ellipticlabs

Annual Report
2021

AIVirtualSmartSensorPlatform™

Proximity Presence Gesture Positioning Connection Breathing Heartbeat ellipticlabs

Table of contents

Letter from the CEO iii
Director's report 6
Corporate Governance report 10
ESG Report 18

1 CONSOLIDATED FINANCIAL STATEMENTS 24

Consolidated statement of comprehensive income 24
Consolidated statement of financial position 25
Consolidated statement of changes in equity 26
Consolidated cash flow statement 27

2 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS 28

Note 1 – Accounting principles 28
Note 2 – Revenue 34
Note 3 – Government grants 34
Note 4 – Other operating expenses 34
Note 5 – Financial income and financial expenses 35
Note 6 – Tax 35
Note 7 – Intangible assets 37
Note 8 – Investments in subsidiaries 37
Note 9 – Trade receivables and other current receivables 38
Note 10 – Cash and cash equivalents 38
Note 11 – Personnel expenses 38
Note 12 – Share option program 39
Note 13 – Share capital and shareholder information 40
Note 14 – Interest-bearing liabilities 41
Note 15 – Leasing 42
Note 16 – Financial risk factors 43
Note 17 – Other short-term liabilities 45
Note 18 – Events after the balance sheet date 45
Note 19 - Alternative Performance Measures 29

3 FINANCIAL STATEMENTS OF THE PARENT COMPANY 46

Income statement 46
Balance sheet at 31 December 47
Cash flow statement 49
Note 1 – Accounting principles 50
Note 2 – Intangible assets 53
Note 3 – Subsidiaries 53
Note 4 – Debtors and liabilities 54
Note 5 – Balance with group companies etc. 55
Note 6 – Restricted cash 55
Note 7 – Share capital and shareholder information 55
Note 8 – Shareholder's equity 56
Note 9 – Pensions 56
Note 10 – Taxes 56
Note 11 – Payroll expenses, number of employees, remunerations, loans to employees etc. 57
Note 12 – Specification of financial income and expenses 57
Note 13 – Government grants 58
Note 14 – Related-party transactions 58
Note 15 – Leasing 59

Note 16 – Events after the balance sheet date 59
4 AUDITOR'S REPORT 60

Letter from the CEO

Strong growth – capitalizing in new markets

As Elliptic Labs has grown into multiple new verticals and geographical regions, we have experienced several seismic global events. Despite a global pandemic, the invasion of a sovereign nation, and now the current wave of shutdowns in the world's largest manufacturing nation — China — we have successfully built both a technology platform and a business strategy that are resilient in the face of uncertainty. This enables us to reach our long-term vision of being the leading software platform making devices smarter, greener, and more human-friendly. We are demonstrating our potential as major companies such as Intel, Lenovo, Xiaomi, and Bosch are committing to our technology and company vision. We are in higher demand than ever, and I am proud to say that we have never been in a better position.

Still, customers and partners are affected by the supply chain issues , and with the recent global geopolitical and pandemic related events, anticipated business is harder to predict accurately in the shorter term. The key for us has been our long-term vision of building a strong software platform while working closely with our customers and partners. Customers have expressed their great appreciation of our reliability, uniqueness, and commitment, which sets us apart from other players in the market. This, combined with our continued dedication to delivering new capabilities, furthers strengthening our value in comparison to competing hardware sensor companies. This is why customers we have won find switching away from us to be illogical, costly, and hard, and instead view us as a long-term strategic partner, planning for broad deployments with many of our products. Thus, we are reiterating our revenue target of mNOK 500 with an EBITDA greater than 50% by 2023.

2021 was a year of great progress as we continued to materialize our opportunity and establish new growth avenues and revenue streams. Our software platform was introduced on more models from more manufacturers and is providing new functionalities in new market verticals. This creates a robust foundation for long-term growth.

Key partners in the smartphone market continued to launch more models containing our technology, including Xiaomi, the world's third largest smartphone manufacturer. Starting with one model in 2016, our technology is by April 2022 present in 55 different smartphone models from six different OEMs. All our current sales revenue is derived from this market, where our software proximity sensor replaces infrared hardware sensors.

Moving into new verticals, our technology will replace significantly more expensive hardware sensors. Within the multibillion-dollar PC/laptop market opportunity, we have partnered up and aligned technology roadmaps with all the leading processor companies - Intel, AMD, and Qualcomm – which practically unlocks the entire PC/laptop market to our technology.

We started at the very top of the laptop market in 2022 with the launch of our presence detection software, the AI Virtual Presence Sensor™, on the top-selling ThinkPad T14 from Lenovo, the world's largest laptop manufacturer. This is only the beginning of our opportunity in this market as we have announced the planned launch on 18 additional future models with Lenovo. We hope to add more models and more functionality with Lenovo and expect to see additional launches with other manufacturers.

Taking our first steps into the potentially large IoT market, we signed a license agreement with Bosch in the first half of 2021. Our AI Virtual Smart Sensor Platform™ will be delivered to the Bosch spexor, an all-in-one portable security assistant. The number of different potential applications for our technology is near boundless within IoT, and we are excited to be working with the best from the very start.

It is fair to say that Elliptic Labs is strongly positioned for long-term growth into large market opportunities across smartphones, PC/laptops, IoT, and other potential growth verticals such as the automotive industry. We have the technology fundamentally in place with unique, proprietary, and patented software, established partnerships with world-leading technology enablers, and commercial agreements with an increasing number of leading OEMs in the different verticals.

We continue to put more resources into our technology and commercial development to move swiftly forward and fulfill our growth potential. We welcomed 20 new colleagues to Elliptic Labs during 2021, most of whom I have been able to meet in person over the past few weeks and months. I am happy to assure you that we have a strong, dedicated team in place to continue moving our company forward.

Our growth has also required capital, and we strengthened our financial position significantly with a mNOK 150 private placement in the second half of 2021. This attracted several new investors, and we ended the year with a total of 2001 shareholders. In 2022, we have taken one step further by up-listing our shares from Euronext Growth to the main list on Oslo Børs. We believe this will open the company to new pools of investors as we continue our strong growth journey in the years to come.

Board of Directors' report

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

Elliptic Labs ended 2021 with solid growth and progress throughout the organization reflected by key partnership agreements that enabled model launches with tier-one OEMs, and further development of its leading AI Virtual Smart Sensor Platform™. The software technology utilizes AI, ultrasound, and sensor-fusion to sense you and your surroundings and have multiple applications beyond the sensors applied in devices today.

The Company ended the year with its software technology, the AI Virtual Proximity Sensor, having launched on 55 smartphone models year-to-date (YTD) shipped across hundreds of millions of smartphone devices. The Group's 2021 revenue mainly reflects license agreements Elliptic Labs has entered with globally leading smartphone OEMs over the past five years.

A strong technology foundation from more than 15 years of development, facilitates Elliptic Labs´ expansion into new verticals with tier-one OEMs in the Laptop and IoT markets in 2021. The software-only Virtual Presence Sensor was launched on Lenovo's top-selling ThinkPad T14 laptop in 2022 after signing the first agreement mid-2021, and will subsequently launch on 18 additional models. Moreover, Elliptic Labs took its first step towards penetrating the IoT market through a license agreement with Bosch. The company is growing across several dimensions, more verticals, more OEMs, more models, and more functionalities

Operational and commercial developments

Elliptic Labs has made strong commercial progress in the smartphone market and now nurtures key partnerships that have enabled expansion in new verticals and added new opportunities in the commercial pipeline.

