, but the Board retains responsibility for implementing such recommendations. The audit committee shall comprise of two Board members who are appointed for a two-year term. The appointed members of the audit committee are Ingrid Leisner (chair) and Berit Svendsen (member). [Both members are independent of the Company.] The composition of the Company's audit committee is fully compliant with the requirements for qualifications and competence in accounting and auditing set out in the NPLCA and the recommendations in the Corporate Governance Code.

In 2022, the audit committee held 6 meetings.

The remuneration committee

The Company shall have a remuneration committee in order to ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. The remuneration committee's duties shall be governed by separate instructions adopted by the Board. The members of the remuneration committee shall be appointed by and among the Board members and shall be independent of the Company's management.

The remuneration committee shall prepare, subject to approval by the Board and the general meeting as required under applicable law:

a. a policy on determination of salaries and other remuneration for executive personnel in accordance with the NPLCA section 6-16 a;

b. An annual report on salaries and other remuneration for executive personnel in accordance with the NPLCA section 6-16 b; and

c. other matters relating to remuneration and other material employment issues in respect of the executive personnel.

The Board of Directors has established a remuneration committee consisting of two members, elected by and among the Board, both of whom have been appointed for a two-year term. The current members of the remuneration committee are Edvin Austbø (chair) and Berit Svendsen (member), who will serve until 2024.

In 2022, the remuneration committee held 2 meetings.

Risk Management and Internal Control

Risk management and internal control are given high priority by the Board, who is responsible for ensuring that adequate systems for risk management and internal control are in place. The control system consists of interdependent areas which include risk management, control environment, control activities, information and communication and monitoring.

The Company's management is responsible for establishing and maintaining sufficient internal control over financial reporting. Company specific policies, standards and accounting principles have been developed for the annual and quarterly financial reporting of the Group. The CEO and the chief financial officer supervises and oversees the external reporting and the internal reporting processes. This includes assessing financial reporting risks and internal controls over financial reporting of the Group. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as adopted by the EU.

The Board shall ensure that the Company has sound internal control and systems for risk management, including compliance with the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility. The Company's code of conduct describes the Company's ethical commitments and requirements related to business practice and personal conduct. If employees experience situations or matters that may be contrary to rules and regulations or the Company's code of conduct, they are urged to raise their concern with their immediate superior or another manager in the Company.

The Board shall undertake a complete annual review of risks related to the Group's business, with particular focus on the Company's most important areas of exposure to risk, to be carried out together with the review of the annual financial statements. The audit committee shall assist the Board on an ongoing basis in monitoring the Company's system for risk management and internal control. In connection with the quarterly financial statements, the audit committee shall present to the Board reviews and information regarding the Company's current business performance and risks.

Remuneration of the Board of Directors

The remuneration to the members of the Board shall be decided by the Company's general meeting, and should reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration should not be linked to the Company’s performance, and the members of the Board should not be awarded share options.

The annual report shall provide details of all elements of the remuneration and benefits of each member of the Board, which includes a specification of any remuneration in addition to normal fees to the members of the Board.

Members of the Board and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board.

For the period from the annual general meeting in 2022 up to the annual general meeting in 2023, the nomination committee has recommended that the members and the chair of the Board of Directors each receive NOK 275 000 and NOK 350 000 in remuneration, respectively. Furthermore, as of the general meeting in 2023, the Company intends to change its practice going forward, to resolve remuneration to the members of the Board for the one-year period as of and from the respective annual general meeting. As such, the nomination committee has recommended that the members and the chair of the Board of Directors each receive NOK 290 000 and NOK 370 000 in remuneration, respectively, for the period from the annual general meeting in 2023 up to the annual general meeting in 2024.

The recommendations for remuneration will be considered by and subject to a resolution by the annual general meeting in 2023.

Please see Remuneration Report for further details.

Salary and Other Remuneration for Executive Personnel

The total remuneration of the Company's executive personnel consists of a base salary, variable remuneration, other benefits in kind and pension schemes. Performance-related remuneration of the executive management in the form of bonus programs, share-based incentives or similar shall be linked to value creation in the Company over time. Such arrangements shall incentivise performance and be based on quantifiable factors that the employee may influence. As recommended in the Corporate Governance Code, the performance-related remuneration is subject to an absolute limit. Share based incentive schemes are limited by a maximum number of shares in the Company that can be allocated.

The Board of Directors has established a remuneration committee, see further details on the composition of the committee above. The primary purpose of the remuneration committee is to assist the Board of Directors in matters relating to remuneration of the executive management of the Group, as well as reviewing recruitment policies, career planning and management development plans, and prepare matters relating to other material employment issue in respect of the executive management.

The remuneration committee shall report and make recommendations to the Board of Directors, but the Board retains responsibility for implementing such recommendations. The Company's guidelines regarding the determination of salaries and other remuneration of executive personnel prepared in accordance with section 6-16 a of the NPLCA were approved by the extraordinary general meeting on 18th January 2022.

Please see Remuneration report for further details on the remuneration of the executive personnel.

Information and Communications

The Board has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures. The Board will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company will each year publish a financial calendar, providing an overview of the dates for major events, such as the Company's annual general meetings and publication of interim reports.

The Company shall have procedures for establishing discussions with main shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the Company's shareholders will be made available on the Company's website and on NewsWeb no later than at the same time as it is sent to shareholders.

Take-overs

The Company does not have separate guidelines on how to respond in the event of a takeover bid. This represents a deviation from the Corporate Governance Code, which recommends to have such guidelines in place. The Board has not established written guiding principles for how it will act in the event of a takeover bid, as such situations are normally characterized by concrete and one-off situations which make guidelines challenging to prepare. In the event the Company becomes the subject of a takeover bid, the Board shall seek to ensure that the Company's shareholders are treated equally and that the Company's business is not unnecessarily interrupted. The Board shall also ensure that the shareholders have sufficient information and time to assess any such offer.

There are no defense mechanisms against takeover bids in the Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company. In the event a takeover were to occur, the Board will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

Auditor

The Company's auditor, PricewaterhouseCoopers AS, was appointed in 2017 and is regarded as independent in relation to Elliptic Labs. The Board of Directors receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The Board will require the Company's auditor to annually present to the audit committee a review of the Company's internal control procedures (including weaknesses identified by the auditor, if any, and proposals for improvement), as well as the main features of the plan for the audit of the Company.

Furthermore, the Board will require the auditor to participate in meetings of the Board that deal with the annual financial statements, in which the auditor shall report on (i) any material changes in the Company's accounting principles and key aspects of the audit, (ii) any material estimated accounting figures, and (iii) all material matters which have been subject to a disagreement between the auditor and the Company's executive management, if any.

At least one Board meeting with the auditor shall be held each year in which no member of the Company's management is present.

The audit committee shall review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represents a threat to the independence of the auditor.

The remuneration to the auditor for statutory audit will be approved by the annual general meeting.

SUSTAINABILITY REPORT

Elliptic Labs and Sustainability

Elliptic Labs develops AI Virtual Smart Sensors™ that use AI, ultrasound, and sensor fusion to detect people and their surroundings. Our mission is to make every device smarter, more human, and environmentally friendly.

Our sustainability vision

Elliptic Labs' vision is to build the leading software platform for all sensors, making every device smarter and more human- and environmentally friendly. Elliptic Labs' software allows its customers to replace a physical hardware sensor with a virtual one, thereby reducing their environmental footprint due to no production of hardware, no distribution or need for warehousing as well as maintenance nor service This is highly attractive to Elliptic Labs' customers, many of whom aim to be carbon negative, or at least carbon neutral. Moreover, its AI Virtual Smart Sensor Platform enables devices to reduce power consumption and component waste, further augmenting the positive impact of Elliptic Labs' software on the environment.

Business description

Elliptic Labs is a global enterprise targeting the smartphone, laptop, IoT, and automotive markets. Founded in 2006 as a research spin-off from University of Oslo, the Company's patented artificial intelligence ("AI") software platform combines ultrasound and sensor-fusion algorithms to deliver intuitive 3D gesture, proximity and presence sensing experiences. Its scalable AI Virtual Smart Sensor Platform creates software-only sensors that are sustainable, eco-friendly, and already deployed in hundreds of millions of devices around the world. Elliptic Labs is the only software company that has delivered detection capabilities using AI software, ultrasound and sensor-fusion deployed at scale.

Elliptic Labs carried out an initial public offering in the Euronext Growth market in October 2020 and transferred to the Oslo Stock Exchange main list in Q1'22. It is headquartered in Norway with presence in the USA, China, South Korea, Taiwan, and Japan. Its technology and intellectual property ("IP") are developed in Norway and solely owned by the Company.

Business model

Elliptic Labs focus on developing applications from its patented AI platform, which combines ultrasound and sensor-fusion algorithms to deliver intuitive 3D gesture, proximity and presence sensing experiences.

The Group's AI Virtual Smart Sensor Platform can bring touchless 3D gestures, presence, and vitals detection to any modern device that possesses a microphone and a speaker. The AI Virtual Smart Sensor Platform rapidly and efficiently integrates various combination of Elliptic Labs' AI virtual smart sensors into customer products.

The applications of these sensors are found in smartphones, laptops, smart speakers, smart televisions, smart appliances, automotive and smart hygiene.

Elliptic Labs uses a partnering and collaboration strategy. It leverages its partners' sales organizations to identify and drive sales opportunities and also works with its ecosystem partners to embed its AI Virtual Smart Sensor Platform into their respective platforms. Finally, Elliptic Labs collaborates with these partners to create new standards for ultrasound and AI virtual smart sensors. The platform partners include Intel, Qualcomm, Samsung, Cadence, Mediatek, Knowles, among others. Go-to-market partnerships promote Elliptic Labs' solutions to potential new platform partners and include companies such as Infenion, ARM, AAC Technologies, Cirrus Logic and Texas Instruments.

Key sustainability topics for Elliptic Labs

The Group's survival and successful growth depends on its ability to:

a. Develop new products and technologies that address the increasingly sophisticated and varied needs of prospective customers, and;

b. respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis by improving existing products and technologies.

Since the Group's products are used as components in finished products, the demand, as well as the production of, such products are important.

From a sustainability perspective, therefore, the key risks are centered around:

a. Supply-chain disruptions, for example through physical climate change or regulations and other transitional changes, could impact the Group's customers and thus indirectly Elliptic Labs.

b. Raw material costs, which could rise due to physical climate risks or changes related to policies and other regulatory issues, could indirectly impact the Group through an impact on its customers.

c. 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 the Group being successful in attracting, developing and retaining employees with appropriate skills in the future.

d. Data protection and data security regulations are important as the Group develops technology that processes personal data related to individuals, and often customers. Moreover, the Group deals with business partners that integrate its technology in their products and services, which exposes the Group to data protection laws and regulations in multiple jurisdictions.

On the other hand, a key driver for Elliptic Labs is its ability to contribute to reducing the environmental footprint of its customers and users. The key opportunities are therefore related to:

a. An increased focus by customers and other market participants on obtaining solutions that decrease the carbon footprint

b. A product portfolio that reduces the environmental footprint of its customers through replacing hardware sensors with software, which reduces component waste

c. Presence-detecting capabilities that assist in decreasing the amount of power consumed by the devices that include the Group's sensors

Environment

Elliptic Labs is a small organization, where virtually all employees work in office locations. The environmental footprint is low as office locations are centrally located letting employees easily use public transport, cycle or walk to the office. We focus on efficient office locations with smart solutions for heating, ventilation and lighting low. The main direct impact the Group has on the environment is through:

a. Electricity usage

b. Business travel in connection with sales and marketing

c. IT equipment and software

The Group has not yet conducted any review to quantify the environmental impact of these activities, primarily since these represent a small proportion of the company's cash costs.

At Elliptic Labs's headquarters in Oslo, Norway, will be moving to a new office building during summer 2023 which is certified according to BREEAM NOR Excellent and BREEAM In Use Excellent.

BREEAM (Building Research Establishment Environmental Assessment Method) is an international sustainability assessment method for buildings, infrastructure, and communities. Developed by the Building Research Establishment (BRE), it is one of the world's leading sustainability assessment methods. BREEAM evaluates and scores the environmental performance of a building or community across various categories, such as energy, water, materials, waste, pollution, health and well-being, management, and ecology.

We strive to minimize our environmental footprint by investing in an office with natural lighting and recycling. By moving to the new office, we will move into a modern office building with Smart Building Certification (https://smartbuildingcollective.com/building).

We are delighted to learn and live after well-defined sustainable initiatives and measures. This includes smart handling of lighting, heating, waste handling, recycling, ventilation as well as cleaning and limiting exposure for transmission of infections.

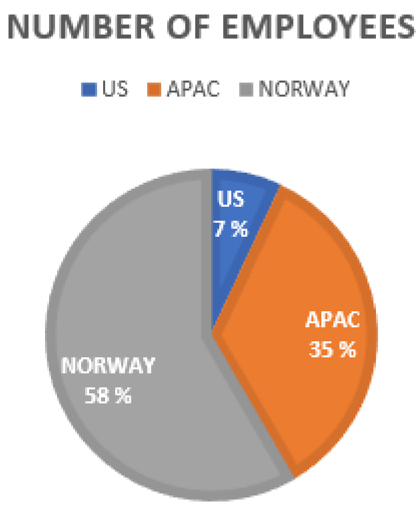
We will fill the new office with our current furniture and try to buy as much second hand as possible to minimize carbon footprint. Reuse and thinking sustainability will be essential to Elliptic Labs offices.

People

Elliptic Labs is a dynamic organization in constant development. Its diverse workforce forms the basis of the Group's success. By constantly securing safe and wholesome working conditions and a positive work environment for its employees, Elliptic Labs aims to preserve and build on healthy, motivated employees and a strengthened internal culture.

Demographics in Elliptic Labs:

- 72 employees
- 12 women and 60 men
- 5 in the USA
- 25 in APAC
- 42 in Norway
- Number of nationalities for all employees globally is 15



The working environment has been good in 2022 and it has not been necessary to implement improvement measures. There have been no injuries or accidents in 2022. Elliptic Labs had 1.3% (1,4%) absence due to sick leave in 2022. There has not been implemented or planned concrete measures to improve gender equality in Elliptic Labs as this i part of everyday operations and are a continues focus point.

The Group has a female CEO in Laila Danielsen. The Group has approximately 83% male employees, and 17% female employees.

The Board of Directors and Executive leadership team consist of 40% female and 60% male members.

The company is continuously working to improve the gender equality by addressing both new initiatives to attract more female candidates for open positions as well as assessing what we can do to ensure we retain female employees and facilitate a great working environment for all.

For summer internship engineering in Oslo summer 2023, we have hired an equal number of men and women. This proves that it is possible to work towards a better gender balance.

Initiatives like prioritizing attending "women in tech" conference and network organizations such as ADA, ODA, Women in Tech Oslo and female tech events at NTNU in Trondheim will increase the awareness and possibility for attracting more women to the company.

We will be launching a new digital HR system across the Elliptic Labs which will serve everyone with an overview of the total workforce, as well as abilities for DEI reporting and attention.

Elliptic Labs has a Code of Conduct for all employees stating that ethical and professional behavior is part of our DNA. The code sets out expectations for the personal conduct and business practice of the Group's employees to develop a company culture that meets its vision, mission and core values.

The Code specifies zero tolerance for discrimination, harassment, or bullying based on any protected legal category (e.g., age, gender, sexual orientation, disability, race, nationality, political opinions, religion, or ethnic background) is tolerated in Elliptic Labs in any form — verbal, physical, or visual. Any incidents are encouraged to be reported to relevant supervisor, Human Resources, or both. All incident reports will be treated with the upmost confidentiality in mind and with no reprisal for the notifier.

Furthermore, the Code specifies that Elliptic Labs employees shall not under any circumstance cause or contribute to the violation of human or labor rights, as well as respect the personal dignity, privacy, and rights of everyone they interact with as a result of the employment by Elliptic Labs.

At Elliptic Labs, employees are mostly conducting standard office work, so no major safety initiatives are deemed necessary other than ensuring the employees have well-equipped offices spaces and in general balanced working conditions.