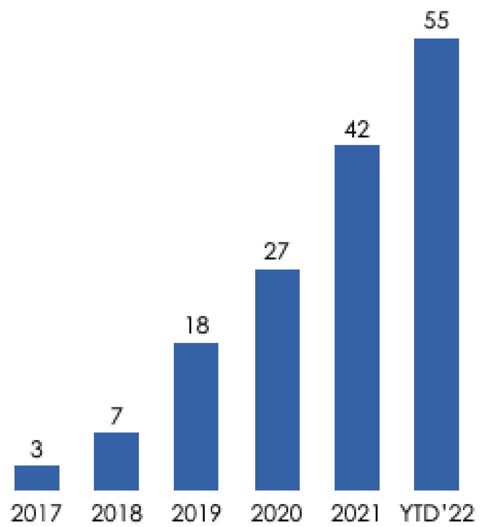
Smartphone market

During the year, Elliptic Labs announced the launch of 10 new smartphone models with its key partner Xiaomi, the world's third largest smartphone OEM. Xiaomi's continued commitment to using Elliptic Labs' technology demonstrates the benefits of applying AI Virtual Smart Sensors that replace costly hardware sensors, reduce sourcing and supply chain risks and decrease environmental footprint.

In the first quarter, Elliptic expanded within the smartphone vertical and launched on two Black Shark models, a new smartphone customer specializing in gaming phones. Black Shark followed up with two more model launches later the same year. In the second quarter, Elliptic further expanded with Honor, another new smartphone customer.

This rapid expansion with more OEMs and more models, represents only two of three key growth dimensions in Smartphones, with the third being potential to add more functionality through applying more Virtual Smart Sensors to the devices.

Smartphone models launched



PC, Laptop and Tablets market

Entry into the PC, Laptop and Tablets market can only be achieved through strong partnerships. In the second half of the year Elliptic Labs formally announced a collaboration with Intel Corporation to enable Elliptic Labs' AI Virtual Smart Sensor Platform to work with Intel architecture-based PCs and Intel enabled IoT.

This enabled improved functionality on the Company's AI Virtual Smart Sensors and make our platform even more attractive to leading PC OEMs.

The Intel collaboration adds to Elliptic Labs' already existing collaboration and alignment of roadmaps with AMD and Qualcomm. These three partners combined represent close to 100% of the CPU market, and enable Elliptic Labs' AI Virtual Smart Sensor Platform for all PC, Laptop and Tablet manufacturers.

Elliptic Labs' partnership portfolio enabled the company to sign an enterprise license agreement with Lenovo in the third quarter 2021. The first software-only presence sensor was launched on Lenovo's top-selling laptop series, the ThinkPad T14 in 2022 and announced for an additional 18 future models. Functionality introduced on the laptop is presence detection through the laptop's existing microphone and speaker, which allows for automatic 'leave and lock' and improves security while saving energy.

Growth within the PC/Laptop vertical will manifest through partnerships with more PC manufacturers, launch of more models and, further functionalities enabled by Elliptic Labs AI Smart Sensor PlatformTM.

IoT market

In the second quarter of 2021 Elliptic Labs signed a license agreement with Bosch; a first steps into the IoT market. Elliptic is on target to deliver on the first IoT product, the Bosch Spexor, the first portable all-in-one security assistant of its kind. Elliptic Labs and its partner Syntiant will deliver always-on ultra-low-power experiences to the device. This includes a highly accurate 360-degree field of view presence detection solution powered by Elliptic Labs' AI Virtual Smart Sensor PlatformTM, which is set to become the market standard.

The IoT market offers a large and untapped opportunity for Elliptic Labs, and the market entry with Bosch represents solid foundation for further growth.

Research and development

In 2021 the Group had 14 new granted and pending patents, summing up to total 107 granted and pending patent.

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.

COVID-19

As some of the Elliptic Labs major customers are located in China, the Company was particularly affected by the outbreak of the COVID-19 pandemic. It is not possible to predict the exact long-term consequences of the pandemic, although Elliptic Labs has a proactive approach to monitor and minimize the risk of business interruptions caused by the pandemic or similar events.

Profit and loss

(Figures for 2020 in brackets)

Revenue

Total revenue and other operating income for the full year 2021 increased 41% to mNOK 63,0 (44,7). The increase over the past year mainly reflects increased revenue from contracts with customers. These represented 87% of the Total revenue and other operating income, compared to 68% in 2020.

Revenue from contracts with customers increased 81% to mNOK 54,6 (30,2), with the majority of this revenue comprising license revenue from OEMs in the smartphones market, and increased sales to existing customers and new customers. Other operating revenue is mainly represented by grants.

Operating costs and EBITDA

Total operating expenses less Depreciation and amortisation amounted to mNOK 65,9 in 2021 (49,4). Employee benefits expenses remained the largest cost area, accounting for mNOK -50,8 (-35,9). Other operating expenses amounted to mNOK -15,1 (-13,5).

EBITDA-loss hence amounted to mNOK -2,8, compared to a loss of mNOK -4,7 in 2020. One-off costs negatively affected the EBITDA for the full year 2021, particularly in relation to the settlement of share-based payment agreement and consulting fees relating to the up-listing to the main list on Oslo Børs amounting to approximately mNOK 6,5.

Total number of employees for the group increased to 58 at the end of 2021 up from 49 at the end of 2020 .For the parent company total number of employees increased to 53 at the end of 2021 up from 41. The increase reflects Elliptic Labs' recent growth and further growth ambitions for the coming years. Key reinforcements are made within R&D, software engineering and customer support to meet increased market demand and support future growth. Among key hires in 2021 was the Director of Product Development and the Chief Financial Officer.

Depreciation and amortization

Depreciation and amortization amounted to mNOK -8,3 (-5,4) for the full year 2021. The increase mainly reflects amortizations of intangible assets.

Operating profit (EBIT)

The operating loss for 2021 was mNOK -11,1, (-10,1). The increase reflects higher operating expenses.

Net financials

Net financial loss was mNOK -2,0 (-5,5) for the full year 2021, with higher financial income representing mNOK 3,7 (1.9) and lower financial expenses representing mNOK -5.7 (-7.3).

Results

Loss before tax was mNOK -13,1 (-15,6), whereas net loss after tax was mNOK -11,2 (-12,5).

Cash flow

(Figures for 2020 in brackets)

Cash flow from operating activities was mNOK -10.8 (-6.7). Net due outstanding account receivable at year end contributed to that operating activities negative for the year was negative. The cash flow from operations was within management expectations. Cash flow from financing was mNOK 146.8 (87.2). Cash and cash equivalents at the end of the period were mNOK 218.2 (99.7) The company completed a private placement of approximately mNOK 150 in September, which further strengthened the company's cash position.

Financial position

(Figures for 2020 in brackets)

Assets

Total non-current assets amounted to mNOK 106.4 (97.1). Deferred tax assets accounted for mNOK 62.5 (59.8). Intangible assets accounted for mNOK 36.6 (28.2).

Current assets amounted to mNOK 264.9 (121.6). Cash and cash equivalents of mNOK 218.2 (99.7) represented the majority of the current assets, and the increase reflects the capital raise Q3 2021.

Equity and liabilities

Total equity amounted to mNOK 342.8 (188.1), with the increase mainly reflecting the capital raise Q3 2021.

Total liabilities amounted to mNOK 28.6 (30.6), with the decrease mainly reflecting repayment of non-current borrowings. .