Governance matters

Elliptic Labs' Code of Conduct has governance sections that deal with matters such as:

a. Insider information and trading
b. Sensitive information and confidentiality
c. Personal data and privacy
d. Conflicts of interest
e. Corruption, bribery and money laundering
f. Safeguarding of property and assets

There is zero tolerance for all forms of corruption and the company makes active efforts to ensure that it does not occur in its business activities. Elliptic Labs is firmly opposed to all forms of money laundering.

The Group established a Corporate Governance Policy 2022 in line with the Norwegian Corporate Governance Code.

For additional information regarding the corporate governance in Elliptic Labs, we refer to the section covering disclosures pursuant to the Norwegian Corporate Governance Code. The Group has no dedicated governance structure for ESG matters as the organization is small.

Important governance issues for the Group includes:

As a Norwegian public limited company listed on the Oslo stock exchange the Group subject to the following sustainability legislation:

a. The Norwegian Accounting Act 3-3c which requires the company to report on environmental and social impact, working environment, equality , human rights and anti-corruption.
b. The Norwegian Equality and Anti-Discrimination Act which requires the company to investigate, assess and report on discrimination- and equality risk in the company.
c. The Norwegian Transparency Act which requires the company to carry out due diligence in accordance with the OECD Guidelines for Multinational Enterprises and publish an annual account of human rights and decent working conditions across its supply chain (enters into force July 1st 2022).
d. EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD). The EU Taxonomy is a classification system for sustainable economic activity. It is expected to be implemented in Norwegian legislation from 2023/2024

The Group deals globally with business partners that integrate the Group's technology in their products and services.

The Groups software does not process any external personal information and thus have limited exposure towards data protection laws and regulations. The company operates in multiple jurisdictions which impose stringent requirements and potentially high penalties for material non-compliance.

The relevant data protection laws and regulations in the jurisdictions where the Group has operations:

a. In the EU and EEA, the main regulation is the General Data Protection Regulation (EU) 2016/679 ("GDPR") and its local law implementations, including the Norwegian Data Protection Act of 15 June 2018 no. 38.

b. Japan also has a well-developed data protection legislative framework in the Act No. 57 of 2003 on the Protection of Personal Information ("APPI") as well as an extensive set of sectoral guidelines. The APPI has been amended both in 2015 and 2020, and Japan obtained an adequacy decision from the European Commission in 2018.

c. In 2021, China adopted a Personal Information Protection Law ("PIPL") which, together with the Chinese Data Security Law from earlier in 2021 and the Cybersecurity Law from 2017, comprise the legal framework for information security and data protection in China.

The laws and regulations mentioned above, as well as several other relevant data protection laws and regulations, impose obligations on data controllers in terms of accountability, transparency, data subject rights such as access and deletion, cross-border transfers of personal data, and information security.

For the Group this applies to employee information and relevant communication with vendors or suppliers. The Groups software does not collect, monitor or call back information.

Failure to comply with relevant data protection legislation or privacy-related contractual obligations may result in decreed corrective action, fines, litigation or public statements directed towards the Group as developers of the technology. Violations of the GDPR could lead to administrative fines up to 4% of the Group's global annual turnover or mEUR 20, whichever is higher.

Any failure to comply with relevant data protection laws could furthermore cause the Group's business partners to lose trust in the Group's technological solutions. Any violations of data protection laws by the Group's business partners may also have an adverse effect on the Group's business, both in terms of direct costs and revenue losses due to reputational damage.

Furthermore, in April 2021, the European Commission published a proposal for a regulation laying down harmonized rules on artificial intelligence. The proposed regulation sets out:

a. Harmonized rules for the placing on the market, the putting into service and the use of artificial intelligence systems ("AI systems") in the EU.

b. Prohibitions of certain AI practices.

c. Specific requirements for high-risk AI systems and obligations for operators of such systems.

d. Harmonized transparency rules for AI systems intended to interact with natural persons, emotion recognition systems and biometric categorization systems, as well as AI systems used to generate or manipulate image, audio or video content, and Rules on market monitoring and surveillance.

If adopted, a European legislative instrument which regulates the development and use of AI systems is likely to have an impact on the Group, even if the proposal for a regulation is amended. The legislative bodies of the EU seem to be in consensus that some level of intervention is necessary to ensure the lawfulness, safety and trustworthiness of AI system. The Group continuously monitor how this may affect its operational or legislative business environment. As of April 2023 EU has not yet ratified the Artificial Intelligence Act, the company continue to monitor the situation.

Consolidated financial statements

Consolidated statement of comprehensive income

For the financial period ended 31 December 2022 and 31 December 2021.

(Amounts in 000 NOK)	**Notes**	**2022**	**2021**
Revenues from contracts with customers		52 062	54 598
Other operating income		0	8 438
Total revenue and other operating income	2	**52 062**	**63 036**
Employee benefits expenses	11	-62 802	-50 807
Other operating expenses	4	-20 073	-15 058
EBITDA	19	**-30 814**	**-2 829**
Depreciation and amortization	7,15	-11 317	-8 311
Operating expenses		**-94 193**	**-74 176**
Operating profit		**-42 131**	**-11 140**
Financial income	5	17 317	3 730
Financial expenses	5	-14 488	-5 683
Net financial income/(expenses)		**2 829**	**-1 953**
Profit/(loss) before tax		**-39 302**	**-13 092**
Income tax expense	6	6 303	1 878
Profit/(loss)		**-32 999**	**-11 214**
Other comprehensive income:			
Foreign currency rate changes, may be reclassified to profit or loss		416	59
Other comprehensive income, net of tax		**416**	**59**
Total comprehensive income for the period		**-32 583**	**-11 156**
Loss for the period is attributable to:			
Equity holders of the parent company		**-32 583**	**-11 156**
Earnings per share outstanding*		-0,31	-0,11
Earnings per share fully diluted*		-0,31	-0,11

**Earnings per share for all periods is updated to reflect share split in ration 1:10 in September 2021.*

Consolidated statement of financial position

(Amounts in 000 NOK)	**Notes**	**31/12/2022**	**31/12/2021**
Non-current assets			
Deferred tax assets	6	68 837	62 534
Intangible assets	7	47 574	36 564
Right of use assets	15	2 256	2 790
Other non-current receivables		5 038	4 517
Total non-current assets		**123 704**	**106 406**
Current assets			
Current trade receivables	9	40 495	29 025
Other current receivables	9	6 905	17 773
Cash and cash equivalents	10	178 219	218 151
Total current assets		**225 619**	**264 949**
Total assets		**349 324**	**371 356**
Equity and liabilities			
Share capital	13	1 041	1 038
Other equity		324 581	341 731
Total equity		**325 622**	**342 769**
Non-current lease liabilities	15	523	530
Non-current borrowings	14	6 000	10 000
Total non-current liabilities		**6 523**	**10 530**
Current borrowings	14	4 000	4 000
Trade and other current payables		1 668	3 029
Current tax liabilities		—	—
Current lease liabilities	15	2 184	2 611
Other current liabilities	17	9 327	8 416
Total current liabilities		**17 179**	**18 056**
Total equity and liabilities		**349 324**	**371 356**

Oslo, 27 April 2023
The Board of Directors of Elliptic Laboratories ASA

Tore Engebretsen
Chairman

Edvin Austbø
Board Member

Ingrid Elvira Leisner
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 ASA.