Parent company results

(Figures for 2020 in brackets)

The parent company Elliptic Laboratories ASA, had a net loss of mNOK -12,9 in 2021 (-12,7). At 31 December 2021, the parent company's total assets were mNOK 365,9 (217,7), and total equity was mNOK 338,8 (185,8).

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 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 appropriate rating.

Please see Corporate Governance report for further details.

Risks and uncertainty factors

Operational risks

The technology market in which the Group operates is unpredictable and rapidly evolving, and technology that was unimaginable a few years ago is market standard today. For instance, consumer cameras, both photo and video, have been almost completely replaced by smartphones, and new models with increasing quality are frequently introduced. The market in which the Group operates has been part of several disruptive technological changes. As such, and even if the Group believes that it is part of a technological change towards virtual software bases sensors, it is difficult to predict important market trends, including how large the market for the Group's products will be or when and what products will be adopted. If the market for the Group's products does not evolve as the Group anticipates, this could have a material adverse effect on the Group's business, prospects, financial position and results of operations

Financial risks

To date, Elliptic Labs has experienced negative cash flow from operations and has not achieved profitability other than in specific quarters. The Group will need to increase its revenues in order to achieve profitability. If the Group does achieve profitability, the Group cannot assure that it can sustain or increase profitability on a quarterly or annual basis in the future. 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 other currencies 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 10 from Innovation Norway.

Based on the current cash position of mNOK 218.2 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.

Events after the balance sheet date

In the first quarter 2022 the Elliptic Labs and the global market leader Lenovo in the PC/ Laptops market jointly announced that Elliptic Labs' presence detection, "Virtual Presence Sensor", functionality was launched on Lenovo's bestseller model ThinkPad T14.

On March 4, 2022 Elliptic Labs up-listed from Euronext Growth to the main list of Oslo Stock Exchange (Oslo Børs). according to the Public Companies Act as required for listed companies, Elliptic Labs changed its legal name from Elliptic Laboratories AS to Elliptic Laboratories ASA.

In March 2022 China is again shutting down their cities due to an out brake of the COVID 19 virus. Making it difficult to predict what kind of impact it will have on Elliptic Labs revenue. In 2020 planned launches were cancelled or postponed and volume-based contracts ended with lower volume than calculated, so far no shutdown of production has incurred. The company continue to monitor the situation.

24 February 2022 Russia invaded Ukraine. The invasion does not relate to conditions existing at the end of the reporting period, and is thus classified as a non-adjusting event according to IAS 10.

Elliptic Labs has neither customers nor suppliers in Russia nor Ukraine and have concluded that there is no need to make post period end impairments or any other adjustments to the financial figures. However, as the war continues Ukraines production of neon, palladium, and C4F6, three materials crucial for microchips, could be impacted by the situation and thus further delay semiconductor production, indirectly affecting Elliptic Labs through its customers. It is too early to make a reasonable estimate of the effect of these events, but the Board of Directors remains positive about the future outlook for Elliptic Labs.

Outlook

Elliptic Labs sees increasing demand for its AI Virtual Smart Sensors Platform in new verticals and in new geographical areas, broadening the market opportunity and diversifying risk going forward. The company is continuing expansion in the smartphone market and is building its next key growth vertical in Laptop/PCs, while introducing technologies to the IoT market. Further opportunities for growth are also identified in additional verticals such as automotive. These new markets offer significantly higher price points compared to the smartphone market and represent a large and valuable opportunities for Elliptic Labs' AI Virtual Smart Sensors. In sum, these market drivers lay out a clear path towards reaching the company's long-term growth targets.

Being exclusively a software company, Elliptic Labs is resistant against direct implications of the supply chain issues currently seen in the market. Still, customers and partners are affected to a larger extent, and with the recent global geopolitical and pandemic related events, anticipated business is harder to predict accurately in the shorter term.

Oslo, 27 April 2022
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, with effect from the listing, 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 guidelines for the determination of salaries and other remuneration to executive personnel, and manuals for the handling of inside information and other disclosure obligations applicable to companies with shares listed on the Oslo Stock Exchange. 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 2021, the Company's equity was mNOK 343, which is equivalent to 92% 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 and 2021, or to date 2022.

Share capital increases and issuance of shares

Under both the NPLCA and the Norwegian Private Limited Liability Companies Act (together, the "**Companies Acts**"), 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 authorised for up to two years.

In the annual general meeting held on 6 May 2021 the Board was granted an authorization to increase the share capital of the Company in one or more rounds, by up to NOK 190,000 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. A total par value of NOK 40,000 may be used as part of the Company's incentive program. The authorization is valid until the annual general meeting in 2022, however in any event no later than until 30 June 2022.

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

- On 18 August 2021, 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 4,740 through the issuance of 47,400 new shares, each with a par value of NOK 0.10. Following the registration of the share capital increase, the Company's total share capital was NOK 964,136.10, divided into 9,641,361 shares, each with a par value of NOK 0.10.
- On 8 September 2021, the Board resolved to increase the share capital in connection with a private placement raising gross proceeds of approximately mNOK 150 to the Company. The share capital was increased by NOK 67,264.60 through the issuance of 672,646 shares, each with a par value of NOK 0.10. Following the registration of the share capital increase, the Company's total share capital was NOK 1,031,400.70, divided into 10,314,007 shares, each with a par value of NOK 0.10.
- On 11 November 2021, 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 7,018.10 through the issuance of 701,810 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 1,038,418.80, divided into 103,841,880 shares, each with a par value of NOK 0.01. The latter share capital increase was carried out after a share split with a ratio of 1:10.

Following the three share capital increases, the remaining amount of the Board authorization to increase the Company's share capital was NOK 110,977.30.

The Board authorization granted by the annual general meeting in 2021 to increase the share capital is not limited to a single defined purpose, as the resolution by the general meeting mentions several purposes, however so that a total of NOK 40,000 under the authorization is reserved for the Company's incentive program. The Board is of the opinion that it is in the best interest of the Company and its shareholders that the Board has flexibility to use its authorizations as considered necessary and beneficial from time to time, always considering the interests of the Company and its shareholders. Hence, it is the Board's intention to propose that the annual general meeting in 2022 grants the Board an authorization to increase the Company's share capital for the same defined purposes. This represents a deviation from the Corporate Governance Code, which states that such authorizations should be limited to one defined purpose.

When the general meeting is to pass resolutions on 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 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 Companies Acts, 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 2022 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 three occasions, namely the aforementioned share capital increases resolved by the Board on 18 August, 8 September and 11 November 2021, respectively. To attain the purpose of such share capital increases, the deviations from the shareholders' pre-emptive rights were considered by the Board to be in the common interest of the Company and its shareholders.

Trading in own shares

Under the Companies' Acts, the general meeting may authorize the Board of Directors to repurchase the Company's shares. Such authorizations should 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 6 May 2021 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 80,000. 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 0.10 and not more than NOK 500. The authorization is valid until the Company's annual general meeting in 2022, however in any event no later than until 30 June 2022.

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. The Board is of the opinion that it is in the best interest of the Company that the Board has flexibility to use its authorizations as considered necessary and beneficial from time to time always considering the interests of the Company's shareholders. Hence, it is the Board's intention to propose that the annual general meeting in 2022 grants the Board an authorization to increase the Company's share capital for the same defined purposes. This represents a deviation from the Corporate Governance Code, which states that such authorizations should be limited to one defined purpose.

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 the Market Abuse Regulation ("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 support information on the resolutions to be considered at the general meeting, shall as a principal rule be sent to shareholders 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. The notice and support information, as well as a proxy voting form, shall be made available on the Company's website no later than 21 days prior to the date of the general 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 five days before the meeting.

As the Company's shares were listed on the Oslo Stock Exchange on 4 March 2022, the principal rule of notifying the shareholders 21 days prior to the date of the general meeting has not applied to former general meetings. Prior to such listing, the Company summoned its shareholders through notices of general meetings at least 7 days prior to the date of the relevant general meeting, in accordance with the Norwegian Private Limited Liability Companies Act. The notices of the general meetings have been published on NewsWeb, made available on the Company's webpage www.ellipticlabs.com, and been sent to all shareholders with known addresses.

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 (if and when established) 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 previous annual general meeting in Elliptic Laboratories ASA was held on Thursday, 6 May 2021 at 16.00 CET. Due to the Covid-19 pandemic, the annual general meeting of the Company was held as a digital meeting in accordance with applicable regulations. At the annual general meeting in 2021, 28.9% of the outstanding shares were represented.

Nomination Committee

The Company has currently not established a nomination committee, which represents a deviation from the Corporate Governance Code. The Board has decided propose to establish such a committee in connection with the annual general meeting in 2022. Prior to the establishment of a nomination committee, the Board aims to constructively engage with shareholders to ensure the interests of the shareholder base are taken into account in regard of the composition of the Board of Directors.

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.

As at 31 December 2021, the Board of Directors consisted of four men and one woman. Following a change of the Board composition at the extraordinary general meeting held on 18 January 2022, the Board now consists of three men and two women. The following persons comprise the Board of Directors, all of which are proposed re-elected by the annual general meeting in 2022 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, and Edvin Austbø, member of the Board Member, all of the Board Members are independent of the Company's main shareholders. 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 2021, the board held 12 ordinary meetings and 0 extraordinary meetings.

The audit committee

The Company's audit committee is governed by 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 recommenda-tions to the board of directors, but the board of directors retains responsibility for implementing such recommen-dations. The audit committee shall comprise of two Board Members who are appointed for a 2 year term. The appointed member of the audit committee are Ingrid Leisner (chair), Berit Svendsen (board member). The composition of the Company’s audit commit-tee is fully compliant with the requirements for qualifica-tions and competence in accounting and auditing set out in the Norwegian Public Limited Companies Act and is also compliant with the Corporate Governance Code.

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 of 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.

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, 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 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.

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 year ended 31 December 2021, the members and the chair of the Board of Directors are each expected to receive NOK 250 000 and NOK 150 000 in remuneration, respectively, subject to a resolution by the annual general meeting in 2022.

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 a cap. Share based incentive schemes are limited by a maximum number of shares in the Company that can be allocated.

The Board of Directors has, subject to and with effect from the Listing, established a remuneration committee composed of two Board Members, see section 9 The work of the Board of Directors above for further details on the composition of the committee. 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 of Directors 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 6-16a of the NPLCA were approved by the extraordinary general meeting on 18 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 its annual general meeting 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 published on the Company's website at the latest 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 by the general meeting in 2018 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 and proposals for improvement) and submit 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 has been subject to a disagreement between the auditor and the Company's 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.

Out 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. 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 therefore 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.

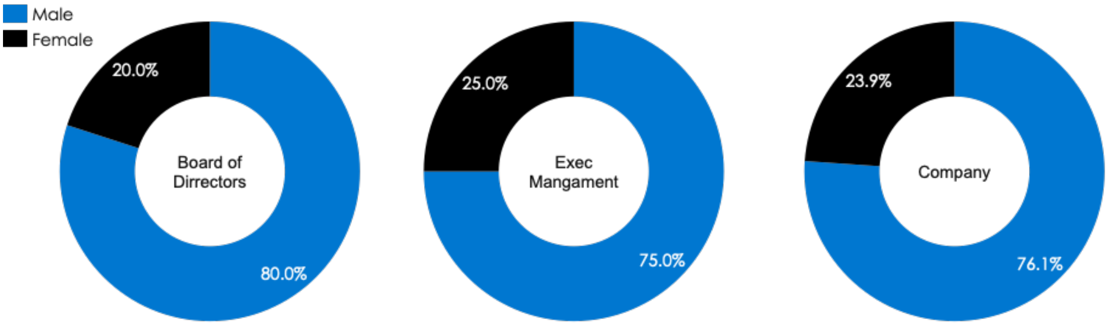
The Group has the ambition to establish a full overview of the key environmental parameters during 2022 so that these numbers can be reported in the Annual Report for 2022. These parameters will be divided into Scope 1, Scope 2 and Scope 3

People

Elliptic Labs is an 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.

The working environment has been good in 2021 and it has not been necessary to implement improvement measures. There have been no injuries or accidents in 2021. Elliptic Labs had 1.4% (0,6%) absence due to sick leave in 2021. The relatively high sick leave percentage in 2021 is due to COVID-19 related cases and one long term sick leave. 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 76.1% male employees, and 23.9% female employees.



The Board of Directors changed its members in January 2022 and comprises now of 40% female and 60% male members.

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, with one exception:

- The Company has not established a nomination committee.

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.

Consolidated financial statements

Consolidated statement of comprehensive income

For the financial period ended 31 December 2021 and 31 December 2020.

(Amounts in 000 NOK)	**Notes**	**2021**	**2020**
Revenues from contracts with customers		54 598	30 215
Other operating income		8 438	14 517
Total revenue and other operating income	2	**63 036**	**44 732**
Employee benefits expenses	11	-50 807	-35 866
Other operating expenses	4	-15 058	-13 529
EBITDA	19	**-2 829**	**-4 663**
Depreciation and amortisation	7,15	-8 311	-5 439
Operating expenses		**-74 176**	**-54 834**
Operating profit		**-11 140**	**-10 102**
Financial income	5	3 730	1 852
Financial expenses	5	-5 683	-7 307
Net financial income/(expenses)		**-1 953**	**-5 455**
Profit/(loss) before tax		**-13 092**	**-15 557**
Income tax expense	6	1 878	3 047
Profit/(loss)		**-11 214**	**-12 510**
Other comprehensive income:			
Foreign currency rate changes, may be reclassified to profit or loss		59	-47
Other comprehensive income, net of tax		**59**	**-47**
Total comprehensive income for the period		**-11 156**	**-12 557**
Loss for the period is attributable to:			
Equity holders of the parent company		**-11 156**	**-12 557**
Earnings per share outstanding*		-0,11	-0,14
Earnings per share fully diluted*		-0,11	-0,14

**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	31/12/2021	31/12/2020
Non-current assets			
Deferred tax assets	6	62 534	59 807
Intangible assets	7	36 564	28 241
Right of use assets	15	2 790	5 023
Other non-current receivables		4 517	4 050
Total non-current assets		**106 406**	**97 121**
Current assets			
Current trade receivables	9	29 025	427
Other current receivables	9	17 773	21 451
Cash and cash equivalents	10	218 151	99 724
Total current assets		**264 949**	**121 601**
Total assets		**371 356**	**218 722**
Equity and liabilities			
Share capital	13	1 038	958
Other equity		341 731	187 146
Total equity		**342 769**	**188 104**
Non-current lease liabilities	15	530	3 002
Non-current borrowings	14	10 000	14 000
Total non-current liabilities		**10 530**	**17 002**
Current borrowings	14	4 000	4 000
Trade and other current payables		3 029	989
Current tax liabilities		—	205
Current lease liabilities	15	2 611	2 203
Other current liabilities	17	8 416	6 219
Total current liabilities		**18 056**	**13 616**
Total equity and liabilities		**371 356**	**218 722**

Oslo, 27 April 2022
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.