2022 (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Translation reserve	Total equity
Shareholders' equity at 01.01.2022	**1 038**	**342 545**	**-574**	**-240**	**342 769**
Profit (loss) for the period	—	—	-32 999	—	-32 999
Other comprehensive income for the period	—	—	—	416	416
Total comprehensive income for the period	**—**	**—**	**-32 999**	**416**	**-32 583**
Transactions with owners:					
Capital increase through issuance of ordinary shares	2	2 970	—	—	2 972
Transactions costs related to issuance of ordinary shares, net of tax	—	—	—	—	—
Employee share schemes	—	—	12 464	—	12 464
Shareholders' equity at 31.12.2022	**1 041**	**345 514**	**-21 109**	**175**	**325 622**

For a more detailed description of the most significant transactions in 2022 please see section **Share capital increases and issuance of shares** in the **Corporate Governance report .**

2021 (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Translation reserve	Total equity
Shareholders' equity at 01.01.2021	**958**	**187 153**	**292**	**-299**	**188 104**
Profit (loss) for the period	—	—	-11 214	—	-11 214
Other comprehensive income for the period	—	—	—	59	59
Total comprehensive income for the period	**—**	**—**	**-11 214**	**59**	**-11 156**
Transactions with owners:					
Capital increase through issuance of ordinary shares	80	162 138	—	—	162 218
Transactions costs related to issuance of ordinary shares, net of tax	—	-6 745	—	—	-6 745
Employee share schemes	—	—	10 349	—	10 349
Shareholders' equity at 31.12.2021	**1 038**	**342 545**	**-574**	**-240**	**342 769**

Consolidated statement of cash flows

For the financial period ended 31 December 2022 and 2021.

(Amounts in 000 NOK)	Notes	2022	2021
Cash flow from operating activities			
Profit/(loss) before tax		-39 302	-13 092
Adjustment for:			
Taxes paid in the period		745	-12
Depreciation and amortization	7, 15	11 317	8 311
Share-based payments	12	12 464	10 349
Items classified as financing activities	5	571	653
Change in current trade receivable		-11 469	-28 599
Change in trade payables		-1 361	2 040
Change in other accruals		14 276	9 528
Net cash flows from operating activities		**-12 758**	**-10 822**
Cash flow from investing activities			
Capitalized development costs	7	-23 327	-17 610
Net cash flows from investing activities		**-23 327**	**-17 610**
Cash flow from financing activities			
Payments of lease liabilities, classified as financing activities	14, 15	-2 662	-2 232
Repayments of current borrowings	15	-4 000	-4 000
Proceeds from issuing shares	8	2 972	162 218
Payments for share issue costs	8	—	-8 533
Interests paid, classified as financing activities	5	-571	-653
Net cash flows from financing activities		**-4 261**	**146 800**
Net Change in Cash and Cash Equivalents		**-40 347**	**118 368**
Cash and cash equivalents at the beginning of the period		218 151	99 724
Effect of foreign currency rate changes on cash and cash equivalents		416	59
Cash and cash equivalents at the end of period		**178 219**	**218 151**

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

(Amounts in 000 NOK)	**2022**	**2021**
Cash and cash equivalents	-178 219	-218 151
Non-current borrowings	6 000	10 000
Current borrowings	4 000	4 000
Lease liabilities	2 706	3 142
Net debt	**-165 513**	**-201 009**
Net debt 01.01.	**-201 009**	**-76 519**
Net change in cash and cash equivalents	40 347	-118 368
Net cash flows related to borrowings	-4 000	-4 000
Net cash flows related to lease liabilities	-2 541	-2 064
Initial recognition of lease liabilities	1 346	—
Remeasurement of lease liabilities	759	—
FX effects	-416	-59
Net debt	**-165 513**	**-201 009**

2 Notes to the consolidated financial accounts

Note 1–Accounting principles

1.1 General information

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

The domicile of the Group is Oslo, Norway. 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.

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 2022.

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

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

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

Consolidation

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

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

Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Currency gains and losses related to loans, cash and cash equivalents are presented (net) as financial income or financial expenses. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within net (gain)/loss.

c) Group companies

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

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

d) Other foreign currency translation

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

Share based payments

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

Employee options

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

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

Operating revenues

Revenue from providing services is recognised in the accounting period in which the services are rendered.

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

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

Some contracts include multiple performance obligations, such as an engineering service and the subsequent licensing of IP, which are accounted for as separate performance obligations. 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 or a receivable is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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

Government grants

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

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

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

Research and development

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

Amortisation methods and periods

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

Leases

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Impairment of non-financial assets

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

Financial instruments

Financial assets measured at amortized cost

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

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

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

Financial assets measured at fair value through profit or loss

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

Cash and cash equivalents

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

Equity

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

Income tax

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

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

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

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

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

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

Trade and other payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other current 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.

Borrowings

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

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

Provisions

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

New accounting standards and amendments.

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

New standards and amendments not yet adopted

A number of new standards, amendments to standards and interpretations were not effective for the year ended 31 December 2022 and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated: IFRS 17 Insurance Contracts Amendments to IAS 1 Presentation of Financial Statements Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors Amendments to IAS 12 Income Taxes Elliptic Labs has considered the effects of the future adoption of these standards. The current assessment is that Elliptic Labs does not expect any material effects in the financial statements from the new standards.

Note 2–Total revenue and other operating income

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

(Amounts in 000 NOK)	**2022**	**2021**
Revenue recognised over time	—	4 809
Revenue recognised at point in time	52 062	49 789
Total revenue	**52 062**	**54 598**

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

License for IP and subsequent royalties are recognized at point in time when the software has been made available to the customer, and then in increments as minimum production thresholds are met if royalty-based revenue exceed the minimum fixed fee if any. For the financial years 2022 and 2021, the majority of the contracts from which revenue was recognized were of the minimum fixed fee character.

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

As at 31.12 all recognized revenues are unconditional as the related performance obligations have been satisfied.

2022 revenues from contracts with customers was diversified and included a 39% contribution from smartphones, 54% from PC/Laptops and 7% from IoT.

Other operating income consists in total of government grants, which are recognized over time on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate.

Note 3–Government grants

The table below sets forth the treatment of government grants.

(Amounts in 000 NOK)	**2022**	**2021**
Recognized as income from other sources	—	8 438
Reduction of capitalized patents	4	6
Reduction of capitalized development	3 659	3 208
Recognized as payroll cost reduction	646	565
Recognized as other cost reduction	441	977
Total government grants	**4 750**	**13 194**

Note 4–Other operating expenses

Other operating expenses consists of the following entries:

(Amounts in 000 NOK)	**2022**	**2021**
Sales and marketing expenses	5 385	4 750
Short-term lease expenses	966	730
Electricity, heating and other property expenses	1 399	899
Consultants	3 527	2 834
Auditor	1 087	1 193
Legal	1 361	1 564
Patents	578	520
IT/Software	4 430	2 504
Other expenses	1 782	1 041
Government grants recognized as other cost reduction	-441	-977
Total other operating expenses	**20 073**	**15 058**

Note 5–Financial income and financial expenses

(Amounts in 000 NOK)	**2022**	**2021**
Financial income		
Interest income	2 236	348
Financial income	—	—
Foreign Exchange gains	15 081	3 382
Total financial income	**17 317**	**3 730**
Financial expenses		
Interest expense on bank loan	571	653
Lease interest expense	664	543
Other Financial expenses	1 461	257
Foreign Exchange losses	11 792	4 230
Total financial expenses	**14 488**	**5 683**

Note 6–Tax

(Amounts in 000 NOK)	**2022**	**2021**
Current tax liabilities	—	-745
Other items	—	1 594
Change in deferred tax assets	-6 303	-2 727
Total tax (income)/expense	**-6 303**	**-1 878**

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

Deferred tax:	**2022**	**2021**
Intangible assets	—	—
Receivables	—	—
Other	—	—
Total deferred tax relating to temporary differences	—	—
Carrying value deferred tax liabilities	**—**	**—**

(Amounts in 000 NOK)	**2022**	**2021**
Deferred tax assets:		
Intangible assets	1 808	1 178
Receivables	—	—
Other	77	77
Losses carried forward	68 322	61 985
Total deferred tax assets relating to temporary differences and losses carried forward	**70 208**	**63 240**
Non-recognised deferred tax assets relating to losses and precluded interest deductions carried forward	-1 370	-706
Carrying value deferred tax assets	**68 837**	**62 534**

Explanation of the change in the deferred tax:	**2022**	**2021**
Carrying value deferred tax at 01.01	—	—
Change in deferred tax liability	—	—
Carrying value deferred tax at 31 December	—	—

Explanation of the change in the deferred tax assets:	**2022**	**2021**
Carrying value deferred tax assets at 01.01	62 534	59 807
Change in deferred tax assets	6 303	2 727
Carrying value deferred tax assets at 31 December	**68 837**	**62 534**