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**

For a more detailed description of the most significant transactions in 2021 please see section **Share capital increases and issuance of shares** in the **Corporate Governance report .**

2020 (Amounts in 000 NOK)	Share capital	Other paid in capital	Other equity	Translation reserve	Total equity
Shareholders' equity at 01.01.2020	**875**	**70 644**	**8 766**	**-252**	**80 033**
Profit (loss) for the period	—	—	-12 510	—	-12 510
Other comprehensive income for the period	—	—	—	-47	-47
Total comprehensive income for the period	**—**	**—**	**-12 510**	**-47**	**-12 557**
Transactions with owners:					
Capital increase through issuance of ordinary shares	83	124 957	—	—	125 040
Transactions costs related to issuance of ordinary shares, net of tax	—	-8 448	—	—	-8 448
Employee share schemes	—	—	4 036	—	4 036
Shareholders' equity at 31.12.2020	**958**	**187 153**	**292**	**-299**	**188 104**

Consolidated statement of cash flows

For the financial period ended 31 December 2021 and 2020.

(Amounts in 000 NOK)	**Notes**	**2021**	**2020**
Cash flow from operating activities			
Profit/(loss) before tax		-13 092	-15 557
Adjustment for:			
Taxes paid in the period		-12	-549
Depreciation and amortisation	7, 15	8 311	5 439
Share-based payments	12	10 349	4 037
Items classified as financing activities	5	653	2 170
Change in current trade receivables		-28 599	-451
Change in trade payables		2 040	154
Change in other accruals		9 528	-1 921
Net cash flows from operating activities		**-10 822**	**-6 678**
Cash flow from investing activities			
Capitalized development costs	7	-17 610	-15 103
Net cash flows from investing activities		**-17 610**	**-15 103**
Cash flow from financing activities			
Payments of lease liabilities, classified as financing activities	14, 15	-2 232	-2 232
Repayments of current borrowings	15	-4 000	-25 000
Proceeds from issuing shares	8	162 218	125 040
Payments for share issue costs	8	-8 533	-8 448
Interests paid, classified as financing activities	5	-653	-2 170
Net cash flows from financing activities		**146 800**	**87 190**
Net Change in Cash and Cash Equivalents		**118 368**	**65 409**
Cash and cash equivalents at the beginning of the period		99 724	34 362
Effect of foreign currency rate changes on cash and cash equivalents		59	-47
Cash and cash equivalents at the end of period		**218 151**	**99 724**

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)	**2021**	**2020**
Cash and cash equivalents	-218 151	-99 724
Non-current borrowings	10 000	14 000
Current borrowings	4 000	4 000
Lease liabilities	3 142	5 205
Net debt	**-201 009**	**-76 519**
Net debt 01.01.	**-76 519**	**16 324**
Net change in cash and cash equivalents	-118 368	-65 409
Net cash flows related to borrowings	-4 000	-25 431
Net cash flows related to lease liabilities	-2 064	-2 050
FX effects	-59	47
Net debt	**-201 009**	**-76 519**

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 2021.

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 2021 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)	2021	2020
Revenues recognised over time	4 809	441
Revenue recognised at point in time	49 789	29 774
Total revenue	**54 598**	**30 215**

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 2021 and 2020, the majority of the contracts from which revenue was recognized were of the minimum fixed fee character.

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

As of 31.12.2021 and 31.12.2020 all commenced contracts were completed and performance obligations were fully satisfied.

The Group has only one operating segment in 2021 and 2020.

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)	2021	2020
Recognized as income from other sources	8 438	14 517
Reduction of capitalized patents	6	208
Reduction of capitalized development	3 208	—
Recognized as payroll cost reduction	565	4 007
Recognized as other cost reduction	977	536
Total government grants	**13 194**	**19 268**

Note 4–Other operating expenses

Other operating expenses consists of the following entries:

(Amounts in 000 NOK)	2021	2020
Sales and marketing expenses	4 750	3 734
Short-term lease expenses	730	758
Electricity, heating and other property expenses	899	1 114
Consultants	2 834	2 447
Auditor	1 193	558
Legal	1 564	2 585
Patents	520	356
IT/Software	2 504	2 094
Other expenses	1 041	419
Government grants recognized as other cost reduction	-977	-536
Total other operating expenses	**15 058**	**13 529**

Note 5–Financial income and financial expenses

(Amounts in 000 NOK)	**2021**	**2020**
Financial income		
Interest income	348	199
Financial income	—	—
Foreign Exchange gains	3 382	1 653
Total financial income	**3 730**	**1 852**
Financial expenses		
Interest expense on bank loan	653	2 170
Lease interest expense	543	543
Other Financial expenses	257	352
Foreign Exchange losses	4 230	4 242
Total financial expenses	**5 683**	**7 307**

Note 6–Tax

(Amounts in 000 NOK)	**2021**	**2020**
Current tax liabilities	-745	205
Other items	1 594	386
Change in deferred tax assets	-2 727	-3 638
Total tax (income)/expense	**-1 878**	**-3 047**

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

Deferred tax:	**2021**	**2020**
Intangible assets	—	—
Receivables	—	—
Other	—	—
Total deferred tax relating to temporary differences	—	—
Carrying value deferred tax liabilities	**—**	**—**

(Amounts in 000 NOK)	**2021**	**2020**
Deferred tax assets:		
Intangible assets	1 178	443
Receivables	—	—
Other	77	—
Losses carried forward	61 985	60 079
Total deferred tax assets relating to temporary differences and losses carried forward	**63 240**	**60 522**
Non-recognised deferred tax assets relating to losses and precluded interest deductions carried forward	-706	-715
Carrying value deferred tax assets	**62 534**	**59 807**

Explanation of the change in the deferred tax:	**2021**	**2020**
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:	**2021**	**2020**
Carrying value deferred tax assets at 01.01	59 807	56 169
Change in deferred tax assets	2 727	3 638
Carrying value deferred tax assets at 31 December	**62 534**	**59 807**

Losses carried forward as of 31.12		
Expiration year	**n.a**	**n.a**
Unlimited carry forward period	61 279	59 364
Total losses carried forward	**61 279**	**59 364**

Reconciliation of tax expense	**2021**	**2020**
Profit before tax	-13 092	-15 557
22 % tax in 2021	-2 880	-3 423
Tax effect of:		
Permanent differences (mainly non-taxable income)	-389	-53
Change in prior year estimates	1 594	386
Other/currency	-203	43
Calculated tax expense/ (Income)	**-1 878**	**-3 047**

Significant estimates

The deferred tax assets include an amount of mNOK 61,3 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 7,4 has been recognized in the income statement related to research and development activities in Elliptic Laboratories Group in 2021. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on profitability shown in Q4 2021, 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 2022 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 2020 the group expected to generate taxable income from 2021 and onwards. The main reason for not reaching that target is mainly due to higher investments than forecasted in new employees and development activities. These investments are expected to generate future profit. In addition the group incurred non-recurring costs related to the listing process in 2021.

Note 7–Intangible assets

(Amounts in 000 NOK)	Patents	Trademark	Capitalized developme nt	Total intangible assets
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	15 299
Amortization charges in the period	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**
Cost at 01.01.2020	**13 792**	**24**	**14 829**	**28 644**
Additions	1 211	—	13 684	14 895
Cost at 31.12.2020	**15 003**	**24**	**28 513**	**43 539**
Accumulated amortization charges 01.01.2020	10 706	6	1 381	12 092
Amortization charges in the period	241	—	2 966	3 206
Accumulated amortization charges 31.12.2020	**10 946**	**6**	**4 347**	**15 298**
Net booked value as at 31.12.2020	**4 056**	**18**	**24 166**	**28 241**
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 7,4 (7,2) has been recognized in the income statement related to research and development activities in Elliptic Laboratories Group in 2021. Additions has been reduced with mNOK 3,2 (0,2) as a result of government grants.

Note 8–Investments in subsidiaries

Subsidiaries	**Country**	**Business office**	**Voting percentage**		**Ownership percentage**	
			2021	**2020**	**2021**	**2020**
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)	**2021**	**2020**
Ageing of trade receivable:		
Up to 3 months	29 025	427
More than 3 months	—	—
Total trade receivable	**29 025**	**427**
Nominal value of trade receivables	29 025	427
Impairment of trade receivables	—	—
Total trade receivable	**29 025**	**427**
Other current receivables:		
Prepaid costs	77	3 650
Other current receivables	17 696	17 800
Total other current receivables	**17 773**	**21 451**

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 2021 or 1 January 2021 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)	**2021**	**2020**
Cash and cash equivalents	218 151	99 724
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	1 324	1 155
Not restricted cash	**216 827**	**98 569**

Note 11–Employee benefits expenses

Employee benefit expenses are set forth in the table below.

(Amounts in 000 NOK)	**2021**	**2020**
Salary expenses	49 209	42 704
Social security cost	3 823	3 496
Pension costs	1 526	1 500
Option costs	10 360	4 037
Other costs	1 848	1 821
Government grants	-565	-4 007
Capitalized development	-15 394	-13 684
Total employee benefits expenses	**50 807**	**35 866**
Average number of employees	52	49

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 8.6 and 9.4 for 2021 and 2020, respectively.

Remuneration to the auditor

(Amounts in 000 NOK)	**2021**	**2020**
Statutory audit (including technical assistance - annual accounts)	832	288
Other attestation services	187	209
Tax advice (including technical assistance corporate tax papers)	129	114
Other assistance	45	163
Total expensed auditor fees, ex. VAT	**1 193**	**775**

Note 12–Share option program

As of 31 December 2021, 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.

Granted in 2021 (shares)	**1 631 170**
Contractual life*	4,76
Strike price*	12,42
Share price*	17,28
Expected lifetime*	2,64
Volatility*	39,87 %
Interest rate*	0,76 %
Dividend*	0,00
FV per instrument*	71,17

*Weighted average parameters at grant of instrument

Specifications of options held by the executive management as of 31 December 2021 is disclosed in the Remuneration report.

	2021	**Weighted Average Strike Price**	**2020**	**Weighted Average Strike Price**
Outstanding at the beginning of the period	3 593 020	11,98	3 635 060	12,02
Exercised	-1 841 530	9,47	-2 000	15,00
Forfeited	-27 430	15,00	-285 730	15,00
Granted	1 631 170	12,88	245 690	15,00
Outstanding at the end of the period	**3 355 230**	**12,98**	**3 593 020**	**11,98**
Vested Closing Balance	1 304 240	12,06	734 490	4,56
Option program expensed for the year	**10 348 634**		**4 036 567**	

Outstanding / vested total options overview

Strike price	Outstanding instruments 31.12.2021	Weighted Average remaining contractual life (yrs)	Vested instruments Vested instruments 31.12.2021
3,80	225 110	1,49	208 350
10,00	300 000	1,25	300 000
11,10	815 000	4,11	0
12,16	100 000	4,34	0
15,00	1 665 120	2,28	795 890
17,84	250 000	4,47	0
	3 355 230		**1 304 240**

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 31.12.2021, the share capital amounts to NOK 1 038 418,80, consisting of 103 841 880 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 2021 is disclosed in the Remuneration report.

Overview of the largest shareholders as of 31 December 2021:

Shareholder name	Ordinary shares	Ownership
PASSESTA AS (Chairman of the Board Tore Engebretsen)	12 280 480	11,8 %
MP PENSJON PK	9 052 299	8,7 %
ALDEN AS (Board member Edvin Austbø)	7 403 330	7,1 %
HORNE	5 028 350	4,8 %
J.P. MORGAN BANK LUXEMBOURG S.A.	4 964 738	4,8 %
Other shareholders (less than 5% ownership)	65 112 683	62,7 %
Total	**103 841 880**	**100,0 %**

Shares as of 31.12	**2021**	**2020**
Number of issued shares	103 841 880	95 845 910
Number of shares outstanding	**103 841 880**	**95 845 910**

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**	

2020	Number of shares	Average number of shares	Number of days
Outstanding shares at 01.01	87 510 580	85 839 940	365
Capital increase	8 335 330	1 735 580	76
Outstanding shares at 31.12	**95 845 910**	**89 246 160**	

(Amounts in 000 NOK)	2021	2020
Profit & loss for the year due to holders of ordinary shares	-11 214	-12 510
Average number of shares - basic	98 328	89 246
EPS – Basic, NOK per share	**-0,11**	**-0,14**

Note 14–Interest-bearing liabilities

Amounts in 000 NOK	2021	2020
Non-current liabilities due > 1 year		
Non-current borrowings	10 578	15 025
Interest expense and fees	-578	-1 025
Non-current borrowings net of loan costs	**10 000**	**14 000**
Non-current liabilities due < 1 year		
Current borrowings	4 518	4 656
Interest expense and fees	-518	-656
Current borrowings net of loan costs	**4 000**	**4 000**
Current liability due < 1 Year		
Overdraft credit facility	—	1 359
Interest expense and fees	—	-1 359
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 31.12.2021 *(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

Loan Facility 31.12.2020 *(Amount in 000 NOK)*	**Loan origination date**	**Principle in local currency**	**Floating interest loan**	**Termination date**	**Carrying value**
Innovasjon Norge	27.03.2015	NOK	4,17% effective interest	10.06.2025	18 000

The following table shows the undiscounted payment profile of the Group's debt, based on the remaining loan period at the balance sheet date. Payment profile on debts to credit institutions per 31.12.2021:

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**

Payment profile on debts to credit institutions per 31.12.2020:

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

Note 15–Leasing

The balance sheet shows the following amounts relating to leases (Amounts in 000 NOK)	**2021**	**2020**
Right of use assets:		
Property	2 790	5 023
Total	**2 790**	**5 023**
Lease liabilities:		
Current	2 611	2 203
Non-current	530	3 002
Total	**3 142**	**5 205**

Additions to the lease liabilities and right-of-use assets in 2021 and 2020 were NOK 0.

Amounts recognised in the statement of profit or loss (Amounts in 000 NOK)	2021	2020
Depreciation charge of right-of-use assets:		
Property	2 232	2 232
Total	**2 232**	**2 232**
Lease expenses:		
Interest expense	543	543
Expenses relating to short-term leases	1 254	1 268
Expenses relating to leases of low-value	3 763	3 803
Total	**5 560**	**5 614**
Net lease payments recognised in profit and loss	**1 265**	**1 355**

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 31.12.21:

Amounts in 000 NOK	2022	2023	Total
Installments	2 611	530	3 142
Interests	543	136	679
Total installment	**3 154**	**666**	**3 821**

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 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**

Financial instruments as of 31 December 2020 *(Amounts in 000 NOK)*	**Financial assets measured at amortised cost**	**Financial Liabilities measured at amortised cost**	**Total**
Other current receivables	21 451	—	21 451
Current trade receivables	427	—	427
Cash and cash equivalents	99 724	—	99 724
Total financial assets	**121 601**	**—**	**121 601**
Borrowings	—	18 000	18 000
Trade and other current payables	—	989	989
Total financial liabilities	**—**	**18 989**	**18 989**

a) Market risk

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

Foreign exchange risk

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

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

b) Credit risk

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

c) Liquidity risk

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

To be able to maintain a sufficient flexibility in the source of funding, the Group has borrowing facilities of mNOK 14.0 in 2021 (18.0 in 2020). The Group had cash and cash equivalents of mNOK 218.2 in 2021 (98.6 in 2020).