Losses carried forward as of 31.12		
Expiration year	**n.a**	**n.a**
Unlimited carry forward period	66 952	61 279
Total losses carried forward	**66 952**	**61 279**

Reconciliation of tax expense	**2022**	**2021**
Profit before tax	-39 302	-13 092
22 % tax in 2021	-8 646	-2 880
Tax effect of:		
Permanent differences (mainly non-taxable income)	1 851	-389
Change in prior year estimates	—	1 594
Other/currency	492	-203
Calculated tax expense/ (Income)	**-6 303**	**-1 878**

Significant estimates

The deferred tax assets include an amount of mNOK 67,0 which relates to carried forward tax losses of Elliptic Laboratories ASA. Elliptic Laboratories ASA has incurred the losses over the last several years mainly due to expenses relating to research and development activities which do not meet the capitalization criterias. An expense of mNOK 6,2 has been recognized in the income statement related to research and development activities in Elliptic Laboratories Group in 2022. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on profitability in near-future, its scalable business model, entered into contracts with customers and expectations for future growth of business opportunities based on already established customer relations in several market verticals. Elliptic Laboratories ASA is expected to generate taxable income from 2023 onwards, and the carried forward tax loss is expected to be utilized within a few years. The losses can be carried forward indefinitely and have no expiry date.

At the end of 2021 the group expected to generate taxable income from 2022 and onwards. The main reason for not reaching that target is mainly due to the economic uncertainty in 2022 impacting demand in both the smartphone and PC/laptop markets. Most directly impacted was Elliptic's contract with its largest smartphone customer. Due to reduced demand and clouded visibility in the end-market, a lower upfront minimum commitment contracted was agreed this year, substansially affecting revenue in 2022. Despite this temporary downturn in 2022, management expects generate taxable income from 2023 onwards.

Note 7–Intangible assets

(Amounts in 000 NOK)	**Patents**	**Trademark**	**Capitalized developme nt**	**Total intangible assets**
Cost at 01.01.2022	**17 213**	**24**	**40 705**	**57 942**
Additions	2 432	—	17 232	19 665
Cost at 31.12.2022	**19 646**	**24**	**57 937**	**77 607**
Accumulated amortization charges 01.01.2022	11 322	6	10 049	21 377
Amortization charges	514	—	8 141	8 655
Accumulated amortization charges 31.12.2022	**11 836**	**6**	**18 190**	**30 032**
Net booked value as at 31.12.2022	**7 810**	**18**	**39 747**	**47 574**
Cost at 01.01.2021	**15 003**	**24**	**28 513**	**43 540**
Additions	2 211	—	12 192	14 403
Cost at 31.12.2021	**17 213**	**24**	**40 705**	**57 942**
Accumulated amortization charges 01.01.2021	10 946	6	4 347	15 298
Amortization charges	376	—	5 703	6 079
Accumulated amortization charges 31.12.2021	**11 322**	**6**	**10 049**	**21 377**
Net booked value as at 31.12.2021	**5 891**	**18**	**30 656**	**36 564**
Useful life:	5	5	5	
Amortization method:	Straight-line	Straight-line	Straight-line	

The Group has significant development cost relating to intangible assets which do not meet the capitalization criteria. An expense of mNOK 6,2 (7,4) has been recognized in the income statement related to research and development activities in Elliptic Laboratories Group in 2022. Additions has been reduced with mNOK 3,7 (3,2) as a result of government grants.

Note 8–Investments in subsidiaries

Subsidiaries	**Country**	**Business office**	**Voting percentage**		**Ownership percentage**	
			2022	**2021**	**2022**	**2021**
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 000 NOK)	**2022**	**2021**
Ageing of trade receivable:		
Up to 3 months	40 495	29 025
More than 3 months	—	—
Total trade receivable	**40 495**	**29 025**
Nominal value of trade receivables	40 495	29 025
Impairment of trade receivables	—	—
Total trade receivable	**40 495**	**29 025**
Other current receivables:		
Prepaid costs	61	77
Other current receivables	6 844	17 696
Total other current receivables	**6 905**	**17 773**

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 2022 or 1 January 2022 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.

The lifetime expected credit losses is immaterial and has not been accounted for.

Note 10–Cash and cash equivalents

(Amounts in 000 NOK)	**2022**	**2021**
Cash and cash equivalents	178 219	218 151
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	1 782	1 324
Not restricted cash	**176 438**	**216 827**

Note 11–Employee benefits expenses

Employee benefit expenses are set forth in the table below.

(Amounts in 000 NOK)	**2022**	**2021**
Salary expenses	62 120	49 209
Social security cost	5 327	3 823
Pension costs	2 019	1 526
Option costs	12 464	10 360
Other costs	2 410	1 848
Government grants	-646	-565
Capitalized development	-20 891	-15 394
Total employee benefits expenses	**62 802**	**50 807**
Average number of employees	68	52

Option costs are further specified in note 12

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 are disclosed in the separate remunerations report.

The average Dollar exchange rates were 9.6 and 8.6 for 2022 and 2021, respectively.

Remuneration to the auditor

(Amounts in 000 NOK)	**2022**	**2021**
Statutory audit (including technical assistance - annual accounts)	570	832
Other attestation services	341	187
Tax advice (including technical assistance corporate tax papers)	—	129
Other assistance	176	45
Total expensed auditor fees, ex. VAT	**1 087**	**1 193**

Note 12–Share option program

As of 31 December 2022, the Group has option programs that includes a total of 56 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 expected to be settled in shares.

The purpose of the establishment of the options program is to attract and retain key personnel.

For options that are share settled, the fair value of the options at grant date is measured using the Black-Scholes model and expensed over the vesting period. Because of Elliptic Labs lack of share price history, comparable companies (peers) has been chosen based on industry affiliation. The volatility for each peer is calculated as the annualised standard deviation on the continuously compounded rates of return on the historic share price equal to the expected lifetime of the Restricted Share Units.

	2022	**2021**
Granted in (shares)	2 339 547	1 631 170
Contractual life*	4,83	4,76
Strike price*	22,20	12,42
Share price*	21,65	17,28
Expected lifetime*	2,83	2,64
Volatility*	34,07 %	39,87 %
Interest rate*	1,87 %	0,76 %
Dividend*	0,00	0,00
FV per instrument*	5,15	71,17

*Weighted average parameters at grant of instrument

Specifications of options held by the executive management as of 31 December 2022 is disclosed in the Remuneration report.

	2022	Weighted Average Strike Price	2021	Weighted Average Strike Price
Outstanding at the beginning of the period	3 355 230	12,98	3 593 020	11,98
Exercised	-269 260	10,23	-1 841 530	9,47
Forfeited	-160 943	17,53	-27 430	15,00
Granted	2 339 547	22,20	1 631 170	12,88
Outstanding at the end of the period	**5 264 574**	**16,82**	**3 355 230**	**12,98**
Vested Closing Balance	2 537 245	15,35	1 304 240	12,06
Option program expensed for the year	**12 494 225**		**10 348 634**	

Outstanding / vested total options overview

Strike price	Outstanding instruments 31.12.2022	Weighted Average remaining contractual life (yrs)	Vested instruments Vested instruments 31.12.2022
3,8	175 110	0,43	175 110
10,00	300 000	0,25	300 000
11,10	815 000	3,11	271 670
12,16	100 000	3,34	33 000
15,00	1 369 550	1,59	922 540
17,84	250 000	3,47	83 300
22,00	2 254 914	4,00	751 625
	5 264 574		**2 537 245**

In 2022 the board of directors decided on a new long-term share option program in which upward to 2.5% of outstanding shares may be distributed yearly to the employees.

Note 13–Share capital and shareholder information

As of 31.12.2022, the share capital amounts to NOK 1 040 742,10, consisting of 104 074 210 shares at a face value of NOK 0,01 per share. The Group executed a share split 30th of September 2021. Ratio: one (1) old share give ten (10) new shares. All comparative numbers are split accordingly

Shares held by the Board of Directors as of 31 December 2022 is disclosed in the Remuneration report.