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	**2021**	**2020**
Accrued vacation pay	3 812	3 916
Accrued costs	2 294	225
Accrued public taxes	2 309	2 077
Total other current liabilities	**8 416**	**6 219**

Note 18–Events after the balance sheet date

In the first quarter 2022 the Elliptic Labs and the global market leader Lenovo in the PC/Laptops market jointly announced that Elliptic Labs' presence detection, "Virtual Presence Sensor", functionality was launched on Lenovo's bestseller model ThinkPad T14.

On March 4, 2022 Elliptic Labs up-listed from Euronext Growth to the main list of Oslo Stock Exchange (Oslo Børs). according to the Public Companies Act as required for listed companies, Elliptic Labs changed its legal name from Elliptic Laboratories AS to Elliptic Laboratories ASA.

In March 2022 China is again shutting down their cities due to an out brake of the COVID 19 virus. Making it difficult to predict what kind of impact it will have on Elliptic Labs revenue. In 2020 planned launches were cancelled or postponed and volume-based contracts ended with lower volume than calculated, so far no shutdown of production has incurred. The company continue to monitor the situation.

24 February 2022 Russia invaded Ukraine. The invasion does not relate to conditions existing at the end of the reporting period, and is thus classified as a non-adjusting event according to IAS 10.

Elliptic Labs has neither customers nor suppliers in Russia nor Ukraine and have concluded that there is no need to make post period end impairments or any other adjustments to the financial figures. However, as the war continues Ukraine's production of neon, palladium, and C4F6, three materials crucial for microchips, could be impacted by the situation and thus further delay semiconductor production, indirectly affecting Elliptic Labs through its customers. It is too early to make a reasonable estimate of the effect of these events, but the Board of Directors remains positive about the future outlook for Elliptic Labs.

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)	**2021**	**2020**
Revenues from contracts with customers	54 598	30 215
Other operating income	8 438	14 517
Total revenue and other operating income	**63 036**	**44 732**
Employee benefits expenses	-50 807	-35 866
Other operating expenses	-15 058	-13 529
EBITDA	**-2 829**	**-4 663**

Financial statements of the parent company

Income statement

For the financial period ended 31 December.

(Amounts in 000 NOK)	Notes	2021	2020
Revenues from contracts with customers		54 598	30 215
Other operating income		8 438	14 517
Total revenue and other operating income		**63 036**	**44 732**
Employee benefits expenses	11	-38 144	-22 086
Depreciation, amortisation	2	-8 311	-5 439
Other operating expenses		-28 423	-28 062
Total operating expenses		**-74 878**	**-55 586**
Operating profit		**-11 842**	**-10 854**
Other financial income	12	3 688	1 867
Other financial expense	12	-5 683	-7 307
Net financial income/(expenses)		**-1 994**	**-5 440**
Profit/(loss) before tax		**-13 836**	**-16 295**
Income tax expense	10	940	3 638
Net profit/(loss) for the year		**-12 896**	**-12 656**

Total comprehensive income for the period		**-12 896**	**-12 656**
Allocated as follows:			
Other equity		12 896	12 656
Total allocated		**12 896**	**12 656**

Balance sheet at 31 December

ASSETS (Amounts in 000 NOK)	Notes	31/12/2021	31/12/2020
Intangible assets	2	36 554	28 231
Deferred tax asset	10	62 534	59 807
Total intangible assets		**99 088**	**88 038**
Right of use assets		2 790	5 023
Total tangible assets		**2 790**	**5 023**
Investments in subsidiaries	3	1	1
Other non-current financial assets		4 517	4 050
Total financial non-current assets		**4 518**	**4 051**
TOTAL NON-CURRENT ASSETS		**106 396**	**97 111**
Current trade receivables	4	29 025	427
Other receivables		17 028	21 451
Intercompany receivables		—	—
Total receivables		**46 054**	**21 877**
Cash and cash equivalents	6	**213 410**	**98 707**
TOTAL CURRENT ASSETS		**259 464**	**120 584**
TOTAL ASSETS		**365 860**	**217 695**

Balance sheet at 31 December

EQUITY AND LIABILITIES (Amounts in 000 NOK)	Notes	31/12/2021	31/12/2020
Share capital	7,8	1 038	958
Other equity		337 733	184 888
TOTAL EQUITY		**338 771**	**185 846**
Non-current lease liabilities		530	3 002
Other non-current borrowings	4	10 000	14 000
Other non-current borrowings		**10 530**	**17 002**
Liabilities to group companies	5	226	2 995
Trade creditors		3 029	989
Current tax liabilities	10	—	—
Current lease liabilities		2 611	2 203
Other current liabilities		10 693	8 660
Total current liabilities		**16 559**	**14 847**
TOTAL LIABILITIES		**27 089**	**31 849**
TOTAL EQUITY AND LIABILITIES		**365 860**	**217 695**

Oslo, 27 April 2022
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 2021 and 2020.

(Amounts in 000 NOK)	Notes	2021	2020
Cash flow from operating activities:			
Profit/(loss) before tax		-13 836	-16 295
Adjustment for:			
Taxes paid in the period		—	—
Depreciation, amortisation	2,15	8 311	5 439
Share based payments	7	10 349	4 037
Items classified as financing activities	12	653	2 170
Change in current trade receivables		-28 599	-451
Change in trade payables		2 040	154
Change in other accruals		6 595	-2 645
Net cash flow from operating activities		**-14 487**	**-7 591**
Cash flow from investing activities:			
Capitalized development costs	2	-17 610	-15 103
Net cash flow from investing activities		**-17 610**	**-15 103**
Cash flow from financing activities:			
Repayments of current borrowings		-4 000	-25 000
Payments of lease liabilities, classified as financing activities	15	-2 232	-2 232
Proceeds from issuing shares		162 218	125 040
Payments for share issue costs		-8 533	-8 448
Interests paid, classified as financing activities	12	-653	-2 170
Net cash flow from financing activities		**146 800**	**87 190**
Net Change in Cash and Cash Equivalents		**114 703**	**64 496**
Cash and cash equivalents at the beginning of the period		98 707	34 210
Cash and cash equivalents at the end of period		**213 410**	**98 707**

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.	14 993	24	28 513	43 530
Additions	2 211	—	12 192	**14 403**
Cost at 31.12.	17 204	24	40 705	**57 933**
Accumulated amortisation 31.12.	11 322	6	10 049	**21 377**
Net book value per. 31.12.	**5 882**	**18**	**30 656**	**36 556**
Amortisation in the year	376	—	5 703	**6 079**
-	5	5	5	
Amortisation method:	Straight-line	Straight-line	Straight-line	

Research and development expenses totalling mNOK 7,4(7,2) have been expensed in the year. Activites relates to development of new mobil applications and software. Accumulated total earnings from ongoing development projects are expected to correspond to total expenses incurred. Additions has been reduces with mNOK 3.2 (0.2) 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 %	3 515	1 682	1
Balance sheet value 31.12.					**1**

Note 4–Debtors and liabilities

Amounts in 000 NOK	2021	2020
Debtors which fall due within one year	4 000	4 000
Debtors which fall due later than one year	10 000	14 000
Total	**14 000**	**18 000**

	2021	2020
Liabilities secured by assets	**14 000**	**18 000**

Balance sheet value of assets placed as securities	2021	2020
Current trade receivables	6 314	427
Total	**6 314**	**427**

Note 5–Balance with Group companies etc.