Overview of the largest shareholders as of 31 December 2022:

Shareholder name	Ordinary shares	Ownership
PASSESTA AS	12 800 480	12,3 %
MP PENSJON PK	8 516 157	8,2 %
ALDEN AS	7 403 330	7,1 %
HORNE	5 028 350	4,8 %
VINTERSTUA AS	4 857 691	4,7 %
Other shareholders (less than 5% ownership)	65 468 202	62,9 %
Total	**104 074 210**	**100,0 %**

Shares as of 31.12	2022	2021
Number of issued shares	104 074 210	103 841 880
Number of shares outstanding	**104 074 210**	**103 841 880**

2022	Number of shares	Average number of shares	Number of days
Outstanding shares at 01.01	103 841 880	103 841 880	365
Capital increase June	208 990	117 378	205
Capital increase July	23 340	9 912	155
Outstanding shares at 31.12	**104 074 210**	**103 969 170**	

2021	Number of shares	Average number of shares	Number of days
Outstanding shares at 01.01	95 845 910	95 845 910	365
Capital increase March	93 700	71 879	280
Capital increase July	474 000	231 156	178
Capital increase September	6 726 460	2 082 438	113
Capital increase November	701 810	96 138	50
Outstanding shares at 31.12	**103 841 880**	**98 327 522**	

(Amounts in 000 NOK)	2022	2021
Profit & loss for the year due to holders of ordinary shares	-32 999	-11 214
Average number of shares - basic	103 969	98 328
EPS – Basic, NOK per share	**-0,31**	**-0,11**

Note 14–Interest-bearing liabilities

Amounts in 000 NOK	2022	2021
Non-current liabilities due > 1 year		
Non-current borrowings	6 339	10 578
Interest expense and fees	-339	-578
Non-current borrowings net of loan costs	**6 000**	**10 000**
Non-current liabilities due < 1 year		
Current borrowings	4 543	4 518
Interest expense and fees	-543	-518
Current borrowings net of loan costs	**4 000**	**4 000**
Current liability due < 1 Year		
Overdraft credit facility	—	—
Interest expense and fees	—	—
Current liability net of loan costs	**—**	**—**

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 **31.12.2022** *(Amount in 000 NOK)*	**Loan origination date**	**Principle in local currency**	**Floating interest loan**	**Termination date**	**Carrying value**
Innovasjon Norge	27.03.2015	NOK	6,59% effective interest	10.06.2025	10 000

Loan Facility **31.12.2021** *(Amount in 000 NOK)*	**Loan origination date**	**Principle in local currency**	**Floating interest loan**	**Termination date**	**Carrying value**
Innovasjon Norge	27.03.2015	NOK	4,26% effective interest	10.06.2025	14 000

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 December 2022:

Amounts in NOK	**2023**	**2024**	**2025**	**Total**
Innovasjon Norge	4 000	4 000	2 000	10 000
Interests	543	290	48	882
Total installment	**4 543**	**4 290**	**2 048**	**10 882**

Payment profile on debts to credit institutions per 31 December 2021:

Amounts in NOK	**2022**	**2023**	**2024**	**2025**	**Total**
Innovasjon Norge	4 000	4 000	4 000	2 000	**14 000**
Interests	518	357	189	32	**1 096**
Total installment	**4 518**	**4 357**	**4 189**	**2 032**	**15 096**

Note 15–Leasing

The balance sheet shows the following amounts relating to leases (Amounts in 000 NOK)	**2022**	**2021**
Right of use assets:		
Property	2 256	2 790
Total	**2 256**	**2 790**
Lease liabilities:		
Current	2 184	2 611
Non-current	523	530
Total	**2 706**	**3 142**

Additions to the lease liabilities and right-of-use assets in 2022 was mNOK 1,3 (0).

Amounts recognised in the statement of profit or loss (Amounts in 000 NOK)	2022	2021
Depreciation charge of right-of-use assets:		
Property	2 662	2 232
Total	**2 662**	**2 232**
Lease expenses:		
Interest expense	664	543
Expenses relating to short-term leases	1 381	1 254
Expenses relating to leases of low-value	4 142	3 763
Total	**6 187**	**5 560**
Net lease payments recognised in profit and loss	**2 013**	**1 265**

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 31.12.22:

Amounts in 000 NOK	2023	2024	2025	Total
Installments	1 751	449	19	2 218
Interests	420	55	—	474
Total installment	**2 171**	**503**	**19**	**2 693**

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 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 2022 *(Amounts in 000 NOK)*	**Financial assets measured at amortised cost**	**Financial Liabilities measured at amortised cost**	**Total**
Other current receivables	6 905	—	6 905
Current trade receivables	40 495	—	40 495
Cash and cash equivalents	178 219	—	178 219
Total financial assets	**225 619**	**—**	**225 619**
Borrowings	—	10 000	10 000
Trade and other current payables	—	1 668	1 668
Total financial liabilities	**—**	**11 668**	**11 668**

Financial instruments as of 31 December 2021 *(Amounts in 000 NOK)*	**Financial assets measured at amortised cost**	**Financial Liabilities measured at amortised cost**	**Total**
Other current receivables	17 773	—	17 773
Current trade receivables	29 025	—	29 025
Cash and cash equivalents	218 151	—	218 151
Total financial assets	**264 949**	**—**	**264 949**
Borrowings	—	14 000	14 000
Trade and other current payables	—	3 029	3 029
Total financial liabilities	**—**	**17 029**	**17 029**

a) Market risk

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

Foreign exchange risk

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

- Exposure to sales of products in different currencies: All of the Groups revenue are in the Parent company, mainly in USD and EUR.
- Exposure to payroll costs and operating expenses in different currencies: The Group's business model is such that the subsidiaries' sales and operating expenses are incurred in local currency, which are mainly US dollars and some Chinese yen.

b) Credit risk

Credit risk is managed at the Group level. Credit risk is monitored closely.

c) Liquidity risk

The Group's liquidity risk is characterized 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 10,0 in 2022 (14,0 in 2021). The Group had cash and cash equivalents of mNOK 178,2 in 2022 (218,2 in 2021).

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

Note 17–Other current liabilities

Other current liabilities consist of the following items:

Amounts in 000 NOK	2022	2021
Accrued vacation pay	4 945	3 812
Accrued costs	1 278	2 294
Accrued public taxes	3 104	2 309
Total other current liabilities	**9 327**	**8 416**

Note 18–Events after the balance sheet date

The 4th of January Elliptic Labs announced it had signed software license contract with new Top-5 Smartphone OEM Customer.

The 26th of January Elliptic Labs announced that it signed Proof of Concept Contract with Existing Laptop Customer for an alternative operating system.

The 27th of February Elliptic Labs announced AI Virtual Human Presence Sensor™ Launches on ThinkPad™ X and T Series Laptops

The 1st of March Elliptic Labs Announced First Launch on a Foldable Smartphone Transsion Tecno Phantom V Fold

The 16th of March Elliptic Lab announced signed License Contract with a New Top-5 Smartphone OEM

In late April; A former client has failed to meet the agreed-upon payment of $425.000USD for software delivered in 2022. Elliptic Labs deems the dispute as a breach of contract and has thus decided to pursue the payments through the ICC International Court of Arbitration as regulated in the contract.

Note 19 – Alternative performance measures (APMs)

Earnings before interest, taxes, depreciation and amortizations (EBITDA) is defined as an alternative performance measure.. EBITDA is a key performance indicator that the Group considers relevant for understanding the generation of profit before investments in fixed assets.

(Amounts in 000 NOK)	2022	2021
Revenues from contracts with customers	52 062	54 598
Other operating income	—	8 438
Total revenue and other operating income	**52 062**	**63 036**
Employee benefits expenses	-62 802	-50 807
Other operating expenses	-20 073	-15 058
EBITDA	**-30 814**	**-2 829**

Last twelve months (LTM) refers to the timeframe of the immediately preceding 12 months.

(Amounts in 000 NOK)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	LTM
Revenues from contracts with customers	9 848	27 077	9 621	5 516	**52 062**
EBITDA	-12 643	6 234	-10 964	-13 441	**-30 814**

Financial statements of the parent company

Income statement

For the financial period ended 31 December.

(Amounts in 000 NOK)	Notes	2022	2021
Revenues from contracts with customers		52 062	54 598
Other operating income		—	8 438
Total revenue and other operating income		**52 062**	**63 036**
Employee benefits expenses	11	-51 120	-38 144
Depreciation, amortisation	2	-11 317	-8 311
Other operating expenses		-32 482	-28 423
Total operating expenses		**-94 919**	**-74 878**
Operating profit		**-42 857**	**-11 842**
Other financial income	12	17 259	3 688
Other financial expense	12	-14 488	-5 683
Net financial income/(expenses)		**2 771**	**-1 994**
Profit/(loss) before tax		**-40 086**	**-13 836**
Income tax expense	10	6 303	940
Net profit/(loss) for the year		**-33 783**	**-12 896**

Total comprehensive income for the period		**-33 783**	**-12 896**
Allocated as follows:			
Other equity		-33 783	-12 896
Total allocated		**-33 783**	**-12 896**

Balance sheet at 31 December

ASSETS (Amounts in 000 NOK)	Notes	31/12/2022	31/12/2021
Intangible assets	2	47 564	36 554
Deferred tax asset	10	68 837	62 534
Total intangible assets		**116 401**	**99 088**
Right of use assets		2 256	2 790
Total tangible assets		**2 256**	**2 790**
Investments in subsidiaries	3	1	1
Other non-current financial assets		5 038	4 517
Total financial non-current assets		**5 038**	**4 518**
TOTAL NON-CURRENT ASSETS		**123 695**	**106 396**
Current trade receivables	4	40 495	29 025
Other receivables		6 411	17 028
Intercompany receivables		—	—
Total receivables		**46 906**	**46 054**
Cash and cash equivalents	6	**176 185**	**213 410**
TOTAL CURRENT ASSETS		**223 091**	**259 464**
TOTAL ASSETS		**346 786**	**365 860**

Balance sheet at 31 December

EQUITY AND LIABILITIES (Amounts in 000 NOK)	Notes	31/12/2022	31/12/2021
Share capital	7,8	1 041	1 038
Other equity		319 383	337 733
TOTAL EQUITY		**320 424**	**338 771**
Non-current lease liabilities		523	530
Other non-current borrowings	4	6 000	10 000
Other non-current borrowings		**6 523**	**10 530**
Liabilities to group companies	5	4 032	226
Trade creditors		1 668	3 029
Current tax liabilities	10	—	—
Current lease liabilities		2 184	2 611
Other current liabilities		11 955	10 693
Total current liabilities		**19 839**	**16 559**
TOTAL LIABILITIES		**26 362**	**27 089**
TOTAL EQUITY AND LIABILITIES		**346 786**	**365 860**

Oslo, 27 April 2023
The Board of Directors of Elliptic Laboratories ASA

Tore Engebretsen
Chairman

Edvin Austbø
Board Member

Ingrid Elvira Leisner
Board Member

Svenn-Tore Larsen
Board Member

Berit Svendsen
Board Member

Laila B. Danielsen
CEO

Cash flow statement at 31 December

For the financial period ended 31 December 2022 and 2021.

(Amounts in 000 NOK)	Notes	2022	2021
Cash flow from operating activities:			
Profit/(loss) before tax		-40 086	-13 836
Adjustment for:			
Taxes paid in the period		—	—
Depreciation, amortisation	2,15	11 317	8 311
Share based payments	7	12 464	10 349
Items classified as financing activities	12	571	653
Change in current trade receivables		-11 469	-28 599
Change in trade payables		-1 361	2 040
Change in other accruals		18 928	6 595
Net cash flow from operating activities		**-9 636**	**-14 487**
Cash flow from investing activities:			
Capitalized development costs	2	-23 327	-17 610
Net cash flow from investing activities		**-23 327**	**-17 610**
Cash flow from financing activities:			
Repayments of current borrowings		-4 000	-4 000
Payments of lease liabilities, classified as financing activities	15	-2 662	-2 232
Proceeds from issuing shares		2 972	162 218
Payments for share issue costs		—	-8 533
Interests paid, classified as financing activities	12	-571	-653
Net cash flow from financing activities		**-4 261**	**146 800**
Net Change in Cash and Cash Equivalents		**-37 225**	**114 703**
Cash and cash equivalents at the beginning of the period		213 410	98 707
Cash and cash equivalents at the end of period		**176 185**	**213 410**

Note 1- Accounting principles

1.1 General information

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

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

1.2 Summary of significant accounting principles

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

Revenues

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 performance obligations, such as an engineering service and the subsequent licensing of IP, which are accounted for as separate performance obligations. 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 or a receivable is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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

Government grants

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

Classification of balance sheet items

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

Purchase costs

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

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

Intangible assets

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

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

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

Leases

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Fixed assets

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

Asset impairments

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

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

Long term contracts

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

Debtors

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

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

Foreign currencies

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

Liabilities

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

Pensions

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

Defined contribution plan

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

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

Share based payments

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

Employee options

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

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

Taxes

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

Deferred tax is reflected at nominal value.

Note 2–Intangible assets

Amounts in 000 NOK	**Patents**	**Trademark**	**Capitalized R&D**	**Total**
Cost at 01.01.	17 203	24	40 705	57 932
Additions	2 432	—	17 232	**19 665**
Cost at 31.12.	19 636	24	57 937	**77 597**
Accumulated amortisation 31.12.	11 836	6	18 190	**30 032**
Net book value per. 31.12.	**7 800**	**18**	**39 747**	**47 564**
Amortisation in the year	514	—	8 141	**8 655**
-	5	5	5	
Amortisation method:	Straight-line	Straight-line	Straight-line	

Development expense totaling mNOK 6,2 (7,4) has been recognized in the income statement in 2022. Additions has been reduces with mNOK 3,7 (3,2) as a result of government grants.

Note 3–Subsidiaries

Investments in subsidiaries are booked according to the cost method.

Amounts in 000 NOK

Subsidiaries	**Location**	**Ownership /voting rights**	**Equity last year (100%)**	**Result last year (100%)**	**Balance sheet Value**
Healthy Pointer	Oslo, Norway	100 %	484	—	—
Elliptic Labs Inc	San Francisco, USA	100 %	4 715	784	1
Balance sheet value 31.12.					**1**

Note 4–Debtors and liabilities

Amounts in 000 NOK	**2022**	**2021**
Debtors which fall due within one year	4 000	4 000
Debtors which fall due later than one year	6 000	10 000
Total	**10 000**	**14 000**

	2022	**2021**
Liabilities secured by assets	**10 000**	**14 000**

Balance sheet value of assets placed as securities	**2022**	**2021**
Current trade receivables	7 048	6 314
Total	**7 048**	**6 314**

Note 5–Balance with Group companies etc.

	Trade creditors		Other long-term liabilities	
Amounts in 000 NOK	**2022**	**2021**	**2022**	**2021**
Elliptic Laboratories INC	3 558	249	—	—
Healthy Pointers AS	—	—	474	474
Total	**3 558**	**2 521**	**474**	**474**

Note 6–Restricted cash

(Amounts in 000 NOK)	**2022**	**2021**
Restricted bank deposits for employee tax withholdings	1 782	1 324
Total	1 782	**1 324**

Note 7–Share capital and shareholder information

As of 31.12.2022, the share capital amounts to NOK 1 040 742,10, consisting of 104 074 210 shares at a face value of NOK 0,01 per share. The Group executed a share split 30th of September 2021. Ratio: one (1) old share give ten (10) new shares. All comparative numbers are split accordingly

Shares held by the Board of Directors as of 31 December 2022 is disclosed in the Remuneration report.

Overview of the largest shareholders as of 31 December 2022:

Shareholder name	**Ordinary shares**	**Ownership**
PASSESTA AS	12 800 480	12,3 %
MP PENSJON PK	8 516 157	8,2 %
ALDEN AS	7 403 330	7,1 %
HORNE	5 028 350	4,8 %
VINTERSTUA AS	4 857 691	4,7 %
Other shareholders (less than 5% ownership)	65 468 202	62,9 %
Total	**104 074 210**	**100,0 %**

Share based payment plans is disclosed under Note 12–Share option program under Group.