	Trade creditors		Other long-term liabilities	
Amounts in 000 NOK	**2021**	**2020**	**2021**	**2020**
Elliptic Laboratories INC	249	2 521	—	—
Healthy Pointers AS	—	—	474	474
Total	**249**	**2 521**	**474**	**474**

Note 6–Restricted cash

Amounts in 000 NOK	**2021**	**2020**
Restricted bank deposits for employee tax withholdings	1 324	1 155
Total	**1 324**	**1 155**

Note 7–Share capital and shareholder information

As of 31.12.2021, the share capital amounts to NOK 1 038 418,80, consisting of 103 841 880 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 2021 is disclosed in the Remuneration report.

Overview of the largest shareholders as of 31 December 2021:

Shareholder name	**Ordinary shares**	**Ownership**
PASSESTA AS (Chairman of the Board Tore Engebretsen)	12 280 480	11,8 %
MP PENSJON PK	9 052 299	8,7 %
ALDEN AS (Board member Edvin Austbø)	7 403 330	7,1 %
HORNE	5 028 350	4,8 %
J.P. MORGAN BANK LUXEMBOURG S.A.	4 964 738	4,8 %
Other shareholders (less than 5% ownership)	65 112 683	62,7 %
Total	**103 841 880**	**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.	**958**	**172 086**	**12 802**	**185 846**
Profit for the year	—	—	-12 896	-12 896
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**	**327 478**	**10 255**	**338 771**

For a more detailed description of the most significant transactions in 2021 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	**2021**	**2020**
Intangible assets	5 354	2 012
Right to use assets	351	—
Net temporary differences	5 705	2 012
Tax losses carried forward	281 748	269 838
Basis for deferred tax	**287 454**	**271 850**
Deferred tax	63 240	59 807
Deferred tax benefit not shown in the balance sheet	(706)	—
Deferred tax in the balance sheet	**62 534**	**59 807**

Components of the income tax expense:	**2021**	**2020**
Payable tax on this year's result	—	—
Total payable tax	**—**	**—**
Change in deferred tax based on original tax rate	-2 727	-3 638
Tax on transaction cost related to issuance of new shares, directly to equity	1 787	
Calculated tax expense/(Income)	**-940**	**-3 638**

Significant estimates

The deferred tax assets include an amount of mNOK 61.3 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 7.4 has been recognized in the income statement related to research and development activities in Elliptic Laboratories in 2021. 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 2022 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 2020 the company expected to generate taxable income from 2021 and onwards. The main reason for not reaching that target is mainly due to higher investments than forecasted in new hires and development activities. These investments are expected to contribute to the generation of future profit. In addition the Company incurred non-recurring costs related to the listing process in 2021.

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

Payroll expenses **Amounts in 000 NOK**	**2021**	**2020**
Salary expenses	38 515	31 170
Government grants	-565	-4 007
Social security cost	3 149	2 721
Capitalised development cost	-15 394	-13 684
Pension costs	1 292	1 207
Option costs	10 349	4 037
Other costs	797	642
Total payroll expense	**38 144**	**22 086**

The average number of employees in the accounting year have been 48 (40).

Expensed audit fee **Amounts in 000 NOK**	**2021**	**2020**
Statutory audit (including technical assistance - annual accounts)	832	288
Other attestation services	187	209
Other assistance	45	163
Total expensed auditor fees, ex. VAT	**1 064**	**660**

Note 12–Specification of financial income and expenses

Amounts in 000 NOK	**2021**	**2020**
Financial income		
Interest income	348	199
Financial income	—	—
Foreign Exchange gains	3 340	1 668
Total financial income	**3 688**	**1 867**
Financial expenses		
Interest expense on bank loan	653	2 170
Lease interest expense	543	543
Other Financial expense	257	352
Foreign Exchange losses	4 230	4 242
Total financial expenses	**5 683**	**7 307**

Note 13–Government grants

The company has applied for and received governmental grants in 2021 and 2020.

(Amounts in 000 NOK)	**2021**	**2020**
Recognized as income from other sources	8 438	14 517
Reduction of capitalized patents	6	208
Reduction of capitalized development	3 208	—
Recognized as payroll cost reduction	565	4 007
Recognized as other cost reduction	977	536
Total government grants	**13 194**	**19 268**

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)	**2021**	**2020**
a) Sales of goods and services		
Sales of services:	**1 015**	**861**
b) Purchases of goods and services		
Purchase of services:	**14 805**	**15 771**

Note 15–Leasing

The balance sheet shows the following amounts relating to leases *(Amounts in 000 NOK)*	**2021**	**2020**
Right of use assets:		
Property	2 790	5 023
Total	**2 790**	**5 023**
Lease liabilities:		
Current	2 611	2 203
Non-current	530	3 002
Total	**3 142**	**5 205**

Additions to the lease liabilities and right-of-use assets in 2021 and 2020 were NOK 0.

Amounts recognised in the statement of profit or loss *(Amounts in 000 NOK)*	**2021**	**2020**
Depreciation charge of right-of-use assets:		
Property	2 232	2 232
Total	**2 232**	**2 232**
Lease expenses:		
Interest expense	543	543
Expenses relating to short-term leases	1 254	1 268
Expenses relating to leases of low-value	3 763	3 803
Total	**5 560**	**5 614**
Net lease payments recognised in profit and loss	**1 265**	**1 355**

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 31.12.2021:

Amounts in 000 NOK	**2022**	**2023**	**Total**
Installments	2 611	530	**3 142**
Interests	543	136	**679**
Total installment	**3 154**	**666**	**3 821**

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 2021, the income statement and 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 statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2021, 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 financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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 laws and regulations 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 5 years from the election by the general meeting of the shareholders on 19 December 2017 for the accounting year 2017.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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.

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of deferred tax assets Deferred tax assets recognized in the consolidated balance sheet totaled 62 534 thousand NOK consisting mainly of 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, pursuant to budgets and medium-term plans prepared by the Group. The losses can be carried forward indefinitely and have no expiry date. The valuation of deferred tax assets requires exercise of management judgement, specifically as it relates to the estimated future operating profitability of operation. We identified valuation of deferred tax assets as a key audit matter due to the materiality of the estimates, as well as the judgement involved in making them. See further information in note 8 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 taxes. 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 tested the mathematical accuracy of calculations and reconciled key input to plans and other assumptions approved by management. We evaluated the appropriateness of key assumptions used in the forecasts. Our focus was especially on assumptions that are significant to future profitability, such as the development of net sales and expenses and the period of utilization of deferred tax assets. 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 recognized and unrecognized deferred tax assets and found these satisfactory. Our procedures did not identify material errors.

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 legal 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 or 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.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name "Elliptic Labs 2021 ESEF Annual Report.zip" have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (*Verdipapirhandelloven*) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We have conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 27 April 2022
PricewaterhouseCoopers AS

Eivind Nilsen
State Authorised Public Accountant
(This document is signed electronically)

Securely signed with Brevio

Auditor's report

Signers:

Name	*Method*	*Date*
Nilsen, Eivind	BANKID_MOBILE	2022-04-27 16:21

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