Note 8–Shareholder's equity

Equity changes in the year (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Total
Equity at 01.01.	**1 038**	**327 478**	**10 255**	**338 771**
Profit for the year	—	—	-33 783	-33 783
Capital increase through issuance of ordinary shares	2	2 970	—	2 972
Transactions costs related to issuance of ordinary shares, net of tax	—	—	—	—
Employee share schemes	—	—	12 464	12 464
Shareholders' equity at 31.12.2022	**1 041**	**330 448**	**-11 064**	**320 424**

For a more detailed description of the most significant transactions in 2022 please see section **Share capital increases and issuance of shares** in the **Corporate Governance report .**

Note 9–Pensions

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

Note 10–Taxes

Calculation of deferred tax/deferred tax benefit:

Amounts in 000 NOK		
Temporary differences	**2022**	**2021**
Intangible assets	8 219	5 354
Right to use assets	451	351
Net temporary differences	8 570	5 705
Tax losses carried forward	310 556	281 748
Basis for deferred tax	**319 125**	**287 454**
Deferred tax	70 208	63 240
Deferred tax benefit not shown in the balance sheet	(1 370)	(706)
Deferred tax in the balance sheet	**68 837**	**62 534**

Components of the income tax expense:	**2022**	**2021**
Payable tax on this year's result	—	—
Total payable tax	**—**	**—**
Change in deferred tax based on original tax rate	-6 303	-2 727
Tax on transaction cost related to issuance of new shares, directly to equity	—	1 787
Calculated tax expense/(Income)	**-6 303**	**-940**

Significant estimates

The deferred tax assets include an amount of mNOK 67,0 which relates to carried forward tax losses of Elliptic Laboratories ASA. The Company 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 6,2 has been recognized in the income statement related to research and development activities in Elliptic Laboratories in 2022. The Company 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 Company is expected to generate taxable income from 2023 onwards, and the carried forward tax loss is expected to be utilized within a few years after this. The losses can be carried forward indefinitely and have no expiry date.

At the end of 2021 the Company expected to generate taxable income from 2022 and onwards. The main reason for not reaching that target is mainly due to the economic uncertainty in 2022 impacting demand in both the smartphone and PC/laptop markets. Most directly impacted was Elliptic's contract with its largest smartphone customer. Due to reduced demand and clouded visibility in the end-market, a lower upfront minimum commitment contracted was agreed this year, substantially affecting revenue in 2022. Despite this temporary downturn in 2022, management expects generate taxable income from 2023 onwards.

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

Payroll expenses **Amounts in 000 NOK**	**2022**	**2021**
Salary expenses	52 629	38 515
Government grants	-646	-565
Social security cost	4 726	3 149
Capitalised development cost	-20 891	-15 394
Pension costs	1 808	1 292
Option costs	12 464	10 349
Other costs	1 030	797
Total payroll expense	**51 120**	**38 144**

The average number of employees in the accounting year have been 64 (48).

Expensed audit fee **Amounts in 000 NOK**	**2022**	**2021**
Statutory audit (including technical assistance - annual accounts)	570	832
Other attestation services	341	187
Other assistance	176	45
Total expensed auditor fees, ex. VAT	**1 087**	**1 064**

Note 12–Specification of financial income and expenses

Amounts in 000 NOK	**2022**	**2021**
Financial income		
Interest income	2 197	348
Financial income	—	—
Foreign Exchange gains	15 062	3 340
Total financial income	**17 259**	**3 688**
Financial expenses		
Interest expense on bank loan	571	653
Lease interest expense	664	543
Other Financial expense	1 461	257
Foreign Exchange losses	11 792	4 230
Total financial expenses	**14 488**	**5 683**

Note 13–Government grants

The company has applied for and received governmental grants in 2022 and 2021.

(Amounts in 000 NOK)	**2022**	**2021**
Recognized as income from other sources	—	8 438
Reduction of capitalized patents	4	6
Reduction of capitalized development	3 659	3 208
Recognized as payroll cost reduction	646	565
Recognized as other cost reduction	441	977
Total government grants	**4 750**	**13 194**

Note 14–Related-party transactions

The table presents the intercompany transactions 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:

(Amounts in 000 NOK)	**2022**	**2021**
a) Sales of goods and services		
Sales of services:	**1 641**	**1 015**
b) Purchases of goods and services		
Purchase of services:	**15 166**	**14 805**

Note 15–Leasing

The balance sheet shows the following amounts relating to leases *(Amounts in 000 NOK)*	**2022**	**2021**
Right of use assets:		
Property	2 256	2 790
Total	**2 256**	**2 790**
Lease liabilities:		
Current	2 184	2 611
Non-current	523	530
Total	**2 706**	**3 142**

Additions to the lease liabilities and right-of-use assets in 2022 was mNOK 1,3 (0).

Amounts recognised in the statement of profit or loss *(Amounts in 000 NOK)*	**2022**	**2021**
Depreciation charge of right-of-use assets:		
Property	2 662	2 232
Total	**2 662**	**2 232**
Lease expenses:		
Interest expense	664	543
Expenses relating to short-term leases	1 381	1 254
Expenses relating to leases of low-value	4 142	3 763
Total	**6 187**	**5 560**
Net lease payments recognised in profit and loss	**2 013**	**1 265**

The following table shows the undiscounted payment profile of the Company's lease liabilities, based on the remaining lease period at the balance sheet date per 31.12.2022:

Amounts in 000 NOK	**2023**	**2024**	**2025**	**Total**
Installments	1 751	449	19	2 218
Interests	420	55	—	474
Total installment	**2 171**	**503**	**19**	**2 693**

Note 16–Events after the balance sheet date

Please see Note 18 under Group for Events after the balance sheet date

Auditor's report

To the General Meeting of Elliptic Laboratories ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- the financial statements of the parent company Elliptic Laboratories ASA (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, cash flow 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 ASA and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2022, comprehensive income, changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 6 years from the election by the general meeting of the shareholders on 19 December 2017 for the accounting year 2017.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business and operations have been stable in 2022 compared to the prior year. There have not been any significant regulatory changes, transactions, or events with material impact on the financial statements for 2022. Furthermore, *Valuation of deferred tax assets,* has the same characteristics and risks as in prior years, and therefore continues to be an area of focus this year.

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of deferred tax assets	
On 31 December 2022 a deferred tax asset of NOK 68 837 thousand is recognized in the consolidated balance sheet. The tax asset is mainly based on tax loss carry-forwards for Elliptic Laboratories ASA. Deferred tax assets are recognized to the extent that it is probable that they can be utilized against taxable profit in the future. The losses can be carried forward indefinitely and have no expiry date. We identified valuation of deferred tax assets as a key audit matter due to the materiality of the amounts involved, as well as the level of management judgment required in determining the probability of future utilization of underlying tax losses, including estimating future operating profitability of operation. See further information in note 6 where management explains the significant estimates involved and the basis for the treatment in the financial statements.	We obtained an understanding of management's processes related to calculation and valuation of deferred tax assets. Our audit included the following procedures: We tested the reliability of estimates and forecasts previously made by management by comparing management's forecasts from prior years to actual results. We reconciled key input to plans and other assumptions approved by management and tested the mathematical accuracy of calculations. We evaluated the appropriateness of key assumptions used in the forecasts. In particular, we focused on assumptions that were significant to future profitability, such as development of net sales and expenses, and the expected timing of utilization of the tax losses. We evaluated evidence supporting the availability of sufficient taxable profit against which tax losses can be utilized. Emphasis was placed on sales contracts and other firm commitments, evidence of business opportunities in new verticals, and the length of the forecasting period. Further we also considered and reviewed the appropriateness and adequacy of the Group's disclosures in respect of recognised and unrecognised deferred tax assets and found them to be satisfactory. We noted no material errors during the course of our procedures.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Elliptic Laboratories ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "Elliptic Labs 2022 ESEF Annual Report.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Oslo, 27 April 2023
PricewaterhouseCoopers AS

Eivind Nilsen
State Authorised Public Accountant

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